

## CSR APPRAISAL AND MONITORING GUIDELINES

IFU/IØ (the Funds) are committed to supporting the project companies in their work with CSR, and the purpose of these guidelines is to describe the appraisal and monitoring process, to clarify the responsibilities of the Funds, the Danish partner and the project partner and to introduce the tools available.

To ensure that the operational standards of a project company are set and implemented in accordance with the CSR policy, the Funds have established a CSR toolkit with specific operational procedures and guidelines to be applied during the appraisal stage and during

the monitoring at the operational stage. The toolkit also includes a brochure that explains the principles of the CSR policy, interprets the policy and describes the procedures for sector-specific and particularly sensitive issues, e.g. hiv/aids, corruption and animal welfare.

The following figure outlines who is responsible for which tasks, and which tools are available to the project company in the different stages of the appraisal and monitoring process. Available tools and documents can be downloaded from the website [www.ifu.dk](http://www.ifu.dk).

### PROJECT APPRAISAL



The Funds' CSR assessment of the projects includes – in particular – two key components:

- an identification and assessment of the CSR risks and impacts (the likelihood of harm) of the project and
- an evaluation of the commitment and capacity of the investment partners to manage expected risks and impacts and work towards an international level of performance in accordance with Danish or EU rules and regulations or standards set by the World Bank/IFC, ILO or OECD.

The Funds will decide which level of documentation will be required to assess the CSR risks and impacts. It will depend on the specific sector, technology, size of production, location, local rules and regulations, climatic and cultural conditions, etc.

When partnering with experienced Danish companies with proven and well-documented CSR policies and experience, the Funds may accept that the project will be appraised and monitored on the basis of the Danish partner's policies and standards.

#### THE PROJECT COMPANY / PARTNERS

The project company and/or the Danish partner must identify the host country's rules and regulations regarding CSR-related issues relevant to the project company, as well as the enforcement and control systems.

The project company and/or the Danish partner must assess the actual, project-specific conditions regarding CSR issues taking into account the location of the project. Significant CSR issues must be assessed using relevant international standards as a baseline.

Available tools:

- Human Rights Quick Check (HRCA).
- Environmental Quick Check, including a climate check.

Supplementary tools:

- IFC Environmental, Health and Safety (EHS) guidelines.
- IFC Environmental and Social Impact Assessment (ESIA) guidelines.



The Funds must review and accept the assessment made by the project company and/or the Danish partner before issuing a binding commitment.

## BEST JUDGEMENT DECLARATION

**THE  
PROJECT COMPANY  
/ PARTNERS**

The Danish partner must issue a Best Judgement Declaration on their best assessment of all significant deviations between international standards and host country rules and regulations in relation to all relevant CSR issues. The Best Judgement Declaration must be based on the assessment made by the project company and/or the Danish partner.

Available tool: Best Judgement Declaration Guidelines.



The Funds must receive and approve a satisfactory Best Judgement Declaration before disbursement.

## THE CSR ACTION PLAN

**THE  
PROJECT COMPANY  
/ PARTNERS**

The Danish partner and the project company must describe and quantify significant CSR issues and deviations from international standards in a well-defined CSR Action Plan specifying the required action and the agreed time frame for eliminating the deviations.

Available tool: CSR Action Plan Guidelines.

The project company must continuously monitor the issues identified in the CSR Action Plan to ensure sufficient control and must prepare an annual update of the Quick Check used in appraisal.

The responsibility for compliance with the Action Plan rests with the Board of Directors and the Management of the project company. The Board of Directors must prepare an annual review of the company's situation in respect of continued compliance with the CSR policy. If required, i.e. if new issues are identified, the Board must revise and update the list of issues and decide on a revised CSR Action Plan for further improvements.



The Funds must approve the CSR Action Plan as part of the project agreements before disbursement. The CSR action plan must be signed by all project partners including the Funds.

## THE CSR STATUS REPORT

### THE PROJECT COMPANY / PARTNERS

The project company must prepare an annual CSR Status Report for discussion and approval by its Board of Directors at the board meeting at which the budget for the next financial year is presented for approval.

The CSR Status Report must describe:

- CSR activities, events and results during the year, including e.g. incidents of corruption and facility payments, environmental and work accidents and contributions to climate change mitigations.
- Progress on the CSR Action Plan.
- Compliance with rules and regulations.
- CSR competences and management.
- CSR-related communication and training and external communication to interested parties.
- Monitoring of key CSR issues.

Available tool: CSR Status Report Guidelines for project company.

The annual CSR Status Report will serve as a tool for monitoring all CSR issues relevant to the project company. It is the responsibility of the Board of Directors to ensure the transparency and accountability of the CSR Status Report and a follow-up procedure, i.e. if new issues are identified.

The first CSR Status Report must be received by the Board of Directors no later than 15 months from the first disbursement date. Thereafter, a report must be received annually.



The Funds will review the CSR Status Report and make their comments and experience available for the project companies through the Board of Directors.