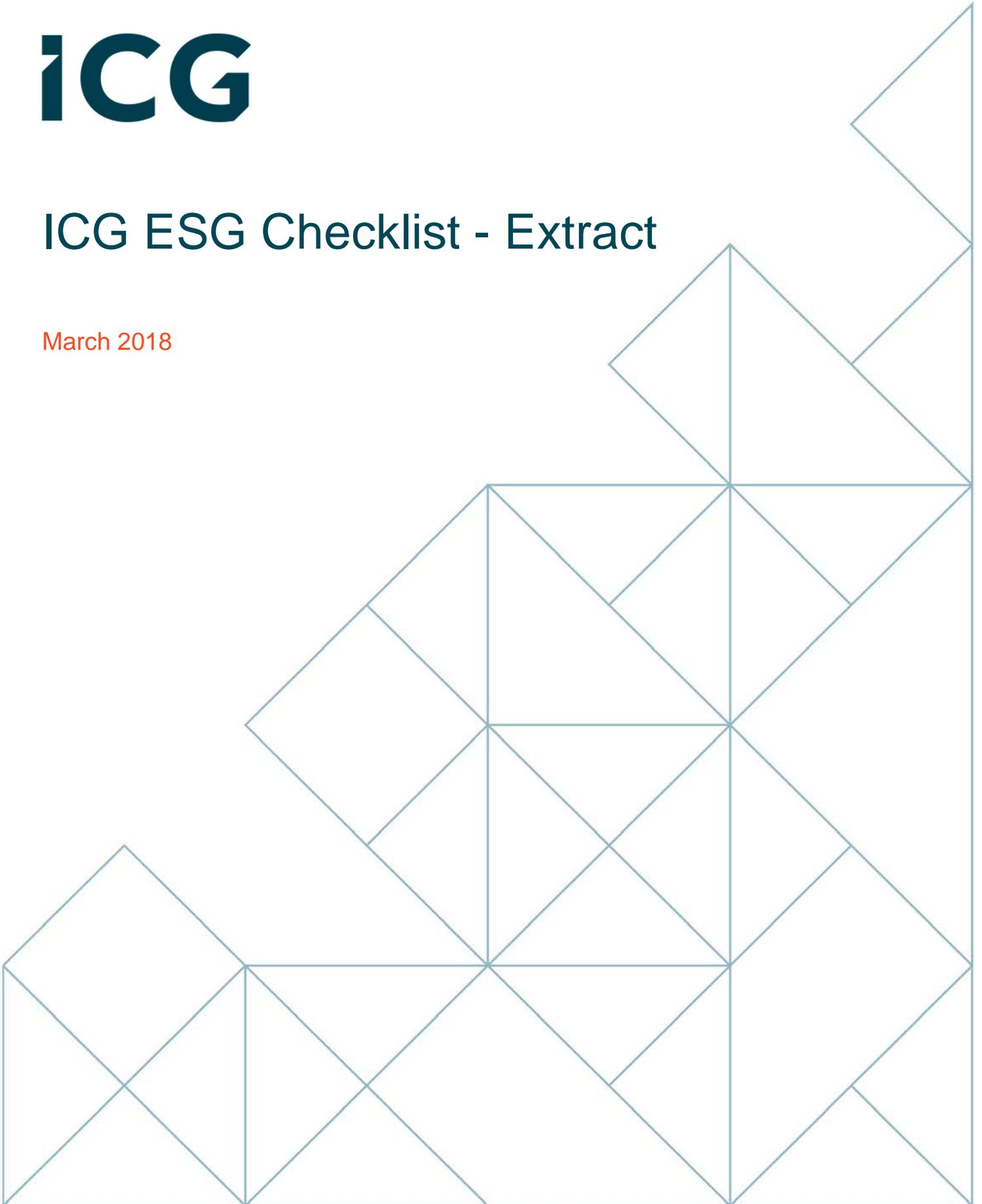# ICG

ICG ESG Checklist - Extract

March 2018

Environmental Concerns

Uncovering potential environmental concerns

- Has the target company identified the main environmental impacts associated with its business activities? If so, what are the main impacts that have been identified by the company?

- Has the target company faced any major environmental issues or litigations over the past few years?

- How is the management of environmental issues organised within the target company? Has the company appointed someone to handle environmental issues on a day-to-day basis?

- Has the target company formalised a group-wide environmental policy? If so, have objectives and performance targets been associated with this policy?

- Does the target company have an environmental management system? If so, has this system been certified ISO 14001?

- Has the target company conducted any environmental audits? If so, can copies be provided?

- Does the target company report to third party organisations (e.g. CDP) or participate in third party rating or assessment exercises (e.g. FTSE4Good)?

- Is there any information about strategies, policies or specific measures that the target company has implemented in the following fields:
    o Energy efficiency;
    o Carbon efficiency;
    o Waste management;
    o Water management?

- Are environmental reports released on a regular basis by the target company? If so, what are the main KPIs included in these reports and to whom are they communicated to? Are there yearly figures of these KPIs for the last three years?

Social Concerns

Uncovering potential social concerns with a focus on social performance/community engagement

- How is the management of community involvement organised at the target company (i.e. corporate donations, financing of community projects, development of partnerships with charities and NGOs, etc.)? Does the company have a team entirely devoted to the management of community relations?

- Does the target company have a budget for community involvement projects? If so, what is this budget for 20XX?

- Does the target company have an anti-slavery/anti-forced labour policy [or a policy on modern slavery] and how is this monitored?

- Child labour rates, and measures to combat this. Forced and compulsory labour rates, and measures to combat this – does the target meet legal requirements or best practice in this area? Is there a risk of reputational damage or litigation which could impact the target?

- Security practices – are personnel in high risk areas provided with sufficient security and protection? Are security personnel sufficiently trained in understanding human rights of employees or others?

- Community programmes to manage business impacts on the local population – are mechanisms in place to minimise impacts on the local community or to create positive effects?

- Corruption-related incidents, anti-corruption policies and actions taken – does the target take a firm stance on anti-corruption, and have there been any incidents which could result in penalties or negative publicity?

- Public policy positions, e.g. lobbying and political donations – could any of these public positions result in positive or negative reputational impact?

- Anti-competitive behaviour – is there a risk of penalties, legal intervention or reputational damage?

- Overall business compliance with relevant laws and regulations – are there risks associated with fines or regulatory intervention? Has the target allowed sufficient contingency within the business model for reasonably foreseeable legal requirements?

Corporate Governance Concerns

Uncovering potential issues in Corporate Governance & ESG Governance

- Describe the corporate governance system of the target company, providing specific information on:
  - The company's various governance bodies and operational committees (e.g. Board of Directors, Executive Committee, Risk Committee, etc.);
  - The role and composition (e.g. number of women Board Members, number of independent Board Members, etc.) of each of these governance bodies and operational committees;
  - The frequency at which their members meet and are elected.

- Has the target company set up risk management measures to address potential events that could lead to a corporate crisis and impact the company's business activities (e.g. technical failures, reputational damage, regulatory changes, etc.)?

- Does the target company have defined cybersecurity and data protection practices? Have these been independently reviewed/challenged?

- Have the target company's main ESG issues been identified? If so, what risks and opportunities have been associated with such issues?

- Do the clients or other key stakeholders (e.g. strategic partners, institutions, etc.) of the target company express requests or concerns about ESG issues? If so, what are the main issues of concern?

- Has the target company formalised a code of business ethics? If so, has it been signed by all of the company's employees and business partners? How is their compliance with the code monitored?