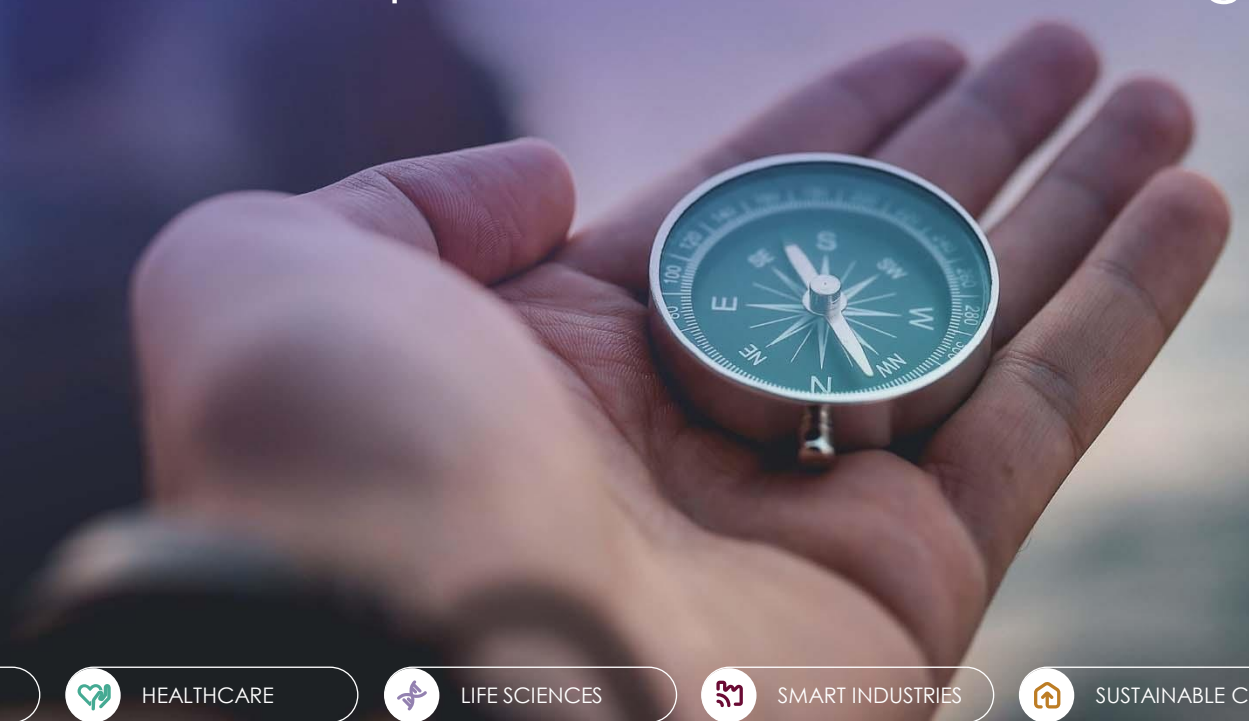


Due Diligence Tool

PRI Awards 2024

Innovation in Responsible Investment Strategy



CONSUMER



HEALTHCARE



LIFE SCIENCES



SMART INDUSTRIES



SUSTAINABLE CITIES

Gimv

Building leading companies.

Gimv ESG framework – Due Diligence tool overall structure

Four-Level KPI Framework: Weighted Scoring for ESG Due Diligence

General Assessment		Environment	Social	Governance	
GA1	Management	E1 Climate Change	S1 Own Workforce	G1	Business Conduct
GA2	Strategy	E2 Pollution	S2 Workers in the Value Chain		
		E3 Water and Marine Resources	S3 Affected Communities		
		E4 Biodiversity and Ecosystems	S4 Consumers and End-Users		
		E5 Circular Economy			

Key Features

CSRD Alignment

- Translated Annex I of CSRD upcoming legislation into an ESG DD framework

Five-Tier KPI Design

- Facilitates numerical outputs through a weighted scoring method
- Ensures adaptability for diverse company profiles

Cross-Sectoral Depth

Pool of questions available

GA: 43

E: 124

S: 83

G: 31

Process Automation



Due Diligence fully automatized, from questionnaire generation to scoring

The tool accounts for 4 control panels, one per main pillar (General Assessment, Environmental, Social and Governance)

Below a snippet of the control panel for the General Assessment pillar.

	A	B	C	D	E
1					
2		Clean Selection	Clean Weight	Clean Score	Generate Report
3					Hide Questions not selected
4					Upload Scores
5	KPI	Questionnaire	Selection	Weight	Score
6					
7	Tier 1	General Assessment			
8					
9	Tier 2	GA1 - Management and Sustainability Disclosure			
10					
11	Tier 2	GA2 - Strategy, Business Model, and Sustainability Disclosure			
12					
13		GA1 - Management and Sustainability Disclosure			
14					
15	Tier 3	Section GA1-1: Composition and Diversity of Administrative, Management, and Supervisory Bodies			
16					
17	Tier 4	GA1-1: Number of Members			
18	Tier 5	GA1-1.1 How many executive members are part of your administrative, management, and supervisory bodies?			
19	Tier 5	GA1-1.2 How many non-executive members are part of these bodies?			
20					
21	Tier 4	GA1-1: Gender Diversity			
22	Tier 5	GA1-1.3 What is the gender distribution among the members of these bodies?			
23					
24	Tier 4	GA1-1: Other Aspects of Diversity			
25	Tier 5	GA1-1.4 Are there other aspects of diversity that your organization considers important (e.g., age, ethnicity, educational background)?			
26					
27	Tier 4	GA1-1: Independent Board Members			
28	Tier 5	GA1-1.5 What percentage of the board members are independent?			
29					
30					
31					
32	Tier 3	Section GA1-2: Roles and Responsibilities			
33					
34	Tier 4	GA1-2: Oversight of Sustainability Matters			
35	Tier 5	GA1-2.1 Which body or individual within the administrative, management, or supervisory bodies is responsible for oversight of sustainability matters?			
36	Tier 5	GA1-2.2 How are the responsibilities for sustainability matters reflected in the terms of reference, board mandates, or other related policies?			

1. Integrated VBA coding into our tool to significantly enhance user-friendliness by automating tasks
2. First level breakdown: General Assessment (as reported in the example above), Environmental, Social and Governance
3. Second level breakdown: GA1 and GA2 (Management and Strategy respectively)
4. Third level breakdown: Aligned with CSRD Annex I
5. Fourth level breakdown: Aligned with CSRD Annex I
6. Fifth level breakdown: Material questions to be addressed during Due Diligence to assess a company

Exploring the Operational Features of the Tool

Step 1

KPI	Questionnaire	Selection	Weight	Score
Tier 1	General Assessment	Y		
Tier 2	GA1 - Management and Sustainability Disclosure	Y		
Tier 2	GA2 - Strategy, Business Model, and Sustainability Disclosure	Y		

As per CSRD requirements, the first step involves conducting a double materiality assessment to identify which topics are material. During the Due Diligence phase, we follow the same approach. Consequently, we select the material first layer (GA1, GA2, E1, E2, E3, etc.) in our tool, which we will assess throughout the due diligence process.

Step 2

KPI	Questionnaire	Selection	Weight	Score
Tier 1	General Assessment	Y		
Tier 2	GA1 - Management and Sustainability Disclosure	Y	60%	
Tier 2	GA2 - Strategy, Business Model, and Sustainability Disclosure	Y	40%	

Clearly, not every material topic has the same importance, so our tool allows us to address this by assigning a weight to each topic.

Step 3

GA1 - Management and Sustainability Disclosure				
Tier 3	Section GA1-1: Composition and Diversity of Administrative, Management, and Supervisory Bodies	Y		
Tier 4	GA1-1: Number of Members	Y		
Tier 5	GA1-1.1 How many executive members are part of your administrative, management, and supervisory bodies?	Y		
Tier 5	GA1-1.2 How many non-executive members are part of these bodies?	Y		
Tier 4	GA1-1: Gender Diversity	Y		
Tier 5	GA1-1.3 What is the gender distribution among the members of these bodies?	Y		
Tier 4	GA1-1: Other Aspects of Diversity	N		
Tier 5	GA1-1.4 Are there other aspects of diversity that your organization considers important (e.g., age, ethnicity, etc.)?	N		
Tier 4	GA1-1: Independent Board Members	Y		
Tier 5	GA1-1.5 What percentage of the board members are independent?	Y		

The selection of the first layer unlocks the possibility to perform a materiality assessment for each of the sub-layers, ultimately reaching the final layer where the specific questions are located.

Consequently, we can streamline our due diligence effort. The tool automatically creates a questionnaire containing only the material questions for our target company, grouped in a structure that mirrors Annex I of the CSRD regulation.

Example: A questionnaire automatically created as a result of a materiality assessment.

GA1 - Management and Sustainability Disclosure	
The objective is to understand governance processes, controls and procedures put in place to monitor, manage and oversee sustainability matters.	
Section GA1-1: Composition and Diversity of Administrative, Management, and Supervisory Bodies	
GA1-1: Gender Diversity	
GA1-1.3 What is the gender distribution among the members of these bodies?	3
GA1-1: Independent Board Members	
GA1-1.5 What percentage of the board members are independent?	2

Exploring the Operational Features of the Tool

Step 4

14				
15	Tier 3	Section GA1-1: Composition and Diversity of Administrative, Management,	Y	60%
16				
17	Tier 4	GA1-1: Number of Members	Y	30%
18	Tier 5	GA1-1.1 How many executive members are part of your administrative, management, and sup	Y	70%
19	Tier 5	GA1-1.2 How many non-executive members are part of these bodies?	Y	30%
20				
21	Tier 4	GA1-1: Gender Diversity	Y	50%
22	Tier 5	GA1-1.3 What is the gender distribution among the members of these bodies?	Y	100%
23				
24	Tier 4	GA1-1: Other Aspects of Diversity	N	
25	Tier 5	GA1-1.4 Are there other aspects of diversity that your organization considers important (e.g.,	N	
26				
27	Tier 4	GA1-1: Independent Board Members	Y	20%
28	Tier 5	GA1-1.5 What percentage of the board members are independent?	Y	100%

Just as we applied for the first layer, the principle of assigning different weights based on importance can be extended throughout the granularity/waterfall of the tool structure.

Therefore, we input the importance (weight) of each material item.

Step 5

13	GA1 - Management and Sustainability Disclosure			
14				
15	Tier 3	Section GA1-1: Composition and Diversity of Administrative, Management,	Y	60%
16				
17	Tier 4	GA1-1: Number of Members	Y	30%
18	Tier 5	GA1-1.1 How many executive members are part of your administrative, management, and sup	Y	70%
19	Tier 5	GA1-1.2 How many non-executive members are part of these bodies?	Y	30%
20				
21	Tier 4	GA1-1: Gender Diversity	Y	50%
22	Tier 5	GA1-1.3 What is the gender distribution among the members of these bodies?	Y	100%
23				
24	Tier 4	GA1-1: Other Aspects of Diversity	N	
25	Tier 5	GA1-1.4 Are there other aspects of diversity that your organization considers important (e.g.,	N	
26				
27	Tier 4	GA1-1: Independent Board Members	Y	20%
28	Tier 5	GA1-1.5 What percentage of the board members are independent?	Y	100%

Each question is then scored using a methodology ranging from 0 to 4, where 0 represents "insufficient" and 4 represents "outstanding".

Once each question is scored, the tool automatically calculates the weighted score for all the upper layers.

A traffic light system is implemented to easily detect areas where the company has room for improvement or does not meet minimum criteria.

The tool also includes a control section on the right side that monitors each layer, ensuring that no section is composed of a set of questions with a combined weight exceeding 100%.

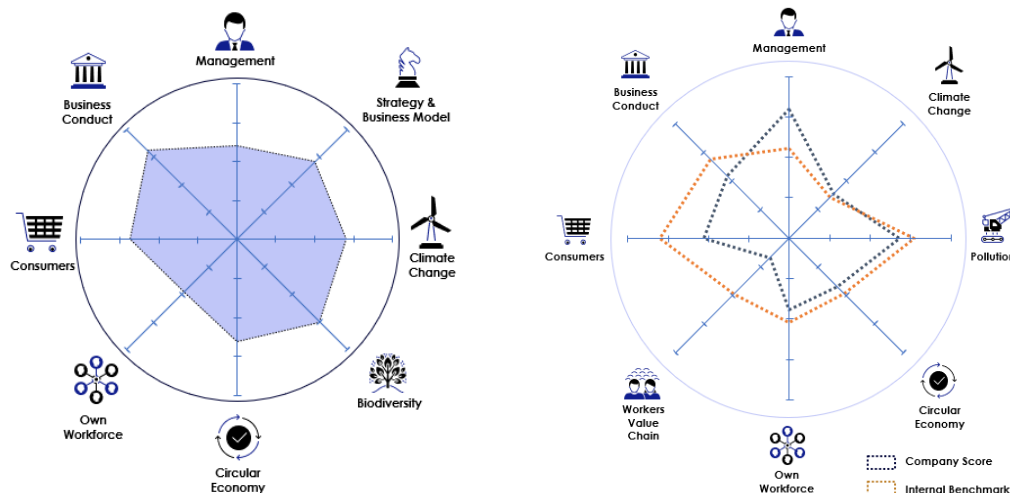
Y	40%	2,05	Correct
Y	50%	1,5	Error in Tier 5 Weight Definition
Y	50%	3	
N			
Y	50%	2,6	Correct
Y	80%	3	
Y	20%	1	

Exploring the Operational Features of the Tool

Step 6

KPI	Questionnaire	Selection	Weight	Score	
Tier 1	General Assessment	Y			Control Section
Tier 2	GA1 - Management and Sustainability Disclosure	Y	60%	2,6	Correct
Tier 2	GA2 - Strategy, Business Model, and Sustainability Disclosure	Y	40%		Correct
GA1 - Management and Sustainability Disclosure					
Tier 3	Section GA1-1: Composition and Diversity of Administrative, Management,	Y	60%	2,1	Correct
Tier 4	GA1-1: Number of Members	Y	30%	3,7	Correct
Tier 5	GA1-1.1 How many executive members are part of your administrative, management, and sup	Y	70%	4	
Tier 5	GA1-1.2 How many non-executive members are part of these bodies?	Y	30%	3	
Tier 4	GA1-1: Gender Diversity	Y	50%	2	Correct
Tier 5	GA1-1.3 What is the gender distribution among the members of these bodies?	Y	100%	2	
Tier 4	GA1-1: Other Aspects of Diversity	N			
Tier 5	GA1-1.4 Are there other aspects of diversity that your organization considers important (e.g.,	N			
Tier 4	GA1-1: Independent Board Members	Y	20%	0	Correct
Tier 5	GA1-1.5 What percentage of the board members are independent?	Y	100%	0	

To conclude, once each question is scored, the tool automatically calculates all the weighted scores throughout the waterfall of different layers, culminating in the first layer which provides the overall score of the pillar.



With this tool, a spider graph is automatically generated, which can also include a potential internal benchmark within the same framework. This allows us to easily understand where the company excels and where it falls short.

Besides, the tool allows us to build up internal benchmarks, enabling us to easily understand where a company excels and where it falls short within our internal portfolio company benchmark.

By focusing on the company's pain areas, we can efficiently navigate through the different layers of the waterfall. We leverage the traffic light system to pinpoint problems, providing detailed insights through specific questions (e.g., "Do you perform GHG assessments?" or "Do you have targets in place?").

Business Case

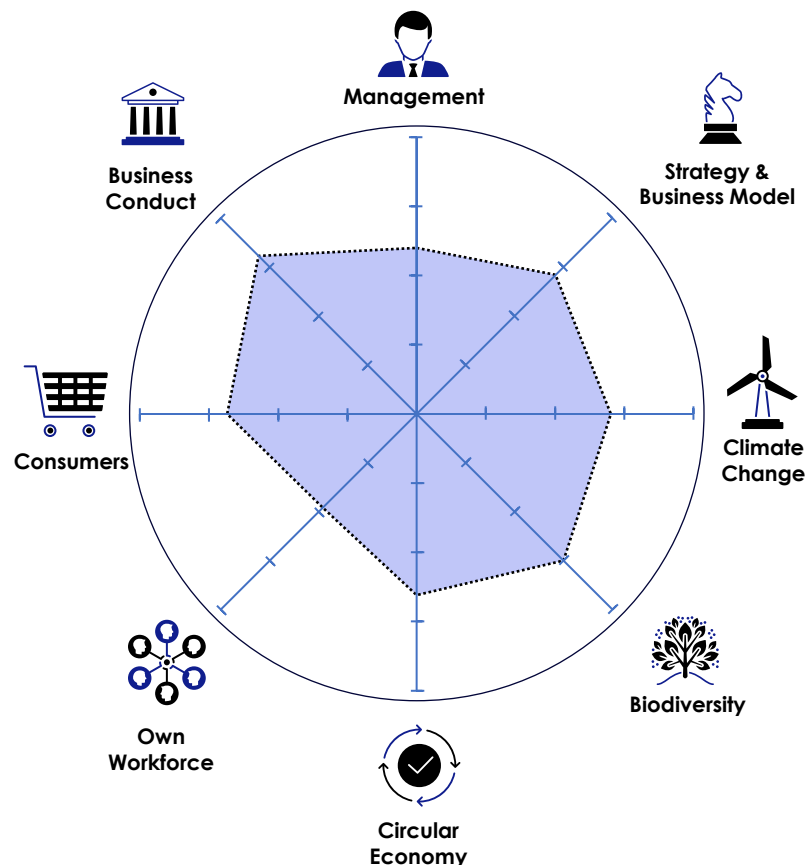
XYZ Inc.'s business practices are designed towards minimizing its ecological footprint, nevertheless a gap in formal process and tools to quantify and assess environmental impact is present.

What makes this case strong from the ESG prospective?

- **Business Model and Legislation:** XYZ Inc. integrates ESG oversight directly into its management level. Business operations aligned with stringent European and XX legislations on nitrogen emissions, XX limitation and XX regulations. XX reduces waste by up to 90% compared to traditional XX.
- **Sustainable XX:** XYZ Inc. has developed XX, a XX concept, incorporating energy solutions like XX. High sustainability metrics, XX metric of up to 0.4, a XX rating above XX, and an XX ranking.
- **Material Sourcing:** XYZ Inc. is committed to sustainable material sourcing, exclusively using XX from XX and XX.
- **Renewable Energy Use:** The XX production facilities have achieved energy-positive status by generating more solar electricity than total electricity consumption.
- **GHG Emission:** Scope 1 and 2 assessed, while Scope 3 limited to XX business line.
- **Workforce Training:** XYZ Inc. XX, self-developed academy where XX can earn an industry-specific diploma in XX.
- **Cybersecurity:** XYZ Inc. IT infrastructure and data protection practices are robust, regularly audited by XX, with the latest audits reporting no significant issues.

Points of attention to keep in mind

- **CSRD Regulation:** XYZ Inc. will need to comply with CSRD by FY2025, necessitating a comprehensive approach to reporting that includes both Inside-Out (already performed) and Outside-In double materiality assessment. Management is aware.
- **Environmental Impact Assessment:** Early stages of implementing quantification and monitoring tools to measure and assess its environmental impacts. XYZ Inc. is committed to formalizing an ESG strategy with quantitative targets for 2024.
- **LCA and GHG Emissions:** Life Cycle Assessments for XX ongoing. XYZ Inc. must also refine its Scope 3 GHG emissions calculation to separate real emissions from avoided ones, in line with the GHG Protocol guideline.
- **Supply Chain:** Relying solely on XX can expose XYZ Inc. to potential supply chain and price fluctuations.
- **Workforce Diversity:** XYZ Inc. faces challenges in achieving diversity and inclusion, particularly in gender diversity, enhanced by XX.
- **Health and Safety:** Internal safety procedures which led in 2023 to only minor incidents, an improvement over the previous year. However, XYZ Inc. has not yet adopted ISO 45001, which can enhance its safety practices further as a XX.



Material Areas Assessed.

Management: Gender and Independency composition, Oversight of sustainability, Sustainability incentive schemes, sustainability information flow and decision making.

Strategy & Business Model: Impact on sustainability matters, Sustainable-related goals, Risk on business model.

Climate Change: Strategy & transition plan, Policies, Actions taken or planned, Carbon footprint and target reduction, Energy consumption.

Biodiversity: Policy, Actions and Targets.

Circular Economy: Policy, Actions, Targets, Waste management.

Own workforce: Policy, Social litigation, Secure employment, D&I, Social protection, Gender Pay Gap, Training, Health and Safety.

Consumers: Policy, Quality Control, Overall Engagement Process.

Business Conduct: Policy, Supplier screening, Corruption, Litigations, Late payments, Cybersecurity.

Executive Summary Snippet

Topic	Sub-topic	Finding
GA1 - Management and Sustainability	Composition and Diversity of Supervisory Bodies	<p>XYZ Inc. is currently run by XX shareholders.</p> <p>The XX may hinder Diversity & Inclusion (D&I) efforts, particularly in gender diversity. XX with XX% voting right which had bad publicity in XX.</p>
	Roles and Responsibilities	<p>ESG oversight at XYZ Inc. is centralized within the management team. The Managing Director compiles an annual social report that outlines XYZ Inc.'s environmental impact, social contributions to employees and the community, and governance practices. Starting for FY23, the ESG report will be integrated into the annual social report and is scheduled for release alongside the FY23 financials to stakeholders in June 2024.</p> <p>Key ESG topics at XYZ Inc. are assigned to specific individuals to ensure focused oversight and effective management. These responsibilities include XX and XX, XX, and the XX and XX.</p> <p>Concept and product managers at XYZ Inc. are tasked with ensuring that sustainable practices are embedded in XX and XX. This commitment to sustainability is a fundamental aspect of all practices and innovations across the organization.</p>
	Information flow and decision-making	<p>At XYZ Inc., there is a continuous flow of information that fuels active decision-making aligned with sustainability performance. Policies and actions are reviewed and updated to reflect XYZ Inc.'s sustainability goals.</p>
	Sustainability incentive schemes	<p>XYZ Inc. does not currently detail specific incentive schemes for sustainability, yet the importance of ESG is reflected throughout XYZ Inc.. Key ESG responsibilities, such as XX and XX, are assigned to designated individuals, integrating these principles into XYZ Inc.'s operations.</p>
GA2 – Strategy and Business Model	Business model & Value Chain	<p>XYZ Inc., a XX company, specializes in XX. As a XX, XYZ Inc. has a strong focus on sustainability and innovation.</p> <p>XX: At this initial phase, XX and XX are key focuses. XYZ Inc.'s XX is split into two main teams: XX, and XX. These teams closely monitor market trends and sustainability legislation to ensure effective integration into their projects.</p>



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