

CORE DOCUMENT

PORTFOLIO REQUIREMENTS FOR EQUITY FUNDS

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CONTACT DETAILS

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SUMMARY

The aim of the Gold Standard Portfolio Requirements for Equity Funds is to provide a third-party verifiable investment management process to support equity investors measure, manage and maximise the sustainable development impacts of their investments.

These requirements define a process to measure impacts generated from investments. The data collected is different to environmental social, governance (ESG) risk criteria since impact measurement and management minimises risks through the measurement of the actual outcomes at the level of the investee. Impact management requires the Fund Manager to define an investment strategy that delivers both financial and positive social and environmental change and can be used to enhance financial and ESG data since they are two different types of metrics.

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GOVERNANCE

Integrate sustainability and managing for impact into governance framework.

The Fund shall:

- 1.1 Ensure the Fund's governing body overseeing the Fund integrates sustainability and contributes positively to the SDGs into its purpose and decision-making practices as well as oversees its responsible business and impact management practices and performance.
- 1.2 Disclose the name of the Fund's parent and/or holding company and the principal sustainability and responsible business practices they adhere to
 - a. Describe the extent of alignment between the Fund's sustainability and responsible business practices and those of its parent and/or holding company

STRATEGY

Detail the Fund's Impact Strategy and portfolio level SDG Impact Goals and be able to adjust the fund strategy and goals as needed to optimize impact.

The Fund shall:

- 2.1 Specify at least 3 SDG Impact Goals the fund intends to make a direct and positive impact on, one of which shall be SDG 13 (defined herein as Emissions Reductions or Removals and/or Adaptation to climate change)
 - a. Describe these SDG Impact Goals in context of its Impact Strategy.
- 2.2 Describe how it intends to establish and promote alignment of interests among general and limited partners, Investees and other Stakeholders.
- 2.3 Have processes in place to review and refine its Impact Strategy and SDG Impact Goals

MANAGEMENT APPROACH

Align Fund management systems and decision-making with its Impact Strategy and SDG Impact Goals. The Fund shall:

- 3.1 Ensure that responsible business practices including ensuring the full Rights of Children (via reference to the [Children's Rights and Business Principles](#)) is embedded in Fund policies and procedures.
- 3.2 Ensure adequate resources and processes are put in place to ensure Investee compliance with GS4GG Principles & Requirements.

- 3.3 Develop staff capacity and integrate accountability and align incentives in line with the Fund's Impact and Investment Strategy.

Develop a monitoring, reporting and data management system. The Fund shall:

- 4.1 Develop the process and system to assess, quality control, monitor and manage impact data and information.
- 4.2 Specify roles and responsibilities within the monitoring, reporting and data management system
- 4.3 Ensure the data management system monitors positive and negative impacts for each investment against a defined baseline
- 4.4 As a minimum, monitor performance of the Fund against its Impact Strategy and SDG Impact Goals at the same frequency as financial reporting
- 4.5 Capture results and lessons learned so that decision-making and ongoing impact management activities are subject to continuous improvement.

Select and structure investments in line with Fund Impact Strategy and SDG Impact Goals. The Fund shall:

- 5.1 Screen potential investments in line with its Impact strategy, SDG Impact Goals and exclusion list
 - a. The exclusion list should include all ineligible activities/investments noted in the GS4GG [Principles and Requirements](#)
- 5.2 Assess positive and negative impacts of potential investments.
 - a. Assess compliance with all GS4GG Requirements, including but not limited to: [Stakeholder Consultation and Engagement Requirements](#), [Activity Requirements](#), [Gender Equality Requirements](#) and any [GS4GG methodology applicability Requirements](#).
 - b. Quantify the baseline and ex-ante SDG impacts. The calculation approaches and assumptions chosen must be documented and used during the investment decision-making process
 - c. Assess potential negative impacts using GS4GG [Safeguarding Principles and Requirements](#)
 - d. for all material impact identified The Fund may also align each impact to the Impact Management Project's 5 dimensions of impact.
 - e. Identify risks to achieving the ex-ante impact (for example by assessing potential investee governance) and the factors and/or strategies that will be put in place to mitigate that risk occurring.
 - f. Retain records of all investment decisions made and those that were considered & rejected
- 5.3 Structure its investments aligned with the achievement of its SDG Impact Goals and the optimization of impact
 - a. The Fund must agree and document terms with investees that are aligned with the achievement of the SDG Impact Goals of the Fund.

- b. If the Fund receives credits or revenues from investments that generate Gold Standard certified carbon credits, Free Prior and Informed Consent (FPIC) for this benefit sharing must be documented.
 - c. Post investment decision, all investments must comply with GS4GG Requirements. If an investment is not compliant (for example with GS4GG Safeguards), this must be documented and an agreement with the investee must detail when compliance will be met.
 - d. Post investment decision, all positive impacts must be measured and monitored using Gold Standard approved methodologies or the Gold Standard SDG Tool.
 - e. If there are new methodologies that the Fund wishes to bring forward, these should be presented to Gold Standard for review, noting that approval is at the discretion of Gold Standard.
- 5.4 Manage and assess its exits with attention to ongoing contributions to Sustainable Development, including at a minimum, how a “Do No Harm” approach will be applied.

TRANSPARENCY

Disclose how sustainability and the SDGs are integrated into fund strategy and decision-making, and report on performance. The Fund shall:

- 6.1 Disclose and report how sustainability and contributing positively to the SDGs is integrated into the Fund's purpose and decision-making
- 6.2 Consider disclosing performance incentives offered that are linked to meeting the SDG Impact Goals of the Fund
- 6.3 Report on its impact performance, consistently and in context of its overall SDG Impact Goals as well as other material factors, at the same frequency as financial reporting.
- 6.4 Ensure external reports disclose what reported information has been subject to a third-party audit and what has not.
- 6.5 Ensure third-party audits disclose, the name of the Fund, the date and version of the report, the scope of the assignment, the tasks undertaken, a concise summary of how initial findings were closed, a list of any forward action requests (FARs) and a signed audit opinion.
- 6.6 Undergo a third-party audit at least once within a five-year period from the earliest Implementation Date of any investment made by the Fund.
- 6.7 Follow GS4GG [Claims Guidelines](#) for any Impact Claims made by the Fund

Revision History

Version	Date	Remarks
1.1	8 May 2024	Editorials, include alteration in language to align with a broader application of the requirements to portfolios (for equity funds as well as debt)
1.0	31 March 2023	First revision of the requirements to alter the structure to better align with typical fund investment cycle. Removal of ABC classification as mandatory requirement.
0.3	21 June 2022	Initial adoption