

A unique view of the fund of funds industry's ESG evolution

Ardian has been monitoring ESG performance among the managers in our Fund of Funds portfolio for almost 10 years. The data from our years of research gives us an unparalleled overview of the industry's approach to sustainability.



OLIVIER DECANNIÈRE
Head of Ardian UK and
Member of the Executive
Committee

Since 2011, we have been conducting regular surveys of the GPs in our Fund of Funds portfolio to understand how they handle Environmental, Social and Governance (ESG) issues in their investment activities and within their company.

As one of the world's largest investors in Fund of Funds, we have built up an extensive body of survey data over almost ten years. This, coupled with Ardian's own sustainability initiatives, has given us a unique insight into how the private equity industry's approach to ESG is evolving.

"As one of the world's leading fund of funds investors, we see it as our role to engage and share best practices with GPs."

Some 170 GPs took part in our 2019 survey, representing 88.5% of the net asset value of our Fund of Funds portfolio across primary, secondary and mandate engagements. As well as giving us detailed knowledge of our industry's ESG performance, our relationships with such a large group of GPs also makes us a trusted source of advice on best practices across the industry. Once we have analyzed each set of survey results, we send an individual scorecard to every GP, providing tailored feedback. We also offer every GP follow-up meetings and calls if they wish to discuss their results further.

Our 2019 findings demonstrate clearly that incorporating ESG factors into the investment process is now standard practice for the majority of private equity managers, and for the first time we found that a majority of GPs had set responsible investment-related goals for the year ahead.

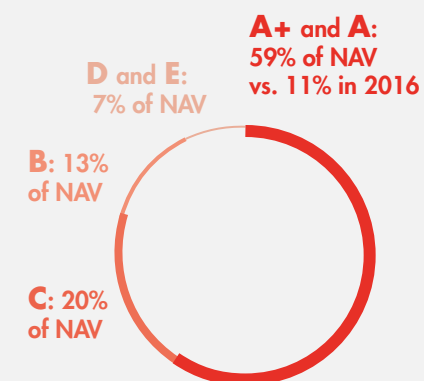
However, we also observed that the proportion of female employees was static, year after year, although it is increasing gradually at the executive level. Diversity is a central part of Ardian's sustainability strategy, and in future surveys we will examine the industry's developing gender balance, particularly within investment teams.

Focus

Latest campaign shows ESG ratings climbing

Our most recent GP survey showed that ESG practices are continuing to improve across the portfolio, with 87% of GPs now reporting that they have a formal responsible investment policy. This figure has been rising steadily since we launched our survey – in 2014 it stood at just 50%. Similarly, 46% of those who completed our GP survey are signatories of at least one responsible investment-related initiative. Within this group, the UN PRI is by far the most frequent choice: 91% say they are signatories, up from 83% in 2018.

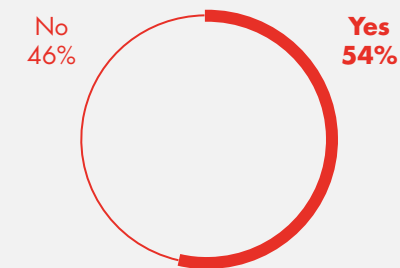
Current Fund of Funds portfolio breakdown of ESG scores by Net Asset Value



We see a close correlation between GPs who achieve an A+ or A rating for their ESG performance as investors, and those who also achieve the same rating for their commitment to ESG at a corporate level.

Responsible investment-related objectives

For the first time, a majority of GPs have set formal responsible investment-related objectives for the coming year.



The private equity industry's growing maturity in terms of responsible investment is evidenced by GPs' adoption of formal responsible investment-related objectives. Some 54% of GPs that took part in our 2019 survey had done so, up from 41% in 2018. Most respondents set at least three objectives, indicating a commitment to implement a comprehensive responsible investment policy.

Most responsible investment objectives focus on the investment process, specifically ESG monitoring of portfolio companies and incorporating ESG considerations into GPs' due diligence and investment decision-making.

Diversity

Women hold at least 30% of executive positions at just one GP out of 10. But GPs are addressing this issue – around half of the participants (49%) have a diversity policy or intend to have one by the end of the year with North American GPs leading the way. The most popular type of program, implemented by 85% of respondents, aims to promote diversity in the recruitment process.

76%

of GPs have either a full-time or a part-time CSR Officer

87%

of GPs report that they have a formal responsible investment policy

48%

of GPs with outstanding financial performance have best-in-class ESG results (A+ or A score)