

BII ESG-MS Training – Module 3

November 2025







Introductions





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Housekeeping





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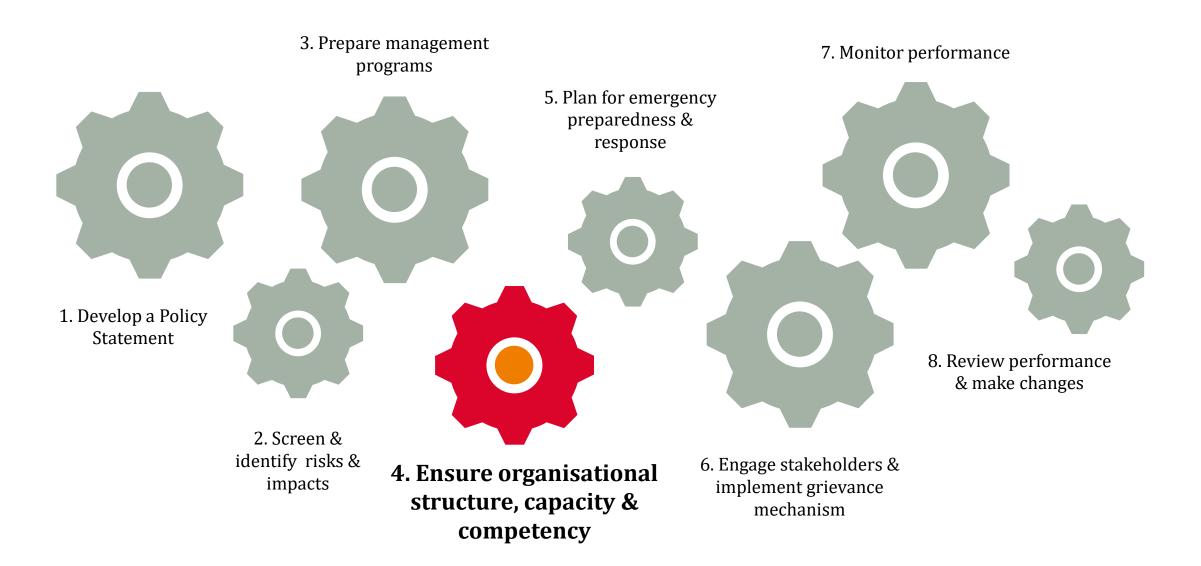
Agenda – Full Programme



Module 1	Module 2	Module 3	Module 4
The fundamentals of ESG Management Systems and Corporate Governance Frameworks	The ESG-MS as a vehicle for Operationalizing ESG Risk Management	Building an ESG-MS – how people make systems	Monitoring ESG-MS performance and futureproofing
 Introductions What is an ESG-MS and what's the business case? Fundamentals of Corporate Governance Where to start building your ESG-MS Different Forms of ESG-MS 	 Identify and assess risks and impacts Management programmes 	 How to resource an ESG-MS Emergency preparedness & response Stakeholder engagement & grievance mechanism 	 Monitoring and reviewing performance Adapting your ESG-MS Getting the best out of an ESG-MS Concluding remarks and survey
	 Focus session – Managing OHS via ESG-MS (including incident management and road safety) Corruption risk management in ESG-MS (including relevant tools for conducting risk assessments) 	Focus session – Oversight of ESG-MS (including board and senior management accountability of ESG-MS)	 Focus session – ESG-MS Future Priorities and Emerging ESG Themes: ESG regulatory landscape Risks connected to emerging technologies, including cybersecurity, data privacy and responsible AI

Cogs of an ESG-MS (Overview)

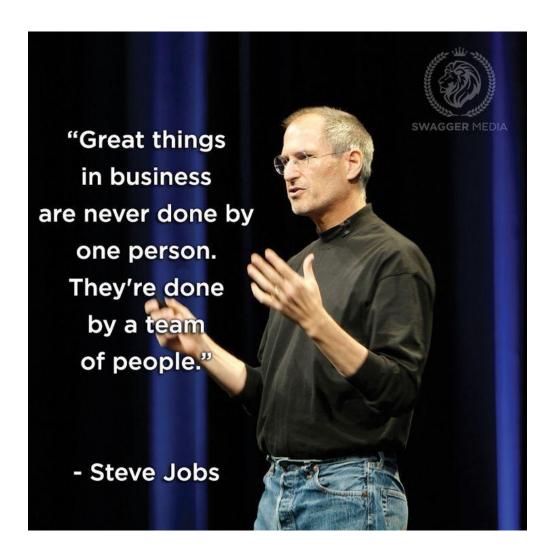




How to resource your ESG-MS?

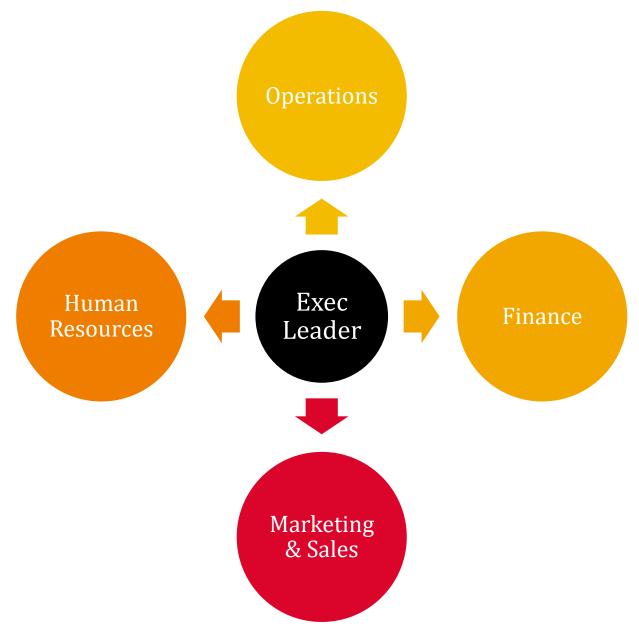


- Right organisational structure
- Defined roles, responsibilities, and authorities to implement the ESG-MS
- Sufficient capacity
- Appropriate competency
- Clear lines of responsibility & communication
- Management sponsorship, setting a positive culture, tone from the top
- Open, transparent, two-way communication



Organisational Structure - SME





Organisational Structure – Larger Organisation





Competency Framework





Building Capacity & Competence



- Invest in induction and on-boarding
- Learn through doing (risk assessments, walkdowns, etc)
- Learn from site visits / audits from investors and third parties (involve a range of people)
- **Promote participation** in ESG Committees
- Information Campaigns
- Cross-train to benefit from existing skills and knowledge
- Develop a formal Training Plan
- Invest in specific training by external providers
- Hire ESG professionals
- Utilise consultancy support (bespoke capacity building)





Building Capacity & Competence





Practical guidance for Fund Managers and Financial Institutions on integrating EGS into the investment cycle



BII runs **ESG workshop programmes** for Fund Managers, financial institutions and portfolio companies since a decade.



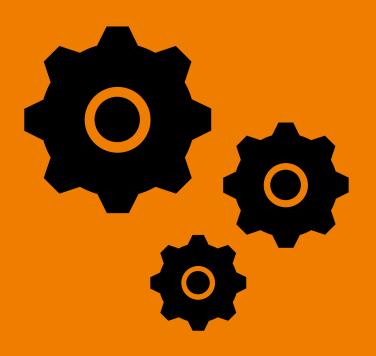
Externally published guidance for stakeholders on how to identify, assess, and manage specific ESG risks and opportunities



Technical assistance and support to BII companies through providing technical expertise for targeted valueaddition activities.



Focus Session Oversight of ESG-MS



Introduction to the Focus Session

- A successful ESG-MS needs the organisation to implement systems; it is not just assigned to a single person or consultant!
- A key part of this is the oversight of an ESG-MS by the organisation's leadership.
- Without the leadership's commitment and demonstration of commitment through involvement, the systems will not succeed.

Therefore:

- What is the role of the management leadership, and how can they lead by example in implementation?
- What is the role of the Board in implementing and overseeing processes?



Returning to Module 1.....



What single factor do you see as the key to your ESG-MS succeeding?



Returning to Module 1.....



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Why do leaders care about ESG-MS?



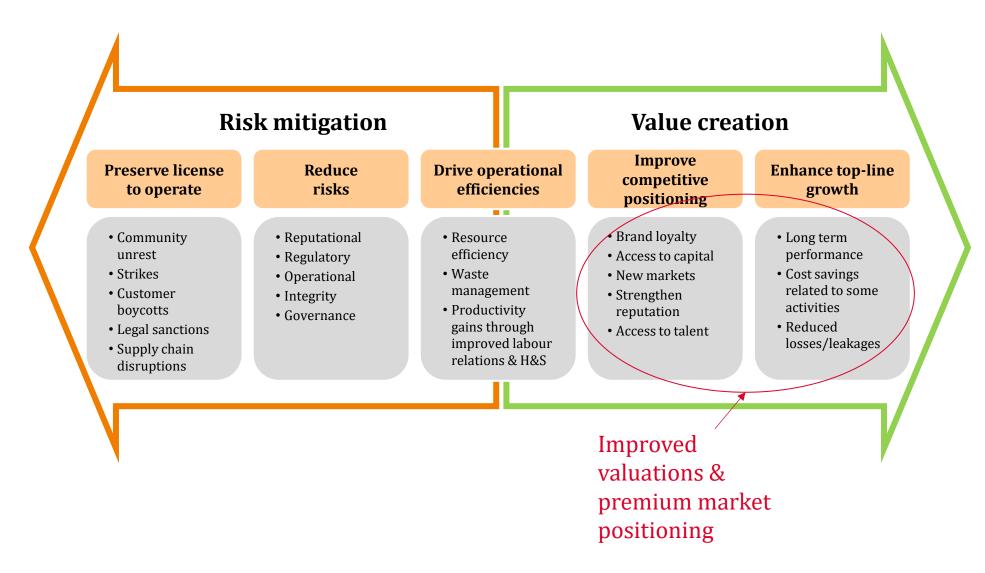
The ESG journey and growing strategic centrality



Why do leaders care about ESG-MS?



Implications and spectrum

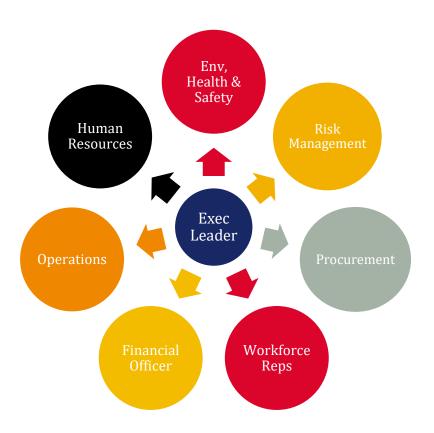


ESG – Management oversight



Key tasks

- Set the culture
 - Setting the values and ethics of the business
 - Personal integrity and leading by example
 - Foster respect & trust both in the company and with the Board
- Define clear roles and responsibilities throughout growth stages
 - Integration into Executive roles
 - Specific Executive level ESG Champion
 - Management ESG sub committee
- Determine management priorities and processes
 - Key management tasks
 - Demonstrating commitment
 - Enabling cross functional input



ESG-MS and the role of Management and Board

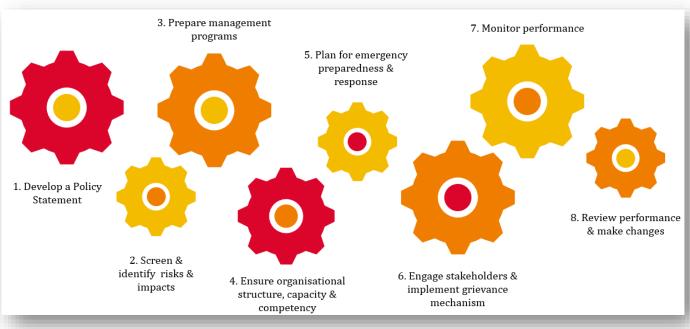


Cogs 1, 3 & 5:



Steers and Sets Strategic Direction





Cog 7 & 8:



Oversees & Monitors

Cog 2:



Sets Risk Tolerance & Materiality

Cogs 4 & 6:



Ensures Accountability

Board roles & responsibilities













Steers and Sets Strategic Direction

The way in which specific governance areas are to be approached, addressed and conducted.

Approves Policy & Planning

Setting out operational direction.

Sets Risk Tolerance & Materiality

Risk registers and prioritisation of risks

Ensures Accountability

Operational performance and KPIs on processes. Also review of behaviour.

Oversees & Monitors

Implementation and execution of strategy by management.

Ultimately, the board should be comfortable that the company has in place:

- 1. A 'fit-for-purpose' E&S and BI management system, and controls which support consistent delivery of the business objectives.
- 2. The financial and human resources available to deliver the agreed programme.
- 3. An effective monitoring and evaluation process which tracks E&S and BI performance against key metrics, delivering valuable information which can enhance business decision making and drive better practices.

Role and Commitment of the Board



How can we think about ESG and decision making at Board level?

ESG issues are accounted for in setting strategic direction

ESG issues are accounted for in setting strategic direction

Risk analysis of strategic, operations, compliance and disclosure aspects

Scope of Board oversight of ESG issues more comprehensive Integrated reporting

ESG expertise and advice at Board level Capital invested in improving sustainability and integrity practices

Remuneration linked to ESG performance metrics Ask whether
external
stakeholder
views shape risk
assessment

Integrating ESG intro Board Governance



Scale of options available

1

2

3

4

5

6

Not formally embedded

 Sustainability is neglected and directors fail to develop ESG expertise

One director assigned ESG Champion

- Quick and easy to implement if good candidate on the board
- Tricky and slow if an outsider needed
- Way to explore longer-term options for ESG Governance
- Bridge between the board & managers
- Greenwashing if they aren't given the authority to change

Multiple committee responsibility

- Brings E&S into the business context
- Requires all committee members to consider sustainability
- May send message wider board doesn't think about sustainability
- Complex to administer
- Potential for fragmented implementation

Added to existing committee responsibilities

- Easy set-up
- Members already have specialist expertise in area
- Risks becoming side topic
- Makes less of a statement
- May lead to narrow focus

Dedicated committee

- Strong board commitment
- Speeds the process
- Allows for thorough deliberation
- Enables executive participation
- Complex to set up
- Requires coordination, cooperation and alignment

Fully integrated into all board operations

- Public commitment
- Permanent board presence
- Rich multidimensional perspectives
- Limits the participation of board members
- Needs constant attention

How a Committee might work



Introduction and Chair to open the meeting

- 1.1 Apologies and confirmation of quorum
- 1.2 Director Conflict of Interest Disclosures

Comment on Minutes of Previous ESG Committee

- 2.1 Confirmation
- 2.2 Matters Arising/Action List

3. **Matters for Discussion**

- 3.1 Review of ESG Quarterly Report
- 3.2 Review of HSE Incidents
- 3.3 Investigations update (if applicable)
- 3.4 Pipeline opportunities/ acquisitions
- 3.5 Strategic and value initiatives
- Items to report to the Board

Extract from the **BII Investment** Cycle Overview integrating ESG:

OWNERSHIP AND **MONITORING**

Guide/assist the company to ensure its ongoing compliance with applicable standards, implementation of the ESG Action Plan and improvement of ESG performance.

- Stay informed and respond to new developments and/or risks.
- Build on the relationship established during DD.
- · Regularly monitor: oversee and support the company on ESG matters.
- Manage unplanned events.
- · Prepare for exit.

- · Appropriate influence and oversight.
- Record monitoring engagements.
- · Annual ESG reporting and reporting to investors.
- Non-routine event communications.

What we have observed...



- Have a mix of management/ directors and technical participants (of course depending on the type of board)
- Ensure committees are aligned with board meetings both for management committees and sub-committees it is useful to be able to escalate issues
- If different investors are present, good to involve them in order to resolve E&S issues jointly
- Use the first meeting to align on reporting (e.g. KPIs/ metrics), clarifying aspects of ToR and agreeing on timelines to receive material
- Clarify which topics not to cover (e.g. confidential information in safeguarding cases)
- Be prepared to refresh scope as risk or opportunity profile changes



Summary – linking boards and ESG-MS



Examples of typical Board responsibilities	ESG-MS consideration? No Yes
ESG-MS Policy approvals	
Capital Approval and Allocation	
Remuneration	
Board membership and other appointments	
Setting risk tolerance (e.g. OHS, supply chain) Board structure and Committees	
Communication / stakeholder mapping	
Internal Controls and evaluating KPIs	

Q&A Session



Where to start getting the CEO/ Board involved?

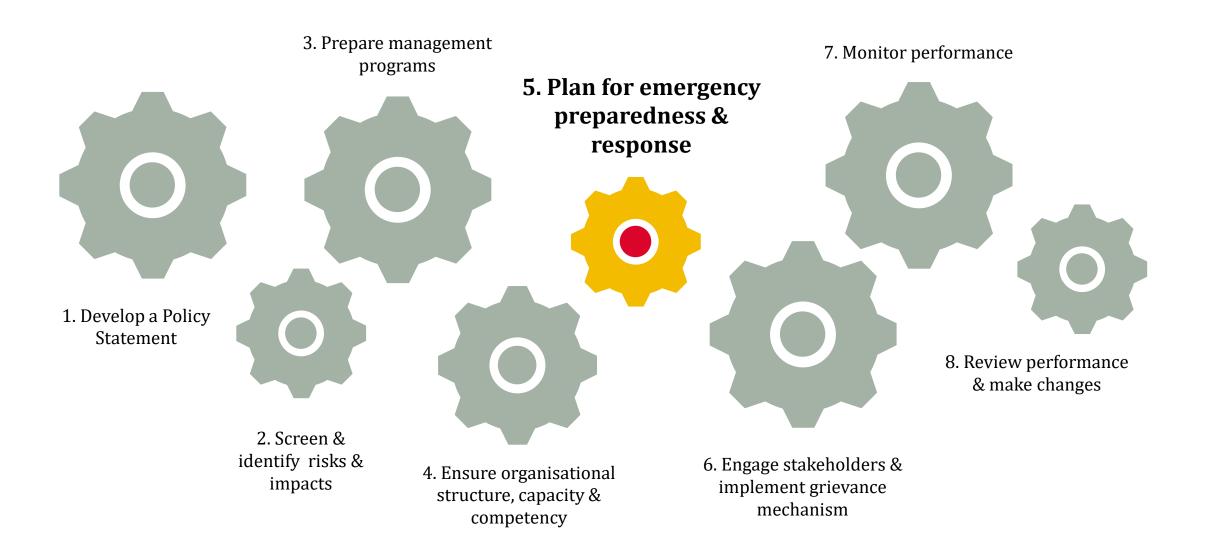
What is the role of ESG Subcommittees, Board and Management Teams?

How can Boards gain experience to interrogate and understand ESG-MS data?

How can you empower people to manage ESG matters?

Cogs of an ESG-MS (Overview)





Emergency Preparedness and Response



The purpose is to prevent, mitigate or minimise any harm to people and/or the environment if an incident is to occur...

Identify what, where and who could be at risk, consult internally & externally

Develop your response plan /procedure(s), consult internally & externally

Implement procedure ensuring you: Communicate, Train, Test & Review (internally & externally)

What, where and who is at risk?



1. What are the areas where accidents and emergency situations may occur?

2. What types of emergencies could occur?

3. Which communities and individuals (e.g. employees, contractors and third parties) could be impacted?









Develop & document your response



1. Step-by-step response that would be required in each scenario

2. Roles and responsibilities for the response

3. Emergency response equipment (include information on use, inspection, testing and maintenance)













Implement your procedure



1. Communicate the procedure to everyone affected

2. Train all those affected in how to carry out the procedure

3. Test the emergency response procedure and update where needed

4. Include a schedule for review and update as conditions require Learn from real events

Engage throughout!

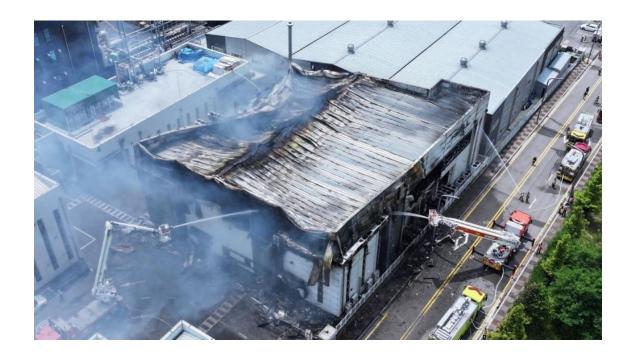




Case Study – Fire Evacuation Planning



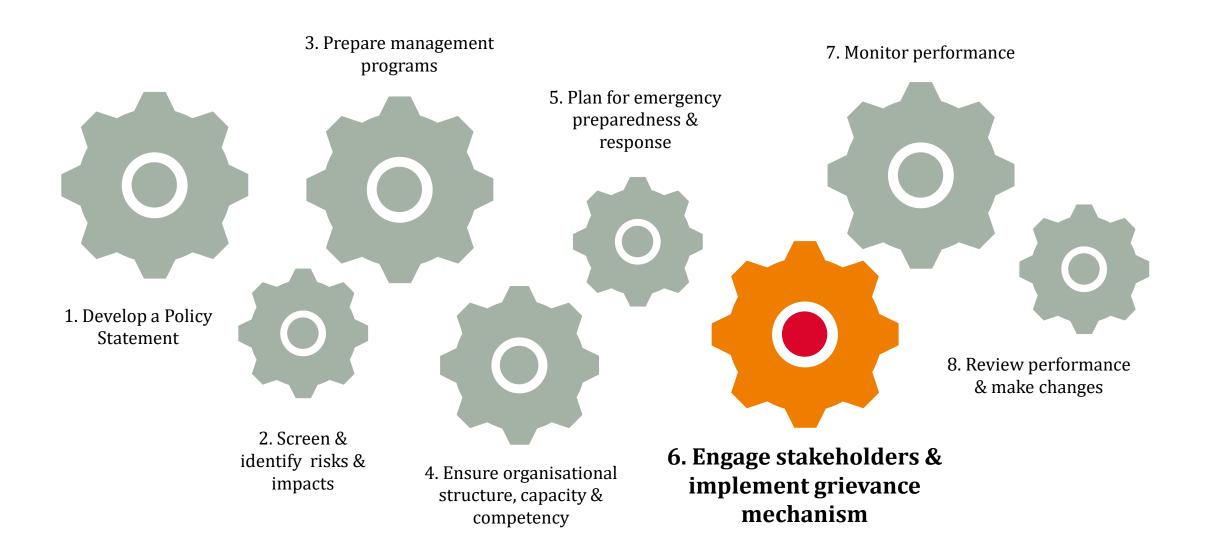
- Catastrophic fire at lithium battery factory in Hwaseong, South Korea (June 2024) where 35,000 lithium batteries were stored
- 23 fatalities, others injured
- CEO and GM of the Company Aricell arrested and sentenced to 15 years and 1 million-won fines (US \$717,000)
- Investigation found multiple and systemic failings in fire safety and emergency arrangements, including:
 - Managers failed to safely maintain evacuation exits and routes
 - Executives reportedly made changes to the plant that hindered evacuation, such as installing a false wall that blocked an evacuation route
 - Reports of lack of proper safety training rolled out to temporary workers, including on emergency evacuation



"Many of them [the workers] ran away from the fire toward a side of the building that had no exit." (Source: NPR News)

Cogs of an ESG-MS (Overview)







What are stakeholders?

Stakeholders are people or groups who are directly or indirectly affected by a business, as well as those who may have interests in the business and/or the ability to influence its outcomes, either positively or negatively





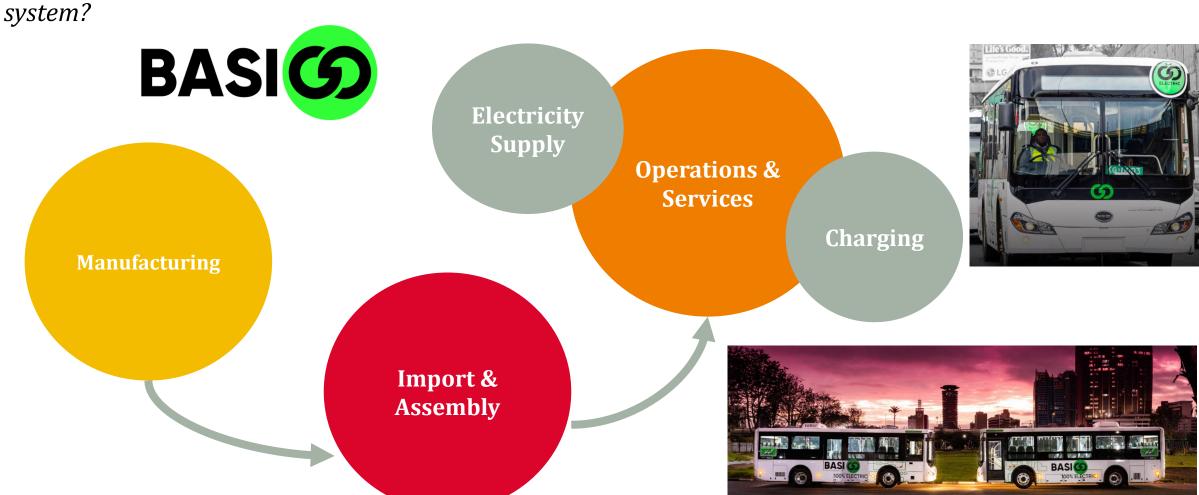
Why do stakeholder engagement?

- Build trust and understanding with those who could influence the success of the business.

- Identify any potential issues and concerns early, before they lead to opposition, complaints, or legal action.



Who do you need to engage with throughout the process of rolling out an electric public transport



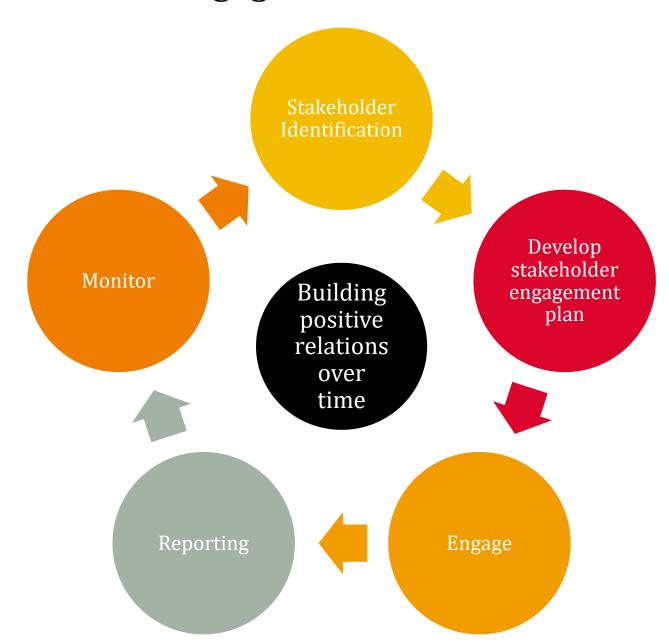


Stakeholders may include:

- Directly affected people: neighbours, land users, etc.
- Local communities and their representatives
- National or local government authorities
- Politicians
- Religious leaders
- Civil society organisations
- Other businesses
- Academic community
- Anyone else with an **interest** in or an **influence** on the business

Stakeholder Engagement Process





- Provide information (websites, letters, annual reports etc).
- Phone calls
- One-to-one meetings
- Public / community meetings

Community and Worker Grievance Mechanism



What is the purpose of a Community and Worker Grievance Mechanism?

To establish a way for individuals, groups or communities affected by your business to contact you if they have an <u>inquiry</u>, a concern or a formal complaint.

The Grievance Mechanism acts as an 'early warning system' to prevent issues and concerns growing

Separate grievance mechanisms may be established for:

- Community Grievances (from stakeholders and members of the public)
- Worker grievances (from employees of the company and any contractor workers)

Community Grievance Mechanism



Communicate the mechanism to stakeholders

Receive and register grievances

Review and investigate the grievance

Develop actions to resolve the grievance and communicate them

Key elements:

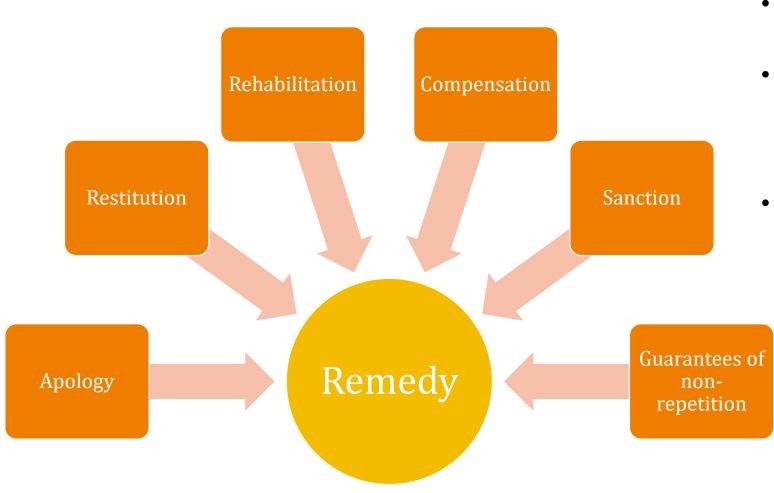
- Tell people how to contact the business, either openly or anonymously.
- Assign responsibility for receiving, registering and processing all grievances submitted.
- Establish **procedures to record, investigate and define actions** to address the grievance.
- Define **how to communicate decisions taken** and progress on pending actions.

A community grievance mechanism should be:

- Understandable, accessible and trusted by the community.
- **Culturally appropriate** and open to all stakeholders (local language, needs of illiterate people)
- At **no cost**.

Community and Worker Grievance Mechanism





How to remedy a grievance?

- Remedy can include a wide range of measures
- Ideally, the impacted party should choose the appropriate forms of remedy.
- Aside from remedy, processes should be changed to help avoid any such grievances in future

Whistleblowing



Reporting by staff or third parties to the company of any knowledge or credible suspicion of attempted or actual misconduct, including corruption.

Whistleblowing is an essential tool to strengthen accountability and combat corruption.

Companies should :

- Have a clear Whistleblowing Policy, stating that the company is open to whistleblower reports from staff and third parties and that it will investigate and, where appropriate, act upon such reports.
- Communicate the Whistleblowing Policy and procedures to stakeholders, including employees, and having the Policy on the company website.
- Have senior management responsible for overseeing implementation of the policy and procedure
- Report on the implementation of the Whistleblower Policy in annual accounts and reports.

THANK YOU



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