

Sustainable Investment Consulting

Private Equity Funds

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Contents

Private Equity Funds	03
The ESG and impact investing spectrum	04
Our services	05
Contact us	06

Private Equity Funds



Ogier's Sustainable Investment Consulting practice is a dedicated advisory business offering bespoke ESG and impact design, integration, and implementation solutions. We support our clients to navigate impact goals and requirements and to leverage the landscape of sustainable investing opportunities. Ogier operates through our global network of offices across the Asian, Caribbean and European time zones.

Stakeholders including consumers, employees, limited partners, banks and regulators all want companies to be more sustainable, conscious and well governed. Leading private equity (**PE**) firms are moving away from discrete, segregated environmental, social, governance (**ESG**) and impact products towards deeper incorporation of ESG factors into their firms' portfolio playbook from origination to strategy development, to due diligence and responsible exits.

The shift towards a sustainable portfolio reflects growing public concern about global challenges such as climate change, social inequality and access to clean water, for example. Changing investor sentiment is also a key driver with millennials, in particular, now demanding their managers invest with an ESG mindset. Indeed, Responsible Investor found that 70% of investors were of the view that ESG will gain more weight in their investment strategy globally in 2021. Schroders found that 60% of individuals under 71 years old believe that all investment funds should explicitly integrate sustainability factors into their investment decisions. Similarly, Morgan Stanley has found that 95% of investors claim to be interested in sustainable investing.

Consequently, key institutional investors are undertaking divestment processes, both in response to regulatory requirements and net-zero, and

consumer demand. Harvard Business Review found that most institutional managers and their firms have taken meaningful steps to integrate sustainability issues into their investing criteria. For example, the third-largest pension fund in the US, the New York State Common Retirement fund, recently pledged to divest from any holdings in its portfolio that don't have a plan to address emissions and transition away from fossil fuels.

Growing regulatory requirements supporting greater transparency and disclosures are also driving the momentum forwards. While pressure mounts on fund managers to pay greater attention to ESG issues, leaders in the field are also realising the opportunities.

Some of the world's largest PE funds are also selling assets that do not meet ESG guidelines. For example, in 2019, Norway's sovereign wealth fund, which at \$1.1 trillion is the world's largest, announced its intention to divest away from any organisations which are dedicated to gas and oil exploration, in an attempt to protect themselves from long term volatility in oil prices. Moreover, LPs are also increasingly asking PE funds to consider ESG factors in investment decisions.

The ESG and impact investing spectrum

Developing your PE approach to ESG and impact should start with understanding your sustainability priorities and goals, investment philosophy and risk/return appetite. Today, many fund managers keen to adopt an ESG focus often trip at this first step and feel confused by the myriad of terms and strategies.

We help PE funds identify where they sit on the ESG and impact spectrum by mapping your risk, return and impact profile structure. This helps you identify if ESG risk, ESG opportunities or impact investing is aligned with your financial and impact goals.

Whether you are looking to evaluate ESG risk during your due diligence process, or seeking to identify ESG opportunities to support ESG progress, or seeking to invest your assets into enterprises creating deep social and environmental change – we can help.

Investor	Philanthropist	Impact Investor	Thematic	Sustainable	Responsible	Traditional	
Priority	Impact first, finance second	Finance and impact equal weighting	Finance priority, proactive ESG considerations	Finance priority, ESG risk screening	Finance only		
ESG Scope	Impact Creation and Solutions		ESG value creation and opportunity expatiation			ESG risk mitigation	Competitive market returns
	Philanthropy		Impact investing		ESG Integration		Profit
	Focus on one or a group of issues which take priority over financial return generation, with near absolute financial trade offs being likely and acceptable	Focus on one or a group of issues which take priority over financial return generation	Focus on one or a group of issues in which ESG issues create the opportunity for competitive financial returns	Focus on generating higher financial returns through proactively engaging with ESG value creation activities through active investment, portfolio management and ownership activities	Focus on protecting financial returns via ESG risk mitigation activities which revolves around the negative screening of harmful assets and industries	Traditional fiduciary duty focuses solely on risk avoidance and return generation, with limited or no focus on ESG topics	
	Firm Structure	Charity/NGO organisations	Dedicated impact fund	Thematic fund	No specific firm/fund structure		
ESG Ownership Style	Active prioritisation of impact generating activities over return generation	Active consideration of ESG, with a focus on impact capacity building	Active ownership focused on thematic advancement	No specified investment technique			
Impact	Performance indicators will focus entirely on measuring ESG impact	Dedicated performance metrics will be used to measure impact and risk, in addition to financial returns		ESG KPIs may be monitored, with a focus on risk likely		None	

Our services

Market benchmarking

Market benchmarking is a tool through which market conditions may be reviewed and positive change motivated. Through conducting detailed market analysis, Ogier can ascertain best practices, standards, approaches and performances in order to assist in processes of continuous improvement. Through the regular systematic measurement of the fund's actions in relation to best-in-class practices, actionable improvements on performance management can be made, thereby driving the client in their pursuit of joining that best-in-class rank.

Regulatory scan

The navigation of the incoming regulatory framework presents compliance/transition risks and opportunities. Regulatory scanning refers to the practice of forwardlooking analysis in which challenges and opportunities for the client are anticipated and prepared for. Depending on the size and status of the fund, the extent of adjustment necessary can differ significantly, with some regulatory changes being relatively simple to become compliant with. On the other hand, more significant regulatory shifts, such as that seen in the incoming SFDR, may necessitate adjustments across the fund. Ogier can contribute to the essential capacity to identify, understand and react to these changes in a timely and appropriate manner. Without these services, previous practices can rapidly degrade into regulatory gaps and non-compliance, increasing the likelihood of litigation derived expenditures.

Fund's impact strategy and approach

Ogier's sector expertise can be utilised in the construction and integration of an impact strategy into the fund's pre-existing investment approach. During this process, impact themes and evidence-driven theories of change will be engaged with, through the review of current investment objectives and pipelines. The consideration of these themes and theories will facilitate the establishment of the client's unique strategic impact objectives. Ogier can assist in the monitoring of those objectives by curating a set of measurable metrics through which objective disclosure practices can be established. This practice can also be integrated into an impact measurement framework through which the fund can maintain compliance with international standards such as the UN sustainable development goals, impact management project, UN principles for responsible investment and IFC operating principles.

Investment sourcing and impact diligence

The integration of impact and ESG considerations into due diligence procedures is an integral element of proper engagement with portfolio sustainability and risk. Ogier can curate appropriate resources through which pipeline investments can be screened against the relevant impact criteria. This criterion can be tilted to ensure its materiality for the fund's investment philosophy and focus through converging on impact materiality and thematic emphasis. Furthermore, an impact-specific due diligence process can be established via the creation of resources designed to examine the impact consequences of specific investment decisions.

Impact portfolio monitoring and management

The construction of a sustainable thematic or impact portfolio presumes the intention of value generation through ESG risk and opportunity management, as well as impact engagement. This differs from traditional socially aligned portfolios, which operated through negative screening, due to the proactive seeking of positive impact. As such, assessing the intended and actual value creation of the portfolio is an essential function of ESG and impact investing, which funds are often ill-equipped to pursue. Ogier's ESG and impact expertise allow us to draw on deep industry knowledge and analytical tools to carry out ongoing impact portfolio monitoring, where the client may not have the appropriate processes in place.

Impact report drafting

Following on from the establishment of impact performance measurement practices, Ogier can aid in the interpretation and disclosure of the resulting information - firstly, through the drafting of the client's impact report approach. Secondly, through the design and publication of the impact measurement and management approach. Thirdly, through supporting the internal impact audit of non-financial impact data. In this manner, Ogier can provide tailored end-to-end support for the integration of ESG and impact consideration into your portfolio, from regulatory preparation, strategy designing and portfolio monitoring to public disclosure.

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