
Moving the market

Labour considerations for private equity investors in emerging markets

6 September 2021

This guidance was produced as part of the **Moving the Market** project, funded by Humanity United, Freedom Fund, and UBS Optimus Foundation. It was developed in association with Norfund, Swedfund, and CDC and has benefitted from the views and insights of the broader Moving the Market cohort.

Disclaimer

This report should be taken only as a source of information and analysis. It is not given, and should not be taken, as legal advice and the provider of the information will not be held liable for any direct or consequential loss arising from reliance on the information contained herein.

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Introduction

Private sector investment can be a catalyst for job growth in developing countries. Private equity (PE) funds are key players in financing private sector development across a wide range of sectors in emerging economies such as manufacturing, retail, technology, and services. Emerging markets account for 23% of all PE fundraising and there are promising opportunities associated with a heightened interest in impact-oriented investing.¹ Emerging market private equity funds, and the development finance institutions (DFIs) that invest in many of them as limited partners (LPs), can be key players in creating economic opportunities and contributing to development goals in unexplored markets and underserved communities.

However, the opportunities generated through investments by DFIs and emerging market PE fund managers (FMs) can also come with heightened sustainability and social risks. Risks can range from non-compliance with international and national labour standards to serious cases of labour exploitation such as modern slavery. By pursuing effective due diligence and portfolio management, impact-focused investors in emerging markets can make an important contribution to addressing labour risks. Moreover, the presence of impact-focused PE investors 'on the ground' in difficult markets gives them a unique and powerful position to both identify problematic labour practices and to improve standards by exerting leverage over investee companies.

This guidance is based on engagement with emerging market PE funds as well as Ergon's professional experience in advising both PE funds and DFI investors over many years. It considers the typical PE investment cycle, and explores how labour risk identification and management can be integrated at each stage. It aims to provide a practical overview based on actual collaborations and interventions with emerging market funds.

What is Moving the Market?

This guidance was produced as part of the **Moving the Market** project funded by Humanity United, Freedom Fund, and UBS Optimus Foundation. The project was developed based on a recognition that the 'social' element of Environmental, Social, and Governance (ESG) has often been underemphasised or overlooked by investors. One of the goals of the project is to support the expansion of the market and the flow of capital towards socially responsible investing.

To support PE fund managers' role in 'moving the market' with respect to labour issues, Ergon partnered with DFI-invested emerging market private equity fund managers to understand common labour challenges, and explore how these challenges might be addressed at different points of the investment cycle.

Methodology

In collaboration with development finance LPs Norfund, Swedfund, and CDC, Ergon identified several PE managers receiving DFI investment and which were invested in companies and sectors with exposure to social risks. We approached them as possible engagement partners and the potential for engagement was determined based on geography and sector (e.g. where contextual risks are known to be high), as well as

¹ IFC, *Impacts of the COVID-19 Crisis on Private Equity Funds in Emerging Markets* (2020): <https://www.ifc.org/wps/wcm/connect/2099c86a-0f99-404f-b407-0691869bc00e/202008-COVID-19-Impacts-PE-EMs.pdf?MOD=AJPERES&CVID=ngxmsIN>

fund manager activities (e.g. where fund managers were closing a deal or where portfolio engagement was being undertaken).

The purpose of engagement was to understand the challenges FMs face in identifying and managing labour issues in portfolio companies, as well as identifying particular areas where Ergon could provide support. Two PE funds operating in sub-Saharan Africa agreed to participate: Verod Capital Management and Cepheus Growth Capital.

This guidance captures the lessons of this collaboration, and aims to provide practical advice to emerging market PE investors on integrating labour considerations into investment decisions and portfolio management.

Collaborating with PE funds during the development of this report allowed for aspects of the guidance to be produced in a way that was directly applicable to actual portfolio challenges and risks. Relevant tools and templates, many of which are included in the annexes, were produced in collaboration with the funds and used as part of company engagement. Case studies illustrate how some of these engagements were undertaken.

This note is not a comprehensive analysis of all labour matters that may be relevant to an investment. Rather, it aims to provide an introduction and guidance for fund managers on broad labour considerations and key issues. It is hoped that relevant lessons are reflected in this guidance and prove useful to other investors seeking to understand and address labour risks in their investment cycle, as a way of generating positive impacts through investments, and supporting the goals of the Moving the Market project.

What are the relevant labour issues?

Labour risks are likely to be present wherever workers are employed, irrespective of investment type, size, or relevant geography. However, the level and source of risk varies according to certain contextual or workplace-specific factors, such as:

- **Local labour laws or regulatory frameworks** that contain 'gaps' (e.g. labour laws that do not specify maximum daily / weekly working hours) or are inadequately enforced through inspectorates or judicial mechanisms.
- **Economic and social context** such as informal labour markets, low prevailing wage rates, prevalence of vulnerable migrants, negative cultural attitudes towards certain groups or women.
- **Company management capacity and practices**, for instance poor employment policies, inadequate HR practices, lack of training for staff on health and safety, lack of grievance processes, inadequate worker representation, or explicitly discriminatory hiring policies.
- **Workplace characteristics** such as geographic isolation, hazardous nature of any tasks, seasonality, remote working, irregular shift patterns, or prevalence of low-skilled work.
- **Workforce characteristics**, particularly if elements of the workforce may be disadvantaged or vulnerable to exploitation such as migrants, women, temporary workers, and individuals from ethnic minority groups. Such workers may be less confident in asserting their rights, lack familiarity with local customs or language, and can be subject to existing societal dynamics of discrimination or disempowerment.

These sources of labour risk should be considered in relation to potential labour issues or topics – some of which are summarised in the graphic below. When considering potential labour issues, reference should be made to key international standards including the International Labour Organisation’s (ILO) core labour standards² and the International Finance Corporation’s (IFC) [Performance Standard 2 \(PS2\) on labour working conditions](#) as well as relevant national laws.



Note that the severity of different labour issues can vary considerably – from relatively minor cases of delayed wage payments to serious cases of labour exploitation, abuse, and ‘forced labour’. Equally, while some issues are relatively obvious or can be identified through document review or management interviews, there are others (such as forced labour) that can be hidden and which require more intense scrutiny.

Prioritising labour issues at the due diligence stage and beyond is therefore an important means of assessing the severity of risks. It is important to understand and categorise risks that may pose a critical threat to the well-being of workers and to the success of an investment, as well as those that can be mitigated through improved management practices or other engagement.

Subsequent sections of this guidance describe the process of identifying, prioritising, and managing labour-related risks.

² The core labour standards of the ILO are widely accepted international standards and principles that address freedom of association and collective bargaining, forced labour, child labour, and discrimination. They are elaborated in eight instruments which are known as fundamental conventions. More information can be found here: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>.

Emerging market private equity: what are the labour-related issues and opportunities?

For impact-focused investors, emerging markets can generate numerous opportunities for positive social impact, especially in relation to job creation and job quality. Structural labour market challenges and prevalence of 'low quality jobs' (e.g. informal or low-paid employment) in many countries can mean that investments linked to even incremental working condition improvements can have significant positive socio-economic impact.

The flipside of these opportunities is the presence of risks. Certain markets may be characterised by weak labour governance systems, widespread non-compliance with labour laws, and precarious forms of employment. In such cases, risk of labour rights violations are likely to be higher.

PE investors are well positioned to maximise these opportunities and to minimise risks through their equity positions. Funds have considerable leverage and can directly influence labour-related outcomes through company engagement, particularly where they hold majority or significant minority stakes. In order to take advantage of this influence and opportunity, labour-related considerations can be integrated into each stage of the investment decision and portfolio management process.

As well as improving social outcomes, incorporating labour considerations into the investment cycle can ultimately benefit fund performance, by addressing key legal and reputational risks. For example, addressing labour risks throughout the investment cycle can help:



Improve investment's potential for growth and continuity

By understanding potential risks and supporting investees to address these risks through investment leverage, PE funds may contribute to building their return on investment. Companies with robust human resources and other labour-related management systems are less likely to incur losses from work stoppages, costly legal challenges, and loss of business due to reputational issues or non-compliances. Research has suggested positive associations between improved human resources management and profitability, linked to higher worker productivity and lower employee turnover.³ Conversely, companies with a reputation as a good employer may benefit from worker and community buy-in.



Build a stronger reputation as an impact-minded investor

Demonstrating robust risk identification and investee support systems can help PE funds that are building their reputation as impact-focused investors and improve deal flow.



Avoid reputational risk

Sound risk management systems can also avoid or respond to 'negative' reputational issues, including public allegations of company non-compliance.



Alignment with international standards, including in relation to DFI and co-investor standards

³ See e.g. Better Work, *Labor Compliance and Factory Performance* (2017): <https://betterwork.org/wp-content/uploads/2020/01/DP-23-Final.pdf>

Understanding and aligning with international standards is an important consideration for many LPs, including DFIs. Investor ESG standards cover a broad range of topics, including labour risk identification and management.



Improve legal compliance and avoid penalties

By analysing what regulatory framework applies to investments, including application of laws to different types of workers, sector specific regulations, and gaps in enforcement or regulatory uncertainties, funds can support their investment’s compliance with the law and avoid lawsuits, enforcement proceedings, or administrative penalties. It is worth noting that international standards such as PS2 often defer to local law on a number of topics, so understanding and complying with local legal frameworks will be necessary for alignment with DFI standards.

For many emerging market PE funds, investor standards such as IFC PS2 on labour and working conditions already provide a framework for considering labour risk identification and management. Environmental and social management systems (ESMS) may already be in place and may already integrate labour considerations.

The following sections explore how processes and systems can be developed or enhanced.

Overview of the investment cycle



Ensuring that environmental and social management systems adequately identify and address risks, including labour risks, requires PE funds to examine their policies and practices throughout the investment cycle.

There is potential to integrate labour considerations at every step of the investment process:

1. Establishing **clear policies** with respect to investment decisions and portfolio management.
2. Identifying potential investments and **early screening** to detect issues that are contrary to investor

standards or which entail risks that cannot be mitigated or addressed through capacity building.

3. Undertaking **due diligence** to identify risks, and incorporating these into an action plan for prevention and mitigation.
4. Ensuring that **investment decisions** take into account due diligence findings and adequately consider risks and the cost of addressing risks.
5. Drawing up **investment agreements** which integrate ESG commitments, including ESG roles, responsibilities, actions, and monitoring / reporting requirements.
6. Undertaking **monitoring** which allows tracking of commitments and identification of new and changing risks.
7. **Engaging with portfolio** companies to enable fund managers to support portfolio companies through capacity building.
8. Undertaking a **responsible exit** which considers the ESG implications of exiting an investment.

The following sections aim to provide practical guidance to fund managers in relation to the main steps of the investment cycle.

Considerations across the investment cycle

Establishing clear policies and management systems

It is good practice for PE investors to establish clear policies, expectations, and guidance in relation to labour (likely as part of a broader ESG framework) which addresses both investment decision making and portfolio management. This can include investment principles guiding staff towards responsible investment practices, establishing core values and an investment approach or style.

CDC and FMO's 'Responsible venture capital' good practice note highlights that policies and the systems that stem from them may include:



DFIs investing in PE funds will also have standards that PE funds must adhere to when establishing policies and procedures. In particular, the IFC Performance Standards include clear expectations in relation to both the development of risk management systems (PS1) and labour and working conditions (PS2).

In accordance with good practice, policies should be communicated clearly and widely to staff, and can be reviewed and updated regularly to ensure it reflects best practice and the PE fund's risk appetite.⁴ (CDC & FMO, 2020). It may be that staff will benefit from training on how to implement policies. The content of such training can vary between ESG staff and investment staff.

Selecting investments, initial screening and early due diligence

The initial identification of potential investments should seek to take into account relevant ESG factors, including exclusion lists and other relevant policies. During **initial screening and early due diligence**, fund managers can seek to develop an understanding of relevant risks by:

- Asking potential investees relevant ESG questions.
- Requesting and carrying out an initial review of documentation, including labour-related documentation (e.g. human resources policies and procedures).
- Conducting preliminary desk research, including media searches.

⁴ CDC & FMO, Responsible venture capital: Integrating environmental and social approaches in early-stage investing (2020): <https://assets.cdcgroup.com/wp-content/uploads/2020/01/16092500/Responsible-Venture-Capital.pdf>

With respect to environmental and social risks, an initial categorisation (low, medium, high, or equivalent systems)⁵, can consider a number of factors. This may include:

- The legal context (e.g. if there are gaps, uncertainty or weak enforcement)
- Known ESG risks associated with the investment or sector (e.g. poor working conditions)
- Other socio-economic contextual risks (e.g. conflict, political instability, risky migrant corridors, tensions amongst different groups)
- Likely level of management capacity and commitment to address ESG risks. While fund managers can work with potential investees to improve their respective ESG management systems and reduce risks associated with their operations, there will be some cases where such capacity building will not be possible within a reasonable timeframe or budget or the likelihood and severity of the risk may be considered too high.

Further considerations are elaborated in Box 1 below.

Initial assessment of risk will be expanded and refined during subsequent due diligence. The key objective is to develop a basic understanding of risk in order to inform the nature and scope of due diligence, including targeting areas for investigation, commissioning consultants, and directing inquiries to management.

Box 1

Selecting investments, initial screening and early due diligence

During this phase, fund managers will likely carry out an initial assessment of the investment's risks and alignment or potential alignment with PE Fund and DFI standards (if applicable). The following questions are examples which can inform this assessment:

- Is the investment's business model fundamentally compatible with the PE Fund's values and principles? Is it fundamentally compatible with relevant DFI standards?
- Does the investment comply with national law (regarding labour, discrimination, safety, etc)? What evidence of compliance exists (e.g. government inspection reports, evidence of policy implementation)? Does national law align with international standards (e.g. ILO conventions)?
- What risks does the investment's potential for growth and scalability bring?
- Does desk research (e.g. media, reports) show stakeholder / civil society discontent with the investment / similar investments / industry?
- Has the investment or similar operators been subject to legal proceedings, investigations or penalties?
- What is the context in which the investment would operate?
- What are key ESG risks? (e.g. issues regarding recruitment, migrant workers, forced or child labour, worker representation, discrimination, working hours, rest, leave and overtime, wages, grievance mechanisms)

The likely outcome of this phase will be an initial project screening note that can guide investment decision making and company engagement going forward.

⁵ For example, IFC categorises investments into higher to lower risk labels: Category A, B or C according to level of adverse risk or impact and the ability to mitigate or address them, and Category FI for Financial Institutions, with its own sub-categories. For more information see IFC, Environmental and Social Categorization: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

Due diligence

Once a potential investment has passed initial screening, it is typical for more detailed environmental and social due diligence to be undertaken to assess relevant E&S risks and understand a company’s ability to manage these risks. The nature and intensity of due diligence will be informed by a number of factors, including initial risk categorisation (see above), contextual risks, and specific company risks.

Box 2

Evaluating labour-related risks	Key sources
<p>Contextual risks are general risks that may stem from a company’s:</p> <ul style="list-style-type: none"> • Geography: some risks may be more prevalent within certain countries or jurisdictions. This may be due to the relative strength of labour laws and enforcement, prevailing labour market conditions (e.g. widespread informality), and the overall political and economic context (e.g. states or situations that are deemed ‘fragile’). • Sector: although this will vary considerably, certain sectors can carry greater risks of labour abuse or exploitation, including agriculture and construction. This may be due to the nature of work (e.g. work that is dangerous and involves safety risks), workplaces (e.g. remote or isolated workplaces) or workforce characteristics (e.g. many unskilled workers who can be less able to assert their rights). <p>Some of these risks will have informed an investment’s initial risk categorisation.</p> <p>Specific company risks may stem from a company’s operational context, and are typically identified during due diligence through management interviews, document review, and on-site audits or other assessments. Company labour risks may arise from known labour-related non-compliances, policy gaps, or workforce characteristics such as the prevalence of vulnerable workers (e.g. migrant or non-employee workers).</p> <p>Stakeholder engagement can also inform due diligence and can be used to identify risks as well as solutions. With respect to labour matters, workers and worker representatives are obvious choices for engagement. If independent consultants are being used as part of due diligence, they can be used to play a role in identifying stakeholders and engaging with relevant groups. Engagement can involve different forms of communication including focus groups, surveys and individual interviews.</p> <p>If stakeholder engagement is undertaken, it is important to ensure that it is done consistently with important principles such as voluntariness, confidentiality and non-retaliation.</p>	<ul style="list-style-type: none"> • Environmental and social due diligence questionnaire; site visits, audits or assessments. • Stakeholder engagement • Publicly available sources can provide high level labour risk information. Media searches are a common tool, as are public reports addressing specific labour issues such as the U.S. DoS reports on Country Human Rights Practices, US DoL List of Goods Produced by Child or Forced Labor, and International Trade Union Confederation’s (ITUC) Survey of Violations of Trade Union Rights.



Evaluating company capacity to manage labour-related risks	Key sources
<p>Based on an understanding of contextual and company-specific risks, it is important to understand a company’s capacity and commitment to manage risks.</p> <p>With respect to labour risks, this typically involves an evaluation of relevant human resources and occupational safety and health (OSH) systems, for instance payroll administration, hours records, diversity and inclusion policies, grievance mechanisms, and health and safety processes. It is necessary to review both the presence of policies / procedures and the application of these frameworks in practice.</p>	<ul style="list-style-type: none"> • Environmental and social due diligence questionnaire; site visits, audits or assessments. • CDC’s Human Resources Management Assessment Tool provides a framework for evaluating capacity and commitment in relation to human resources management.

PE funds operating in specific geographies and sectors are likely aware of some of the key contextual labour risks, whether it involves regular non-compliance with labour laws, discriminatory attitudes towards certain minority groups, or pervasive informal working arrangements. Labour-specific questionnaires are a helpful tool for understanding a company’s risk profile. Information from this can also provide an overview of workforce characteristics including demographics, contractual arrangements, and turnover data. A generic baseline workforce questionnaire is included as [Annex A](#), and can be adapted to suit particular company or other contextual factors.

Where contextual labour risks are high, or where certain specific labour risks are already known, it may be necessary to undertake some form of enhanced labour due diligence, for instance by involving labour experts working according to a specific labour assessment terms of reference (ToR).

An example of a PE fund undertaking enhanced labour due diligence is included in Box 3 below, and a template ToR for a labour assessment is included in [Annex B](#).

Box 3

Cepheus Growth Capital: undertaking enhanced labour due diligence

Cepheus Growth Capital primarily invests in Ethiopia with a focus on certain sectors including manufacturing, agro-processing, and services.

During the investment due diligence process for a manufacturing sector investment, various labour-related risk factors were identified, including:

- Known contextual challenges in Ethiopia relating to low wages in the absence of national minimum wage legislation.
- Specific company and reputational risks linked to public allegations of poor management practices and working conditions. This included failure to provide employment documentation (contracts, payslips) and claims of discrimination and harassment.
- Known workforce-related risks, including a large workforce from several rural catchment areas around the industrial park.
- Concerns about labour risks and their relationship to operational and business-continuity risks, including talent retention and high turnover rates.

Given these factors, it was determined by Cepheus and its LPs that a labour-specific review or assessment was needed. This site-based assessment was to be undertaken by local consultants with specific labour expertise, and

with knowledge of the relevant sector, workforce and local language. The local consultants were asked to work according to a labour-specific ToR (see Annex B).

The labour-specific ToR was developed to ensure that specific labour-related risk factors were adequately investigated and addressed. This clearly reflected substantive areas requiring further inquiry, as well as an appropriate methodology for ensuring that potential issues were adequately addressed.

For the assessment commissioned by Cepheus:

- IFC's Performance Standard 2 (PS2) was the overall benchmark for the on-site assessment, but key areas for inquiry were identified based on desk review, including review of company documents and public allegations of poor working conditions. For Cepheus, focus areas included attention to wage issues, provision of contracts, effectiveness of grievance mechanisms, and implementation of health and safety procedures.
- The on-site assessment methodology involved a mix of management interviews, further document review, facility tour, and worker focus groups.
- Conversations with workers were a crucial component of the assessment. Focus groups were planned with groups of workers from different job classifications, shifts, and job status (e.g. direct and outsourced workers). Two women-only focus groups were also planned.
- It was important to elaborate protocols in relation to both non-reprisal against focus group participants and safeguarding considerations if serious non-compliances were detected. Covid-19 protocols were also developed.

These details, as well as other labour assessment considerations, are covered in the example ToR provided in Annex B.

The due diligence process should help investors develop a clearer picture of both labour risks and company risk management approaches. Based on this information, a key outcome is the development of time-bound actions to assist companies achieve compliance, mitigate risk, or develop appropriate management systems. A template action plan is included in Annex C.

Integrating action plans into legal and investment documentation (see below) is important for ensuring that investors have leverage, influence, and oversight over relevant labour issues.

Investment decision

It is good practice for ESG issues to be highlighted in reports to the investment committee, alongside the business rationale and proposed investment structure. Relevant ESG items should inform the committee of risks and the actions needed to address gaps in management systems. The report should include estimates on timelines and cost of implementing actions. Capacity building should be feasible within a reasonable timeline and budget, in accordance with the fund's policies, for the investment to be viable.

Ideally, relevant ESG matters are considered by the investment committee as part of decision-making, and ESG specialists on the team should be involved in deliberations (if applicable). The investment committee may wish to consider how the investee will be able to identify, address and report risk to the fund and consider how ESG implications may arise at different phases of investment, including during multiple rounds of funding, co-investments and exit.

Investment agreement

The ESG action plan, which typically includes a component on labour, can be negotiated and imbedded into investment or shareholder agreements. Items that are integrated into investment documentation should be clearly defined and associated with actions and outcomes. Incorporating these considerations into the agreement is a key source of leverage, and ESG action plan milestones may be incorporated into conditions for disbursement.

Supporting investee companies' understanding of the importance of addressing labour risks within a certain timeline; setting priorities and allocating sufficient resources; and communicating the business case for ESG action; can be key for efficient negotiations and clearly emphasises a fund's ESG values.



For more information see CDC & FMO's Good practice note on 'Responsible Venture Capital', Appendix D: ESG legal considerations for equity agreements.

Monitoring and reporting

PE investors typically monitor investments through positions on boards or via reporting requirements. Monitoring labour standards commitments or implementation of action plan items is crucial to ensuring adequate risk management and labour performance consistent with national law and any contractual agreements.

With respect to labour issues, portfolio company monitoring can involve:

Monitoring specific action plan items

Action plan items should be accompanied by progress indicators that are amenable to measurement and monitoring. Common examples include:

- Development of a policy or procedure (e.g. a grievance procedure)
- Conducting training in relation to a specific topic, policy, or procedure including benchmarks on type and number of staff trained (e.g. training to managers on sexual harassment)
- Hiring and appointing an individual to a key role (e.g. health and safety manager)
- Commissioning of a report or study (e.g. commissioning a salary review, payroll audit, or general labour assessment)
- Evidence of compliance steps undertaken (e.g. providing written contracts to workers by a certain date).

Action plan items can also be monitored in conjunction with relevant indicators discussed below. For instance action items requiring development of a grievance procedure (or training on a grievance procedure) can be monitored in conjunction with number of worker grievances filed.

Workforce questionnaires and ESG reporting

Accurate information about the workforce is crucial to understanding labour risks, and workforce questionnaires or ESG reporting can be effective monitoring tools.

Questionnaires or reports can incorporate labour-related indicators which may provide indications of risk. Ideally, baseline workforce information has been captured during due diligence which can be monitored over the span of an investment (see the template workforce questionnaire in Annex A). Common labour-related indicators include:

- Worker turnover / churn, where high levels of churn can suggest workforce-related issues.
- Workforce demographics including by gender and contractual type. While low levels of female workers may reflect certain societal or economic realities, it may also be indicative of discriminatory attitudes or policies. Prevalence of non-employee workers (e.g. day labourers, outsourced workers) may reflect operational realities, for instance in relation to seasonal work, however can give rise to greater labour risks.
- Occupational safety and health (OSH) indicators such as number of accidents, injuries, near misses, and fatalities. Changes in OSH indicators can provide information on the effectiveness and implementation of workplace safety measures.
- Number of workplace grievances (discussed in more detail below).

Beyond these indicators, questionnaires or reports can also cover:

- In the case of reporting, notification of significant ESG-related incidents or developments. With respect to labour, this might include notification of workplace accidents, known instances of child labour, or planned significant retrenchments.
- Information on changes to ESG-related policies, including human resources or OSH policies and procedures.
- Details on relevant ESG policy or procedure implementation (e.g. training, inspections, systems implementation).

Grievance mechanisms and labour-related complaints

Workers' perspectives on working conditions are a key source of information on labour risk. A well-functioning grievance procedure is an important tool for capturing workforce complaints and can therefore be an invaluable source for monitoring. Guidance on worker grievance mechanisms are available, such as the [European Bank for Reconstruction and Development's Guidance](#).

As part of monitoring, it is necessary to understand the nature of grievances as well as how they are managed. Relevant questions and indicators might include:

- Number of grievances received
- Average grievance resolution time
- Summary of significant grievances and common grievance subjects, and how they were resolved.

Monitoring of these items can ensure that grievance information is carefully logged and recorded by investee companies.

It is important to note that a significant number of grievances does not, in and of itself, suggest higher labour risk. It may suggest a well socialised grievance procedure and a

workplace culture that permits openness and engagement. Reviewing grievance-related monitoring information must therefore consider investment and workplace context.

It is also important to consider that risks may change over time, and monitoring can create opportunities to review, evaluate and understand new risks. For example, exponential growth of a company may require a quick and significant hiring effort, with migrant workers hired through intermediaries, which in turn can increase the likelihood of detecting a forced labour indicator. Contextual changes, such as economic crises and legislative changes may also lead to changes in risk profile.

Engaging the portfolio

Engaging portfolio companies on labour issues is ideally a continual process. This might be in relation to specific challenges, compliance questions, or matters that go 'beyond compliance'. Ongoing engagement is an opportunity to identify and manage risks at an early stage, emphasise the importance of investors' labour-related expectations, and to build a relationship of trust and openness.

Engagement will often be ad-hoc and can take place during the normal course of business relationships, however formal engagement can often be productive and more effective. One example of an engagement approach involving surveys and cross-portfolio workshops is described in the Box 4 below.

Box 4

Verod Capital Management: engaging the portfolio on labour issues

Verod Capital Management (Verod) is a West-African private equity investor with investments in both Nigeria and Ghana. It invests in a range of consumer demand driven sectors including manufacturing and apparel.

The need for cross-portfolio engagement on labour and human resources was identified based on an acknowledgment that there could be better visibility over labour issues and following identification of some common labour challenges across portfolio companies. Common challenges which were identified by the FM included the presence of vulnerable workers (particularly the use of casual or non-employee workers), considerable usage of overtime, and reports of high employee turnover and low morale within certain companies.

Engagement conducted as part of this project involved an online survey and a workshop focusing on labour and human resources involving all portfolio companies.

The survey was disseminated pre-workshop and sought to identify participants' key labour-related challenges as well as their capacity to address or manage these challenges (example survey is included as Annex D). Common challenges which were identified by participants included dealing with workforce advancement, poor employee retention, low workforce morale, and addressing health and safety. A central objective of the survey was to identify areas which could be covered during the subsequent workshop.

The workshop involved senior management and human resources personnel from all portfolio companies and was facilitated by consultants with human resources expertise. The workshop was divided into two parts (an example agenda is included in Annex E).

For senior management and HR personnel, workshop objectives were to:

- Raise awareness and identify some key HR considerations across the employment cycle.
- Discuss the role of labour and HR management within a business, as well as key compliance obligations.
- Reflect on key human resource challenges and opportunities.

The workshop included a session targeted at HR professionals which aimed to:

- Discuss some of the obstacles to addressing key labour challenges.
- Collaboratively develop approaches and solutions to identified labour challenges.

Involving both senior management and HR personnel was an important feature of the workshop. It allowed senior management to broadly discuss business challenges and opportunities, and for linkages to be drawn to human resources and the 'business case' for investing in the workforce.

A separate session targeted at HR professionals within portfolio companies was held, and was an opportunity to discuss HR in more technical detail.

Participants were encouraged to discuss challenges and collaboratively develop potential solutions or approaches. Discussions in the HR session focused on vulnerable workers (particularly casual workers) and challenges associated with low employee morale. Examples of opportunities and approaches which were discussed are included in Annex F.

As indicated in the example above, engagement can be cross-portfolio or undertaken with specific portfolio companies. Involving companies across the portfolio has many advantages, particularly if company personnel are given an opportunity to share experiences and practices. It is also an important chance to reinforce investor commitment and expectations in relation to labour. In-depth engagement with individual companies may be more appropriate if a company has specific labour-related issues or if specialised support is required.

The example in Box 4 also highlights the value of involving both human resources and non-human resources personnel (particularly members of senior management). Group discussions were an opportunity for decision makers to hear from HR practitioners about relevant challenges, raise awareness about HR issues, and allowed participants to discuss the 'business case' for HR and workforce investment.

Exit

Consistently addressing labour and other ESG issues during the lifecycle of an investment can come with benefits during exit, ideally contributing to a company's overall value and investor return. These benefits are greatly supported by evidence of ESG improvements including data and reporting.

Certain ESG factors or considerations are likely to be relevant during the sale of a portfolio company. Although this will depend on the type of sale, ESG considerations including labour issues should be integrated into preparations for exit. This may involve:

- Including ESG considerations into exit plans or strategies. This can include agreeing who is responsible for oversight of ESG issues during exit.
- Ensuring that exit timing allows for labour-related issues to be identified and addressed. This might involve any ESG-related regulatory issues or the impact of exit on employees.
- Ensuring any commissioned ESG due diligence, where relevant, adequately addresses labour and working conditions issues.
- Seeking commitments from buyers that existing standards and practices will be maintained.

An important consideration for impacted-minded investors is to create a durable legacy upon exit. Securing a responsible exit may involve ensuring that robust management systems, company buy-in, and capacity building efforts are maintained under new ownership.

Annex A: workforce and working conditions questionnaire

Workforce overview

Workforce figures

Please complete the following tables for the reference period XXX - XXX
 If work is seasonal, please provide the average number of workers during the period

Direct employees are paid a salary and hired on a permanent basis

Temporary workers are those who are engaged for a specific time period, including fixed-term, seasonal, casual, or day-labour

Indirect workers are those who are engaged through third parties to work or perform services on a long-term basis (e.g. contractors, outsourced workers, workers provided by labour agencies)

Site	# direct employees	# female direct employees	# temporary workers	# indirect workers
<i>Total</i>				

Site	# direct employees hired	# employees separated	turnover rate
<i>Total</i>			

Workforce origin and demographics

Please provide an overview of workforce origin (e.g. whether workers are recruited locally, whether there are international or internal migrants). Please include approximate numbers for any migrant workers and indicate the work they undertake.

--

Labour questions

	Yes	No
Labour compliance		
Have any of your sites had an official government labour inspection within the past 2 years?		
Have any of your sites been subject to a labour / social compliance audit (internal or external)?		

Labour questions			
	Have any labour-related lawsuits been brought against you in the past 2 years?		
	If yes to any of the above, please provided relevant details (e.g. relevant reports or findings)		
Workers' terms and conditions			
	Do you have policies addressing working hours and overtime?		
	Do you have policies addressing workers' wages and benefits?		
	Are workers provided written contracts of employment in a language which they can understand?		
	What is the lowest full-time hourly wage paid to a permanent employee in your organisation?		
	How often are wages or wage scales revised?		
	How many average hours are worked in a typical week (or shift patterns as appropriate)?		
	How many average rest days do workers have in a week?		
	Are workers ever expected to perform overtime work?		
	If yes to Q12:		
	Explain how you track working / rest hours to ensure that they are within legal limits		
	How do you calculate compensation for overtime work?		
	How do you ensure that overtime work is being done voluntarily?		
Temporary workers			
	Do you engage temporary workers (e.g. casuals, day labour, seasonal workers, fixed-term contracts)?		
	Do you engage workers through third parties (e.g. agencies, outsourced providers)?		
	If yes to either of the above:		
	Do all HR policies / procedures apply to temporary workers or third party labour providers?		

Labour questions	
	If no to Q18, explain what policies, procedures, or standards apply to these workers
Workers' organisations	
	Do you have a policy on whether workers can join workers' organisations?
	Are any of your workers represented by a trade union?
	Are the terms and conditions of any of your workers set by a collective agreement?
	If yes to either Q21 or 22, provide details on the workers represented or covered
Non-discrimination and equal opportunity	
	Do you have a policy on non-discrimination / equal opportunity?
	Explain how you ensure that policies are implemented or discrimination risks are addressed
Workplace grievance mechanisms	
	Is a workforce grievance mechanism in place (e.g. complaints procedure, whistle-blower hotline)?
	If yes to Q26:
	Please explain the grievance process
	Is the grievance process available to contracted / third party workers?
	Do you have a formal grievance log or register (e.g. to track grievances, actions, response times)?
	How many grievances have been received over the past 12 months?
	Please summarise the most common types of grievances received
Young workers	
	Do you have a policy addressing employment of workers under 18?
	Do you engage workers under 18 (either directly or through third parties)?

Labour questions	
	If yes to Q33, explain the nature of work being done and any specific precautions in place
Fair recruitment	
	Are any workers required to pay recruitment fees to secure a job (either to you or a third party)?
	Do you provide loans to workers or impose any financial penalties on workers?
	Do you ever retain workers' personal or official documents (e.g. passport, employment record book)?
	If yes to any of the above, describe what policies or safeguards apply to these practices
Workers engaged by third parties	
	Do you use contractors who bring their own workers onto your sites (e.g. cleaning, security)?
	If yes to Q39:
	Do you have a policy on managing contractors?
	Are contractors on your site required to comply with any minimum labour standards?
	Explain how you ensure that contractors' labour practices are acceptable

Annex B: sample ToR for labour assessment

Overview and objectives

This term of reference (ToR) outlines the activities to be conducted by a labour assessor on behalf of [Fund Manager] in relation to [Company].

As part of investment due diligence, a labour assessment of [Company] is being commissioned to provide assurance that labour practices and working conditions align with investor standards – notably the International Finance Corporation’s (IFC) Performance Standard 2 (PS2) – as well as national law.

The assessment should:

- [Specific assessment objectives, including key areas to consider based on any initial screening or desk research]

Background

[Company background]

Scope of Work

Activity 1: Desk-based scoping and review

In advance of the site visit, undertake the following desk-based activities:

- Develop an initial management questionnaire and document request aimed at understanding labour risks and [Company’s] labour-related management systems (including human resources and occupational safety and health systems).
- Review relevant information in order to understand gaps and priority areas for the labour assessment. Identify corresponding PS2 and national law benchmarks.
- Take part in pre-visit interviews and coordination calls with company management.

Findings from the desk-based scoping and review should be summarised in a brief pre-visit report. The report should summarise initial findings, including potential gaps and priority areas for the assessment.

Activity 2: Site visit and assessment

Undertake a [number of days] assessment according to a pre-agreed methodology. A more detailed proposed methodology, including indicative visit agenda, is included in [Appendix 2](#).

The visit and assessment will be comprised of the following:

Element	Description
Management interviews	Objective is to explain the purpose of the visit and the methodology to be followed, to understand management’s perspectives on key human resources challenges and concerns, and to build a relationship of trust. Questions will be asked in order to understand HR policies, company practices, gauge management commitment and capacity, and understand potential gaps.

Element	Description
Facility tour	The facility tour is an opportunity to understand the working environment and to observe working practices and day-to-day operations. It is also an opportunity to spot occupational safety and health (OSH) risks and hazards and observe interactions between workers.
Document review	While some documents will have been reviewed in advance, some documents may not be available and in some cases it may be desirable to review documents on-site in order to directly ask questions or seek clarifications. This might include sample payroll documents, working hours records, grievance logs, or other records.
Focus groups	<p>Focus group interviews are an opportunity to directly solicit workers' perspectives. This is an opportunity to understand how HR policies and procedures are applied in practice, as well as a chance to hear workers' concerns.</p> <p>It is recommended that focus groups are conducted with groups of 6 - 8 workers for a duration of up to one hour. Focus groups should be conducted with workers from similar functions (e.g. production tasks, office tasks) but should cover the full variety of workers, including in terms of role, gender, and level of responsibility. Indicative groups of workers which could be covered by focus groups include:</p> <ul style="list-style-type: none"> • Workers from key occupational categories (e.g. dying. pattern makers, trimmers, machine operators, quality control, administration) • Workers from different shifts • Supervisor / middle management • Key contracted or outsourced staff, if applicable • At least two women-only focus groups. <p>Based on a workforce of [number], the aim should be to interview between [10% of workforce to 15% of workforce] through focus groups.</p>

Key inputs to the site visit, including:

- Detailed visit methodology and agenda
- Focus group protocols, including safeguards to ensure that workers are free from reprisal due to their participation
- Questions for management / focus groups.

Will be shared and agreed with [Fund Manager] in advance.

Prior to conducting the on-site assessment, the assessment team will ensure that they are familiar with relevant safeguarding protocols (see below).

Considerations on safeguarding

It is possible that the team may see a serious non-compliance on site (e.g. hazardous child labour) or that a worker reveals something that gives reason to believe that they are in an acutely vulnerable situation (e.g. in a situation of physical or sexual abuse). There are some key considerations:

Do no harm

While it can be tempting to try and address the situation immediately, this can often result in placing the worker in more danger or a worse situation. For example, a worker may be subject to worse abuse or victimisation. Equally, a victim of trafficking may simply disappear.

Visible situations of concern that do not affect an individual worker (e.g. dangerous chemical storage) should be reported to the employer immediately. Other situations where a worker may be at risk (e.g. abusive behaviour) should be noted in detail and reported back to Cepheus and Ergon for consideration. It is not desirable or necessary to report concerns immediately to the employer, without careful consideration of the situation.

Informed consent

Where issues of concern emerge during the course of an interview, it is vital that any action taken has the consent of the victim. They should agree to the action and be made aware of any potential consequences. If they do not agree, respondents should be reminded that they may leave the interview at any time and that they do not have to respond to questions that make them uncomfortable. Strict confidentiality and discretion should be maintained at all times.

Steps to take

Prior to going on site, identify any local organisations that potential victims could be referred to e.g. child labour referral systems, women's organisation, migrant workers' organisations, and have their details to hand during interviews.

- Tell the subject that you have concerns and provide referral details if the victim requests this.
- Ask for their permission to report the situation to the employer on a no-name basis. Do not do this if you have reason to believe that the employer is responsible for the situation (e.g. complicit in the abuse)
- Ensure you have given contact details to the victim and that you have their contact details.
- If the subject gives permission and you do not think the employer is directly responsible, report the situation to the employer but without naming or identifying the individual..
- Also, with permission, report the situation to the relevant authority e.g. labour inspectorate,
- If the victim does not give permission to inform the employer or a local organisation, report the situation to [Fund Manager].

Activity 3: Final report, including recommended mitigation and management measures

Provide a report summarising findings including overview of key risks and proposed mitigating measures. The report template will be developed and agreed in advance and will include:

- Executive summary, including summary of key findings and recommendations
- Brief description of the workplace assessment, scope of work, approach and methodology
- Results of desk review
- Overview of the total company workforce, including sex-disaggregated workforce data (if available), direct / indirect workers, employee turnover information, and other relevant information
- Findings regarding compliance with IFC PS2 and national labour law, including good practices noted, management of risks and human resources / OSH policies, procedures, and practices
- Recommendations on improvement actions to address non-compliances and other issues

- Annexes: list of documents reviewed; list of management meetings, interviews, focus group discussions; checklists and questions/questionnaires used; key workforce statistics and HR data; pictures / visual Record (where applicable).

The report's recommendations should be concrete and include timebound recommendations for the company. Mitigation and management measures should be designed to achieve compliance with PS2 and national law as relevant.

The following deliverables will be submitted:

- A draft report should be submitted no later than two weeks following the visit.
- A final report should be submitted within 2 weeks of receiving [Fund Manager] comments on the draft.

The report is to be submitted in [relevant language].

Qualifications

Based on the site visit objectives and potential PS2 gaps identified, it is anticipated that the consultant team **should comprise at least two people (including at least one woman)** and have relevant expertise across the following areas:

- Prior experience conducting social audits or labour-focused assessments, including making recommendations for improvement (relevant certifications such as SA 8000 or ISO 26000 would be an advantage)
- Good understanding of national labour legislation
- Experience conducting worker focus groups and interviews
- Ability to write a concise but detailed report of findings in [relevant language]
- [Language abilities sufficient to conduct worker focus groups in local language]
- Gender composition consistent with the workforce profile
- Understanding of occupational safety and health (OSH) good practice in a manufacturing or textile factory environment
- Experience reviewing human resources policies, procedures, and records (e.g. payrolls, working hours records) to assess alignment with national law and / or international standards.
- Understanding of and sensitivity to safeguarding issues.

The assessor should clearly indicate how each team member fulfils the criteria described above.

Financial proposal

[As appropriate]

Annex C: example E&S action plan template

Relevant Performance Standard	Agreed actions	Priority (low, medium, high)	Responsibility	Complete by	Monitoring or completion indicator
[IFC PS 1 – 8]					
PS 2	Develop grievance policy and grievance recording log	High	Head of HR	3 months from signing	Final draft of grievance policy # of grievances received # of grievances resolved

Annex D: portfolio company engagement survey

The following example survey was developed to inform a cross-portfolio workshop on labour and human resources management. Questions sought to understand key labour / HR challenges, as well as capacity to manage these challenges. Responses were used to inform workshop development and key areas for inquiry.

#	Question	Response options
1	How often do labour or human resource issues come up during your day-day-today work?	Scale of 1 – 5 5 = very frequently 1 = very infrequently
2	What types of labour challenges do you come across in your business?	Pick all that apply: <ul style="list-style-type: none"> • Health and safety • Worker retention • Hiring qualified workers • Worker discipline issues • Payroll, working hours management • Complying with labour laws / regulations • Trade union issues • Claims of discrimination, harassment • Issues with contracted staff • Workforce morale / workforce discontent • Other (please specify)
3	How comfortable are you in addressing or managing labour / human resource challenges?	Scale from 1 – 5 5 = very comfortable 1 = very uncomfortable
4	[Optional] Do you have specific labour challenges or examples of good practice that you wish to discuss during the workshop(s)? If you are providing examples of good practice, please include your name or company.	Open answer field
5	[Optional] What do you hope to learn from the workshop(s)?	Open answer field

Annex E: example agenda, portfolio labour and HR workshop

Session 1: introduction to labour issues and awareness

Session	Timing	Description
Introduction	10 mins	<ul style="list-style-type: none"> Presenters introduce themselves and the purpose of the session Tour de table – participants introduce themselves, provide answer to the question: what do you view as the biggest business challenge in your country? Reiterate that everything discussed will be kept confidential – the session is an opportunity for open / frank discussion
Why are we talking about labour and human resources?	10 mins	<p>What is the importance of understanding and addressing HR and workforce issues? What is the business case?</p> <ul style="list-style-type: none"> Contextual background Overview of different 'business case' arguments – e.g. regulatory / litigation risks, workforce development / engagement, productivity, etc.
Breakouts: reflection on top three labour / HR challenges	10 mins	Breakout groups, ideally organised according to company sectors. Groups tasked with responding to the question: what are the top three labour / HR challenges in your company or sector?
Feedback and discussion	10 mins	<p>Reflecting back from the breakout groups, what are the key challenges? Are there commonalities, differences?</p> <p>How do we start thinking about solutions? How do we prioritise when we have a range of issues that need to be addressed during the day-to-day running of a business?</p>
Prioritisation exercise	15 mins	<p>[This will be done if needed / if time allows]</p> <p>Participants are presented with a set of mini scenarios describing labour challenges, and are asked to vote on which issue they would prioritise, based on severity.</p> <p>Severity should be considered in different ways – e.g. whether there are reputational concerns, operational implications, legal implications etc. For the scenario that you would prioritise, how would you begin dealing with the issue, would you know where to start?</p>
Conclusion	5 mins	Recap of key lessons, common themes, and opportunities.

Session 2: deeper dive on human resources challenges

Session	Timing	Description
Introduction	10 mins	<ul style="list-style-type: none"> • Presenters re-introduce themselves and explain the purpose of the session • Recap of lessons from session 1 • Reiterate that everything discussed will be kept confidential – the session is an opportunity for open / frank discussion
Breakouts: understanding challenges and obstacles	15 mins	<p>Participants are presented with some of the challenges they discussed during Session 1. Further challenges can be added if necessary.</p> <p>Participants then put into breakout groups, ideally organised according to company sectors. Groups tasked with responding to the question: what are the key challenges / obstacles when trying to address these challenges? Examples include:</p> <ul style="list-style-type: none"> • Lack of resource (e.g. personnel, guidance, management support) • Legal standards are unclear • Lack of management capacity / commitment • Some issues remain undetected and are hard to spot • HR does not play a strategic role in the organisation
Feedback, discussion and approaches to common issues	40 mins	<p>Participants provide feedback on their breakout group conversation. Are there commonalities and differences?</p> <p>What is the experience of other participants in overcoming some of the obstacles discussed? Are there lessons that can be shared?</p> <p>Based on some of the challenges identified in Session 1 (and pre-workshop survey), presenters offer advice or approaches to tackling some of the trickier issues</p>
Group work: collaborating on an approach to a common issue	15 mins	<p>Participants are given an opportunity to work together in groups in order develop an approach to a pre-identified challenge (e.g. high level of workforce grievances, low workforce morale, poor communication between management and staff, challenges in managing contracted workers). The challenge will be identified based on Session 1 discussion and pre-workshop surveys.</p> <p>Participants will be asked to address the challenge based on a series of prompts, e.g.:</p> <ul style="list-style-type: none"> • What types of policies or procedures would you rely on to respond to these issues? Is there further guidance needed? What are some examples of good policy language? • What would you need in terms of resource, management commitment? • What would be your first step in responding to the issue? What further information would you need before responding; what questions would you ask? • What would you do to ensure that problems do not reoccur? How would you ensure that this problem is being detected (e.g. worker grievance mechanism, workforce consultations)? • How could your investors support you

Session	Timing	Description
Feedback and conclusion	10 mins	Recap and feedback on key lessons from the workshop

Annex F: workshopped approaches to common labour challenges

Vulnerable workers / casual or non-employee workers

What are the issues or causes?	What are the potential opportunities?	What are some potential approaches?	What policies, procedures, resources are needed?
<ul style="list-style-type: none"> • Business needs might be unpredictable, so workforce requirements might be unknown and flexibility is therefore useful • Legal compliance is a key risk and concern (i.e. casual workers should be 'formalized' after a defined time period according to certain national laws) • Casual workers might be especially vulnerable and prone to exploitation – this might include poor working conditions, longer hours, less pay, worse health and safety outcomes, and lack of voice • Vulnerabilities might be amplified if casual workers are women or migrant workers • Disparities or differences between casual and permanent workforce can be linked to low morale, workplace discontent, disruptions, and possible reputational risk or lack of goodwill within the community 	<ul style="list-style-type: none"> • Are there opportunities associated with having a more stable, regular workforce? E.g. better control over recruitment and quality? Workforce is more motivated, productive, or effective? • Is there a business case associated with retaining costs of training (if any)? • Is the casual workforce an opportunity for selecting and hiring well performing or productive staff? 	<ul style="list-style-type: none"> • Compliance: ensuring legal compliance should be a priority, and may involve legal teams / counsel • Alternative approaches: instead of long-term use of casuals, is it possible to use outsourcing, agencies, fixed-term contracts, or other alternatives? Do these alternatives also have risks? • Labour forecasting / planning: identify critical and non-critical roles, and undertake labour forecasting to understand future workforce requirements to help business planning and predictability to the workforce. It may be possible to identify casual jobs that can become permanent or fixed-term. • Policies for casuals: develop policy to ensure casuals have some protection, e.g. addressing non-discrimination and vulnerability, access to grievance mechanisms, 	<p>Approaches could be addressed though development or review of ...</p> <ul style="list-style-type: none"> • Recruitment policies • Specific casual worker policy • Grievance policies / procedures • Diversity, inclusion and safeguarding measures • Value proposition for casual workers <p>In terms of resources...</p> <ul style="list-style-type: none"> • Any approach should consider the risk and cost of non-compliance, including administrative penalties, lawsuits, and reduced productivity • Some approaches may have cost implications or require investment, e.g. fees associated with outsourced / agency labour, or if expertise is needed to develop labour forecasting • Other approaches require minimal or no investment, e.g. developing a policy to safeguard casual

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Moving the market

- adequate notice of termination, health and safety etc.
- **Opportunities for casuals:** creating potential pathway to employment can motivate casuals and allow for selection of high potential individuals

workers, or communicating opportunities for direct employment

Employee morale

What are the issues or causes?	What are the potential opportunities?	What are some potential approaches?	What policies, procedures, resources are needed?
<ul style="list-style-type: none"> • Lack of compensation, promotion, or long term prospects • Issues with individual managers or management style • Lack of work / life balance • Perceptions that there is a lack of equality, employee welfare • Unclear on workplace culture, organizational values • Competitor firms can attract employees • Lack of fair treatment or perception of unfairness / exploitation 	<ul style="list-style-type: none"> • Improve bottom line – increase retention, productivity • Ensure that company is competitive • Encourage employee passion, loyalty, commitment • Build a stronger employer and worker / employee relationship 	<ul style="list-style-type: none"> • Understand source of low morale: conducting surveys, worker consultations, exist interviews, or having grievance mechanisms are all helpful. We should also make sure we understand the working environment and physical conditions of workers. • Linking morale issues with business impacts: can we track data such as absenteeism, worker grievances, employee turnover, survey response rate? Also track productivity, error rates? Can that data lead to an employee-centric approach and support a business case for addressing morale? • Addressing morale as a management performance objective: e.g. scorecards for 	<p>Approaches could be addressed though development or review of ...</p> <ul style="list-style-type: none"> • Compensation / benefits policies • Learning and development policies • Recruitment policies • Succession planning / policies • Grievance policies / procedures • Communications policies / procedures <p>In terms of resources...</p> <ul style="list-style-type: none"> • Many approaches can require no or minimal investment, e.g. non-monetary forms of recognition, tracking data, conducting surveys, or linking morale to management performance • Other approaches may have require more investment, e.g.

management on 'people and culture'

- **Recognition and reward:** are there monetary and non-monetary forms of recognition and reward available?
- **Defining progression:** ensure job descriptions are clear, and that scope and limits of pathways for advancement are known to workers

increasing pay and benefits, promotions, or upgrading amenities / equipment

Annex G: resource list

Below is a list of useful resources for investors.

1. African Private Equity and Venture Capital Association, AVCA Fund Operational Due Diligence Guide, (Member only access at <https://www.avca-africa.org/research-publications/publications/>)
2. Australian Council of Superannuation Investors, Modern Slavery Risks, Rights & Responsibilities (<https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>)
3. British Private Equity & Venture Capital Association, Responsible Investment Toolkit (<https://www.bvca.co.uk/Our-Industry/Responsible-Investment/Responsible-Investment-Toolkit>)
4. CDC and IFC, Private Equity and Value Creation: A Fund Manager's Guide to Gender Smart Investing (https://www.avca-africa.org/media/2681/202011_gendersmartinv_guide.pdf)
5. CDC, ESG Topics – Labour Standards (<http://toolkit.cdcgroup.com/esg-topics/labour-standards/>)
6. CDC, Good practice for fund managers, Environmental and social due diligence: mitigating risks, identifying opportunities (<https://www.avca-africa.org/media/1290/cdc-esdd-guidance.pdf>)
7. CDC, Toolkit on ESG for fund managers: Adding value through effective environmental, social and governance (ESG) management (https://assets.cdcgroup.com/wp-content/uploads/2018/09/08155015/CDC_Toolkit_on_ESG_for_Fund_Managers_2010.pdf)
8. EMPEA, Environmental, Social and Governance Investment Guide (<https://www.empea.org/app/uploads/2017/12/ESG-Reference-Guide-2.pdf>)
9. Engage the Chain, Investor Primer on Grievance Mechanisms (<https://engagethechain.org/resources/investor-primer-grievance-mechanisms>)
10. FMO, Toolkit for Private Equity Funds (<https://www.fmo.nl/esg-toolkit> ; interactive online version: <https://esg-toolkit.com/>)
11. IFC, Investing For Impact: Operating Principles for Impact Management (<https://www.avca-africa.org/media/2457/investing-for-impact-operating-principles-for-impact-management.pdf>)
12. Impact Management Project, A Guide to Classifying the Impact of an Investment (<https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/A-Guide-to-Classifying-the-Impact-of-an-Investment-3.pdf>)
13. Invest Europe, Guide to ESG Due Diligence for Private Equity GPs and their Portfolio Companies (member's only - <https://investeurope.eu/industry-standards/responsible-investment/esg-due-diligence-guide/>)
14. Investor Alliance for Human Rights, Investor Toolkit on Human Rights (<https://investorsforhumanrights.org/sites/default/files/attachments/2020-05/Full%20Report-%20Investor%20Toolkit%20on%20Human%20Rights%20May%202020c.pdf>)
15. Liechtenstein Initiative (Finance against Slavery & Trafficking), Connection & Risk Tool (<https://www.fastinitiative.org/risk-mapping/>)

16. Liechtenstein Initiative (Finance against Slavery & Trafficking), Leverage Practice Matrix (<https://www.fastinitiative.org/typology/>)
17. OECD, ESG Investing: Practices, Progress and Challenges (<https://www.oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf>)
18. Organization for Security and Co-operation in Europe, Following the Money: Compendium of Resources and Step-by-step Guide to Financial Investigations Into Trafficking in Human Beings (<https://www.osce.org/secretariat/438323>)
19. PRI and British Institute of International and Comparative Law, Human rights in private equity: Discussion paper (<https://www.unpri.org/private-equity/human-rights-in-private-equity/715.article>)
20. Principles for Responsible Investment, From Poor Working Conditions to Forced Labour – What’s Hidden In Your Portfolio? A Guide For Investor Engagement on Labour Practises in Agricultural Supply Chains (<https://www.unpri.org/download?ac=1652>)
21. ShareAction, Point of No Returns: An assessment of asset managers’ approaches to human and labour rights (<https://shareaction.org/wp-content/uploads/2020/05/ShareAction-Human-Rights-Report-2020-Final.pdf>)
22. UNDP, SDG Impact Standards Private Equity Funds (https://sdgimpact.undp.org/assets/SDG-Impact-Standards-for-Private-Equity-Funds-Version_1_0.pdf)
23. UNEP FI , Human Rights Guidance Tool for the Financial Sector (<https://www.unepfi.org/humanrightstoolkit/>)
24. UNEP FI, Corporate Impact Analysis Tool (<https://www.unepfi.org/publications/positive-impact-publications/corporate-impact-tool/>)
25. UNEP FI, ESG Monitoring, Reporting and Dialogue in Private Equity (https://www.avca-africa.org/media/2052/erm_ori_esg_monitoring_reporting_and_dialogue_in_private_equity_.pdf)
26. UNEP FI, Integrating ESG in Private Equity: A Guide for General Partners (https://www.avca-africa.org/media/1137/pri_integratingesginprivateequity_digital.pdf)
27. UNEP FI, Model Framework for Financial Products for Corporates with unspecified use of funds (<https://www.unepfi.org/publications/positive-impact-publications/model-framework-for-financial-products-for-corporates-with-unspecified-use-of-funds/>)