

FUND FINANCE FRIDAY

Women in Fund Finance Europe: ESG Trends in Private Markets

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By Katie McShane
Associate | Fund Finance, Corporate

Women in Fund Finance (WFF) Europe this week hosted “ESG Trends in Private Markets,” a virtual panel discussion on the ESG trends in private markets, with a focus on private equity. The panel discussed how sponsors are approaching and embedding ESG, drawing on themes from the recent PwC [Global Private Equity Responsible Investment Survey](#).

The discussion was moderated by Jill Wilson, Managing Director and Global Head of Financial Sponsors at Lloyds Bank and a member of the WFF committee in Europe. The panelists included Nicky Crawford, Director of Sustainability & Climate Change at PwC; Chloe Sanders, Director and Head of ESG at CVC Capital Partners; and Beth Houghton, Partner and Head of Impact Fund at Palatine Capital.

The panel began with a discussion as to how ESG has developed over time. It was interesting to note that approximately 12 years ago, it was an uphill battle to engage managers on ESG matters, with many managers at that time seeing ESG as a cost and not a benefit. All panelists agreed that managers are now seeing the benefits of ESG and, moreover, that ESG is becoming key to value creation.

The challenges and complexities that the panelists have seen in implementing ESG were also discussed. One of the key takeaways from this discussion is that ESG is a “journey and not a destination” – that is, goal posts constantly move as the science develops, and it is important to start somewhere in order to begin on the journey towards progression.

For managers with larger portfolios, it is important to look at what is material to the organization and where to focus energy and resources. Increasing awareness and educating personnel on ESG items plays a big role in the progression of ESG initiatives. Getting on the path to take action is the important thing, starting with setting clear targets and improving over time.

The panelists also discussed some of the drivers of ESG, and how managers have been reacting to these drivers. It was pointed out that narrowing down some of the more complex ESG initiatives (for example, achieving net zero carbon emissions) to concrete action is a big

challenge. It was acknowledged that certain items like diversity and inclusion typically take time, and change likely won't happen immediately. Starting now is important in order to progress.

The panel wrapped up with a question from the audience about how sponsors are approaching data collection and monitoring, a big challenge for many sponsors. It was predicted that disclosure and transparency are going to become more and more important going forward, and that better transparency and reporting are also useful tools for preventing against greenwashing.