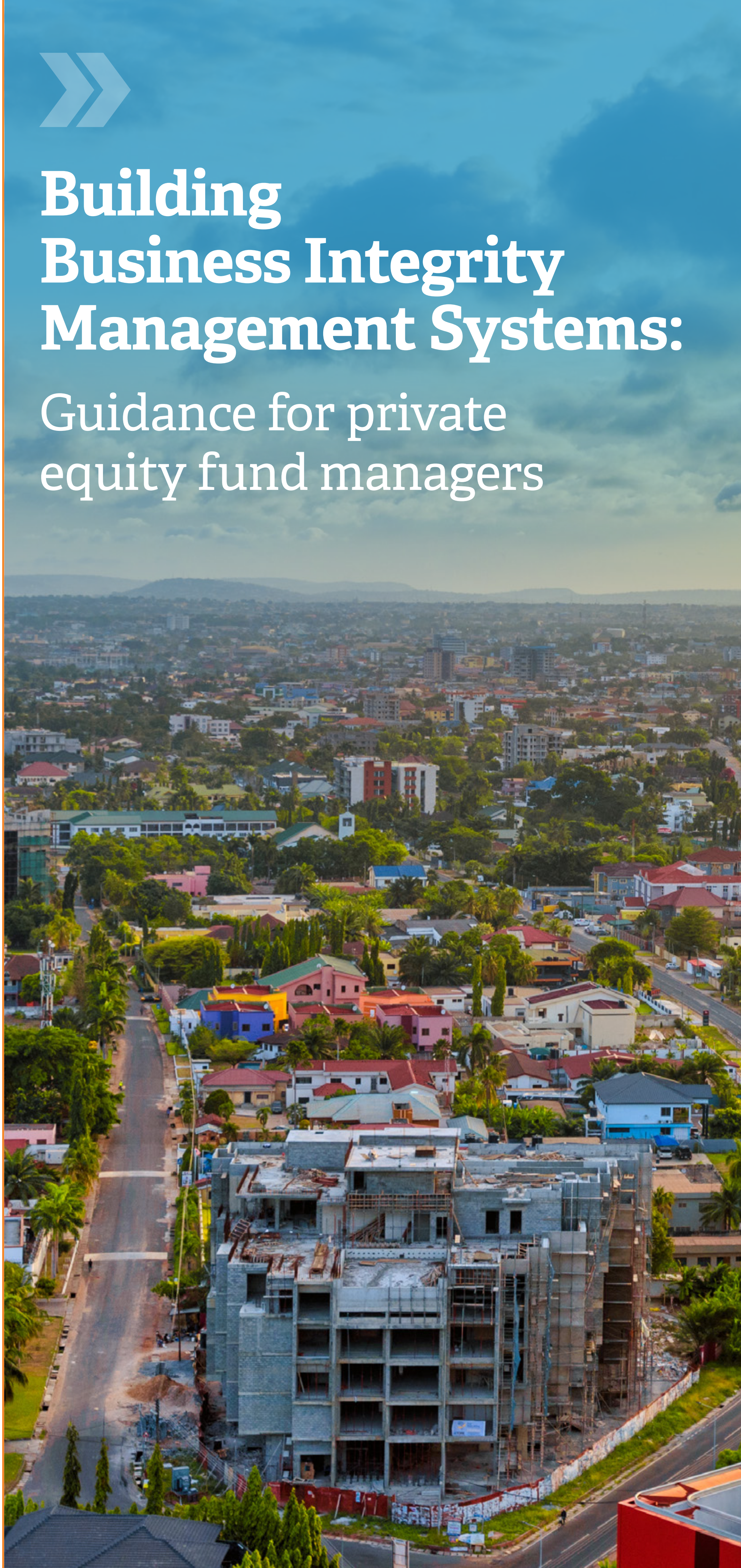
British International Investment

Guidance

Building Business Integrity Management Systems:

Guidance for private equity fund managers



March 2025

BII lead:
Odunayo Ayorinde

Contents

Who is this guidance for?

This guidance is for private equity fund manager teams that oversee business integrity and compliance or corporate governance functions. This can include Business Integrity Officers, Compliance, Finance and Legal teams, Managing Partners and Operations or Investment Officers.

What does this guidance cover?

Our aim is to provide guidance for developing a Business Integrity Management System (BIMS) for the fund and fund manager, tailored to their operations. It is not a prescriptive template but a supportive framework to help fund managers create a system aligned with their unique organisational structure, investment strategy, and operations.

This guidance covers the core principles, key components, and best practices for developing a BIMS. It can help fund managers to design an effective, scalable system. While this guidance offers a structured approach, it is up to each fund manager to adapt and implement it based on their specific needs and risk profile.

This guidance note has a two-part structure:

- **Part 1** identifies the fundamental elements/structure of a BIMS, such as roles and responsibilities. It can help structure the business integrity risk management framework at the fund or fund manager level.
- **Part 2** provides guidance to fund managers on how to conduct a business integrity risk assessment and develop a business integrity risk matrix for identifying, assessing and mitigating risks at the portfolio level. It also includes useful links to reference frameworks, toolkits, and indices.

Disclaimer

Foreword

As a responsible investor, we know that business integrity is not just about regulatory compliance. It is fundamental to building sustainable, resilient businesses that deliver financial returns and broader impact.

Strengthening governance and business integrity systems helps to improve company performance, reduce long-term costs and enhance development impact. High quality corporate governance boosts a company's reputation, improves internal controls, and ultimately helps secure commercial backing.

Fund managers play a crucial role in driving good business integrity performance within their portfolios and promoting best practice. Effectively managing business integrity risks, such as money laundering, corruption, fraud, and tax evasion, enables fund managers to deliver financial returns and development impact. However, many fund managers lack a structured approach to implementing business integrity.

This new guidance supports fund managers in integrating business integrity into their operations and investment processes. It provides practical steps and tools to develop a tailored Business Integrity Management System (BIMS) based on specific risks and strategies.

The guidance emphasises strong governance and accountability, defining clear roles and responsibilities at both the fund manager and portfolio company levels. It offers a structured methodology for conducting business integrity risk assessments, ensuring that integrity risks and governance lapses are proactively addressed throughout the investment lifecycle.

Additionally, the guidance encourages fund managers to consider emerging integrity challenges like data privacy, cybersecurity, AI ethics, and political exposure. By aligning with global standards including our Policy on Responsible Investing, this guidance helps fund managers comply with evolving regulations and meet investor expectations.

As investors demand higher standards of governance and risk management, this guidance equips fund managers with the tools to enhance transparency, build stronger investor relationships, and create long-term value. We hope it will support fund managers in navigating complex integrity challenges and foster trust in private equity markets.

Huma Yusuf

Director,
Business Integrity and
Corporate Governance

British International Investment

01

How to structure a Business Integrity Management System

Business integrity is an approach that recognises businesses need to operate in a transparent and ethical way to be successful. At BII, our Business Integrity team focuses on specific areas of risks which, when well managed, help fund managers to deliver both financial returns and development impact in line with our mission. These risks include money laundering, terrorist financing, corruption, fraud, tax evasion, sanctions breaches, reputational risks and other factors that prevent companies from doing business in a transparent and ethical way.

For further information, see our Policy on Responsible Investing and the ESG Toolkit for Fund Managers.

A well-designed BIMS should include the following:

Control page

This should include a date, version number, and signature, to establish a clear timeline for when the policy was created/updated and ensures the policy stays relevant. This information also helps with transparency and accountability, especially during audits or reviews. Having the BIMS signed by a senior member of the team or the Business Integrity Officer also signals leadership's endorsement and commitment, reinforcing the importance of the policy.

Contents page

This serves as a roadmap for the BIMS, providing a clear and structured overview of the key areas. It should use concise, descriptive headings that reflect the main sections and subsections, making navigation easy. When drafting the contents page, make sure it follow's the document's flow and concludes with supporting resources or annexes.

Introduction

The BIMS is a vital tool for managing business integrity risks, promoting responsible business practices, and ensuring compliance with applicable laws and standards. The introduction should include:

- An overview of business integrity risks covered in this manual, including higher risk areas for the fund manager
- A policy statement highlighting the fund manager's commitment to business integrity risk management and compliance with local and international laws
- Details on the scope and applicability of the BIMS
- An overview of the key BIMS elements, which will be covered in the following sections

Business Integrity Policy Statement

This section outlines the policy statement, its reference framework and key business integrity risks relevant to the operations and activities of the fund, fund manager, and portfolio companies. Fund managers should expand the definitions and key risk areas to address both existing and potential business integrity risks throughout the fund's lifecycle, including risk factors such as country and sector risks.

Sample/draft

Reference framework

[The fund manager] is committed to transparent and ethical practices, recognising business integrity risk management is key to the fund's success, resilience, and ability to deliver both financial returns and development impact. We also believe that sound risk management can help reduce regulatory action, lower employee turnover, boost productivity, align with consumer expectations, ease new market entry, and unlock additional capital, among other benefits.

Our definition of **Business Integrity Risks** includes financial crime risks and other factors that hinder transparent and ethical business practices, including risks linked to third-party relationships. Key business integrity risk areas covered in the BIMS include:

Inherent risk areas	Emerging risk areas
Bribery and corruption	Data privacy, including human rights risks in data practices
Fraud	Responsible Artificial Intelligence
Money laundering and terrorist financing	
Breaches of sanctions regimes	
Tax evasion and other criminal conduct	
Lapses in corporate governance	
Whistleblowing	
Cyber security and data protection	
Conflicts of interest	
Political exposure and political risks	
Regulatory and reputational risks stemming from or causing business integrity issues or concerns	

Through the BIMS, we commit to complying with the following standards:

1. Applicable national business integrity laws, including regulations preventing financial crime (e.g., extortion, bribery, fraud, corruption, tax evasion and, money laundering and terrorist financing).
2. Applicable sanctions laws, including the UK and UN Security Council sanction regimes.
3. Internationally recognised anti-financial crime international standards, guidance, and recommendations such as the UK FCA, OFAC, OECD and the Financial Action Task Force (FATF).
4. BII's Policy on Responsible Investing.

At a minimum, we will use this reference framework as a benchmark for implementing controls in the fund and fund manager's operations. This includes conducting business integrity due diligence, developing action plans, negotiating legal agreements and portfolio monitoring. Although portfolio companies may not comply with these standards at the point of our investment, we will use our best efforts, in line with our influence and control, to support portfolio companies to achieve appropriate compliance on a risk basis and in a reasonable timeframe, including through a legally binding action plan. When a portfolio company's activities change in scale or focus, we will reassess the applicability and implementation of these standards.

Risk governance and organisational capacity

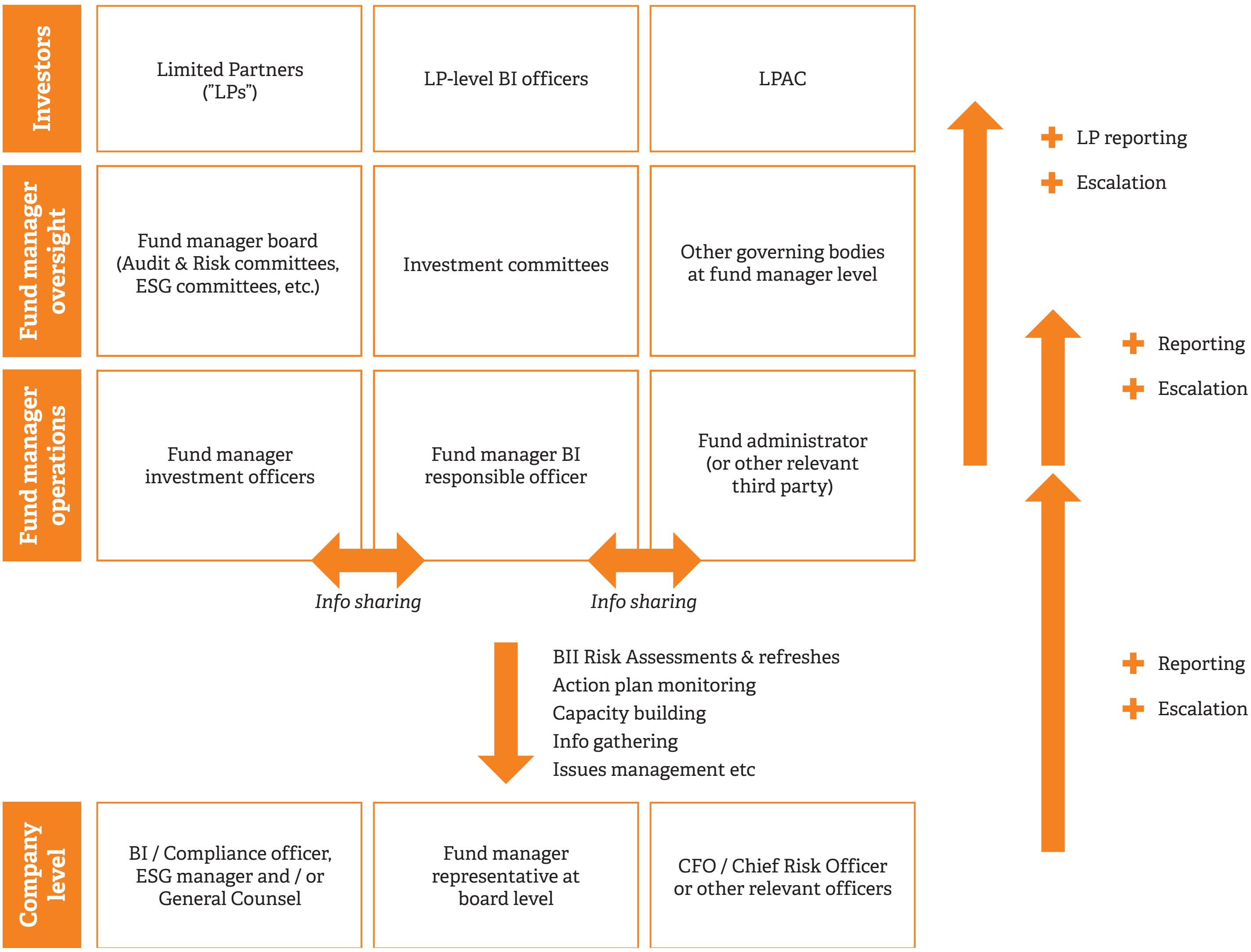
This section defines the key fund manager roles and responsibilities for business integrity risk management, including (but not limited to):

- Developing and implementing business integrity policies and controls, including the BIMS
- Approving and overseeing business integrity risk management policies and controls
- Monitoring business integrity risks
- Providing business integrity communication and training
- Reporting business integrity risks internally and externally

This section should outline how business integrity roles and responsibilities are distributed across the organisation. It should specify:

- Who serves as the Business Integrity Officer
- The roles of senior management, the investment team, key governance bodies (e.g., the investment committee, boards, limited partner advisory committee (LPAC), and relevant third parties (e.g., fund administrators) in managing business integrity risks
- The responsibilities and reporting lines for each role, including overlaps
- Who is responsible for business integrity due diligence, developing action plans, monitoring portfolio risks, and reporting to limited partners (LPs)

Below is a sample robust risk governance and organisation capacity framework:



Risk management policies, processes and procedure

The fund manager should establish and implement proportionate policies, processes and procedures to identify, investigate (where necessary), mitigate and manage business integrity risks and related issues and incidents. The framework should focus on the highest risk activities of the business, be dynamic and responsive to changing circumstances and business activities and, where appropriate, create opportunities for more positive business integrity outcomes. This section describes the fund manager's commitment to business integrity risk management through a formalised policy framework, including:

- A description of existing business integrity policies, codes and procedures
- A structured approach to ongoing policy development and updates that respond to changing or emerging risks

Sample/draft:

[The fund manager] has proportionate policies and procedures to identify and manage business integrity risks and related issues or incidents linked to fund activities and operations. The Business Integrity Officer is responsible for maintaining and implementing key policies, codes and procedures that govern business integrity risk management across the firm. Senior management provides oversight on policies, while the Business Integrity Officer ensures ongoing monitoring and compliance.

Our approach to business integrity risk management is defined by the following policies:

- To comply with all applicable local laws and regulations in the fund's country of operation. (See Regulatory Compliance Policy in Appendix __)
- To prohibit and take action to prevent all forms of corruption including payments or acceptance of bribes, facilitation payments, gifts and hospitality which contravenes our policy on Anti-Bribery & Corruption. (See ABC policy in Appendix __)
- To take action to prevent money laundering and any activities that may facilitate money laundering. (See AML policy in Appendix __)
- To abide by international sanctions and prevent exposures to sanctions risks. (See Sanctions Policy in Appendix __)

The Business Integrity Officer is responsible for ensuring employees and relevant stakeholders receive periodic training about business integrity policies and procedures, including the BIMS manual. Attendance at training sessions is monitored by the Business Integrity Officer and reported to the management team and as part of annual business integrity reporting to limited partners. The Business Integrity Officer regularly communicates these policies with the broader fund management team to reinforce the importance of business integrity integration across the investment cycle.

Communication and awareness

Fund managers should develop regular communication and training programmes on business integrity risk management that are aligned with the significance of these issues. These programmes should ensure that employees, senior management, and other relevant stakeholders, such as directors and third-party service providers, are well-informed about business integrity expectations, policies, and procedures.

Communications should be aligned with the business integrity risks in the fund's investment strategy, making sure that individuals at all levels have the necessary awareness and tools to identify, mitigate, and respond to business integrity-related issues. Fund managers should also ensure that training materials are accessible and tailored to different audiences and should monitor participation and assess effectiveness.

This section outlines the fund manager's commitment to ongoing business integrity awareness and capacity-building initiatives, including a commitment to conduct regular business integrity training sessions.

Business integrity risk management in the investment cycle

This section explains how the fund manager applies risk-based business integrity risk management throughout the investment lifecycle. It details the processes for identifying, assessing and monitoring business integrity risks across both pipeline and portfolio investments.

Effective business integrity risk management in the investment cycle includes i) risk identification, ii) risk assessment and iii) risk mitigation.

Risk identification (information gathering)

An effective risk management system builds a comprehensive picture of the risks a portfolio company faces. The fund manager must know when and how to gather information to identify these risks effectively. Information can come from a variety of sources:

- Public record: including media and online checks, sector risk assessments and industry publications, regulatory databases (e.g WorldCheck, DowJones), etc.
- Corporate intelligence: including referencing/source enquiries (covert or overt), integrity due diligence reports to understand track record and reputation, other due diligence reviews where business integrity risks or topics may be covered (financial, legal or tax due diligence, cyber threat assessments), etc.
- Market context: including country risk reports (World Bank Ease of Doing Business, Transparency International Corruption Perceptions Index), stakeholder mapping exercises, review and knowledge of the regulatory, economic and political environment.
- Company-specific information: including interviews with employees (business integrity/compliance/legal officer, senior management, operations teams, HR, etc.) and board members, review of investment memorandums, policies, etc.

Risk assessment

A risk assessment builds a comprehensive picture of the risks that an organisation faces, assesses the controls in place to manage and mitigate these, and evaluates the likelihood and impact of these risks. Risk assessments help in identifying gaps between the portfolio company's current performance and the Fund's reference framework - including national laws and LP requirements, such as BII's Policy on Responsible Investing - and addressing those gaps through bespoke risk mitigation controls.

Risk assessments should be proportionate to the operations of the portfolio company and be used to identify adequate risk mitigation and monitoring approaches.

These assessments are dynamic exercises and should start at screening stage and should be refreshed across the investment cycle as relevant – for instance, when the risk profile of a portfolio company materially changes e.g. market entry, change of strategy, entry into a new sector, new business activities, changes in the ownership and management structures, occurrence of a business integrity issue, for LP reporting, pre-exit etc.

A key component of this section is defining how identified risks are to be assessed and prioritised for risk mitigation based on their likelihood of occurrence and potential adverse impact should the risks materialise. See part 2 below on *how to conduct a business integrity risk assessment* which will guide in developing this section

Note that the entire Risk Assessment process must be formally documented thus this section should make references to templates/tools used by the Fund Manager to complete the exercise e.g.

- Integrity reports or summary documents
- Input for Investment Committee papers
- Fund Manager-level risk registers
- Risk matrix or heat map

Risk mitigation

Once risks are assessed and documented, the fund manager determines how to mitigate them based on risk level. This involves evaluating whether existing business integrity controls at the portfolio level are sufficient and identifying whether any new controls are needed. This section should outline the fund manager's formal risk mitigation approach (e.g., 100-day plan, Business Integrity Action plan. etc.) prioritising actions by the likelihood of a risk occurring and its potential impact on the company. For example:

- **High risks:** mitigated immediately/within 100 days
- **Medium risks:** mitigated between 3–6 months
- **Low risks:** mitigated between 6–12 months

Based on the likelihood and impact of a risk, the fund manager may choose to avoid, manage/mitigate or monitor risks on an ongoing basis.

Ongoing risk monitoring and portfolio management

Business integrity monitoring in portfolio companies should be risk-based and focus on identified and prioritised risks as well as new factors that could change the company's risk profile. This section should outline the fund manager's commitment to ongoing monitoring of business integrity risks and incidents within the portfolio. It should also describe the fund manager's approach for ensuring alignment with its risk governance framework.

This section should describe the role of nominee directors appointed to portfolio company's boards, outlining their responsibility to escalate material information, incidents, or 'red flags' – such as financial irregularities, conflicts of interest, or other business integrity violations – to the fund manager in a timely manner. It should also describe the reporting channels and escalation protocols in place, ensuring disclosures are reviewed, documented, and acted upon appropriately. Fund managers should also commit to training nominee directors on their fiduciary duties and responsibilities, reinforcing their role as a key link between governance and fund oversight.

Best practice monitoring methods for inclusion in the BIMS:

Company level

- Have a BI counterpart
- Implement and monitor action plans
- Proactive monitoring of portfolio-level risks:
  - Refresh risk assessments and KYC/DD/media checks
  - Maintain company-level risk registers
- Include BI in board agenda
- Company BI reporting
  - Through templates
  - Through board discussions
- Provide capacity-building / training
- Develop a mechanism for portfolio companies to report material BI breaches and incidents

Fund manager operations

- Gather information from investment officers and fund administrator
- Conduct portfolio deep-dives / portfolio monitoring reviews
- Maintain fund-wide risk registers
- Develop an approach to issue management

Fund manager oversight

- Include BI risk analysis in IC papers
- Discuss BI issues and considerations at board level or in other fund manager-linked governing bodies
- Escalate BI issues to governing bodies

Investors

- Submit annual BI reporting focused on fund, fund manager and portfolio information
- Immediate reporting of material BI incidents and issues
- Discuss conflicts and BI risks / issues as part of LPAC governance
- Keep all LPs informed of any material BI breaches at fund, fund manager or portfolio levels
- Reach out to LP-level BI teams for support and bespoke capacity building / training

Reporting to LPs

In compliance with the Limited Partnership Agreement (LPA) and side letters, fund managers should provide periodic reporting on business integrity risks and performance at the fund and portfolio level. This section should align with agreed reporting requirements and timelines outlining the fund manager's approach to transparent reporting and effective escalation of incidents to LPs.

Sample/draft:

Annual business integrity reporting

We will submit an annual business integrity report to LPs within [X] days of the end of each accounting period. This report will follow an agreed format, integrating annual reporting requirements and templates with all LPs, including BII. The report will cover business integrity performance at the fund, fund manager and portfolio company levels.

Serious incident reporting

We will immediately notify LPs of any serious incidents involving portfolio companies. These include, but are not limited to:

- Material financial crime including fraud, bribery and corruption, money laundering, terrorism financing and tax evasion
- Financial mismanagement
- Breach of applicable sanctions and exposure to a sanctioned entity
- Legal or regulatory breaches
- Serious cyber security and data protection breaches
- Criminal activity or enquiry from government enforcement authorities
- A material breach of the reference framework

Following a serious incident, a root-cause analysis will be completed and, on a best-effort basis, implement corrective actions intended to prevent a recurrence.

Grievance and whistleblowing mechanism

In line with BII's Policy on Responsible Investing, all investees must establish an effective whistleblowing mechanism to report significant concerns, for example, those linked to criminal activity, legal or regulatory breaches, corruption, fraud or financial mismanagement, negligence, or breaches of core company policy and procedures. The BIMS should define the fund manager's commitment to an effective whistleblowing framework and should describe both internal and external reporting mechanisms.

Sample/draft

The fund manager has grievance and whistleblowing mechanisms that allow internal and third-party stakeholders to raise concerns about the fund, fund manager and portfolio company activities. These mechanisms protect value within our portfolio by identifying and mitigating challenges as early as possible, sometimes before they become more material.

Grievances or whistleblowing reports can be submitted via [our website or equivalent open channel], and we will respond within an appropriate timeframe. If a complaint indicates a material breach of the fund's reference framework, we will conduct a formal investigation.

All complaints will be treated confidentially, and anonymous complaints are allowed. The fund manager will protect complainants from retaliation.

[Fund Manager can outline how to raise a grievance or whistleblowing report based on internal processes, or link to a relevant grievance and/or whistleblowing policy].

BIMS review

The effectiveness of the BIMS depends on regular reviews and updates to reflect changes to the fund manager's risk environment. This section should outline the fund manager's commitment to periodic reviews and best practice enhancements, with an appropriate governance framework.

Sample/draft

We will regularly assess the appropriateness of our BIMS manual in light of changing market dynamics and regulatory frameworks, or where any weaknesses has been identified. Any revisions will be reviewed and signed off by senior management. We will notify relevant LPs, including BII, before making any material changes.

02

How to conduct a Business Integrity Risk Assessment

A formal Business Integrity Risk Assessment documents the fund manager's approach for identifying, assessing, and managing business integrity risks effectively. By formalising its approach, fund managers can ensure adequate and formalised controls are in place to mitigate risks as they arise throughout the lifecycle of the fund. This enhances decision-making, safeguards investments, and upholds high standards of integrity.

Each fund operates under unique circumstances, with risks varying based on factors such as geography, sector, and investment strategy. Fund managers should use this guidance as the starting point for portfolio-level risk assessments, developing a customised approach that identifies, evaluates, and mitigates business integrity risks effectively.

The Business Integrity Risk Assessment Matrix (see downloadable template here) should be part of the fund manager's portfolio company assessment before and after investment. It considers various touchpoints that increase a company's exposure to business integrity risks (***Risk factors***). When using the template, assessors should consider the risk factors (and sample questions) on a risk basis to align them with the fund manager's needs.

The assessor should identify risks across a company's ownership/control and business operations and assess whether these risks have been mitigated and how (***Risk evaluation***). The assessor should also highlight the source of information on the risk mitigants (e.g., policies, processes, executed contracts, public record sources, court judgements, training programmes, board minutes, due diligence reports, call notes with company personnel, etc.) (***Means of verification***). The assessor should use this information to make a risk judgment on the company's potential business integrity exposures (***Likelihood of occurrence***) and the severity of the exposures to the company and/or the fund, should the risk materialise (***Impact***).

Once the risk assessment process is complete, the proposed investment should be assigned a risk rating based on the likelihood and impact analysis. This rating should guide the fund manager's next steps, which may include **avoid** (stop investment), **mitigate** (using condition precedents, condition subsequent, business integrity action plans, etc.) or **manage/monitor** (use legal clauses, periodic audits, annual monitoring reports, etc.).

Fund managers may establish a Risk Categorisation Framework based on international standards on Risk Rating scales. Below is an illustrative sample which can be adapted to suit the fund managers' own risk appetite:

Risk rating = Likelihood x Impact

Impact				
4 = severe	Medium high	Medium high	High	High
3 = major	Medium low	Medium high	Medium high	High
2 = moderate	Low	Medium low	Medium high	Medium high
1 = minor	Low	Low	Medium low	Medium high
	1 = unlikely	2 = possible	3 = likely	4 = almost certain
	Likelihood			

Highlighted risk factors explained

Country and geography risk

This considers business integrity risks driven by the location of incorporation and business activities of the company. Please refer to the following (non-exhaustive) guidance:

- Transparency International's Corruption Perceptions Index
- FATF High Risk and Monitored Jurisdictions
- Basel AML Index
- EU list of non-cooperative tax jurisdictions and tax havens
- UK list of high-risk third countries

Sector risk

Certain sectors are more susceptible to business integrity risks than others, such as the financial sector, extractive sector, etc. Assessors should adopt a risk-based approach to sector analysis based on the actual (current or future) activities of the company and the extent of these activities. Please refer to the following (non-exhaustive) guidance:

- BII's ESG Toolkit
- Several resources by Transparency International and other industry bodies on high-risk sectors and industries

Ownership and control

This considers the ownership and governance of the organisation, specifically the shareholders and controllers (individuals with executive control and influence on the company's affairs, such as senior management, directors, and promoters) including ultimate beneficial owners (UBOs). The assessor should identify these individuals or entities and assess risk factors that prevent this – such as complex ownership structures, special purpose vehicle (SPV) structures, family trusts, etc. The assessor should consider a risk-based approach to identification, verification and assessment of likelihood of business integrity or reputational risks posed by individuals or entities.

Fund managers should document their approach to identifying and verifying ownership and control in AML or Know Your Customer (KYC) policies and processes. These should consider the minimum international standard for ownership thresholds in customer due diligence. Please refer to the following (non-exhaustive) guidance:

- OECD Beneficial Ownership Toolkit
- FATF Guidance on Politically-Exposed Persons

To comply with BII requirements on sanctions, fund managers should, at a minimum, screen portfolio companies, shareholders and controllers, including UBOs against the following sanctions lists:

- United Kingdom
- United Kingdom
- United Nations
- European Union
- In case of exposure to the US and USD, the US OFAC SDN list and OFAC Consolidated Sanctions List (of non-SDN lists) should also be screened against.

Companies, shareholders, including UBOs, and controllers should be screened against sanctions lists on an ongoing basis. At a minimum, screening should take place at the time of investment and when ownership and/or management structures change.

Corporate Governance

This covers an assessment of the corporate governance structure of the company and any associated business integrity risks arising from ineffective oversight and direction from the board/management team. Please refer to the following (non-exhaustive) guidance:

- Corporate Governance Development Framework
- BII/FMO guidance on governance red flags in venture capital start-ups
- BII/FMO guidance on how to develop a phased governance framework for venture capital start-ups
- BII/FMO guidance on how to maintain good governance and oversight post-dilution

Business Integrity Management System

This examines the structure, oversight, and culture of the company and how these elements encourage or prevent business integrity risks in the company. It evaluates the effectiveness of the company's internal framework for identifying, mitigating, and managing business integrity risks. The assessor should assess the existence, robustness, and implementation of policies, procedures, and governance structures that promote ethical conduct and compliance. They should adopt a risk-based approach when reviewing the company's BIMS.

Financial crime risk exposure

This considers the company's exposure to financial crime risks, including flow of/access to cash in the company considering its operations and business activities and, how these increase the likelihood of exposure to business integrity risks such as fraud, money laundering, corruption, theft etc. This also considers the company's exposure to public procurement and officials in the government and how this interface increases potential corruption risks in the company

The assessor should also review publicly-available information on the company, its subsidiary, shareholders (including UBOs), controllers or employees to determine whether they are subject to adverse/negative media that could present reputational risk to the fund. This assessment should also include whether these individuals/entities are involved in ongoing litigation or under investigation by law enforcement authorities and regulators. To do this, the assessor should draw upon internet searches, newspaper articles, paid databases, reference checks, discreet enquiries (e.g., leveraging market participants, former employees, past/current suppliers or vendors, former shareholders, or directors, etc.), legal due diligence reports, litigation checks, external integrity due diligence reports (EDDs), etc.

Enhanced due diligence can be helpful for fund managers to identify high-risk investors, companies, shareholders, controllers, Politically Exposed Persons (PEPs), high-net-worth individuals (HNWIs), family offices, trusts, UBOs in high-risk jurisdictions and/or with wealth accrued in high-risk sectors (see section on Sector Risks above). EDD measures may include (1) enhanced adverse media, reputational, integrity and litigation checks, (2) enhanced reference checks (including use of consultants), (3) enhanced checks into source of funds/wealth and rationale for investment, (4) conflict checks, (5) lowering threshold for UBO identification to 10 per cent, etc.

The assessor should apply a risk-based approach to historical events considering status of investigation, severity of historical event, time lapse, and control measures or improvements following an historical event. Please refer to the following (non-exhaustive) guidance:

- UN Guidebook on Anti-corruption in Public Procurement

The assessor should also consider the company's approach to tax compliance and potential tax evasion exposures. This should include any recent tax audits on the company in identifying tax history and breaches and should assess the company structure, transaction structure, and any other business activities that may increase tax non-compliance risk. For example, this can include aggressive tax avoidance strategies, use of tax havens, intragroup transactions, inappropriate transfer pricing methods, and tax/reputational risks posed by HNWIs. Please refer to the following (non-exhaustive) guidance:

- BII's Policy on Responsible Investing
- BII's Tax strategy and policy on the payment of taxes and the use of offshore financial centres
- UN Principles for Responsible Investing
- OECD Forum on Transparency and Exchange of Information for Tax Purposes
- Wolfsberg Guidance on Tax Evasion
- OECD report on engaging with HNWI on Tax Compliance

Third-party risk management

This considers the extent of the company's exposure to counterparties/third parties, and their potential impact on the company's exposure to business integrity risks. Using a risk-based approach, fund managers should assess the company's supply chain, identifying suppliers and their jurisdiction to ensure compliance with BII requirements on sanctions. Depending on the company's activities, the assessor should also consider additional risk factors linked to supply chain risks, including the size of procurement activities, use of warehousing facilities, and inventory management. Please refer to the following (non-exhaustive) guidance:

- BII's Policy on Responsible Investing
- BII's Toolkit for Supply Chain Human Rights Risk Management
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Business Conduct in Financial Sector, Garment Supply Chain, Agricultural Supply Chains

Cyber security, data privacy and protection:

This covers an assessment of business integrity risks associated with how the company receives, manages and uses data, and any exposures arising from potential breaches. The assessor should review the suitability of the company's IT infrastructure in view of its business activities, use of Artificial Intelligence and, on a risk basis, engage a third-party provider for the assessment. Please refer to the following (non-exhaustive) guidance:

- BII's Policy on Responsible Investing
- The Alan Turing Institute's guide on understanding artificial intelligence, ethics and safety
- Responsible Investing in AI guide

Additional risk factors

The assessor should also consider additional risk factors not captured in the risk assessment form, based on the fund manager's understanding of the company's business activities. Such factors could include land acquisition and negotiation of land rights, asset acquisition, expansion into new markets, community resettlement and compensation programmes, use of large-scale/aggressive enterprise sales and business development, sale of carbon offsets, exposures to blockchain technology, cryptocurrency, and virtual markets.

For further information:

British International Investment plc:

123 Victoria Street
London SW1E 6DE
United Kingdom

T: +44 (0)20 7963 4700

E: enquiries@bii.co.uk

bii.co.uk

British International Investment