



## **ESG REPORTING FOR PRIVATE EQUITY**

*Improve reporting quality and effectiveness*

**BriteGreen**  
Sustainable Strategy

# ESG REPORTING FOR PRIVATE EQUITY

## *Don't just report: Communicate*

Non-financial reporting is increasingly important to the private equity industry. UNPRI is the foremost reporting framework for the industry.

With a strong business case for actively managing environmental, social and governance (ESG) issues, based on enhanced risk management and value creation, and increasing focus from investors on non-financial performance, effective reporting has never been more important.

ESG reporting provides an excellent platform to demonstrate to investors both ESG compliance and how fund managers are adding value through active ESG management.

### ESG REPORTING ADDS VALUE

The private equity sector has historically focussed on environmental, social and governance (ESG) compliance, but there is a growing consensus in the industry that there is a strong business case for managing ESG actively to deliver strategic value.

#### Enhanced ESG management unlocks value

There are four key reasons for more active ESG management in private equity:

- Enhance risk identification and management,
- Realise additional value creation opportunities,
- Demonstrate integrity, and
- Improve asset valuation process, including potential enhanced exit premiums.

Many firms have already developed ESG strategies to capture these benefits, but have not yet optimised their ESG reporting to communicate the added value to investors.

#### Investors are interested in ESG

Limited partners and institutional investors are increasingly interested in ESG issues. They recognise the value that can be added through active ESG management and are taking increasingly strategic positions on ESG issues such as carbon and climate change.

The number of investors who are UNPRI signatories is increasing steadily and there is concern amongst asset managers that the information requests for non-financial information are proliferating.

Whilst some PE firms have started to report on ESG issues, either through the UNPRI or through stand-alone reports, there remain significant opportunities to

improve not only the quality of disclosure, but how well the reports communicate to investors the ways that ESG is adding to portfolio performance.

### ESG REPORTING BEST PRACTICE

It is important to focus on communicating effectively with stakeholders, not just on providing them with information. There are three important aspects to a good ESG report:

- Explain your approach to ESG management at the portfolio level and describe how it adds value,
- Determine and report on the material ESG issues for investee companies, including key operational risks and opportunities for value creation,
- Understand what the key issues are for investors and stakeholders and determine how best to provide relevant information

A good report will place ESG issues in the context of the business and integrate financial and non-financial reporting.

Metrics should be determined based on what is material to the strategic success of the business, not just what data is easily available. They should reflect investor reporting requirements and the key ESG issues at the fund and investee company level.

Qualitative reporting also plays an important role. Using case studies and examples demonstrates how you have been able to put your ESG strategy into practice.

A good report will communicate a strong narrative of your approach to ESG and show where you have been able to implement it to add value.

## How we can help

Brite Green provides services across the reporting cycle to make ESG reporting manageable and effective.

### Review existing ESG strategy and reporting

Undertake a review of existing ESG strategy and reporting to identify opportunities for improvement.

### Determine key ESG issues and message

Using a materiality approach, determine the key ESG issues for you at the fund level and for each investee company. We can also review the management of these issues to ensure that that processes and improvement programmes are optimised.

Working with you, Brite Green can develop a compelling narrative for your reporting, based on where ESG is adding value for investors.

### Review investor reporting requirements

Given the growth in investor interest in non-financial issues, we can determine what additional issues you would benefit from reporting on to meet investor expectations. We can also manage or support an engagement process with investors to understand the most effective way to communicate and ensure the reporting process is streamlined.

### Data collection and metrics

Robust data collection and management is important to report on ESG issues.

With access to a suite of ESG and carbon reporting software tools and extensive experience in designing reporting structures, Brite Green is perfectly placed to implement effective solutions to achieve long-term value from ESG reporting.

We can develop the right quantitative metrics and qualitative case studies, and implement reporting structures to provide robust and timely data.

### Report creation

With our team of ESG reporting specialists, we can support you across the entire report creation process from data collection and analysis to copy writing.

We will ensure that your ESG reports are robust and clearly demonstrate the value added through active management of ESG issues.

### Add value to investee companies

We have a track record of realising added value in companies by enhancing ESG management. From cost reduction and risk management to accessing new markets and developing new products, Brite Green can deliver enhanced financial and non-financial performance of investments.

## Adding value to investee companies across the entire investment cycle

Brite Green provides ESG services across the entire investment cycle from pre-investment, through investment management and preparing for exit.

### Pre-investment

Leverage our extensive experience in sustainable business to strengthen the investment decision making process:

- Environmental and social due diligence
- Investment screening for key sustainability risks
- Sustainability management maturity review
- Sustainability SWOT analysis of investee company

### Post investment

Utilise sustainable business strategy to maximise returns:

- Robust and effective sustainability strategy
- Integrate sustainability in the 100 day plan.
- Manage regulatory compliance
- Implement management systems for energy and environment
- Assess and implement low carbon technologies ad programmes
- ESG reporting

### Prepare for exit

Maximise the exit valuation of your businesses:

- Pre-exit sustainability due diligence identifying risks and opportunities to maximise valuation



## About us:

**BriteGreen**  
*Sustainable Strategy*

Brite Green is an award winning sustainability strategy consultancy which specialises in delivering enhanced business value through improved sustainability performance.

With a service offering that covers business strategy, management systems and solution implementation, Brite Green delivers business-focussed solutions that drive business performance.

[www.brite-green.co.uk](http://www.brite-green.co.uk)

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