British International Investment

Policy on Responsible Investing

April 2022

Contents

1. What is our Policy on Responsible Investing?

1.1 The structure of the Policy

Our Policy on Responsible Investing (the Policy) is set out in four sections:

- **Section 1** describes our vision as an impact investor, explains how the Policy fits with our other commitments and policies, outlines how we provide assurance in relation to our Environmental and Social (E&S) and Business Integrity (BI) risk governance systems, and how we respond to any potential adverse impacts of our investments.

- **Section 2** describes, for the benefit of our current and prospective Investees[1], our requirements in relation to E&S and BI practices.[2]

- **Section 3** describes good practices that are not mandatory for our Investees, but which we believe will deliver business benefits over time.

- **Section 4** provides an outline of our investment process and describes how E&S and BI risks and opportunities are integrated into investment decisions and portfolio management.

- The **Annexes** provide more detail on the requirements described in Section 2 and good practices described in Section 3.

1.2 Our impact vision

This Policy highlights values that are central to our mission. As an impact investor, British International Investment plc[3] (BII) has a dual mandate: to deliver responsible and sustainable development impact and to make sustainable financial returns. As a responsible investor, we place significant value on the role we play as an enabler of better E&S and BI outcomes through the investments we make. We have observed a strong correlation between good approaches to E&S and BI risks, commercial success and sustainable development impact outcomes for our Investees. We also recognise the importance of human rights and the role they are increasingly playing in investment decisions and private sector commitments.

We believe that, by applying international standards and meeting relevant local legal requirements, our Investees can achieve the outcomes we value, whether that is protecting workers, the environment and local communities, or reducing bribery and corruption. Applying these standards can also produce tangible financial benefits and opportunities for their businesses, including improved access to markets and capital, increased customer trust and brand value, cost efficiencies and better stakeholder relations. This is particularly so given the growing expectations on private business to address and deliver improved E&S and BI standards. These changing expectations are driven by a rapidly evolving regulatory landscape, shifting social norms and investor sentiment. Now more than ever, companies face demands to play a greater role in delivering the United Nations' Sustainable Development Goals and have impact beyond the bottom line.

We seek to help Investees manage their risks and pursue opportunities to enhance E&S and BI performance in a way that encourages the outcomes we want to see as a responsible investor, while at the same time enabling them to realise the business benefits that prudent E&S and BI management can confer. A business that operates in this way represents a better overall investment for us and for society as a whole.

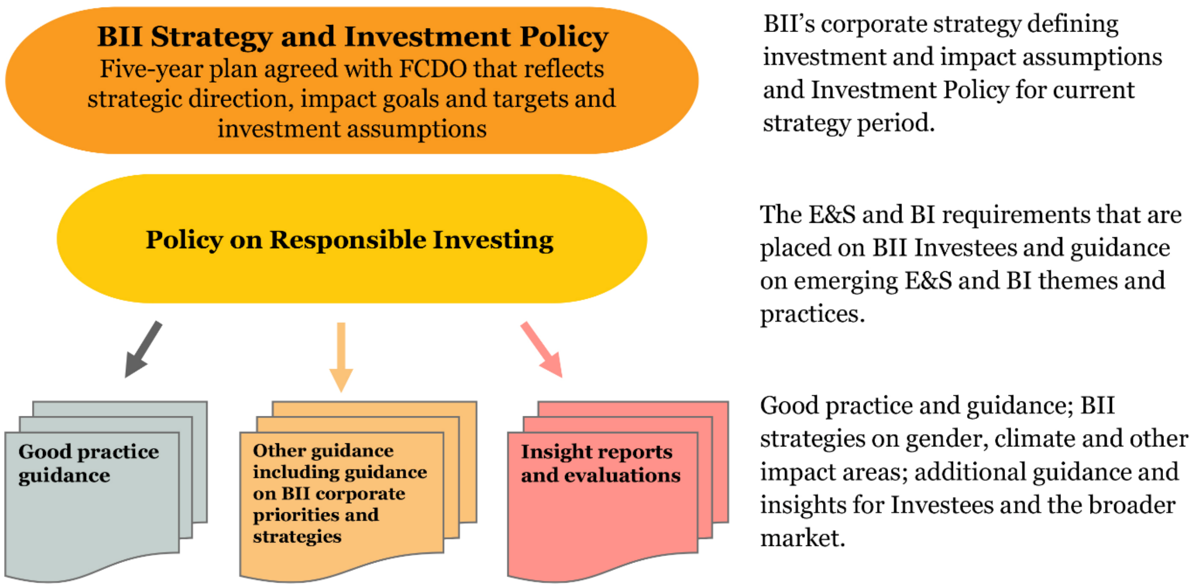
[1] Investee is defined as a company or other entity (including a fund or a financial institution) to which BII or one of our investment holding subsidiaries has made available a financial instrument. A company or other entity to which an Investee makes available a financial instrument is not an Investee for the purposes of this Policy.
[2] The requirements of this Policy, as described in Section 2, apply to Investees invested in by BII after the date of implementation of this Policy. The requirements do not apply to Investees in which we made an investment before that date. For investments made before that date, the requirements included in the investment agreements at that time will apply. Nonetheless, we believe it beneficial for all current and prospective Investees to understand the latest version of our Policy on Responsible Investing.
[3] CDC Group plc is changing its name to British International Investment plc on 4 April 2022.

1.3 The Policy in context

We are guided by corporate strategies developed on a five-year cycle, which can be found here. These strategies set out our overarching investment and impact goals. The purpose of this Policy is to set out BII's E&S and BI requirements of our Investees, and to provide clarity on how we integrate these requirements and broader opportunities to enhance E&S and BI outcomes in our investment and portfolio management processes.

The relationship between this Policy and our overall strategy and other policies and guidance is outlined in Figure 1.

Figure 1: Framing the Policy in broader BII context



1.4 Assurance about our systems

As described in Section 4 (Policy implementation), we have specialist teams and systems in place to assess E&S and BI risks relating to a prospective investment. These teams and systems gauge a prospective Investee's ability to implement our requirements before we invest, with the objective of bringing Investees into compliance with our requirements over an agreed timeframe once invested. They monitor performance against our requirements and, if the Investee is failing to meet agreed requirements, seek to ensure they implement appropriate remedial measures.

Our own risk governance structure includes independent functions, distinct from our E&S and BI teams, which ensure compliance with and auditing of those systems so that they operate as expected. We follow the 'three lines' model to managing the risks set out in the Policy. Our internal E&S and BI teams, in collaboration with our Legal and Investment teams, are responsible for the implementation of the Policy (first line). Risk and Compliance (second line) and Internal Audit functions (third line) also have roles in overseeing, advising and supporting the implementation of the Policy.

We report regularly to our shareholder, the UK Foreign, Commonwealth and Development Office, on the proper functioning of those systems and this Policy.

1.5 Our commitment to fair and transparent grievance management

We are committed to the fair and transparent assessment of adverse impacts resulting from our investments. Responsibility for such impacts typically lies with our Investees. Each Investee must develop a grievance recourse mechanism that is proportionate to the risks inherent in its business and that can be used by workers and communities who believe they have been adversely impacted by an Investee's operations. This is described further in Section 2.4. We also have a grievance recourse mechanism that handles complaints to BII in relation to E&S and BI performance in our portfolio.

Where possible and as appropriate, we will consider enabling access to remedies where there is evidence demonstrating failure by Investees to meet the requirements of the Policy. We do not accept retaliation against workers, communities and individuals who raise grievances against Investees or BII.

1.6 Policy sponsor

As the sponsor of this Policy, our General Counsel is responsible for reviewing and submitting the Policy to our Board of Directors for approval at appropriate intervals (typically on a five-year basis and in line with the updates to our Strategy and Investment Policy). As this is an area where requirements and policy expectations are evolving, it is anticipated that the Policy will be updated after the five-year period.

2. Our requirements

Section 2 describes the E&S and BI requirements that our Investees are expected to meet after an investment is made, and also our approach to determining the scope and content of requirements we apply to a given Investee.

2.1 A proportionate approach

In relation to E&S and BI requirements that involve the establishment of systems or procedures to manage risks (such as the development of an E&S or BI management system as outlined in Section 2.3), we seek to tailor the content of each requirement to the Investee's specific circumstances. For example, the BI management system of a bank and a farm are likely to be very different. In doing so, we aim to act proportionately, taking into consideration the size of the business and the scale and severity of the risks identified.

2.1.1 *Different investment types*

The requirements we have for an Investee will vary depending on the structure of the investment. Where we invest our capital directly in a company or a business, we place requirements on the Investee in relation to its own operations, using our direct relationship to observe and influence E&S and BI practices. Where we invest in an Investee such as a financial institution or private equity fund that will in turn make investments, we still place our requirements on our Investee, not on its portfolio companies, because our contractual relationship is with our Investee. But, in addition to the requirements we place on the Investees in relation to their own activities, we place a different type of requirement on these Investees, for example, to develop their own processes, capacity and governance systems to enable them in turn to implement appropriate standards in their portfolios. We provide guidance and support to these Investees on how to do this, where necessary, including training and capacity building. But ultimately, we do not control the relationship between Investees and their portfolio companies.

We also support a wide range of products with different forms of investment and structures (such as directed lending, guarantees and risk sharing facilities). In some investments, we may direct support of the Investee in relation to a specific sub-set of an Investee's portfolio (for example, loans to small and medium-sized enterprises). In such cases, it may be appropriate for the Investee to apply the processes, capacity and governance systems it develops to the sub-set of its portfolio benefitting from our investment.

2.1.2 *Using common standards*

Common standards of E&S and BI performance that are widely used and well regarded have developed in the markets in which we invest. We recognise the value of harmonised E&S and BI standards: they have market recognition and provide an efficient method for our Investees to achieve good E&S and BI performance. We therefore seek to align our own standards with those of our peers. These include multilateral development banks such as the International Finance Corporation (IFC) and our fellow European Development Finance Institutions (EDFIs).

The 'international reference framework' documents containing these standards, which we draw from when setting our own requirements, are listed in the Annexes. In respect of E&S standards in particular, we have chosen to use the IFC Performance Standards (IFC PS) as a key component of the Policy. The IFC PS are used by a range of EDFIs as well as the wider investment community. In relation to measures to address climate change, a corporate priority for us, our approach is guided by our Climate Change Strategy and Fossil Fuel Policy. Gender, Diversity and Inclusion is also a corporate priority for us and our approach to addressing these issues is available here.

2.2 Environmental & Social and Business Integrity requirements

2.2.1 Summary of Environmental & Social issues and requirements

When assessing the appropriate E&S requirements an Investee should meet, we consider a broad range of E&S issues. These may include impacts arising from pollution, resource (including fossil fuel) use and climate change; interactions with communities and other stakeholders who may be affected by an Investee's operations (including the rights of indigenous peoples and other groups who may be particularly vulnerable); safeguarding violations (including gender-based violence and harassment (**GBVH**)) (Safeguarding Violations); impacts from land acquisition, impacts to biodiversity and ecosystem services, and impacts to cultural heritage. We will also consider certain risks to customers in some investments, such as loss of privacy of their data.

Given our desire to support and enable employment, the Policy includes a focus on job quality, including the rights of workers and employees (and, in some instances, those of third-party contractors and sub-contractors along supply chains). This is in response to the International Labour Organization's (ILO) "Decent Work" agenda and comprises the promotion of the ILO's "core" labour standards, gender equality as a cross-cutting objective as well as good practices that BII actively promotes.

In terms of the scope of issues considered for each Investee, where an investment relates to certain projects, we will look not just at the project site itself but also consider any 'associated facilities'.[4] Similarly, in terms of scope, concerns over E&S impacts in supply chains are rising rapidly and therefore in some cases, we will specifically consider the supply chain impacts of an Investee relating to labour and working conditions, and biodiversity. Where appropriate, we will look at what assessment, management and control systems an Investee has in place to address supply chain risks.

The issues identified during our assessment then in part dictate the E&S requirements we place on an Investee as described below.

2.2.2 Two categories of Environmental & Social requirements

Our E&S requirements fall into two categories:

- those which all Investees are expected to meet, irrespective of the E&S risks that affect their business, which we call core E&S requirements; and
- those which only certain Investees are expected to meet, based on the E&S risks that we identify as specifically affecting their business, taking into consideration the scale and severity of those risks, which we call risk-specific E&S requirements.

An example of a core E&S requirement is not to make use of child labour in the workplace. An example of a risk-specific E&S requirement is for Investees engaged in certain industrial activities to manage their air emissions.

When assessing which risk-specific E&S requirements to apply, we consider both the E&S risks we identify at the time of the investment and those which, in our judgement, could reasonably be expected to affect the Investee's business over the course of the investment as a result of changes to the Investee's business activities.

Core E&S requirements

All Investees must:

[4] 'Associated facilities' means facilities that are not funded as part of a project we are investing in but that would not have been constructed or expanded if the project did not exist, and without which the project would not be viable.

- comply with national E&S laws (including labour laws);
- comply with the ILO's core labour standards;
- operate an E&S management system; and
- operate a grievance recourse mechanism.

All Investees must not:
- commit Safeguarding Violations;
- use our capital to fund any of our Excluded Activities (see Annex E); and
- use our capital in a way that contravenes our Fossil Fuel Policy.

Risk-specific E&S requirements

Depending on the nature of the specific E&S issues identified, certain Investees may need to meet further E&S requirements, including meeting the IFC PS.

We monitor compliance with these requirements by Investees through various channels, including reporting and engagement with the Investees. This is described further in Section 4.

Our specific E&S requirements are outlined in Annex A.

2.2.3 *Summary of Business Integrity issues and requirements*

Our BI requirements cover a range of BI risks, which may include corruption, fraud, money laundering and terrorist financing, sanctions breaches and tax evasion. When determining the scope and content of the systems and procedures we require an Investee to have in place, we consider the likelihood of these risks occurring, their impacts and related risk issues (for example, political exposure and conflicts of interest, environmental and social issues or association with other criminal activity).

We recognise that good BI risk management is critical for long-term commercial success because it:
- decreases the likelihood of regulatory enforcement and related fines;
- reduces exposure to certain political, operational and execution risks;
- is positively correlated with good governance and environmental, social and financial performance; and
- enables sustainable development outcomes.

The following requirements apply to all our Investees.

Investees must:
- comply with national BI laws;
- operate a BI management system; and
- operate a whistleblowing mechanism.

Investees must not:
- engage in corruption or fraud;
- do business with individuals or entities on applicable sanctions lists; or
- evade taxes.

Sound policies and procedures and regulatory compliance do not by themselves provide an effective way of reducing BI risks. Effective BI management systems require a consideration of organisational culture, promotion of strong risk governance and channels for reporting and discussing BI without fear of retaliation. Approaches that encourage a discussion of BI in strategic risk management or wider business decisions will be more successful in managing BI risk and delivering impact.

The BI requirements we apply are informed by international reference frameworks on the development and maintenance of effective BI risk management systems, the evolving financial crime regulatory landscape and growing societal expectations around business ethics, transparency and accountability.

Our specific BI requirements are outlined in Annex B.

2.3 Risk management systems

We view the development of appropriate risk management systems as central to effective risk governance for our Investees. A focus of our requirements is, therefore, the set of processes, management systems, capacity and governance mechanisms that an Investee has in place to ensure that our requirements can be met. All our Investees must have risk management systems that are proportionate to, and can adequately manage, operational and strategic E&S and BI risks associated with their business model and operations. In certain cases, this will include an Investee's supply chain. Being proportionate reflects our desire to manage E&S and BI risks in an efficient and effective way, taking into consideration Investee capacity, commitment and the specific E&S and BI risks that need to be managed to achieve compliance with our requirements.

We recognise that having strong corporate governance (governance principles and framework) overall is a prerequisite to achieving effective E&S and BI practices. However, good corporate governance practices may differ depending on the nature of a business and its scale. For this reason, we do not set a specific corporate governance structure as a requirement, but provide a high-level framework in Annex D, which we strongly encourage Investees to consider as they develop governance practices appropriate to their business.

The key elements of management systems to address E&S and BI requirements are outlined in Annex C.

2.4 Grievance and complaint mechanisms

As noted in Section 4 (Policy implementation), we have systems in place designed to monitor the E&S and BI performance of our portfolio companies and enable us to identify problems ourselves. To increase the potential for issues to come to light, Investees must develop a grievance recourse mechanism (GRM) so that employees and workers and other relevant parties (such as communities affected by an investment) can express concerns to the Investee and, where appropriate, engage in finding ways to resolve situations.

All Investees must implement an effective whistleblowing mechanism, where significant concerns can be reported, for example, those linked to Safeguarding Violations, to criminal activity, legal or regulatory breaches, corruption, fraud or financial mismanagement, negligence, danger to health, safety or the environment or breaches of core company policy and procedures.

The key elements of the GRM and the whistleblowing mechanism are outlined in Annexes A and B.

2.5 Excluded activities

Investees must not use our capital for a range of activities described in Annex E (Excluded Activities). Alternatively, where we co-invest with other EDFIs, the Investee will need to ensure our capital is not used for any of the activities listed on the EDFI harmonised exclusion list.

2.6 Multiple routes to gain assurance

Typically, we reflect our requirements in appropriately worded undertakings in our investment agreements. But the specific circumstances of an investment may limit our ability to obtain contractually binding undertakings from an Investee. For example, in some jurisdictions, certain Investee categories (such as listed companies) may be subject to rules preventing them from giving undertakings to individual investors. We therefore may use a range of commercial tools to satisfy ourselves that the investments we make are consistent with our requirements. These may include due diligence, contractual and non-contractual representations and undertakings as well as exit rights.

3. Recommended practices

We recognise that:

- E&S and BI practices are evolving and are increasingly material to private sector companies;
- good E&S and BI performance can generate financial and broader business benefits;
- some aspects of E&S and BI practices have yet to be fully codified or to have established requirements that can be applied to all investments (such as those outlined in Section 2); and
- these issues can represent material risks and opportunities to Investees that evolve over time as a consequence of societal expectation, investor sentiment, scientific evidence and regulation.

As a responsible investor, we seek to encourage and enable better E&S and BI outcomes across our portfolio, especially where we believe these practices confer business benefits now and in the future.

Our recommended practices related to issues that we recognise as posing particular risks and opportunities to Investees are outlined in Annex D.

These issues include the following:

- aspects of the use of technology (including data privacy, the role and impact of artificial intelligence and cyber security) that pose human rights and business risks;
- the changing nature of work and the need to plan for and deliver a just transition as part of the response to climate change, the impacts of automation, the rights of workers involved in the 'gig' economy, and ways in which workers can communicate with management (worker voice);
- the urgent need to address threats to biodiversity and ecosystem services (including the role ecosystem services play in regulating and mitigating climate change);
- the urgent need to address climate change risks, including adaptation and resilience for communities and economic activities that are subject to near-term risks and impacts, and the role that companies can play in enabling collective and collaborative action to address climate change;
- growing recognition of the need to create more efficiency and sustainability in the use of products via commitments to circular economy models of production and use;
- growing recognition of the role that private sector companies can play in managing human rights risks and promoting human rights (including via supply chain management and in fragile and conflict-affected situations);
- advancing equality and inclusion in employment, as well as products and services, including specifically an ongoing commitment to improve the lives and opportunities of underrepresented groups, including women, ethnic minorities and disabled people;
- the welfare of livestock and other animals;
- global health challenges created by growing resistance to anti-microbial and other pharmaceutical drugs and products;
- the role that corporate governance can play in guiding companies in assessing and managing systemic business challenges, including climate change, corruption, labour and working conditions and supply chain risks; and
- the need to integrate BI into strategic risk management and business decision-making, recognising the often systemic and complex nature of BI risks, and the need to develop approaches that focus on the impact of organisational leadership, incentives and culture.

Many of these issues will apply differently and be more or less relevant to Investees depending on the nature of their business activities. Where appropriate, we strongly encourage Investees to integrate these issues into their operations. Taking a risk-based approach, we may place specific requirements on Investees in relation to these issues. Where relevant for an Investee, BII may also provide support to help the Investee consider improved responses to these issues. Support may include a review of an Investee's business risk or opportunity assessments, with special consideration given to the relevant issues, a review of policies and controls, training and capacity building.

4. Policy implementation

We aim to be a practical and engaged investor and see an important role in working with our portfolio of Investees to deliver change in E&S and BI areas. We recognise that E&S and BI requirements may be new to some of our Investees, and that support in the implementation of our requirements is often needed. To help Investees and other readers understand how E&S and BI issues are integrated into our due diligence and portfolio management, we have provided a high-level summary of our investment process.

4.1 Our integrated investment process

We have dedicated teams responsible for supporting the implementation of the Policy. These teams work directly on investments but are independent from investment teams and provide a separate E&S and BI assessment, supplying significant input to the pre-investment due diligence process. Both E&S and BI teams provide input throughout our investment process, from origination until exit. This includes due diligence of investment opportunities, participation in investment decision-making processes, documentation of risks and risk mitigants, and portfolio monitoring and management, as depicted in Figure 2.

Figure 2: E&S and BI in Investment and Portfolio Management

High level summary of the role of E&S and BI teams during the investment process, including inputs to investment committees (ICs), investment agreements, portfolio management and monitoring.

Pre Screening	Screening IC	Due Diligence	Final IC	Investment Agreements	Portfolio Management
E&S and BI activities and input					
• Initial review of inherent E&S and BI risks associated with the investment.	• Formal contribution to IC paper. • Participation in IC where E&S and BI risks and approach to due diligence ("DD") is discussed along with issues that may result in specific DD requirements (e.g. for FCAS).	• In-depth DD undertaken to confirm investee track record and capacity, and assess adherence to BII requirements. • Draft action plans as appropriate.	• Presentation and discussion of E&S and BI risks, mitigants and action plans to close gaps against BII requirements. • Investment agreement requirements and monitoring assumptions discussed.	• Collaboration with investment and legal teams to ensure BII requirements (including action plans and annual monitoring reports) are appropriately captured in investment agreements.	• Monitoring and proactive support to investees provided. Follow up on serious incidents, grievances or complaints as relevant. • Proactive engagement in situations where Investees are not making adequate progress on E&S and BI requirements and escalation within BII where performance is inadequate.

A key element of the E&S and BI teams' role is to identify and assess E&S and BI risks pre-investment, to ensure appropriate resources and support are provided to investments that have higher risks, and to agree action plans with proposed Investees for E&S and BI enhancements. The pre-investment work typically determines the level of engagement post-investment, where the focus is on the ongoing monitoring of individual investments and therefore managing our aggregate portfolio E&S and BI risks.

We outline below the assessment and management of E&S and BI risks at the different stages of the investment process.

4.1.1 *Initial screening of investments for Environmental & Social and Business Integrity risks*

Based on a review of available information, independent research and discussion with potential Investees, E&S and BI teams make an initial assessment of risks linked to each potential investment. This initial risk assessment includes a review of inherent sector or market-specific risks, the proposed Investee's existing internal controls, as well as their capacity and overall commitment to managing E&S and BI risk. We also assess risks that may lie outside of an Investee's control (for example, systemic human rights abuses that may be present in fragile and conflict-affected situations, political influence and pressure, a weak regulatory environment and vested interests in supply chains). This initial risk assessment guides both the scope and type of E&S and BI due diligence that we will undertake and, in some cases, the requirements that we will place on the Investee. We also consider the application and relevance of the recommended practices set out in Section 3.

4.1.2 *Due diligence*

Our initial assessment of E&S and BI risks determines not only the scope and specificity of the due diligence we will undertake, but also whether we commission external specialist advice or rely on the due diligence of co-investors. Our due diligence is undertaken against the requirements set out in Section 2 and with an eye to opportunities to enhance E&S and BI outcomes (for example, those that are identified in Section 3). At this stage, we will also conduct a more detailed assessment of a proposed Investee's capacity, commitment and track record in managing E&S and BI issues.

4.2 *Environmental & Social and Business Integrity action plans and investment agreements*

Based on the findings of our due diligence, where a proposed Investee will not meet all our requirements (as outlined in Section 2) at the point of investment, rather than not making the investment, it may be appropriate to develop an E&S action plan (ESAP) or BI action plan (BIAP), or, where appropriate, a combined 'ESG' action plan incorporating elements of E&S and BI. An action plan sets out measurable actions that the Investee must take to achieve the requirements set out in Section 2, along with a timetable for their implementation. Where an action plan is appropriate, it will be negotiated and agreed with the Investee. The actions within the plan will become a set of legally binding obligations on the Investee that are added to our standard set of E&S and BI undertakings contained in the investment agreement. The Investee is not expected to meet the requirements relating to the actions set out in the action plan in the period from the investment agreement being signed until the deadline for the relevant action.

Action plans are an important way to facilitate change in our portfolio and are a central element of our portfolio monitoring and reporting processes. We will not invest unless we have confidence that the requirements can be met over the agreed time period set out in the action plans, and to the agreed level of performance and impact.

If we co-invest (including with other development finance institutions) to make the process of investment and subsequent compliance for our Investee more efficient, we may elect to apply requirements differing from, but substantially similar to, those set out in Section 2 and the related Annexes, in order to harmonise the requirements of all co-investors.

4.3 *Portfolio management and capacity building*

Where an action plan is appropriate, we will only invest where an Investee is expected to meet the requirements that are deferred by the action plan within a reasonable period. But we recognise that there may be implementation challenges in achieving these requirements and, more generally, that our Investees will not comply with all our requirements either at the start of an investment or at all times during it. This may be for various practical reasons including their operating context, the actions of third parties, changes in business operations and staffing, weak governance or poor implementation of relevant legislation. In such cases, we aim to be a practical and supportive investor, working with Investees to explain our requirements and to move them towards compliance over time.[5]

[5] BII does not act as a manager of, or advisor to, its Investees. Factors beyond BII's control or our Investees' control may prevent Investee compliance. While we seek to use the influence we have to move non-compliant Investees towards compliance, we cannot guarantee their compliance or be responsible for their non-compliance.

We have internal systems to monitor and report on portfolio investments that integrate E&S and BI risks. As an example, these systems include quarterly performance reviews and 'watch lists' of high-risk investments to monitor and evaluate possible breaches by Investees of our requirements and to determine risk mitigation steps.

Investees must report in detail on E&S and BI performance to us at least annually (typically via an annual monitoring report) and more regularly in certain circumstances, for example during construction of a high-risk project. These reports allow us to understand whether Investees are managing E&S and BI risks and requirements appropriately. The data requirements also form the basis for better understanding the risks and opportunities for businesses and can inform both Investee strategy and drive performance over time. Investees must report serious incidents (such as serious adverse E&S impacts, serious injuries and fatalities, fraud or corruption incidents and safeguarding incidents) to us. Typically, Investees also have to provide access to premises to permit additional monitoring.

4.4 Exiting investments

We are a signatory of the Operating Principles for Impact Management and assess impact achieved at exit through a Responsible Exit review. This review will assess the extent to which impact assumptions (including E&S and BI expectations) were met, and ways in which we can enable continuing commitments to good international E&S and BI practices after an investment is complete.

In situations where an Investee is not meeting E&S and BI requirements to our satisfaction, or where there is a serious breach of our requirements, we can engage in a variety of ways to increase attention to deficiencies or breaches. In the final event, a serious breach which cannot be resolved, or persistent delays in meeting requirements, may trigger options for us to cease funding, take remedial action or exit an investment. The availability and nature of these options will depend on the nature and structure of the investment. It will also depend on additional factors such as the creditworthiness of an Investee (and hence its ability to repay us) and the availability of third parties willing to purchase our interest in an Investee's business.

Annex A: Specific Environmental & Social requirements

The middle column in the tables below provide a summary of the issue and of our E&S requirements. In the right-hand column, we list the framework documents that we draw from when setting our requirements. In certain circumstances, in relation to the E&S aspects described in the tables below, we may also draw on the standards set out in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.

Table 1 sets out the core E&S requirements which all Investees must comply with (as described in Section 2).

Table 1		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
National E&S laws	Investees must comply with applicable national E&S laws (including labour laws).	Relevant national legislation
Labour and working conditions	***Summary of issue*** As set out in Section 2, the Policy has a focus on job quality as a practical response to the ILO's 'Decent Work' agenda, including efforts to prevent discrimination in relation to any form of employment relationship and to adopt principles of equal opportunity and fair treatment of employees and workers. ***Investee requirements*** Investees must: • not employ, make use of or tolerate forced labour, child labour and other forms of abusive labour practices in the workplace; • pay wages which meet or exceed legal national minimum requirements; • not discriminate in terms of recruitment, compensation, terms and conditions of work and representation, promotion, termination of employment or retirement, and disciplinary practices on the basis of personal characteristics unrelated to inherent job requirements (such as gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, or health/HIV status); • 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; and	IFC PS 2 Labour and Working Conditions Guidance Note 2 ILO Core Labour Standards ILO Conventions 1, 14, 106 and 155 ILO Violence and Harassment Convention C190 UN Guiding principles on Business and Human Rights (UNGPs)

Table 1		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
	• provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment. Furthermore, we will require an assessment of supply chain labour risks in some instances and may have further specific requirements.	Relevant World Bank Group Environmental, Health and Safety Sector Guidelines
E&S management system	Investees must operate an E&S management system. See Annex C for detail of the requirements relating to an E&S management system. The scope of the system must incorporate all other E&S requirements placed on the Investee.	IFC PS 1 Assessment and Management or Environmental and Social Risks and Impacts and associated Guidance note
Grievance resource mechanism (GRM)	Investees must adopt and maintain an appropriate GRM that is proportionate to the risks the business faces and its size. The mechanism should: - be developed as part of the Investee's overall risk management system; - ensure all complaints are treated confidentially and are investigated; and - for certain forms of complaint, allow for anonymous complaints to be raised and addressed. There should be no retaliation against individuals or communities who make reports. Investees must ensure protection for the reporter and appropriate disciplinary action for anyone found to harass the reporter. Investigations (including in relation to Safeguarding Violations) should be handled by appropriately trained employees, or with guidance or support from appropriate external sources.	
Safeguarding Violations	Investees must not commit Safeguarding Violations.	ILO Violence and Harassment Convention C190 BII's GBVH Guidance Note
Excluded activities	Investees must not use our capital for any of our Excluded Activities or, where we co-invest with EDFIs, for any activities listed on the harmonised EDFI exclusion list.	BII Excluded Activities (in Annex E) or EDFI Exclusion list

Table 1		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
Excluded fossil fuel activities	Investees must not use our capital in a way that contravenes our Fossil Fuel Policy.	BII Fossil Fuel Policy

Table 2 sets out the risk-specific E&S requirements which certain Investees must comply with (as described in Section 2).

Table 2		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
Resource efficiency and pollution prevention	***Summary of issue*** Industrial activity and urbanisation can create a range of emissions, effluents and other wastes that need to be managed to avoid environmental, health and other adverse E&S impacts, and promote more sustainable use of resources. ***Investee requirements*** Investees that are subject to this requirement must manage and dispose of waste and emissions to appropriate standards, must actively consider resource efficiency and pollution prevention measures that should be put in place, and must also consider climate change risks and opportunities in their business practices and supply chains.	IFC PS 3 Resources Efficiency and Pollution Prevention Guidance Note 3 Relevant EHS Sector Guidelines
Community health and	***Summary of issue***	IFC PS 4 Community Health Safety and Security

Table 2		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
safety and security	Business activities can directly and indirectly (for example via supply chains) impact the health, safety and security of local communities or other affected parties. Situations where communities may be at risk from the activities of Investees vary by sector, location, scales of activity and stage of operations. Particular attention is given to circumstances where an Investee's business relies on third party security, where there are risks to vulnerable groups and impacts to women or girls and where hazardous materials or activities are undertaken. ***Investee requirements*** Investees that are subject to this requirement must assess and manage risks and impacts to community health, safety and security across all stages of business activities (including construction and decommissioning), develop appropriate stakeholder engagement and consultation programmes and have a plan which explains how they will respond to emergencies associated with operations as well as an effective GRM so that affected parties are able to express concerns and grievances.	Guidance Note 4 Relevant EHS Sector Guidelines
Land acquisition and involuntary resettlement	***Summary of issue*** When companies acquire land for business activities, it can have significant adverse impacts on the livelihood of communities and individuals. Large-scale acquisition (including for agriculture, infrastructure or real estate development) can generate significant adverse impacts which are complex to resolve and may involve Investees in ongoing and potentially challenging mitigation and livelihood restoration activities. ***Investee requirements*** Investees that are subject to this requirement must seek to avoid involuntary resettlement and physical or economic displacement as a result of business activities wherever possible, taking into account all other relevant E&S impacts, and otherwise must minimise and mitigate the effects where impacts cannot be avoided. Appropriate compensation (including the restoration of livelihoods) must be provided in circumstances where individuals and communities have been affected by involuntary resettlement and/or economic displacement. Active and ongoing community consultation and engagement is required in all situations where this impact is identified, as well as implementation of the GRM.	IFC PS 5 Land Acquisition and Involuntary Resettlement Guidance Note 5 Relevant EHS Sector Guidelines Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forestry in the Context of National Food Security
Biodiversity conservation and sustainable management	***Summary of issue*** Protecting biodiversity and ecosystem services, and managing impacts on the natural environment, are increasingly recognised as central to both the global response to climate change and sustaining a broad range of economic activities; they are fundamental to sustainable development. Protecting biodiversity is an emerging global priority and we will expect commitment and proactivity in managing impacts.	IFC PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Table 2		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
of living natural resources	***Investee requirements*** Investees that are subject to this requirement must focus on: promoting and conserving biodiversity; maintaining and strengthening the benefits of ecosystem services; promoting the sustainable management of living natural resources; and the adoption of practices that integrate conservation and development needs. Specifically, any impacts to biodiversity and ecosystem services should be sequenced to be avoided where possible, reduced (when avoidance is not possible) and mitigated. Where mitigation is not possible (particularly where there are significant impacts to biodiversity or ecosystem services) Investees may offset impacts. As outlined in Annex C, management systems should be adaptive and respond to changing conditions as a result of ongoing monitoring. Where primary production of living natural resources are codified in other globally, regionally or nationally recognised standards, the Investee must, over time, implement sustainable management practices aligned to one or more of these standards, demonstrated by independent verification or certification. Impacts to biodiversity via supply chains should form part of an Investee's risk assessment and management systems, where the Investee is engaged in the direct purchasing of primary production from regions with a known risk of significant conversion of natural or critical habitats. These requirements apply to investments (i) located in modified, natural and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the Investee has direct management control or significant influence; or (iii) that include the production of living natural resources (for example, agriculture, animal husbandry, fisheries and forestry).	Guidance Note 6 Relevant EHS Sector Guidelines
Indigenous people	***Summary of issue*** Indigenous peoples as a social group are often more marginalised and vulnerable, and more exposed to adverse impacts, than other mainstream groups in society and so are accorded higher levels of protection and security. ***Investee requirements*** Investees that are subject to this requirement must identify and proactively manage impacts to the livelihoods, culture and dignity of indigenous peoples using the mitigation hierarchy of avoid, minimise or compensate. This includes informed consultation and proactive engagement at all stages of an investment and, in specific circumstances, obtaining 'Free Prior Informed Consent'.	IFC PS7 Indigenous Peoples Guidance Note 7 Relevant EHS Sector Guidelines

Table 2		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
Cultural heritage	***Summary of issue*** Cultural heritage includes sites of archaeological, paleontological, historical, cultural, artistic and religious significance, as well as sites with unique environmental features and cultural knowledge (including intangible forms of culture such as traditional lifestyles). ***Investee requirements*** Investees that are subject to this requirement must identify and protect cultural heritage from adverse impacts and support the preservation of heritage; communities affected by the shared use of cultural heritage must be informed and consulted. Relevant national or regulatory agencies entrusted with the protection of cultural heritage must also be involved.	IFC PS8 Cultural Heritage Guidance Note 8 Relevant EHS Sector Guidelines
Supply chain	***Summary of issue*** Concerns over E&S impacts in supply chains are rising rapidly. Supply chains can give rise to poor E&S practices, including poor labour and working conditions and damage to biodiversity. ***Investee requirements*** Investees that are subject to this requirement must assess supply chain risks and seek to mitigate such risks in line with the specific circumstances including through the operation of their E&S management system.	IFC PS 1 Assessment and Management or Environmental and Social Risks and Impacts and associated Guidance Note IFC PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources IFC PS 2 Labour and Working Conditions Modern Slavery Act 2015 UN Guiding principles on Business and Human Rights (UNGPs)

Table 2		
E&S aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
Customer protection	***Summary of issue*** Certain business activities create particular risks (including to human rights such as the right to privacy) for customers and clients. Businesses where these risks may be evident are financial service (including digital financial service) providers, Investees who hold or have access to personal data and producers of food, electrical goods and plastic products. ***Investee requirements*** Depending on their business activities, Investees may need to develop appropriate policies, procedures and governance in line with international good practices to seek to ensure that their products and services are safe, marketed to customers responsibly and do not materially harm or disadvantage users or generate adverse environmental impacts. Investees that are financial service or digital financial service providers must have appropriate client protection procedures and practices. Investees who hold or have access to personal data must have processes and governance controls that monitor, manage and reduce risks related to data privacy.	Client Protection Pathway International Code of Marketing of Breast Milk Substitutes UN Guiding principles on Business and Human Rights (UNGPs)

Annex B: Specific Business Integrity requirements

In the table below, in the middle column, we provide a summary of the issue and of the BI requirements all Investees must comply with (unless specifically stated to apply only to a sub-set of Investees). In the right-hand column, we list the framework documents that we draw from when setting our requirements.

BI aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
National BI laws	Investees must comply with applicable national BI laws.	Relevant national legislation
BI Management System	Investees must operate a BI management system. See Annex C for detail of the requirements relating to a BI management system. The scope of the system must incorporate all other BI requirements placed on the Investee.	OECD Good Practice Guidance on internal controls, ethics and compliance UKBA Adequate Procedures Guidance OECD Risk Management and Corporate Governance Guidance World Economic Forum Integrated Corporate Governance Guide
Whistleblowing mechanism	Investees must adopt and maintain an appropriate whistleblowing mechanism that is proportionate to the risks the business faces and its size. The mechanism should: - be developed as part of the Investee's overall risk management system; - ensure all complaints are treated confidentially and are investigated; and - for certain forms of complaint, allow for anonymous complaints to be raised and addressed. There should be no retaliation against individuals or communities who make reports. Investees must ensure protection for the reporter and appropriate disciplinary action for anyone found to harass the reporter. Investigations (including in relation to Safeguarding Violations) should be handled by appropriately trained employees, or with guidance or support from appropriate external sources.	OECD Anti-Corruption and Integrity Hub: Whistleblower Protection International Chamber of Commerce guidelines on Whistleblowing

BI aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
		European Data Protection Supervisor Whistleblowing Guidance ISO37002 Whistleblowing Management System Guidelines
Bribery and corruption	***Summary of issue*** Bribery and corruption are major threats to democratic processes, fair business practices and sustainable environmental and economic development. Corruption undermines positive development impact by increasing costs for the most vulnerable and reducing access to, and the quality of, essential services, such as healthcare and education. Corruption can also jeopardise financial returns and negatively impact environmental and social (including human rights) outcomes. Investees must work against corruption in all its forms, including bribery, facilitation payments and extortion. ***Investee requirements*** Investees must: • not engage in corruption; • put in place effective systems to identify, mitigate and manage the risk that employees or third parties acting on behalf of the business, engage in bribery and corruption, including to facilitate business; • adopt an Anti-Bribery and Corruption (ABC) programme that adheres to relevant local laws and reflects internationally recognised guidance. This should include defining channels for any concerns to be raised (e.g., via a whistleblowing mechanism); • put in place adequate and proportionate measures, taking corruption risk exposure into consideration, to ensure they are not engaging in corruption, and are continually and proactively reducing exposure to inherent corruption risks over time. 'Adequate and proportionate' measures will vary by Investee, but typically include: • a strong and visible support from the board and senior management for the Investee's BI risk management programme; • policies, codes or procedures setting out how BI risk should be managed, including defined responsibilities and internal controls. These should be applicable to all employees and entities over which an Investee has effective control; • risk assessment to identify relevant and material BI risks;	OECD convention on combating bribery World Economic Forum Partnering against corruption initiative UN convention against corruption Wolfsberg Group Anti-bribery and Corruption Programme Guidance

BI aspect	*Summary of issue and requirement*	*Applicable reference frameworks*
	• producing and maintaining relevant 'management information' and internal and external reporting on BI risks including, where required, to regulators; • regular training and awareness on the BI risk management approach; • regular auditing or testing (internal or external) and a periodic review of the BI risk management approach; • contractual safeguards including ABC obligations; • controls around facilitation payments, gifts and entertainment, sponsorships, mergers, acquisitions and disposals and political and charitable contributions; • a clear third-party risk management process, including risk-based due diligence and procurement controls to manage supplier risks; • a whistleblowing mechanism; and • investigative capacity, where appropriate.	
Money laundering and terrorist financing	***Summary of issue*** The negative effects of money laundering on economic development are difficult to quantify, yet it is clear that such activity reduces productivity in the economy's real sector by diverting resources and encouraging crime and corruption. This slows economic growth and can distort an economy's international trade and capital flows to the detriment of long-term economic development. The adoption of virtual currencies has increased money laundering risks globally due to the anonymity provided by trade over the internet, limited identification and verification requirements, and regulatory and oversight challenges. The Financial Action Taskforce's (FATF) recommendations are an internationally-endorsed global set of standards for countries to implement measures to combat money laundering and terrorist financing. Individual countries adopt anti-money laundering (AML) and countering the financing of terrorism (CFT) laws, which in turn provide a regulatory framework and guidance for financial institutions and other businesses. ***Investee requirements*** Investees in relevant sectors (for example, banks) must: • adopt the principles of an AML/CFT programme that is appropriate for their business, in accordance with relevant local laws and internationally recognised standards; and • have adequate and proportionate measures taking into consideration their AML/CFT risk exposure, to ensure they do not provide services to/facilitate transactions for persons involved in money laundering or terrorist financing. The Bribery and Corruption section above includes measures that also apply to AML/CFT risk management. Additional specific measures for AML/CFT can take the form of:	FATF recommendations on international AML/ CTF standards and the methodology to assess effectiveness of AML/CFT systems Wolfsberg Group Statement on developing an effective AML/CFT Programme and related standards (PEPs and Correspondent Banking) IFC Anti-Money Laundering & Counter Financing of Terrorism in Emerging Market Banks European Banking Authority Guidelines on Money Laundering and Terrorist Financing Risk Factors

BI aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
	• appointing a designated person or responsible officer for AML matters; • AML/CFT policies and procedures (including "Know Your Customer" procedures, customer due diligence, ultimate beneficial owner identification and verification and suspicious activity reporting) together with auditing and testing of these policies and procedures; • risk assessments and due diligence of customers focused specifically on money laundering risks, and including enhanced due diligence and review of sources of wealth of highest risk customers (for example, those identified as 'Politically Exposed Persons'); and • manual or automated transaction monitoring and screening systems to detect suspicious activity.	Basel Committee on Banking Supervision Guidance on Sound Management of risks related to money laundering and financing of terrorism UK JMLSG Guidance on Preventing Money Laundering and Combatting Terrorism
Fraud, including cyber-crime	***Summary of issue*** Fraud, cyber-crime, and related collusive or coercive practices threaten long-term commercial success through direct and indirect negative financial impacts and reputational damage. Technical vulnerabilities that enable cyber-crime (for example, attacks combining ransomware encryption with data leak extortion) can damage brand reputation and, in many contexts, increase data privacy and related human rights risks. There is also growing recognition that as processes are removed from human oversight and verification, ensuring data integrity and preventing the manipulation of data for undue benefit must be prioritised. ***Investee requirements*** Investees must: • not engage in fraud; • properly record, report and review financial and tax information as required by relevant accounting standards; and • adopt adequate and proportionate measures taking into consideration their fraud and cyber security risk exposure to ensure they reduce risk. The Bribery and Corruption section above includes measures that also apply to fraud risk management. Additional specific measures for fraud and cyber-crime can take the form of: • employee monitoring controls (for example, email surveillance, user access rights and physical security); • management of conflicts of interest, separation of duties, approval authorities, data categorisation and access rights; • role profiles, hiring checks and insider lists;	Council of Europe Cyber-crime Guidance Interpol Cyber-crime Guidance CIMA Fraud risk management guide COSO Fraud Risk Management Guide International organisation for standardisation (ISO) standards on cyber security: ISO/IEC 27001 UK National Cyber Security Centre ten key steps to manage cyber security in an organisation

BI aspect	*Summary of issue and requirement*	*Applicable reference frameworks*
	• installation of anti-malware/virus software, incident response procedures and testing; • spot audits and selecting a competent external auditor to conduct an objective third party audit of fraud and cyber-crime controls; and • for organisations holding large amounts of sensitive data or with high system availability requirements (for example, financial institutions or customer facing energy sector organisations) the integration of cyber security and broader technology risks into existing risk management frameworks.	American Institute of Certified Public Accountants (AICPA) System and Organization Controls (SOC) US National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF)
Sanctions	***Summary of issue*** Sanctions are a tool used by governments to help combat terrorism, prevent wars, avoid human rights violations and prevent countries or regimes developing nuclear weapons. They can be comprehensive (i.e., applied to a whole country) or targeted at regions, governments, individuals or entities and can include: embargos on arms or goods/technology needed to develop missiles or atomic weapons, restrictions on loans or credit and the freezing of assets for certain people/companies and travel or visa restrictions for certain people. Dealing with sanctioned persons, countries or goods can have serious implications for companies and individuals, for example criminal proceedings, regulatory fines and restrictions on doing business (for example, revocation of licences) leading to reputational damage, financial loss and legal claims. We face legal and reputational risks if our Investees finance or deal with sanctioned persons, countries or goods. It is vital our Investees consider potential sanctions risk exposures, take expert legal advice as necessary and have measures in place to manage these risks. ***Investee requirements*** Investees must: • not conduct business with any person or entity on a UK or UN sanctions list or, where relevant on other sanctions lists (for example, when transacting in dollars, US sanctions lists); and • have adequate and proportionate measures in place to manage their sanctions risk. The Bribery and Corruption section above includes measures that also apply to sanctions risk management. Additional specific measures for sanctions risk management can take the form of: • sanctions risk assessments; • manual or automated sanctions screening systems;	UN Security Council Consolidated List UK Sanctions List, UK HM Treasury List of Financial Sanctions Targets The US Office of Foreign Assets Control (OFAC) Sanctions Lists European Union consolidated financial sanctions list Wolfsberg Group Guidance on Sanctions Screening US Department of Treasury: A Framework for OFAC Compliance Commitments

BI aspect	***Summary of issue and requirement***	***Applicable reference frameworks***
	• contractual safeguards in respect of sanctions (for example, refusal to provide services and/or products to designated sanctioned entities or individuals); and • clear escalation matrices and reporting (internal and external) of sanctions breaches.	FATF Recommendation 6: Targeted Financial Sanctions related to terrorism and terrorist financing
Tax evasion	***Summary of issue*** We encourage Investees to behave responsibly in the way they manage their tax affairs. We recognise that tax receipts are fundamental to the ability of governments in developing countries to fund infrastructure and public spending and stimulate sustainable development. We respect the tax policies of governments and support their ability to tax, while promoting tax transparency and complying with international standards. ***Investee requirements*** Investees must adopt requirements consistent with the principles outlined in our Tax Policy, comply with all applicable tax laws in the countries where they operate, and ensure the correct amount of taxes are reported and paid to the relevant tax authorities.	OECD Forum on tax transparency and exchange of information for tax purposes Wolfsberg Group Guidance on Customer Tax Evasion PRI Advancing Tax transparency BII Policy on payment of taxes and the use of offshore financial centres

Annex C: Environmental & Social and Business Integrity management systems requirements

Investees must:

Risk governance and organisational capacity	• have appropriate and proportionate governance and oversight of E&S and BI performance (typically a senior executive, an executive committee or board function); • have capacity to manage E&S and BI risks. For most Investees, this will be reflected through one or more suitably qualified individuals who will understand the scope and type of potential E&S and BI risks an Investee may encounter. The qualified individuals will have appropriate knowledge, commitment and capacity to manage E&S and BI risks, oversee E&S and BI practices and performance, provide capacity building to others as needed and be accountable for E&S and BI matters and report on E&S and BI performance to senior management, the board and other interested parties. Their role should be well defined and articulated to the rest of the organisation;
Integrated risk assessment	• assess key inherent E&S and BI risks in their business and operating model (including as appropriate, counterparties, associated facilities, cumulative impacts and supply chains); • recognise that there are systemic risks (such as corruption, Safeguarding Violations and modern slavery) that are present in companies and their supply chains, and which should be included in management systems as appropriate; • ensure that, where material human rights issues are identified (including in supply chains) the United Nations Guiding Principles on Business and Human Rights (UNGPs) are integrated into an Investee's management systems and appropriate capacity and governance oversight embedded in an Investee's operations;
Risk management and mitigation	• develop and implement proportionate policies, processes and procedures that effectively identify, mitigate, investigate where appropriate, and manage on an ongoing basis E&S and BI risks and related issues and incidents. The overall framework should focus on the highest risk activities of the business, be dynamic and responsive to changes in circumstances and business activities and, where appropriate, provide opportunities to enable more positive E&S and BI outcomes;
Communication, awareness and training	• develop programmes of regular communication and effective training on E&S and BI risk management for employees and other relevant stakeholders, commensurate with the materiality of these issues;
Stakeholder engagement, consultation and grievances	• demonstrate commitment to proportionate and ongoing stakeholder engagement and consultation; • demonstrate commitment to addressing grievances or complaints through a GRM (including, where appropriate, through the provision of remedies where adverse impacts are evident) and a whistleblowing mechanism;
Incident reporting	• develop and implement an approach to escalating and reporting E&S and BI incidents within the Investee and, as necessary, to BII;
Ongoing risk monitoring and evaluation	• establish a process to maintain and regularly review E&S and BI risk assessments and evaluate management frameworks; and • complete regular risk and compliance audits during our investment (adopting a risk-based approach to determine frequency and scope).

Annex D: Guidance on recommended practices

Below we set out our recommended practices. These practices are presented alphabetically (not in order of priority) and would be discussed on a case-by-case basis with Investees (and where appropriate to the circumstances of the investment). Where relevant for an Investee, we will provide support to help consider improved responses to the themes noted below.

Theme	Summary of issue	Recommended practices
Animal welfare	Concerns over the treatment of livestock are of growing importance in our markets and can affect business growth assumptions, including investor and consumer sentiment, brand value, disease risk, product quality and market access.	We have developed tools and guidance to engage Investees on these issues and encourages Investees in relevant sectors to adopt internationally-recognised standards on animal welfare, including EU animal welfare standards or other Good International Industry Practice as appropriate to the local context.
Anti-Microbial Resistance (AMR)	AMR is a rapidly growing threat to human and livestock welfare which poses significant near-term risks to private sector companies as well as global health systems. AMR is an umbrella term for resistance to antibacterial, antiviral, antiparasitic and antifungal drugs, and occurs when a disease-causing microbe develops the ability to survive an antimicrobial treatment, such as an antibiotic, so that it is no longer effective.	We recognise that the private sector can play an important role in reducing AMR risks. Where AMR risks may be present, we encourage Investees to adopt mitigation and good practice measures. These may include: (i) reducing the use and misuse of pharmaceutical drugs (including specifically in the livestock sector); (ii) investing in research and development (in the pharmaceutical sector); and (iii) investing in the proper treatment of waste waters and effluents which contain pharmaceutical residues (all sectors that rely on on-site treatment of wastewater).
Artificial Intelligence (AI)	The impacts of AI (including fairness, inclusiveness, safety and security) on both individuals and society are different to other areas of technology largely because of the ways AI can amplify the risks associated with big data and algorithmic decision-making. Although machine learning is based on traditional statistical approaches to data analysis, machine learning models are infinitely more fine-tuned, which makes it difficult to trace the decisions or recommendations they make. Error rates at scale also amplify impacts.	We encourage the responsible development and implementation of AI to meet human rights obligations under the UNGPs and to avoid operational, financial, legal and reputational risks linked to AI. Responsible AI processes, which are unique to the way each company operates and their level of exposure to AI-related risks, include principles that: promote human agency and oversight, ensure technical robustness and safety; and embed principles linked to privacy and data governance, transparency and comprehensibility, diversity and fairness, social benefit and accountability into infrastructure and tools.
BI beyond compliance	It is increasingly recognised that BI risk management has value beyond ensuring	We strongly encourage and aim to support Investees to:

	compliance with legal requirements and that it is vital to achieving sustainable development and environmental and social outcomes. Traditional compliance-led approaches to BI, where BI risk management is considered a compliance cost to manage regulatory requirements and limit financial losses or penalties, have had mixed success in addressing underlying BI risks. Effective approaches to BI risk management should improve governance and transparency in decision-making, build trust with employees and business partners and deliver other benefits that enable sustainable growth. The most successful approaches are ones where employees can share concerns about BI free from retaliation and where companies are honest in acknowledging the risks they face, and seek to effect wider market change by tackling systemic BI risks like corruption through engagement in collective action initiatives.	(i) integrate BI into governance approaches, strategic risk management efforts and business decision-making; (ii) recognise the often systemic and complex nature of BI risk, including the implications for E&S and development impact outcomes; and (iii) develop BI approaches that focus on the impact of organisational leadership, incentives and culture as well as rules and processes.
Biodiversity and ecosystem services	Threats to biodiversity and ecosystem services are now widely recognised and generate a global threat to human welfare and economic development. Threats are being exacerbated by climate change and increasingly posing material risks to many businesses and sectors. Proactively seeking to mitigate impacts on biodiversity and ecosystem services are particularly important in our markets, because a greater percentage of business and communities are directly linked to the products and services that biodiversity delivers.	Our requirements in relation to biodiversity are outlined in Annex A (and specifically the requirements outlined under the E&S aspect 'Biodiversity conservation and sustainable management of living natural resources'). The business case for engagement on biodiversity beyond these requirements is increasing and the recommendations here reflect additional and voluntary commitments. We encourage Investees to: (i) actively consider how their businesses (including their supply chains) impact biodiversity and develop risk management systems and processes to manage biodiversity-related impacts; (ii) create appropriate governance and oversight of these issues at board and senior management levels; (iii) work with others (including peers and NGOs) to address systemic challenges in the protection and conservation of biodiversity; and (iv) report publicly (as appropriate) on measures taken to reduce these impacts.
Circular economy	The circular economy is a method to displace traditional linear economic models which rely on the extraction of resources. Circular economy	We recognise the importance of embedding circular economy principles into all relevant investments. Depending on the type of investment, we encourage and aim to support Investees to:

	principles, such as designing out waste and pollution, keeping products and materials in use and regenerating natural systems, are also important for contributing to the urgent need to transition to low-carbon growth pathways.	(i) improve data collection to help build the evidence base on the effectiveness of circular economy approaches; (ii) identify opportunities linked to the circular economy, for instance, around reuse and recycling; (iii) support the development of innovative circular economy processes; and (iv) consider limiting investments in the manufacture of single use plastic products and of plastic products that are not widely recyclable to cases where a robust impact case can be demonstrated.
Climate change	Some aspects of climate change are requirements for Investees (see Section 2 for obligations around fossil fuels), but other elements of climate change are framed as guidance. Given the pace of change and rapidly emerging regulation in relation to climate change, this guidance will become more material to Investees in the near term.	Our guidance is framed by our Climate Change Strategy. We encourage and aim to support Investees to: (i) integrate climate change risk into strategic planning, risk management and reporting; (ii) prioritise the transition to a net zero economy by 2050 and identify ways to understand, plan for and deliver this transition in their own business strategy and growth; (iii) commit to a just transition; and (iv) proactively support climate change adaptation and resilience across sectors, businesses and communities as relevant.
Corporate Governance (CG)	CG provides a mechanism through which companies define business strategy, risk appetite and other corporate objectives. Companies with effective CG frameworks generally perform better across multiple areas of business impact, are more profitable, and are more attractive to investors. Importantly, a diverse and inclusive board of directors, which reflects gender, race and other aspects of diversity, enables a diversity of board perspectives and experience which results in better decision-making. We believe that the way a company responds to E&S and BI issues will increasingly define the resilience of its business. Therefore, the way these issues are integrated into governance structures is an important factor for us.	We recognise that effective CG varies depending on the type and size of the organisation, its method of financing, jurisdiction and the ownership structure. We also recognise that the CG arrangements of companies evolve over time and we aim to support the evolution of CG practices. The IFC's Corporate Governance Development Framework, an internationally-applicable CG methodology, provides the basis for our support to Investees. CG frameworks include practices to address: (i) commitment to CG; (ii) the structure and functioning of the board of directors; (iii) a company's control environment and processes; (iv) transparency and disclosure; and (v) the rights of minority shareholders.

	A key benefit of an effective CG framework is that it provides the checks and balances to reassure external stakeholders that E&S and BI issues and other risks inherent to strategy execution are effectively managed.	
Cyber security and data protection	Greater interconnectivity, the growing complexity of supply chains, the expansion of connected cyber-physical systems, and the adoption of emerging technologies have increased exposure to cyber incidents (including fraud and other forms of cyber-crime as set out in Annex B: Specific Business Integrity requirements') for all organisations. With the development of more stringent data protection regulation globally, the failure of companies to protect the data they hold, whether related to employees, customers, suppliers, or products, can have significant regulatory, legal, reputational and commercial impacts.	Using a risk-based approach, we encourage and aim to support Investees in protecting their data through the adoption and strengthening of cyber security controls.
Data privacy	The adoption of technology to transform business and achieve sustainable development goals is widely recognised. There is also growing global demand to ensure data is responsibly collected, used and shared. That is why in addition to securing and protecting data, we recognise the importance of considering the privacy rights of individuals and communities in the design and use of data and technology.	We encourage and aims to support Investees where relevant in incorporating data privacy principles into the development of legal, technology and policy frameworks, and embedding them into operations and business models. Important principles include freedom of expression and issues linked to content regulation and surveillance, forced shutdowns, requests for data and access and encryption.
Disability inclusion	Estimates show that around 15 per cent of the global population live with some form of disability, 80 per cent of whom are living in low and middle-income countries. Ensuring employees are not discriminated against is a core element of our requirements in Section 2. However, we recognise the importance of proactively promoting an inclusive culture regarding disability, in which businesses actively consider inclusivity in recruitment and	Our requirements in relation to disability are outlined in Annex A (and specifically the requirements relating to discrimination outlined under the E&S aspect 'Labour and working conditions'). The business case for stronger and more proactive engagement on disability is increasing and the recommendations in our Disability Inclusion Good Practice Note provides a roadmap for businesses to become more inclusive. The related topic note for investors provides additional technical guidance and good practices in this area.

	throughout employment, with an aim to increase participation of people with disabilities in the workforce. For Investees operating in manufacturing, accessibility of products for consumers is also an important consideration.	
Diversity, equity and inclusion	Ensuring that employment decisions (in particular) are free of discrimination and provide fair and inclusive opportunities for workers is a requirement set out in Section 2. We also believe that proactively supporting businesses to have balanced representation, and especially inclusion in leadership, by all segments of society makes for better and more sustainable business decisions.	Our requirements in relation to diversity and inclusion are outlined in Annex A (and specifically the discrimination requirements outlined under the E&S aspect 'Labour and working conditions'). Additionally, we encourage Investees to build an inclusive corporate culture by reviewing their: corporate governance framework, recruiting and retention methodologies, staff data, HR policies and employee engagement approaches. Further guidance can be found in our position statement.
Fragile and Conflict Affected Situations (FCAS)	Where companies operate in FCAS they often face a range of E&S, human rights and BI issues that they may not fully control (given weak rule of law, corruption or criminality, social or political instability and other destabilising factors). Investing in FCAS also has the potential to exacerbate these issues and to increase human rights and BI risks in particular. We view proactive assessment and management of these issues as fundamental to business success and also to ensuring appropriate treatment of human rights.	We encourage and aims to support Investees with exposure to FCAS to take a proactive role in managing human rights risks and impacts (including engaging on those that lie beyond the Investee's direct control) to create an enabling environment for peace, stability, human rights and development.
Gender Equality	Aspects of gender equality are requirements for Investees (See Section 2 for obligations around ILO's core labour standards and for Investees not to engage in Safeguarding Violations). In addition, empowering women and increasing gender balance in the private sector not only improves the lives of women and communities, but is also a key driver of economic growth.	Our requirements in relation to diversity and inclusion are outlined in Annex A (and specifically the discrimination requirements outlined under the E&S aspect 'Labour and working conditions'). We strongly encourage a proactive approach to gender equality as outlined in our Gender-Smart Investing framework and the 2X Challenge. We encourage and aim to support Investees to promote women's participation as: (i) business owners; (ii) corporate leaders; (iii) valued workers; and (iv) discerning consumers.

	Proactive assessment of where and how women participate across business activity is critical to business success.	Our Gender Toolkit provides detailed guidance and a range of resources to promote the adoption of gender-smart investing practices across the investment industry. For Safeguarding Violations, see our guidance entitled 'Addressing gender-based violence and harassment' which should be read in the context of BII's public commitments to tackling sexual exploitation and abuse and sexual harassment. Further guidance can be found in our position statement.
Human Rights	The protection of human rights forms the basis of many of the requirements set out in Section 2. However, there are some scenarios where human rights impacts are more complex to define and manage. Human rights impacts in supply chains, and those that result from an Investee operating in fragile and conflicted affected situations where the rule of law may be weak, are two scenarios we recognise as particularly challenging. In addition, near-term regulation and societal expectations are likely to increase pressure on companies to integrate human rights considerations more consistently and effectively into their business activities and supply chains.	In addition to the requirements outlined in Annex A, we encourage Investees to proactively consider human rights risks in their operations and supply chains, to use leverage and influence to address opportunities to promote and support human rights and to collaborate with others in managing systemic human rights risks and issues where possible as defined in the UNGPs.
Promoting stronger and better relationships with employees and workers	Ensuring that employees and workers are treated fairly and provided with healthy and safe working environments is a key requirement in Section 2. But we recognise that labour markets are evolving, along with the relationship between employers and workers. For example, the need to address 'just transition' expectations in the context of climate change, to respond to the evolution of 'gig economy' workforces (including ways of ensuring effective rights to collective action), to leverage new technology that provides new ways of engaging labour	Our requirements in relation to labour and working conditions are outlined in Annex A (and specifically the requirements outlined under the E&S aspect 'Labour and working conditions'). Additionally, we encourage Investees to proactively consider ways of promoting better relations between workers, employees and management. We aim to work with Investees on emerging labour issues (including the gig economy and labour practices in supply chains) and to support job quality and employment practices that reflect changing relations between employers and employees and, in particular, the just transition.

	forces (through worker voice and similar technologies), to respond to diversity and inclusion priorities, and to understand responsibilities that companies have with regard to their supply chains all pose evolving expectations on employers. Employer's responsibility for supporting and promoting workers' mental health and well-being also presents an increasingly important area of practice.	
Tax transparency	Stakeholder interest in companies demonstrating tax transparency is growing at pace. We recognise and supports the assertion that taxes are a key source of government revenue and are intrinsically linked to the macroeconomic stability of government finances. The United Nations has acknowledged tax and related finances will play a vital role in achieving the Sustainable Development Goals.	As highlighted in our Tax policy, we mandate as a condition of investment that Investee businesses comply with all tax compliance and payment obligations in their local jurisdiction. Beyond the key principles of the Tax Policy and the requirements for tax compliance and planning set out in Annex B, we recognise the growing expectations for companies not to participate in aggressive tax avoidance strategies and we encourage more detailed disclosures of tax strategies and taxes paid. We encourage Investees not to utilise intragroup transactions or inappropriate transfer pricing methods to artificially divert taxable profits from the countries where they operate, particularly developing countries.

Annex E: Excluded activities

Investees may not use our capital for any of the activities listed below.[6]

- Production of, or trade in, any 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 such as certain:
    - hazardous chemicals, pharmaceuticals, pesticides and wastes;
    - ozone depleting substances;
    - endangered or protected wildlife or wildlife products; and
    - 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;

- Production of, or trade in, arms (i.e., weapons, munitions or nuclear products, primarily designated for military purposes);
- Production of, use of, or trade in, unbonded asbestos fibres;
- Production of, or trade in, radioactive materials[7]; or
- Prostitution.

Any businesses, if any of the following activities represents a substantial portion of such business[8]:

- gambling, gaming casinos and equivalent enterprises;
- tobacco or tobacco related products[9]; or
- pornography.

Where we co-invest with other EDFIs, the Investee will need to ensure our capital is not used for any activities listed on the EDFI harmonised exclusion list.

[6] In exceptional circumstances, we may determine that the development impact of a proposed investment that derogates from this requirement justifies any potential harm caused by such derogation. In such cases, we may proceed with the investment provided that the derogation is approved by our Board of Directors.
[7] This does not apply to the purchase of 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] For companies, 'substantial' means more than 10 per cent of their consolidated balance sheets or earnings. For financial institutions, 'substantial' means more than 10 per cent of their underlying portfolio volumes.
[9] Except, in the case of tobacco production only, with an appropriate timeframe for phase-out.

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CDC is changing its name to British International Investment
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