



Private Sector Engagement Risk Management Process (PSE RMP)

As outlined in the *SDC PSE Handbook*, the SDC has developed a dedicated risk management process for private sector engagements (PSE RMP). While section 3.2 of the *Handbook* presents the general principles and components of the PSE RMP and its integration into the PSE process management, this guidance note offers a detailed overview of the successive phases of the PSE RMP. It also clarifies the criteria relevant to the first phase: the PSE risk assessment (PSE RA).

1. WHY A SPECIFIC PSE RISK MANAGEMENT

Risk management is an integral component of the Project Cycle Management (PCM), which is mandatory for all SDC projects and programs. Risk management is a structured process that enables the proactive identification, assessment, and mitigation of potential risks, with the aim of increasing the likelihood of project success by anticipating and addressing potential threats. This approach is not intended to avoid or reject high-risk interventions, but rather to balance expected results and impact with associated risks, ensuring that risks are managed and monitored in a deliberate and systematic manner.

In alignment with both international and national reference standards, the SDC's overarching approach to risk management is detailed in the *SDC Guidelines for Risk Management*¹, which classify risks into three categories: *contextual*, *programmatic*, and *institutional*. Institutional risks include reputational risks related to the collaboration with SDC partners.

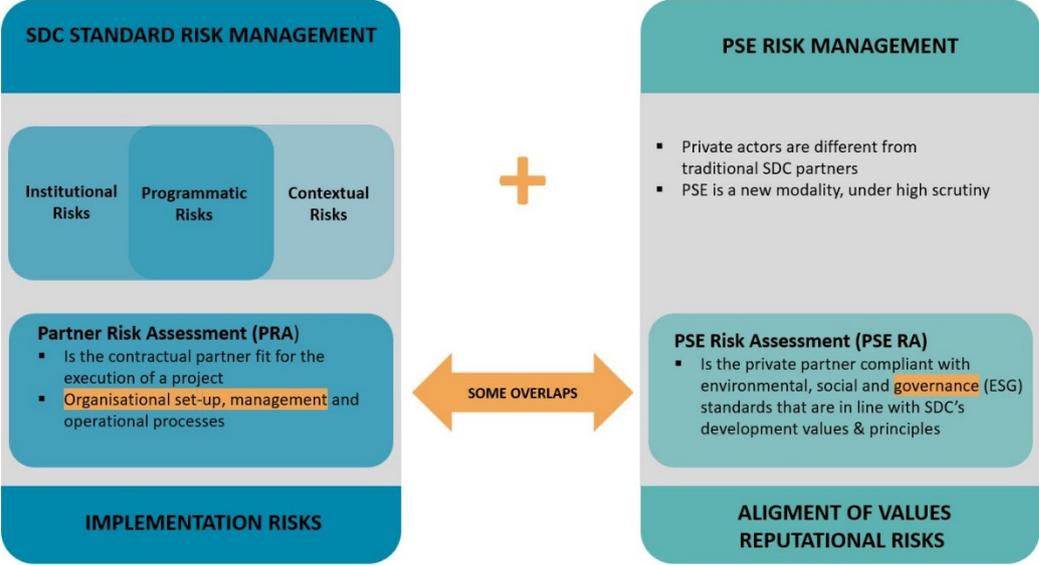
The standard SDC partner risk assessment (PRA) primarily evaluates the capacity of contractual partners to implement projects. This includes an analysis of the partner's organizational structure, governance, and operational and management systems.

However, in the context of PSEs, two key factors necessitate a complementary risk assessment process:

1. Private sector actors often differ significantly from SDC's traditional partners – such as public authorities, NGOs, or civil society organizations – in terms of structure, motivations, and operating models.
2. SDC's credibility and public trust could be undermined by partnerships with private sector actors whose real or perceived practices may conflict with SDC principles and values, particularly in areas such as transparency, human rights, and social and environmental standards.

¹ https://www.collaboration.eda.admin.ch/en/_layouts/15/WopiFrame.aspx?sourcedoc=%7BFED8EA8F-B657-473A-B007-79D0686461C6%7D&file=sdg-guidance-for-credit-proposals_EN.docx&action=default&DefaultItemOpen=1

To address these specific challenges, the SDC has established a dedicated PSE RMP, which does not substitute for the PRA but complements it. The first phase of this process – the *PSE RA* – is specifically designed for the unique characteristics of partnerships with private sector partners. The resulting recommendations are intended to inform the decision-making of SDC operational units (Ous) on whether to proceed with a PSE. These recommendations also include proposed measures to mitigate the identified risks.



In accordance with *Directive 307², Article 11*, the PSE RA is mandatory for all new PSE projects, as well as for new phases of ongoing projects that include a PSE component. It applies to both development and humanitarian projects.

2. OVERVIEW OF THE PSE RISK MANAGEMENT PROCESS

2.1. Approach

The PSE RMP is aligned with the six stages of the PSE process management (1. PSE exploration; 2. Prior to entry proposal; 3. Prior to credit proposal; 4. Prior to agreement; 5. PSE monitoring; and 6. Closing and evaluation) and comprises two phases:

1. The first phase is the PSE RA. It starts as soon as one or several PSE partners³ are identified but no later than the submission of a credit proposal. (Phase 1 corresponds with stages 1-3 of the PSE process management)
2. The second phase, less PSE specific, consists of incorporating the recommendations of the PSE RA into the contractual agreement(s) with the PSE partner(s) and into the monitoring process of the PSE. (Phase 2 corresponds with stages 4-6 of the PSE process management)

There are two types of PSE RAs depending on the PSE arrangements between SDC and private sector actor(s):

1. In direct PSEs – i.e. all arrangements where SDC engages directly with one or several private sector partners and signs legal agreements with them defining the rules of the partnership (e.g. contract, MoU or equivalent) – the PSE RA is used to evaluate the risk profiles of the SDC private sector partner(s). In this case, the PSE RA includes two steps:

² <https://intranet.eda.admin.ch/fileservice/sdweb-docs-prod-collabedach-files/files/2024/12/11/836ca7b9-9d0c-4bef-960d-cc203140da4f.pdf>

³ PSE partners includes any kind/type of SDC partner that is involved in a PSE.

- a. a pre-assessment to be realized as soon as one or several private sector partners are identified (ideally prior to submitting an entry proposal if any).
 - b. a more in-depth Due Diligence (DD) of the private sector partner(s) to be completed at the latest prior to the submission of a credit proposal.
2. In indirect PSEs – i.e. all arrangements where SDC does not engage directly with the private sector partner(s), and where its partnership with private sector partners is actually managed by an intermediary partner – the PSE RA is used to evaluate the private sector partner selection process of the intermediary partner. Such an assessment is called an *eligibility check*. In indirect financial market-oriented PSEs, irrespective of the financial instruments being used, a *third-party DD* must be conducted. Both the *eligibility check* and the *third-party DD* need to be done at the latest prior to the submission of a credit proposal.

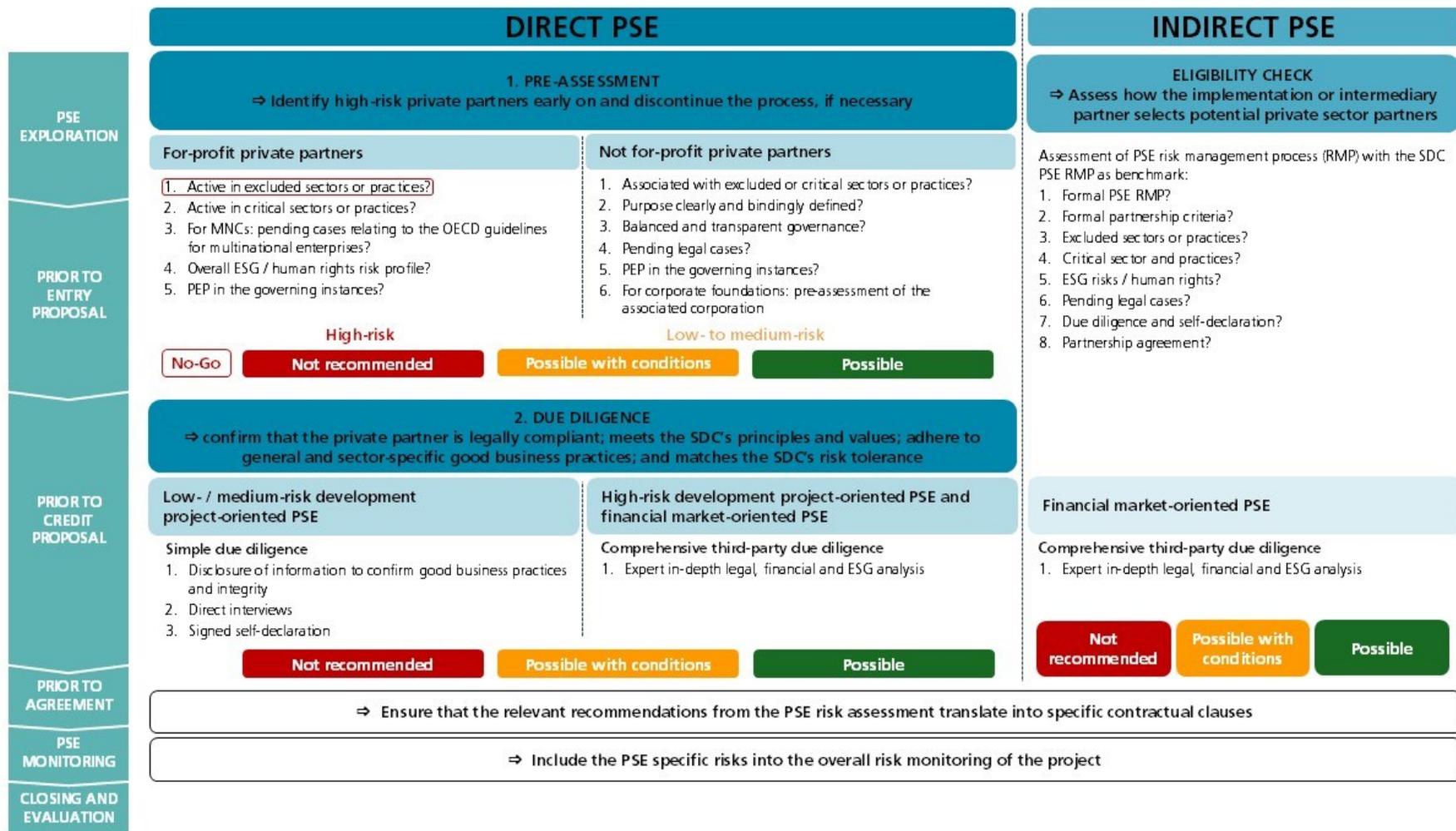
PSE RAs in both direct and indirect PSEs conclude with standardized reports that include recommendations whether a PSE collaboration seems possible without particular conditions (low-risk); possible with specific conditions (medium-risk); or not recommended (high-risk).

In alignment with the basic principles of PSEs – co-steering, co-initiation, partnership on equal footing – it is important to inform private sector partners (in the case of a direct PSEs) or intermediary partners (in the case of indirect PSEs) early on in the preparation process about the PSE RMP.

2.2. Roles and responsibilities

The SDC's OUs in charge of a specific PSE collaboration oversees the overall PSE RMP and takes the final decision on whether to engage with a potential PSE partner. The Competence Center for Engagement with the Private Sector (CEP) with the support of backstoppers conducts risk assessments during the initial phases and supports the OU throughout the entire PSE RMP. The Contracts, Procurement, Compliance Division (CPC) of the Federal Department of Foreign Affairs (FDFA) provides legal advice to the OU and conducts a final check of all partnership agreements. The Section Quality and Digitalization and the Internal Control System (ICS) Network take ownership of the overall PCM and the SDC's general risk management framework. The role of SDC senior management includes overall strategic guidance on the PSE risk management framework, final decisions of high political relevance and adequate resource allocation, while the head of the FDFA must be kept informed of decisions of high political relevance.

The next chapters provide detailed and step-by-step descriptions about the PSE RMP for both direct and indirect PSEs as well as nuances in relation with the formats of the PSE.



3. PSE RA IN DIRECT PSEs

3.1. PSE Exploration/ Prior to Entry Proposal

As soon as the potential private sector partner(s) are identified, the first step of the PSE RA – the **pre-assessment** – can be engaged.

3.1.1. Objective

The aim of the pre-assessment is to identify high-risk partners early on and discontinue the process, if necessary.

3.1.2. Approach

The content and approach of the pre-assessment differ depending on the private sector category: **for-profit organizations** – large companies, multinational corporations (MNCs), small and medium enterprises (SMEs) and impact investors – or **non-profit organizations** – grant-making foundations including private or corporate foundations and business or professional associations – with **social enterprises** (SEs) and **cooperatives** located in the middle.

The approach also depends on the availability of relevant information that is publicly accessible. In case of MNCs and publicly listed companies it is often possible to conduct a pre-assessment without an interaction with the company, as relevant information are publicly available. In case of SMEs, SEs, cooperatives, impact investors and grant-making foundations, it is often necessary to interact with the organizations to gather relevant information and ask for specific documents because these types of organizations often publish little organizational and operational information, or some may not be able to provide relevant information as this is not required by law.

3.1.3. Roles & Responsibilities

The CEP is responsible for conducting the pre-assessment at the request of the OU (except the PEP check as discussed below).

3.1.4. Pre-assessment of for-profit private sector organizations

The pre-assessment of for-profit organizations includes the screening against:

1. **The SDC's exclusion list:** The SDC does not enter into partnerships with an organization (or its subsidiary⁴) that is engaged directly in one of the excluded sectors or practices (see Annex 1: Exclusion list). In case of investments (direct or indirect) made by SDC, the harmonized exclusion list of the European Development Finance Institution (EDFI) applies⁵.
2. **The SDC's list of critical sectors and practices:** If the potential private sector partner is active or engaged in one of the listed critical sectors, a cooperation is only possible if a) the private sector partner adheres to generally accepted sustainability-related sectoral policies and principles and/or actively engages in initiatives fostering sector-specific sustainability stewardship practices, OR if b) the engagement with the private sector directly or indirectly addresses key negative impacts of the partner (see Annex 2: Critical sectors).
3. **Pending legal cases and observance of the OECD Guidelines for Multinational Enterprises** (OECD Guidelines): If the potential private sector partner is involved in relevant pending legal cases or recently issued court ruling with high or very high reputational risks for SDC, a cooperation is not recommended. In the case of MNCs: If a MNC is accused of not complying with the OECD Guidelines, it must be checked whether it has cooperated with a National Contact Point (NCP) to which the formal complaint or

⁴ If the share / participation of the PSE prospect is ≥ 10%

⁵ [EDFI harmonized exclusion list](#)

grievance was submitted. If the potential partner did not cooperate, a partnership is not recommended (see Annex 4: OECD Guidelines).

4. **The organization's relevant environmental, human rights and social, and governance (ESG) risks:** If the ESG risk profile of a potential private sector partner is high or very high, a qualitative review needs to be conducted. Cooperation is only possible if the partner can demonstrate that in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs)⁶, it actively avoids human rights violations and addresses any negative impacts in which it is involved. In addition, the review must show that the potential partner actively manages all other ESG risks identified as relevant (see Annex 3: Relevant ESG risks).
5. **Politically exposed persons (PEPs)**⁷: The pre-assessment includes a listing of all key high level management persons of the private sector partner (Board members, CEO for instance). According to the updated SDC Guidance for credit proposals, the check for the presence of PEPs and the analysis of the associated risks is the responsibility of the OUs as part of the overall risk assessment of a project.

3.1.5. Pre-assessment of non-profit private sector organizations

The pre-assessment of non-profit private sector organizations includes the screening of the following aspects:

1. **Legitimation:** It must be assessed if the founder of the organization is associated with excluded or critical sectors / businesses practices (see Annex 1: Exclusion list, Annex 2: Critical sectors). If the founder is associated with an excluded or critical sector according to SDC, a partnership is only possible if the independence of the foundation from its founder is guaranteed (see aspect 3: Governance).
2. **Purpose of the foundation/association:** It must be assessed whether the purpose of the organization is bindingly defined, published, implemented effectively, and is related to / aligned with one or more SDGs or with SDC's goals. A partnership is not recommended if the purpose is not defined, no information about its implementation is exchanged, and there is reference neither to any of the SDGs nor with SDC's goals.
3. **Governance:** It must be assessed whether important decisions and processes are made and implemented in a balanced relationship between leadership and control (checks and balances). Specific aspects to be assessed are: Board of Trustees (BoT) with defined periodic renewal; and role of the founder(s) and hers/his/their influence on decisions is/are defined. This aspect provides information about the independence of the foundation from the founder. A partnership is not recommended, if there is a lack of checks and balances.
4. **Transparency:** The transparency of the organization regarding the foundation's objectives, structures and activities must be assessed. A mission statement with information on objectives, target group and fulfilment of needs, values, services/engagement, organisation, fundamental management principles and communication/information principles must be available. A partnership is not recommended, if there is a lack of transparency regarding the organization's objectives, structures and activities.
5. **Pending legal cases:** If one or multiple relevant pending legal cases or recently issued court rulings with high or very high reputational risks for SDC exist, a cooperation is not recommended.
6. **PEP:** The pre-assessment includes a listing of all key high level management persons of the private sector partner (Board members, CEO for instance). According to the updated SDC Guidance for credit proposals, the check for the presence of PEPs and the analysis

⁶ https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

⁷ A PEP is defined as an individual currently or formerly in a high public office or who is closely associated with such an office through family or personal ties or as a result of business relations. The involvement of PEPs may represent an increased risk on account of the possibility of individuals holding such positions misusing their power and influence for personal gain or advantage, whether for themselves, close family members and/or close associates. Such individuals may also use their families or close associates to conceal funds or assets that have been misappropriated through the abuse of their official position or as a result of bribery or corruption. In addition, they may also seek to use their power and influence to gain representation and/or access to, or control of, legal entities for similar purposes.

of the associated risks is the responsibility of the OUs as part of the overall risk assessment of a project.

In case of a corporate foundation: in addition to the pre-assessment of the organization as described above, a pre-assessment of the associated corporation according to the pre-assessment of for-profit private sector organizations must be conducted.

Pre-assessment “light”

Usually, the above-described pre-assessment requires 2 to 4 days of work from the specialized CEP backstopper over a 2 to 4 weeks period and must be paid by the OU in charge of the PSE.

In exceptional cases when an OU has no available budget (for instance prior to an entry proposal) an initial faster and lighter check can be realized. Such a **pre-assessment light** evaluates whether the potential private sector partner is an exposed organization (e.g. active in an excluded or critical sector, high ESG risks identified) with the same references as the comprehensive pre-assessment, but with less details. It results in a report, including an initial evaluation of the exposure of the organization as well as next steps to be clarified.

The pre-assessment light is commissioned by the CEP and takes a maximum of one working day. It allows OUs to quickly gain an overview of a potential private sector partner in the exploration phase and before initial discussions take place.

If a partnership is envisaged, a comprehensive pre-assessment must be conducted, by completing the steps recommended in the initial pre-assessment light report.

3.2. Prior to Credit Proposal

Prior to the credit proposal, an in-depth review of the private sector partner by means of a DD must be conducted.

3.2.1. Objective

The aim of the DD is to confirm that the potential private sector partner, including its relevant subsidiaries are legally compliant, meet the SDC’s principles and values, adhere to general and sector-specific good business practices and match the SDC’s risk tolerance.

The scope and depth of the DD depends on the PSE arrangement and format as well as the risk exposure.

The results of the DD may confirm whether it would make sense to engage with a specific private sector partner in the context of a PSE, and which conditions and requirements would be necessary or advisable to indicate in the contractual agreements with this partner.

3.2.2. Roles and responsibilities

The OU is responsible to carry out the DD prior to the credit proposal including covering the costs. The OU must contact the CEP to decide which type of DD is applicable and finalizing the scope and terms of reference.

3.2.3. Simple DD → low risk direct development project-oriented PSE

A simple DD must be conducted in the case of a low-risk direct development project-oriented PSE. The private sector partner is requested to disclose relevant information in order to confirm good business practices and integrity. The information submitted and supporting documents will be assessed by the specialized backstopper of the CEP. In addition, direct interviews might be conducted. Further information on the documents and information to be disclosed can be found in Annex 6. The private sector partner will be asked to confirm good practices by filling out and signing a standardized self-declaration (see Annex 7: Self-declaration).

Usually, a simple DD requires 3 to 6 days of work from the specialized CEP backstopper over a 3 to 5 weeks period.

3.2.4. Comprehensive third-party DD → all financial-market oriented PSE, and high-risk direct development project-oriented PSE

A comprehensive third-party DD must be conducted in the following cases:

1. All financial market-oriented PSEs, irrespective of the financial instruments being used.
2. All development project-oriented PSEs with any of the below characteristics:
 - SDC budget of over CHF 5 million, or if the SDC finances more than 50 % of the PSE collaboration and the SDC's budget is over CHF 3 million.
 - Complex PSE structure (i.e. holding, consortia with four or more private sector partners).
 - High PSE risk, as determined by the pre-assessment.
 - Incomplete or insufficient information on ESG risk management (also determined by the pre-assessment)

The decision as to whether to conduct a third-party DD analysis should be made in consultation with the CEP. In case of a third-party DD, the CEP can provide support in drafting the Terms of Reference (ToR) and identifying potential consultants.

Depending on the complexity of the PSE structure / private partner(s) and the PSE format, the workload to realize a third-party DD can vary from 10 to 30 days over a 1 to 3 months period (this duration does not include the procurement process to contract a specialized consultant).

Second Opinion

If a DD has already been carried out on the potential private sector partner (e.g. on the initiative of another donor), a second opinion on the existing DD can be sought. In such a case, the OU should contact the CEP to request a second opinion. The CEP (with the support of backstoppers) will carry out the second opinion.

4. PSE RA IN INDIRECT PSEs

4.1. PSE Exploration / Prior to Entry Proposal

In case of an indirect PSE, an **eligibility check** of the SDC contract partner (implementation or intermediary partner) needs to be conducted.

4.1.1. Objective

The aim of an **eligibility check** is to assess how the intermediary partner selects potential private sector partners. It applies to all types of intermediary partners, private or not. The SDC PSE RMP serves as a benchmark. In case of a mandate, the intermediary partner is obliged to use SDC's PSE RA approach.

4.1.2. Approach

The intermediary partner is asked to disclose documents about its PSE RMP. The documents received are reviewed and open questions and the identified gaps are discussed in a formal exchange with the potential partner.

As part of the eligibility check, the following aspects are reviewed:

1. **Formal PSE Risk Management Process:** It is assessed if the intermediary partner has a formal PSE RMP in place.

2. **Partnership Criteria:** It is assessed if the intermediary partner has defined partnership criteria for private sector partners (e.g. shared set of values, shared vision, shared risks, willingness to exchange knowledge and experiences).
3. **General Exclusion:** It is assessed if the intermediary partner has defined general exclusion criteria for private sector partners such as excluded sectors or practices (e.g. illegal, banned or harmful activities).
4. **Critical Sector:** It is assessed if the intermediary partner has defined critical sectors as well as an approach how to deal with potential private sector partners operating in these critical sectors.
5. **Pending legal cases and OECD Guidelines for MNCs:** It is assessed if the intermediary partner considers relevant pending legal cases or relevant court rulings of the private sector partner. Furthermore, it is assessed if the intermediary partner considers the observance of OECD Guidelines for Multinational Enterprises, if the potential private sector partner is a MNC.
6. **ESG Risks:** It is assessed if the intermediary partner considers sector- and context-specific ESG and business-conduct risks of potential private sector partners.
7. **PEPs:** It is assessed if the intermediary partner examines the presence of PEPs associated with the potential private sector partner.
8. **DD Process:** It is assessed if or intermediary partner has a DD process in place.
9. **Self-declaration:** It is assessed if the intermediary partner asks the potential private sector partner to confirm good practices based on a self-declaration as part of the DD.
10. **Discussion with the potential private sector partner:** It is assessed if and how the intermediary partner exchanges with the (potential) private sector partner during the exploration, preparation as well as implementation of the partnership.
11. **Partnership Agreement:** It is assessed if the intermediary partner signs a partnership agreement with the private sector partner setting out the terms and conditions of the collaboration.
12. **PSE Monitoring:** It is assessed if the intermediary partner reviews the private sector partner's ESG risks on a regular basis and repeats the DD at the start of a new phase of a PSE collaboration.

The results of the eligibility check are summarized in a standardized report that includes an overall conclusion about whether an engagement with the intermediary partner is recommended. The report also describes the necessary requirements and recommendations for strengthening the current PSE RMP of the intermediary partner.

Eligibility Check light

Usually, the above-described eligibility check requires 2 to 4 days of work from the specialized CEP backstopper over a 2 to 4 weeks period and must be paid by the OU in charge of the PSE.

In exceptional cases when an OU has no available budget (for instance prior to an entry proposal) an initial faster and lighter eligibility check can be realized. Such an **eligibility check light** evaluates whether the implementation or intermediary partner has a PSE RMP in place and possesses the necessary capabilities to conduct PSE RA with the same references as the comprehensive eligibility check, but with less details. It results in a report, including an initial evaluation of the PSE preparedness of the partner as well as open questions to be further analysed.

The eligibility check light can be requested from CEP and takes a maximum of one working day. It allows OUs to quickly gain an overview of a potential private sector partner in the exploration phase and before initial discussions take place.

If a partnership is envisaged, a comprehensive eligibility check must be conducted, by completing the steps recommended in the initial light report.

4.2. Prior to Credit Proposal

In **indirect financial market-oriented PSEs**, irrespective of the financial instruments being used, a comprehensive **third-party DD** must be conducted prior to the credit proposal. (see 3.2.1 for further information about the objective of a DD).

The OU is responsible to carry out the DD prior to the credit proposal including covering the costs. The OU must mandate a third-party to conduct the DD. The CEP can provide support for the ToRs of a third-party.

5. PSE RMP AFTER THE PSE RA

As indicated in chapter 2.1, the second phase of the PSE RMP is much less PSE specific. It follows the same logic as other non-PSE projects of SDC. A few specificities of PSEs are described in the following chapters.

5.1. Prior to Agreement

As for any SDC projects, collaborations with PSE partners require a joint partnership agreement to set out the terms and conditions of the collaboration including the common objectives, the modes of cooperation, the governance of the PSE and various other important aspects such as intellectual property, external communication, transparency rules applicable to the public administration (and to its engagements), liability rules, and criteria for exiting the partnership.

Relating to PSE RMP, it is particularly important to ensure that the relevant recommendations from the PSE RAs translate into specific contractual clauses (usually under the special provisions).

All partnership agreements for PSE projects must go through a check by CPC before signing. In case of a financial market-oriented PSE, a legal DD must be conducted in direct collaboration with the CEP and the CPC.

Role & responsibilities: the OU negotiates the partnership agreement with the PSE partner. The CPC must be consulted. The CEP provides support.

5.2. PSE Monitoring

Monitoring of PSE projects take place according to the PCM. There are some specific features to be considered in case of a PSE.

Identified PSE risks should be monitored on a regular basis during the implementation of the PSE project and the DD should be repeated at the start of a new phase of a PSE collaboration.

The following aspects require special attention in direct PSEs:

1. ESG risks: Regular monitoring of the private sector partner's ESG risks is essential in order to identify new emerging risks at an early stage and to be able to act, if necessary. At the latest at the start of a new phase of a PSE collaboration, ESG risks should be reviewed.
2. Shareholding and ownership of the private sector partners: the shareholding and ownership structure of private actors can evolve quite rapidly following fusions and or acquisitions. Such changes might have significant consequences on the risk profile of a private sector partner, be it in terms of ownership itself or in terms of ESG policies.
3. DD: The DD analysis of the private sector partner should be updated at the start of a new phase of the PSE collaboration. In the case of a DD based on a self-declaration, the private sector partner should be asked to indicate all relevant changes since the last self-declaration.

Role & responsibilities: the OU is in charge of PSE monitoring. The CEP provides support upon request.

5.3. Closing & Evaluation

Closing and evaluation take place according to the PCM. There are some specific features to be considered in case of a PSE.

Early exit: An early exit occurs if an ongoing PSE collaboration is terminated before the stipulated end of the collaboration, e.g. if certain high risks materialise in the course of the PSE collaboration. An early termination of a collaboration should be discussed and, if possible, jointly decided with the PSE partner. The following aspects, among others, should be addressed: closure process for the collaboration, implications for the actors involved, communication and reporting, handling of financial obligations. Depending on the circumstances and the reasons for an early exit (in accordance with the provisions of the partnership agreement), the partnership can also be terminated unilaterally by each partner. In the case of a critical exit, where there is potentially a high risk of political exposure, high reputational damage or media attention, the SDC senior management decides on an early exit, and the decision is noted by the head of the FDFA. In the case of legal risks, the CPC is to be consulted. After termination, an evaluation of the collaboration should be conducted in order to identify lessons learnt and mitigate similar risks for future PSE collaborations.

Planned exit: A planned exit takes place at the stipulated end of the PSE collaboration, as defined in the partnership agreement. For financial market-oriented PSE formats, particularly if the SDC provides guarantees or holds assets (e.g. shares or loans), it is essential to define and plan the exact exit modalities with the PSE partner when signing the partnership agreement.

Evaluation: At the end of the collaboration, an evaluation can be conducted in order to assess the degree of achievement of the objectives and formulate lessons learnt and recommendations for future PSE collaborations. The communication of key results should be discussed and agreed with the private sector partner.

Role & responsibilities: the OU is responsible for the realization of the planned exit and evaluation. The CEP offers support for PSE relevant aspects. The OU decides on an early exit and is responsible for discussing this with the PSE partner and realizing the final exit and evaluation. In the case of critical exits, the SDC senior management decides on an early exit, and the decision is noted by the head of the FDFA.

ANNEXES

Annex 1: Exclusion list

DFIs, multilateral or regional development banks⁸ the UN and other international organisations⁹, as well as global private banks, insurance companies and pension funds¹⁰ apply exclusionary criteria for financial decision-making and/or for entering into partnership¹¹.

In the same vein, any sectors, activities, products, services, trades and involvements that are illegal and/or have inherent negative impacts contrary to the SDC's objectives and cannot be mitigated are considered unacceptable by the SDC and fall under the exclusion list. The SDC's exclusion list has been compiled based on publicly available exclusion lists of reputed international and national institutions actively promoting the SDGs. The SDC list will be updated based on a regular screening of the relevant reference lists. The assessment of sector-independent risks and practices, such as infringement of human rights, child labour or corruption, considering the related country exposures, are part of the ESG risk analysis (see step 4 of the pre-assessment) and the DD analysis (see stage 3 of the PSE process management)

All potential private sector partners must be screened against the following exclusion list. The SDC does not enter into partnerships with a commercial organization (or its subsidiary¹²) that is engaged directly¹³, or a grant-making foundation that is associated with in one of the following excluded sectors (a) or practices (b). For corporate foundations, specific rules apply (see below).

A. Excluded sectors

If any of the following products form a substantial part of an organizations business activities such as production and trade¹⁴:

- Armaments, weapons, munitions and/or their components;
- Alcohol beverages (except beer and wine)¹⁵;
- Tobacco¹⁶;
- Gambling, casinos and equivalent enterprises (except public lottery companies, e.g. of Swiss cantons);
- Fossil fuel production and its associated activities, as defined in the harmonized EDFI Fossil Fuel Exclusion List¹⁷.

B. Excluded practices

If the organization is involved in any of the following illegal, banned or harmful activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as certain pharmaceuticals, certain pesticides/herbicides, ozone-depleting

⁸ E.g. [International Finance Cooperation \(IFC\)](#) ; [European Investment Bank \(EIB\)](#) ; [Kreditanstalt für Wiederaufbau \(KfW\)](#) ; [Swiss Investment Fund for Emerging Markets \(SIFEM\)](#)

⁹ E.g. [Guidelines on a Principle-based Approach to the Cooperation between the United Nations and the Business Sector](#); [WHO framework of Engagement with non-State Actors](#); [UNDP Policy on Due Diligence and Partnerships with the Private Sector](#), [ICRC Guidelines for Screening Private Donors and Partners](#)

¹⁰ E.g. [Pension fund of the City of Zurich \(PKZH\)](#); [Swiss Re](#); [Swiss Association for Responsible Investments \(SVVK\)](#)

¹¹ In the humanitarian context, in the case of advocacy of humanitarian principles and humanitarian dialogue with enterprises operating in conflict prone areas, companies can be approached irrespective of whether their policies and activities are consistent with the exclusion criteria. In this case, the SDC might establish relations with a company because the latter has a direct or indirect influence on the situation of war victims. The SDC's objective is not to seek any material or financial support.

¹² If the share / participation of the PSE prospect is $\geq 10\%$.

¹³ Important first-tier (i.e. direct) suppliers are treated similarly but are assessed at a later stage of the process, during the due diligence

¹⁴ Definition: for companies, 'substantial' means more than 10% of their consolidated sales revenues. For financial institutions (banks, asset managers, investment funds), 'substantial' means more than 10% of their underlying portfolio.

¹⁵ [SIFEM Exclusion list](#)

¹⁶ [UNDP Policy on Due Diligence and Partnerships with the Private Sector](#); [ICRC Guidelines for Screening Private Donors and Partners](#)

¹⁷ <https://edfi.eu/wp-content/uploads/2024/10/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf>

substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹⁸;

- Production or trade in wood or other forestry products from unmanaged forests;
- Illegal and/or uncontrolled use of fire for forest clearance;
- Involvement in activities with adverse impacts on UNESCO World Heritage Sites.
- Prostitution or pornography¹⁹;
- Production or trade in radioactive materials; however, this does not apply to the purchase of medical equipment, quality control (and measurement) equipment, and any equipment where the radioactive source is trivial and/or adequately shielded;
- Cross-border trade in hazardous waste and waste products, unless compliant with the Basel Convention and the underlying regulation²⁰;
- Production or trade in unbounded asbestos fibres. This does not apply to the purchase and use of bounded asbestos cement sheeting where the asbestos content is less than 20%;
- Drift net fishing in the marine environment using nets in excess of 2.5km in length;
- Forced labor²¹ or child labor²²;
- Racist and/or anti-democratic media.



If a potential private sector partner falls under the exclusion list, a partnership is not possible.

¹⁸ [CITES listed species](#)

¹⁹ [ICRC Guidelines for Screening Private Donors and Partners](#)

²⁰ [Basel Convention on the Control of Transboundary Movements of Hazardous Waste](#)

²¹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

²² Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

Annex 2: Critical sectors

Based on their business operations, services and products, several sectors are to be considered critical because of their potentially adverse environmental and social impact or because they face a high risk of being associated with specific controversial practices, even though their business operations and products are compliant with national regulations and internationally accepted sector standards and norms. The SDC list of critical sectors has been compiled based on publicly available policies of reputed international, public and private financial institutions and multilateral organisations²³. The list will be updated based on a regular screening of the relevant reference lists. When assessing the requirements and the binding nature of compliance with relevant sector-specific good practices, standards and norms, the current socio-political and security context must be considered.²⁴

A partnership with a private sector actor engaged in a critical sector is only possible if:

1. The potential private sector partner adheres to relevant sustainability-related sectoral policies and principles and/or actively engages in initiatives fostering sector-specific sustainability stewardship practices.

Sectoral commitments, policies, sustainability principles and stewardship practices aim at defining positions or expectations on ESG issues and risks that are inherently relevant to specific sectors in which the private sector partner is doing business. They are used by the SDC to a) address the sustainability issues it could face when engaging with a potential private sector partner and b) decide if a collaboration can at all be considered. DFIs, multilateral or regional development banks or infrastructure investment banks, global private banks, insurance companies and pension funds, apply sector policies and guidelines defining their positions on material ESG issues (including human rights) related to specific sectors. These sector policies and guidelines are applied for deciding whether or not an investment will be made, or an ongoing temporary partnership terminated early. Some examples of sectoral policies and principles are provided below. A comprehensive compilation of relevant policies and initiatives is provided in the list of critical sectors.

2. The engagement directly or indirectly addresses key negative impacts of the potential private sector partner, e.g. reduction of greenhouse gas emissions in the case of the oil and gas sector.

The requirement that a partnership with a private sector actor engaged in a critical sector must directly or indirectly address key negative impacts of the partner needs to be considered during the first interactions with the potential private sector partner. An overview of the key impacts of each critical sector is provided below

All potential private sector partners must be screened against the following critical sector list.

- **Commodity trading**, particularly cotton, precious metal (e.g. gold) and gemstones (e.g. diamonds):
 - Potentially critical risks: human rights abuses, adverse impacts on natural habitats, vulnerable groups and/or critical cultural heritages, violation of occupational health and safety standards, child labour.
 - Key impact areas: human rights, core labour standards, environmental protection, business integrity and governance principles such as rule of law and transparency.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Cotton: Better Cotton Initiative²⁵, Fairtrade Standard for Fibre Crops²⁶;
 - › Gold: International Cyanide Management Code (ICMC)²⁷;

²³ [IFC Industry Sector Guidelines](#); [Swiss Re Sustainable Business Risk Framework](#); [UBS Environmental and Social Risk Policy Framework](#); [ICRC Guidelines for Screening Private Donors and Partners](#); [Guidelines on a principle-based approach to the Cooperation between the United Nations and the business sector](#)

²⁴ Conflict-affected countries: [Rule of Law in Armed Conflicts \(RULAC\) map](#); Fragile countries: [OECD States of Fragility](#)

²⁵ [Members](#) of the Better Cotton Initiative (BCI).

²⁶ [Fairtrade Standard for Fibre Crops](#)

²⁷ [Signatories](#) of the International Cyanide Management Code (ICMC).

Swiss Better Gold Association²⁸, LBMA Global Precious Metals Code²⁹, Fairmined label³⁰, Fairtrade Gold³¹;

› Diamonds / jewellery: Kimberley Process Certification³², Responsible Jewellery Council³³.

- **Mining**, including gemstones, critical and precious ferrous and non-ferrous metals (e.g. cobalt, rare-earth metals):
 - Potentially critical risks: human rights abuses, adverse impacts on natural habitats, vulnerable groups and/or critical cultural heritages, violation of occupational health and safety standards, child labour.
 - Key impact areas: human rights, core labour standards, environmental protection, greenhouse gas emissions, business integrity and governance principles such as rule of law and transparency in relation to concessions and prospecting rights, among others.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › International Council on Mining and Metals (ICMM)³⁴;
 - › Global standard for the good governance of oil, gas and mineral resources of the Extractive Industries Transparency Initiative (EITI)³⁵;
 - › Voluntary Principles on Security and Human Rights for extractive industries³⁶;
 - › Gemstones and Jewellery Community Platform³⁷;
 - › Responsible Minerals Initiative (RMI)³⁸;
 - › European Raw Materials Alliance (ERMA)³⁹;
 - › Initiative for Responsible Mining Assurance (IRMA)⁴⁰.

- **Other mineral resources and extractives:**
 - Potentially critical risks: human rights abuses, adverse impacts on natural habitats, vulnerable groups and/or critical cultural heritages, violation of occupational health and safety standards, child labour.
 - Key impact areas: human rights, core labour standards, environmental protection, greenhouse gas emissions, business integrity and governance principles such as rule of law and transparency in relation to concessions and prospecting rights, among others.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Global standard for the good governance of oil, gas and mineral resources of the Extractive Industries Transparency Initiative (EITI)⁴¹;
 - › Voluntary Principles on Security and Human Rights for extractive industries⁴²;
 - › World Bank “Zero Routine Flaring by 2030” Initiative⁴³;

- **Timber, pulp and paper, soy, palm oil:**
 - Potentially critical risks: illegal logging, uncertified logging and timber/oil palm processing in sensitive regulatory environments, greenhouse gas emissions from peatland conversion, timber processing activities and/or forest clearance using

²⁸ [Members](#) of the Swiss Better Gold Association.

²⁹ [Members](#) of the LBMA Global Precious Metals Code.

³⁰ Fairmined [actors map](#)

³¹ [Fairtrade Gold](#)

³² [Participants](#) of the Kimberley Process Certification (KP).

³³ [Members](#) of the Responsible Jewellery Council (RJC).

³⁴ [Members](#) of the International Council on Mining and Metals (ICMM).

³⁵ [Country](#) status in implementing global standards for the good governance of oil, gas and mineral resources defined by the Extractive Industries Transparency Initiative (EITI).

³⁶ [Members](#) of the Voluntary Principles on Security and Human Rights for extractive industries.

³⁷ [Gemstones and Jewellery Platform](#)

³⁸ [Members](#) of the Responsible Minerals Initiative (RMI).

³⁹ [Members](#) of the European Raw Materials Alliance (ERMA).

⁴⁰ [Members](#) of the Initiative for Responsible Mining Assurance.

⁴¹ [Country](#) status in implementing global standards for the good governance of oil, gas and mineral resources defined by the Extractive Industries Transparency Initiative (EITI).

⁴² [Members](#) of the Voluntary Principles on Security and Human Rights for extractive industries.

⁴³ [Endorsers](#) of the “Zero Flaring by 2030” initiative.

- bushfires, adverse impacts on natural habitats, vulnerable groups and/ or critical cultural heritages.
 - Key impact areas: biodiversity, greenhouse gas emissions, core labour standards, water management.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Palm oil: Roundtable on Sustainable Palm Oil (RSPO)⁴⁴, The Sustainable Palm Oil Choice⁴⁵;
 - › Soy: Roundtable on Responsible Soy (RTRS)⁴⁶, Amazon Soy Moratorium (ASM)⁴⁷; Soy Transparency Coalition⁴⁸;
 - › Timber and forestry: Forest Stewardship Council (FSC)⁴⁹, Programme for the Endorsement of Forest Certification (PEFC)⁵⁰, Forest Positive Coalition of Action by the Consumer Goods Forum⁵¹.
- **Garments and accessories:**
 - Potentially critical risks: human rights abuses, violation of occupational health and safety standards, illegal use of skin and fur of endangered species (accessories), child labour.
 - Key impact areas: core labour standards (child labour, forced labour, health and safety, minimum wages), human rights, environmental protection (e.g. of water resources).
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Fair Wear Foundation⁵²;
 - › Circular Fashion Partnership by the Global Fashion Agenda⁵³;
 - › Textile Exchange⁵⁴;
 - › Cascale (formerly Sustainable Apparel Coalition)⁵⁵;
 - › Leather Working Group (LWG)⁵⁶;
 - › Responsible Jewellery Council (RJC)⁵⁷;
 - › Better Cotton Initiative (BCI)⁵⁸;
 - › OEKO-TEX® Standard 100;
 - › Global Organic Textile Standard (GOTS)⁵⁹;
 - › Fairtrade Textile Standard⁶⁰, Fairtrade Standard for Fibre Crops⁶¹;
 - › bluesign⁶².
 - **Animal testing:**⁶³
 - Potentially critical risks: unethical and inhumane treatment of animals.
 - Key impact areas: animal welfare.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Directive 2010/63/EU on the protection of animals used for scientific purposes⁶⁴;
 - › Leaping Bunny (Cruelty Free International)⁶⁵.

⁴⁴ [Members, certified growers and supply chain certificate holders](#) of the Roundtable on Sustainable Palm Oil (RSPO).

⁴⁵ [Participants](#) of the Sustainable Palm Oil Choice.

⁴⁶ [Members](#) of the Roundtable on Responsible Soy (RTRS).

⁴⁷ [Signatories](#) of the Amazon Soy Moratorium.

⁴⁸ [Members](#) of the Soy Transparency Coalition.

⁴⁹ [Members](#) of the Forest Stewardship Council (FSC).

⁵⁰ [International Stakeholder Members](#) of Endorsement of Forest Certification (PEFC).

⁵¹ [Members](#) of the Consumer Goods Forum, [Forest Positive Coalition](#).

⁵² [Members](#) of the Fair Wear Foundation.

⁵³ [Partners](#) of the Global Fashion Agenda.

⁵⁴ [Members](#) of the Textile Exchange.

⁵⁵ [Members](#) of Cascale.

⁵⁶ [Members](#) of the Leather Working Group (LWG).

⁵⁷ [Members](#) of the Responsible Jewellery Council (RJC).

⁵⁸ [Members](#) of the Better Cotton Initiative (BCI).

⁵⁹ [Suppliers](#) of GOTS certified products.

⁶⁰ [Fairtrade Textile Standard](#)

⁶¹ [Fairtrade Standard for Fibre Crops](#)

⁶² [bluesign](#)

⁶³ [Swiss Re ESG Risk Framework](#)

⁶⁴ [Directive 2010/63/EU](#) of the European Parliament and of the Council of 22 September 2010 on the protection of animals used for scientific purposes.

⁶⁵ Cruelty free [brands](#)

- **Dams:**⁶⁶
 - Potentially critical risks: human rights abuses, adverse impacts on natural habitats, vulnerable groups and/or critical cultural heritages (particularly on indigenous people), non-involvement of affected neighbouring states and other relevant stakeholders, child labour.
 - Key impact areas: human rights, peace, resettlement, environmental protection, business integrity, water management.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › World Commission on Dams (WCD)⁶⁷;
 - › International Hydropower Association Sustainability Assessment Protocol⁶⁸.

- **Fish and seafood:**⁶⁹
 - Potentially critical risks: illegal, unreported and unregulated fishing (particularly of protected fish and other marine creatures), violation of occupational health and safety standards.
 - Key impact areas: animal welfare, environmental protection, core labour standards, food security.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Marine Stewardship Council (MSC)⁷⁰
 - › Sustainable Fisheries Partnership⁷¹;
 - › Friend of the Sea⁷²;
 - › Global Sustainable Seafood Initiative (GSSI)⁷³;
 - › Aquaculture Stewardship Council (ASC);
 - › Best Aquaculture Practices (BAP)⁷⁴;
 - › Integrated Farm Assurance (IFA) for aquaculture⁷⁵.

- **Power generation:**⁷⁶
 - Potentially critical risks: adverse impacts on climate and natural habitats (activities associated with coal-powered energy production if the share is equal to or higher than 30% of the company's consolidated earnings), country of domicile has not ratified the Treaty on the Non-Proliferation of Nuclear Weapons (activities associated with nuclear-powered energy production).
 - Key impact areas: environmental protection (incl. water), greenhouse gas emissions, peace.
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Nuclear: Treaty on the Non-Proliferation of Nuclear Weapons (NPT)⁷⁷; IAEA Safety Standards (International Atomic Energy Agency)⁷⁸, INSAG Guidelines (International Nuclear Safety Advisory Group)⁷⁹;
 - › Paris Agreement⁸⁰;
 - › Biomass: Roundtable on Sustainable Biomaterials (RSB)⁸¹, List of approved voluntary schemes for biofuels by the EU⁸²;

⁶⁶ [Swiss Re ESG Risk Framework](#); [UBS Environmental and Social Risk Policy Framework](#)

⁶⁷ [The World Commission on Dams \(WCD\) Dams and Development: A New Framework for Decision-Making](#)

⁶⁸ [International Hydropower Association Sustainability Assessment Protocol](#)

⁶⁹ [UBS Environmental and Social Risk Policy Framework](#)

⁷⁰ [The Marine Stewardship Council Chain of Custody Standards](#)

⁷¹ [Industry Leadership](#) of Sustainable Fisheries Partnership

⁷² [Certified sustainable products and services](#) and [certified fisheries and fleets](#) of Friends of the Sea

⁷³ [Partners](#) of the Global Sustainable Seafood Initiative (GSSI)

⁷⁴ [Certified Producers](#) and [Partners](#) of Best Aquaculture Practices (BAP)

⁷⁵ [Integrated Farm Assurance \(IFA\) for aquaculture](#)

⁷⁶ [UBS Environmental and Social Risk Policy Framework](#)

⁷⁷ [Treaty on the Non-Proliferation of Nuclear Weapons \(NPT\)](#)

⁷⁸ [IAEA Safety Standards](#)

⁷⁹ [INSAG Guidelines](#)

⁸⁰ [Paris Agreement under the United Nations Framework Convention on Climate Change](#)

⁸¹ [Members](#) of the Roundtable on Sustainable Biomaterials (RSB)

⁸² [List](#) of approved voluntary schemes and national certification schemes by the European Union.

- › Hydropower: Hydropower Sustainability Standard by the International Hydropower Association (IHA)⁸³;
- › Geothermal: International Renewable Energy Agency (IRENA) Geothermal Sustainability Guidelines⁸⁴, Geothermal Sustainability Assessment Protocol (GSAP) by the International Geothermal Association (IGA)⁸⁵.

- **Agrochemical products** (e.g. synthetic pesticides, GMO)
 - Relevant reference policies, principles and initiatives comprise, e.g.:
 - › Synthetic pesticides: International Code of Conduct on Pesticide Management⁸⁶, Responsible Care Global Charter⁸⁷, Rotterdam Convention⁸⁸, Stockholm Convention⁸⁹;
 - › GMOs: Excellence Through Stewardship (ETS)⁹⁰, Cartagena Protocol on Biosafety⁹¹, Codex Alimentarius Guidelines⁹².



If the potential private sector partner is active or engaged in one of the listed critical sectors, cooperation is only possible if 1) the private sector partner adheres to the relevant sustainability-related sectoral policies and principles and/or actively engages in initiatives fostering sector-specific sustainability stewardship practices, and 2) the engagement with the private sector directly or indirectly addresses key negative impacts of the partner.



A cooperation is not recommended if the potential private sector partner is active or engaged in one of the listed critical sectors or business practices and does not meet additional sectoral requirements (e.g. compliance with respected sector policies, a member of respected sectoral and / or international sustainability initiatives, clear commitments and goals, etc).

⁸³ [Members](#) of the International Hydropower Association (IHA)

⁸⁴ [IRENA Geothermal Sustainability Guidelines](#)

⁸⁵ [Members](#) of the International Geothermal Association, [Geothermal Sustainable Assessment Protocol](#)

⁸⁶ [International Code of Conduct on Pesticide Management](#)

⁸⁷ [Signatories](#) of the Responsible Care Global Charter

⁸⁸ [Rotterdam Convention](#) on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade

⁸⁹ [Stockholm Convention](#) on Persistent Organic Pollutants (POPs)

⁹⁰ [Members](#) of the Excellence through Stewardship (ETS)

⁹¹ [Cartagena Protocol](#) on Biosafety to the Convention on Biological Diversity

⁹² [Codex Alimentarius](#): principles and guidelines to assess food safety of foods derived from recombinant-DNA plants, animals and microorganisms.

Annex 3: Relevant ESG risks

Potential private sector partners that are prepared to go beyond the regulation and actively and transparently manage those ESG aspects which are relevant to their stakeholders (e.g. climate change, pollution and careless use of natural resources, human rights violations, social discrimination, unsafe and unfair labour practices, etc.) have a better risk profile than those who remain passive. Various organisations provide comprehensive databases on sector, country and company-specific ESG risks and practices that can be used to assess private sector partners.

Sector- and context-specific ESG risks and business-conduct risks of potential private sector partners from any sector must be assessed and possibly discussed with the potential private sector partner. For instance, if the private sector partner is active in a fragile and conflict-affected setting (FCS), a specific focus should be put on heightened risks of human rights abuse. A potential partner must be able to demonstrate that it identifies, prevents, mitigates and remedies human rights risks and violations, that it fulfils its due diligence obligations in this regard in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs)⁹³.

In line with the approach used by RepRisk Analytics, the assessment of ESG risks should ideally take into consideration the following wide range of risks:

- **Environmental:** climate change, greenhouse gas emissions and global pollution; local pollution; impacts on landscape, ecosystems and biodiversity; overuse and wasting of resources; waste issues; animal mistreatment.
- **Social, human rights and community relations:** human rights abuses; corporate complicity; impacts on communities; local participation issues; social discrimination.
- **Governance** (corporate governance and employee relations): corruption, bribery, extortion, money laundering; executive compensation issues; misleading communication, e.g. 'greenwashing'; fraud; tax evasion; anti-competitive practices; forced labour; child labour; freedom of association and collective bargaining; discrimination in employment, cases of sexual abuse and harassment; occupational health and safety issues; poor employment conditions.
- **Crosscutting issues** (always in combination with one of the issues mentioned under the previous bullet points): controversial products and services; products (health and environmental issues); violation of international standards, including involvement in activities which are in violation of international humanitarian law (as defined in treaties and customary law); violation of national legislation; supply chain issues.

Approach to identify ESG risks: For most publicly listed companies, the RepRisk Analytics Database⁹⁴ can be used to identify relevant ESG risks. The RepRisk Database provides a report of ESG risk exposure of individual companies (mainly publicly listed companies). For all other private sector partners, relevant ESG risks are identified based on sector-specific ESG risks (RepRisk Analytics), as well as country- and product-specific risks (CSR Risk Check)⁹⁵.

If the overall ESG risk profile of the private sector partner is **high or very high**, a **more in-depth qualitative review** needs to be conducted to assess the preparedness and practices of the private sector partner aimed at preventing or mitigating the relevant ESG risks.

Approach to conduct the qualitative review: Depending on the type of private sector partner, the review is either based on publicly available information (usually publicly listed companies) or requested accountability reports and internal policy documents and guidelines (usually SMEs, impact investors, foundations) and/or a structured interview with the private sector partner. The

⁹³ https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

⁹⁴ RepRisk Analytics Ltd. is an environmental, social, and corporate governance data science company based in Zurich, specialising in ESG and business-conduct risk research. It runs an online database of the risk exposures of companies, projects, sectors and countries related to 23 specific and 5 crosscutting ESG issues. It assesses, based on a set of clearly defined criteria and a certified methodology, daily risks, allegations, and criticism pertaining to environmental degradation, human rights abuses, child labour, forced labour, fraud and corruption that can impact an organisation's reputation or lead to compliance issues. The database includes over 120,000 companies and analyses ESG risks related to sectors and countries

⁹⁵ [CSR Risk Check](#)

review addresses questions about how well prepared the private sector partner is to manage identified ESG risks.

 If the ESG risk profile is low to medium: a cooperation is possible in principle.

 If the ESG risk profile is high or very high, a qualitative review needs be conducted. A cooperation is only possible if the potential private sector partners is well prepared to manage identified ESG risks.

 If the ESG risk profile is high or very high and the qualitative review concludes that the potential private sector partner's preparedness and practices for preventing or mitigating the identified ESG are insufficient, a partnership is not recommended.

Annex 4: Observance of OECD Guidelines for MNCs

MNCs: In case of MNCs, it must be checked whether the private sector partner cooperates with the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises⁹⁶.

Observance of OECD Guidelines for Multinational Enterprises: these OECD Guidelines set standards for responsible business conduct across a range of issues such as human rights, labour rights and the environment. The OECD Guidelines also establish a unique, government-backed, international grievance mechanism to address complaints between companies covered by the OECD Guidelines and individuals who feel negatively impacted by irresponsible business conduct. All governments adhering to the OECD Guidelines are required to establish a National Contact Point (NCP) to hear complaints by communities or workers harmed by corporate activity. In Switzerland, the NCP is with SECO.



If MNC did not previously cooperate with NCPs where a complaint was raised, a partnership is not recommended.

⁹⁶ [OECD Guidelines for Multinational Enterprises](#). Check: a) [database of specific instances](#) and b) [OECD Watch](#)

Annex 5: Disclosure of information (DD)

Depending on the category of the private sector partner and the risks identified in the first phase of the PSE RMP, the following documents may be required:

- Organisational information (mainly for non-listed organisations):
 - District registration
 - Business registration
 - Founding protocol
 - Roles within organisation
 - List of relevant subsidiaries (where the private sector partner's share is $\geq 50\%$)
- Financials (mainly for non-listed organisations):
 - List of shareholders
 - Financial identification signed (bank details and account holder's data)
- Employment matters (mainly for non-listed organisations):
 - Company number for social security reporting of employees
 - Registration with the employer's liability insurance association
- Policies / guidelines (depending on the ESG risks identified and the context and sector in which the private sector partner operates):
 - Code of conduct
 - Supplier code of conduct
 - Anti-corruption policy
 - Human rights policy
 - Environmental policy
 - Health and safety policy
 - Data privacy policy
 - Diversity and gender policy
 - Policies/guidelines on responsible business in fragile and conflict-affected settings (including heightened human rights risks)
- References from other projects / collaborations with the SDC or other donors (if available):
 - Financial report
 - Operational report
 - Auditor's report
- Others (if available):
 - Judgments, orders or other rulings by courts with regard to past sentences, current litigations and lawsuits
 - Documents about compliance regarding health and safety, environment, data protection

Annex 6: Self-declaration

In case of simple DD, the potential private sector partner must fill out a standard questionnaire (self-declaration), covering the following issues/questions:

- Sustainability commitment (for MNCs and listed companies): Does the organization adhere to and/or has signed one of the following internationally recognised commitments, frameworks and guiding principles: UN Global Compact, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises?
- Litigations and lawsuits: Has the organization been involved in litigations and/or lawsuits in the last 10 years?
- International humanitarian law: Has the organization violated international humanitarian law or has been complicity in such violations in the last 10 years?
- Liquidity: Is your financial liquidity solid?
- Corruption: Has the organization been involved in cases of corruption in the last 10 years?
- Tax fraud: Has the organization been involved in cases of tax fraud in the last 10 years?
- Antitrust: Has the organization been involved in anti-trust related disputes in the last 10 years?
- Supplier issues: Has the organization been involved in cases of supplier issues in the last 10 years?
- Human rights issues: Has the organization been involved in cases of human rights issues in the last 10 years?
- Health and environment: Has the organization been involved in cases of health and environmental damages?
- Sexual abuse and harassment: Has the organization been involved in cases of sexual abuse and harassment in the last 10 years?

LIST OF ABBREVIATIONS

Abbreviation	Full Description
BoT	Board of Trustees
CEP	Competence Center for Engagement with the Private Sector
CPC	Contracts, Procurement, Compliance Division
DD	Due Diligence
EDFI	European Development Finance Institution
ESG	Environmental, Social and Governance
FDFA	Federal Department of Foreign Affairs
FCS	Fragile and Conflict-Affected Settings
ICS	Internal Control System
MNC	Multinational Corporation
MoU	Memorandum of Understanding
NCP	National Contact Point
OECD	Organisation for Economic Co-operation and Development
OU	Operational Unit
PCM	Project Cycle Management
PEP	Politically Exposed Persons
PRA	Partner Risk Assessment
PSE RA	Private Sector Engagement Risk Assessment
PSE RMP	Private Sector Engagement Risk Management Process
SDC	Swiss Agency for Development and Cooperation
SE	Social Enterprise
SME	Small and Medium Enterprise
ToR	Terms of Reference