

# ESG Report 2022/23

Coller Capital



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Investment

**TCFD** TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

**CDP**  
INVESTOR  
SIGNATORY  


# Coller Capital ESG Report 2022/23



1. Introduction

2. ESG in our funds

3. GP responses report

4. ESG at the firm

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# Section 1: Introduction

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# Foreword

## Jeremy Coller



At Coller Capital, ESG isn't just some tick-box exercise or a nice-to-have. It's a core part of how we work; a set of lenses through which can look at the risks and opportunities presented by an investment, and potentially a powerful tool for improving a business.

Responsible investing, responsible business and responsible leadership are all important to us. That's why, each year we enhance our reporting of sustainability and highlight the important role that ESG plays in our market – and it is a pleasure to share with you our seventh annual ESG Report.

This report builds on our last few years of sustainability reporting and continues to highlight the increasingly important role ESG plays in the private markets. It is exciting to see how seriously many GPs take their commitment to ESG and how far the industry has come in the last five years. We've seen a rise in the number of GPs that have a formal policy integrating ESG criteria into their investment process and we have also been pleased to notice the increased focus on diversity at the partner level of the GPs themselves.

As we are a firm dedicated to private market secondaries, we focus on supporting and helping our portfolio managers in their own ESG journeys.

In the following pages we share a case study where we helped a portfolio GP manage an ESG crisis at a portfolio company, and in turn increased the value of the company.

As the profile of ESG continues to rise, so is it increasingly misunderstood by those who see it as in conflict with investment firms' fiduciary duties. This report shows that nothing could be further from the truth: over the past years ESG has helped Coller Capital be the successful firm it is, and I'm sure we'll see more of the same in the year to come.

### Jeremy Coller

Chief Investment Officer and Managing Partner

April 2023





# Insights

## Adam Black



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## For this seventh annual ESG report, we solicited responses from the GP organisations who manage assets in our active funds (CIP VI, CIP VII, CIP VIII and CCO I).

CCO I, the world's first fund dedicated to private credit secondary investments was included in our ESG report for the first time. We look forward to gaining further insights from respective portfolio GPs as the private secondary market for credit and our credit funds mature over time.

Our prior 2021 ESG Report highlighted the importance of organisational purpose to responsible investment, with certain traits (notably innovation) as well as strong leadership held up as being what will move the industry forward. It has been encouraging that the findings from the 2022 survey show this beginning to take effect in the responses received from portfolio GPs.

At Collier Capital, the response has been more of the same attention to policy and process that we are known for – with ESG an integral step in our investment process.

We strengthened the ESG Function through the hire of Josie Davis (Associate, ESG and Sustainability) into the Investment team, we completed our fund carbon accounting tool, and we updated our climate scenario analysis for CIP VIII.

In response to a more sophisticated approach to ESG from investors, regulators, and other stakeholders we also undertook further deep dive ESG investigations and monitoring of certain larger asset level exposures, and we began to think about further work on fund biodiversity risk.

Since we are removed from the level of managing the assets, we focus on what is possible through the relationships we hold with portfolio GPs. While we take on wider advocacy and collaborative engagements we do so only where these are more applicable to our market, when we might play a meaningful role as “influencers” and where that does not impact upon our ability to focus on investments and deliver upon our ESG commitments.

As we look to the future, notably our response to the challenges arising from unsubstantiated ESG claims and greater scrutiny of ESG in practice, we will continue to prioritise the commitments made to investors. This means maintaining a disciplined approach to ESG, notably the overarching commitment to integrate ESG into our investment process – and living up to the reputation for innovation that we are known for as a firm.

### **Adam Black**

Partner, Head of ESG and Sustainability



# ESG development at Collier Capital

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We are mindful of our role and mandate as secondaries investors and are careful not to make claims about ESG that are unsubstantiated or unrealistic.

Whilst we do not manage the assets within the funds of our portfolio GPs, we can play a meaningful role in engaging with GPs and in ensuring ESG is embedded into our investment processes, in a robust, consistent, and realistic (typically risk-based) manner.

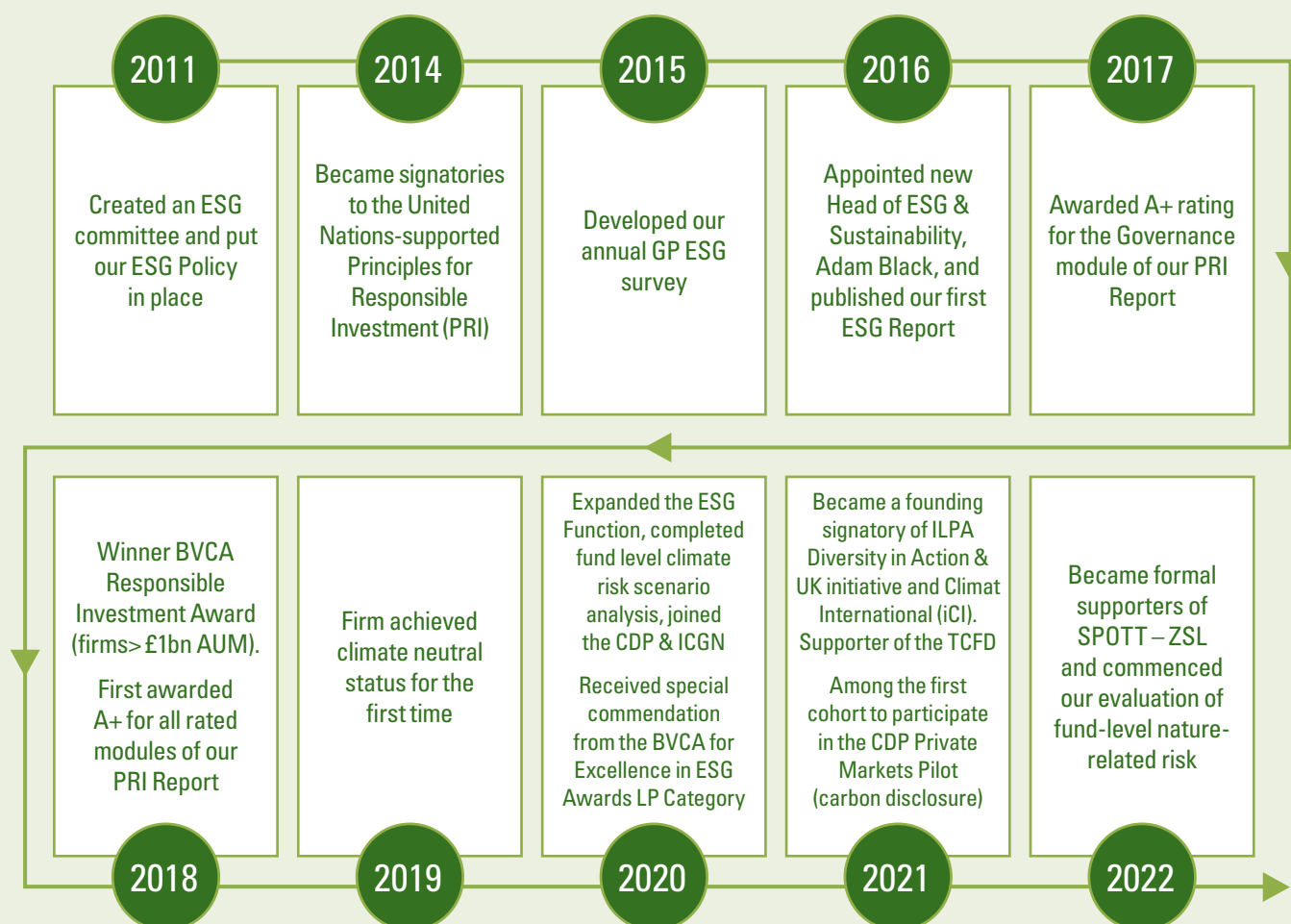
We believe that well-managed companies manage ESG effectively, and that poor ESG is a potential indicator of weak management and poor company performance.

Collier Capital led the way in integrating ESG into secondaries – developing an ESG Policy in 2011; signing the PRI in 2014; appointing a Head

of ESG and Sustainability within the Investment Team and creating its own ESG report in 2016.

We soon recognised that our platform had the potential to engage a large number of managers – thereby amplifying the impact of ESG in our industry. Representing private markets (and secondaries in particular) through carefully considered advocacy is an integral part of our work.

Mindful not to over-promise and under-deliver, we believe our evolving ESG timeline will continue to show that the steps we take are innovative, often pioneering, and true to our mandate and values as a business.





# Recognition

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It is always flattering to receive recognition, and while our focus is on evolving our ESG programme, it is nice to reflect on some of our achievements.

Coller Capital has been a signatory to the UN-supported Principles for Responsible Investment (PRI) since August 2014, and we submit a PRI Transparency Report annually.

Achieving a consistent A+ rating for all applicable rated modules every year since 2018 was a proud achievement. In the absence of a module designed for private market secondaries we welcomed the PRI review into the reporting framework and participated in the 2021 pilot.

While that revised reporting framework has faced challenges we were pleased to achieve 5 out of 5 (top score) for the Investment & Stewardship Policy Module and 4 out of 5 for the Indirect Private Equity Module. Although incomparable with previous reporting and scoring we note the raising of the bar and view this as an opportunity to further integrate ESG into

the mechanics of an indirect investors investment process (irrespective of the absence of a module directly applicable to global private market secondaries).

Coller Capital is an active member of the PRI, making regular contributions to research and in promoting responsible investment within the asset class. Adam Black, the Firm's in-house Head of ESG and Sustainability, is a former member of the PRI Private Equity Steering Committee and has been deeply involved with the PRI in promoting ESG within the asset class and contributing to various guidance since 2008 (when the inaugural committee was established).

We also encourage portfolio GPs to adopt their own ESG policies and practices that either comply with or are aligned to the PRI. We frequently introduce them to sources of ESG good practice.



## Financial News – Fifty Most Influential in Sustainable Finance

In June 2022, Adam Black was named in Financial News' inaugural list recognising the fifty most influential people in sustainable finance. A 'sustainability veteran', Adam's career in ESG and sustainability spans over 30 years across most industry sectors. As a Partner in the Investment Team, Adam has

primary responsibility for integrating ESG and sustainability within all investment decision-making and management processes. He also leads and supports on a range of ESG and sustainability initiatives applicable across the firm.



## Real Deals Future 40 ESG Innovators Listing

Adam Black was recognised on Real Deals' 2022 Future 40: ESG Innovators listing. The publication said "This diligence has seen Coller Capital receive high praise from European PE house Investcorp and its Norway-based portfolio company

ABAX after supporting the company on its carbon neutrality target for 2022, while Black was personally praised by portfolio company's Dainese's management team for incorporating ESG into its strategic thinking and day-to-day operations"





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# Section 2: ESG in our funds



The investment process and ESG



Progress on SFDR



Biodiversity – Spott – ZSL and nature related risks



Pre-investment due diligence



Post-investment ESG engagement



ESG in Private Credit Secondaries



External ESG initiatives and engagements



Case Study – EnviroServ







**Steven Stolk**  
Partner and Co-Head of Investment

Innovation has  
always been  
a core value at  
**Coller Capital.**





# The investment process and ESG

## Selected features of ESG in our funds and investment process during the reporting period include:

### Progress on SFDR<sup>1</sup>

ESG has been carefully integrated into our investment management process in reflection of our belief that doing so enables us to better manage investment risks, which, in turn, can have a positive impact on the risk-adjusted returns of the Collier funds. However, the core objective of the Collier funds is generally not the promotion or direct management of any environmental or social outcomes, characteristic or sustainable investment at the underlying, GP-controlled portfolio companies.

As an investor in the secondaries market, there are limitations inherent with our mandate – notably that our focus is on underlying portfolio GPs or fund-of-fund managers, rather than ESG at the asset level.

However, we firmly believe we have integrated ESG into our investment processes in a manner best suited to our mandate, and we have similarly given careful consideration to what SFDR might mean for certain future Collier funds in the context of having a long established ESG Policy and ever stronger ESG practices.

### Biodiversity – Spott – ZSL and nature related risks

We have been engaging on nature-related risk and biodiversity for several years, initially through the development of GP Prompts on deforestation and on ESG in the food sector. More recently through enhanced asset level ESG analysis (OSINT- ESG) touching upon these issues and building on existing partnerships with CDP Forests and with SPOTT – ZSL (SPOTT).

SPOTT is a free, online platform developed by ZSL (The Zoological Society of London) that assesses commodity producers, processors and traders on ESG. SPOTT scores palm oil,

tropical forestry and natural rubber companies over various indicators to benchmark progress over time, and through the ZSL relationship we gain access to comprehensive bio-diversity and nature-related risk core competencies and data. Collier is a formal supporter and joins other investors to enhance existing ESG risk management and wider stakeholder engagement.

We plan to enhance our existing fund level climate analysis (for TCFD) with work on nature-related risk during 2023.



<sup>1</sup> The EU Sustainable Finance Disclosure Regulation (EU Sustainable Finance Disclosures Regulation (Regulation 2019/2088 on sustainability-related disclosures in the financial services sector)).



# Pre-investment due diligence

In revisiting and refining our process over time we have enhanced our approach to ESG screening and the analysis and outputs provided for our Investment Committee.

This has led to various improvements, including a revised format for our written ESG Commentary by investment type.

When assessing ESG categories within deals, our analysis is split between assessment of GPs and assets.

We believe a mix of narrative, infographics, and tabulated information (adjusted according to the type of secondary investment) helps bring ESG to life for the team.

## Fund positions and primaries vs. directs and co-investments

		Fund positions; Primaries	Direct secondaries; Co-investments
GP assessment	ESG policy of GPs	✓	✓
	Full assessment: strength of GP's ESG team, programme and policy; due diligence; monitoring and engagement processes; ESG reporting		✓
	Formal participation in ESG-related industry initiatives	✓	✓
	ESG risk rating (via RepRisk)	✓	✓
Portfolio assessment	Climate risk assessment	✓	✓
	Bespoke analysis on material ESG risks applicable to each asset		✓
	ESG risk rating (via RepRisk)	✓	✓



# Post-investment ESG engagement: enhanced ESG analysis and monitoring

We undertook open-source intelligence (OSINT) ESG analysis, requested enhanced ESG data and completed cyber deep dive surveys of certain larger asset level exposures in our ‘direct’ secondary portfolio. Selected examples outlined below.

GP	Asset exposure	Data Request	OSINT-ESG	Cyber Review
US Buyout	Consumer services	✓	✓	✓
US Buyout	Health	✓	✓	✓
US Buyout	Health	✓	✓	
US Buyout	Health	✓	✓	
US Buyout	Finance	✓	✓	✓
US Growth	Consumer goods	✓	✓	✓
US Growth	Industrials	✓	✓	✓
US Venture	Technology	✓		
European Buyout	Consumer goods	✓		
European Buyout	Health	✓	✓	✓
Asian Buyout	Industrials	✓	✓	✓

The principal findings from all these post investment checks, and monitoring confirms:

- our belief that we have the requisite processes in place for initial ESG screening and due diligence with no unknown material risks or allegations highlighted;
- that ESG data availability remains a work in progress for our portfolio GPs, particularly for legacy GP funds which is often where the private secondary market invests. It is not uncommon for GPs to restrict the application of their ESG policies to more recent funds rather than older funds. Building up our own proprietary data set and undertaking post-investment checks for larger exposures helps mitigate these issues;
- that cyber security at larger asset level exposure is generally strong and all portfolio GPs responsible for assets consider this a material risk factor and welcome engagement on the topic; and
- the importance of wider market influence and advocacy as investors in the private secondary market but that this must be targeted engagement and not detract from the primary purpose of ESG at Collier Capital- ESG integration into the investment process, deal and fund level analysis and ESG integration into the wider operations of the Firm. This is particularly important given the commitments we make in our ESG Policy and in light of certain regulatory developments, such as SFDR.

### RepRisk analysis of the Top 50 asset level exposures in CIP VIII

We undertook an exercise to look at the ESG risk ratings of the Top 50 exposures in CIP VIII using the RepRisk platform.

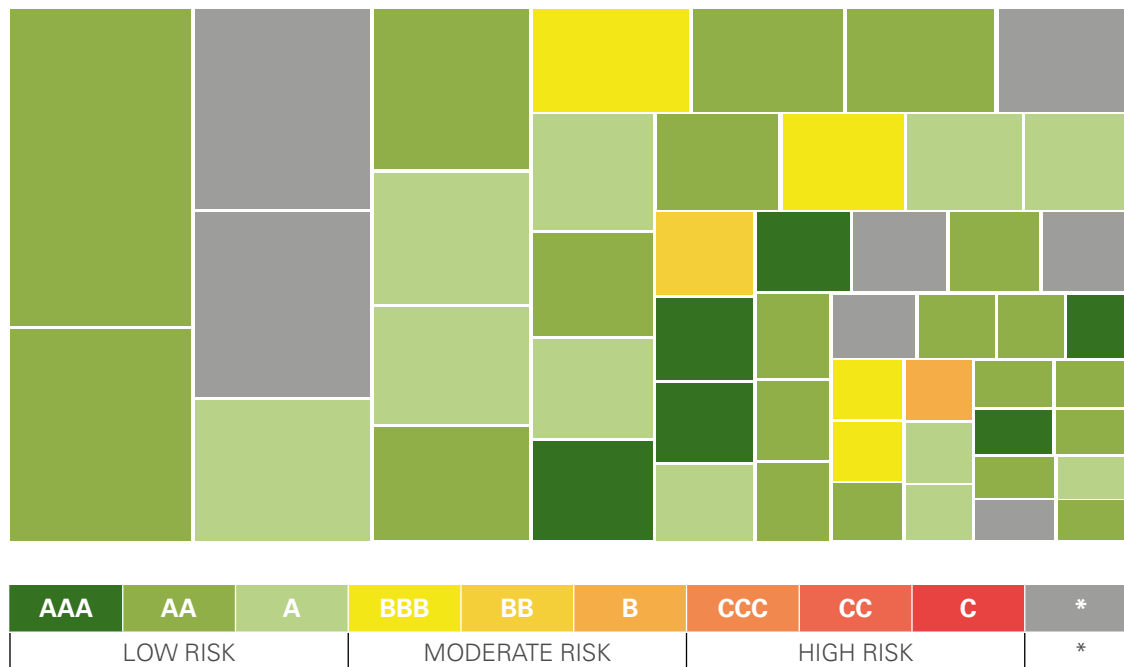
RepRisk identifies and assesses material ESG risks using information from public sources and stakeholders, intentionally excluding company self-disclosures. By looking at human rights, labour standards, corruption and environmental issues, RepRisk provides an overarching assessment on how companies conduct their business around the world, and whether they live up to their promises on these points.

More information on RepRisk’s approach can be found [here](#).

CIP VIII’s Top 50 holdings make up c.75% of the total fund. The findings of this analysis confirm that the processes in place to identify material ESG risks across our investments, hold up over time, as shown by the results below.

- 37 out of the top 50 holdings have ratings above A
- Six out of the top 50 holdings have ratings above B
- Information is not available for 7 out of the top 50 holdings due to the nature of the transactions

### RepRisk Ratings of CIP VIII Top 50 holdings



\* Information unavailable due to the nature of the transactions.



## Post-investment ESG engagement: enhanced ESG analysis and monitoring - continued

### Selected investment engagement activities

The following engagement activities were undertaken across certain direct secondary investments, beyond our standard engagement (notably our annual GP ESG Survey), during the year.

#### Selected enhanced ESG engagement activity for the year across the Collier funds

	CIP VI		CIP VII			CIP VIII					CCO I
Deal type	GP-led	GP-led	GP-led	Co-investment	GP-led	GP-led	GP-led	GP-led	GP-led	Direct	
Asset exposure	Industrials	Consumer discretionary	Health	Oil and gas	Materials	Health	Health	Consumer discretionary	Health	Digital infrastructure	
Welcome Pack	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Induction Call	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Enhanced Data	✓	✓	✓	✓		✓		✓	✓		
Enhanced Monitoring		✓	✓		✓	✓		✓	✓		
Cyber Review		✓	✓		✓	✓		✓	✓		
ESG Policy	✓	✓			✓	✓					
ESG Workshops		✓									
Visit (GP)	✓	✓			✓						
Visit (Assets)	✓	✓	✓		✓						

#### Welcome pack

The ESG Welcome Pack might be tailored to the needs of the portfolio GP but is likely to comprise all or some of the following:

- Collier ESG Policy
- All or selected GP ESG Prompts
- Collier ESG Report
- Collier GP ESG Survey
- Collier Enhanced ESG Data Request (for selected GPs assets)

#### Induction call

Where appropriate a post-deal induction call to introduce a GP to ESG at Collier Capital is arranged.

#### Enhanced data

For certain larger asset level exposures, an enhanced ESG data request is made via the portfolio GP. For older assets in older funds, enhanced data management might be more tailored.

#### Enhanced monitoring

Enhanced monitoring (beyond a RepRisk type assessment) might be commissioned for certain larger asset level exposures using OSINT.

#### Cyber review

Enhanced cyber assessments might be commissioned for certain larger asset level exposures using a third-party specialist tool.

#### ESG Policy

Engage and support the development or enhancement of a policy that might already exist. The engagement might also involve broader support in respect of elements of a GPs' ESG Policy or process ranging from comment on monitoring and measurement, comment on certain aspects of ESG (e.g. crisis management) or providing the GP with contacts from our global ESG network.

#### ESG visits to assets

Asset level visits are only undertaken with a portfolio GP where there is a material ESG risk or opportunity we believe warrants our further engagement.



# ESG in Private Credit Secondaries

Credit poses a unique set of challenges to ESG integration due to limited disclosures across the asset class as well as the nature of these deals. This is often even more acute when viewed from the perspective of private credit secondaries.

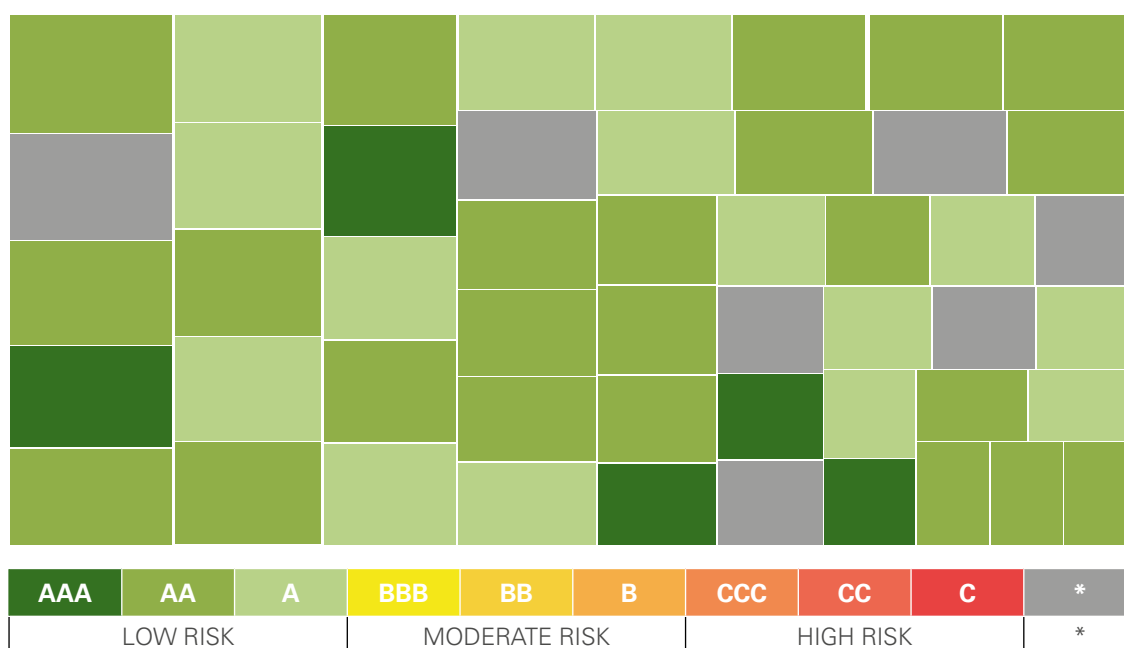
The continual evaluation of ESG good practices in the context of private market secondaries is a core feature of our ESG approach, and our application of this approach to our growing private credit secondary platform is no exception.

As secondaries investors, our ability to influence change at the asset level is already restricted and necessarily risk-driven. In credit secondaries, it is restricted even further. Despite this, we remain consistent in our overarching ESG approach taken with our flagship Funds, i.e. engaging with GPs on their ESG approach, asking tailored questions to ensure that ESG risks are addressed and mitigated in their processes, and screening the underlying assets where the nature of the transaction warrants it and the information available allows.

CCO I's Top 50 company exposures make up c. 32% of the total fund<sup>1</sup>. While ESG is still developing in credit as an asset class, the findings of this analysis suggest that the processes we have in place to identify material ESG risks are reflected in the deals we have made.

- 5 out of the top 50 exposures have a AAA rating
- 23 out of the top 50 exposures have AA ratings
- 15 out of the top 50 exposures have A ratings
- None of the top 50 exposures violate any of the UNGC Principles
- Information is not available for 7 out of the top 50 exposures due to the nature of the transactions

## RepRisk Ratings of CCO I Top 50 holdings



\* Information unavailable due to the nature of the transactions.

<sup>1</sup> Q2 2022 FMV level, excludes Structured Credit and Fund Lending deals due to the type of transactions.



# External ESG initiatives and engagements

Advocacy is an important pillar of our programme as a secondary investor.

We have been involved with a number of ESG advocacy workstreams this year, above the programmes we support on an annual basis.

Initiative	Summary
 <b>BVCA</b> British Private Equity & Venture Capital Association	<p><b>BVCA Climate Series</b> Speaker on a panel of GPs and advisers discussing climate change and private finance post COP26.</p> <p><b>BVCA Training</b> Course Director and speaker on the BVCA training course 'Developing an ESG Strategy for your Portfolio'.</p> <p><b>BVCA-GFANZ Private Equity Net Zero Roundtable</b> Contributed observations from the perspective of private market secondaries (Roundtable Agenda and Outline Guidance).</p>
 <b>FAIRR</b> A COLLER INITIATIVE	<p><b>FAIRR</b> Aquaculture investor engagement and also involved with the biodiversity, waste and pollution engagement and the working conditions collaborative engagement.</p>
 <b>CDP</b> DISCLOSURE INSIGHT ACTION	<p><b>CDP Capital Markets 2020-25 Strategy</b> Interviewed for the purposes of 2020-25 Strategy helping inform CDPs (former Carbon Disclosure Project) evolving Capital Markets Strategy providing input from the perspective of private equity and private credit.</p>
 Sustainable Markets Initiative	<p><b>HRH SMT (PESMIT)</b> Interviewed by PESMIT (Private Equity Sustainable Markets Initiative Taskforce) part of HRH Prince of Wales Sustainable Markets Initiative.</p>
 <b>iCI</b> Initiative climat international Private equity action on climate change	<p><b>iCI/SBTi</b> On-going support and input to net zero in Private Equity in the context of private market secondaries.</p>
 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	
 <b>ilpa</b> INSTITUTIONAL LIMITED PARTNERS ASSOCIATION	<p><b>ILPA European Summit</b> Speaker and workshop coordinator for LP session on climate change.</p>
 <b>SPOTT</b> <b>ZSL</b>   LET'S WORK FOR WILDLIFE	<p><b>SPOTT-ZSL</b> Formal supporters and on-going engagement on nature-related risk, deforestation and bio-diversity.</p>



# Case study – EnviroServ

## CIP VI completed the Absa investment, a direct transaction managed by Rockwood Private Equity.

EnviroServ, one of South Africa’s largest waste management businesses, was a portfolio company in the 2013 transaction. For context, EnviroServ is one of South Africa’s largest waste companies – operating (at the time) seven landfill sites across Southern Africa – and in business for c. 40 years.

Subsequently, Collier became aware of complaints from local residents (in 2016-2017) regarding allegations of negative health and environmental impacts arising from EnviroServ’s landfill facility in Shongweni, KwaZulu-Natal, South Africa (at the time Shongweni represented circa 15-20% of EnviroServ’s group earnings).

Shongweni had been operating since 1992. Since then, no complaints had been received from the communities at the centre of these allegations. Nonetheless, following these complaints, EnviroServ’s license was suspended by the South African regulator.

Although a minority investor in the transaction, Collier Capital’s team immediately began working closely with both the portfolio manager and EnviroServ’s management, including:

- reviewing specialist technical reports and recommended follow-up measures;
- appointing internationally recognised expert reviewers to advise on the situation; and
- undertaking a site visit to Shongweni.

Significant technical measures and remedial work was undertaken at Shongweni, with positive outcomes seen from:

- air dispersion modelling and toxicology analysis;
- installation and further calibration testing of air sampling equipment;
- confirmation that many occurrences of hydrogen sulphide and sulphur dioxide (a pollutant not attributable to landfill operations) that were being detected were not arising from the operations; and
- gas extraction, capping and hydro-seeding.

Shongweni’s licence to accept waste material was subsequently restored by the South African regulator and the site returned to operation. The recovery created \$22m of value between the low point in the EnviroServ’s valuation and 31 March 2021.



Shongweni Aerial 2016



Shongweni Aerial 2018

### “ Rockwood Private Equity

“Throughout this process Collier Capital have shown a keen interest in the manner in which this problem was addressed. Collier representatives visited the site personally, and have brought a depth of relevant international experience from which we as the fund manager, as well as the EnviroServ team, could draw upon.

It was valuable for the EnviroServ technical team to know that the matter was being addressed in accordance with global best practice, and additionally, the Collier team’s experience of community disputes helped add perspective to the problem.”



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# Section 3: GP responses report



Respondent  
breakdown



ESG adoption



Implementation  
and monitoring



Reporting



Governance



Diversity, Equity  
and Inclusion



**Katrina Liao**  
Partner, Investment

We can see from the responses we get from our portfolio GPs that they are increasingly well informed about ESG and progressive in their approach.





# Respondent breakdown

We sent our survey to the 160 General Partners in the CIP VI, CIP VII, CIP VIII and CCO I portfolios. The 94 GPs who responded represent 525 private equity funds, and those funds account for 80% of Collier funds' FMV at 30 September 2022. The commentary and charts in this report refer to only the 94 responding GPs.

- 71% of the responding GPs are independent PE firms, and almost half are highly experienced investors who have been active in private markets since 2000 or before.
- Close to half of the GPs have at least \$5bn of assets under management (AUM), and more than a fifth are large investors with at least \$20bn of AUM.
- More than three quarters of the GPs are headquartered in North America or Europe, whilst another 17% of respondents are headquartered in Asia-Pacific.
- Almost two thirds of the GPs are active in North American private markets, and more than half of respondents are active in Europe.
- Two thirds of the GPs pursue buyout strategies, and almost half of respondents pursue growth strategies.





## Respondent breakdown – continued

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### Type of firm

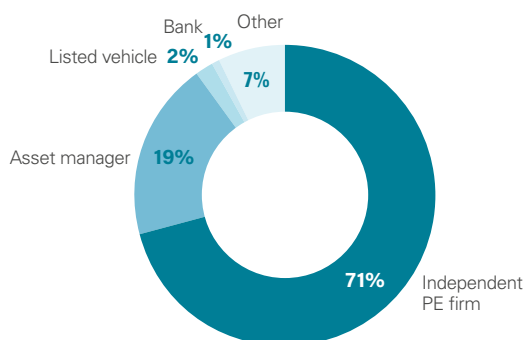


Figure 1

### When GPs first started investing in private markets

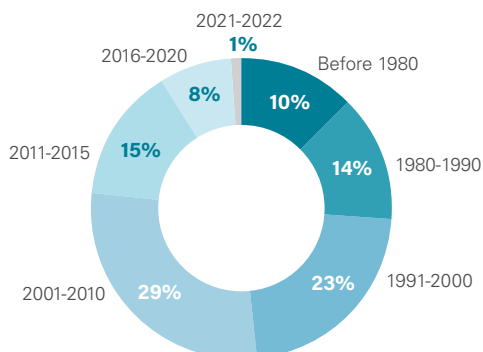


Figure 2

### Volume of PE assets GPs have under management

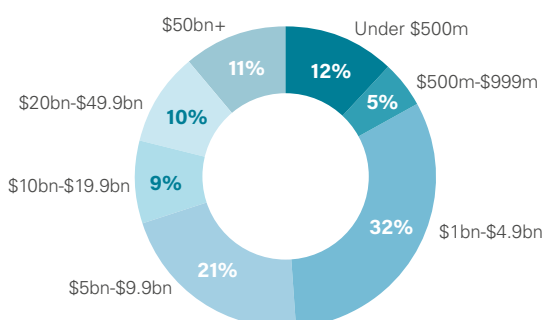


Figure 3

### Location of GP headquarters

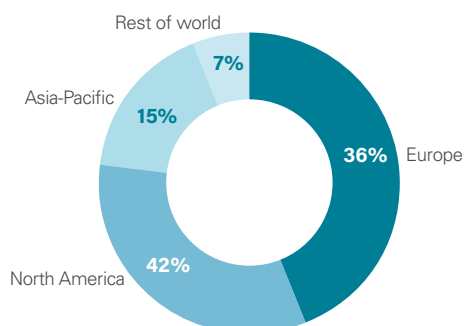


Figure 4

### Investment strategies pursued by GPs

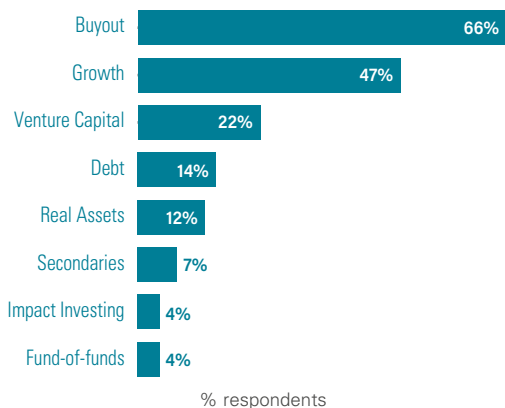


Figure 5

# ESG adoption

## The majority of GPs are signatories to at least one set of ESG standards, with 'PRI' being the most common

The UN-supported Principles for Responsible Investment ('PRI') is the most common set of ESG standards adopted by GPs, with 63% of total respondents being signatories. Europe has the highest adoption rate with 90% of GPs being signatories. Adoption amongst North American and Asian GPs remains lower, with approximately half of GPs in both regions being signatories.

Proportion of GPs that are 'PRI' signatories

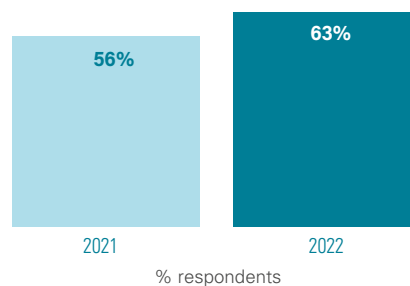


Figure 6

## Almost all GPs have a formal ESG policy

89% of GPs have a formal policy that integrates ESG criteria into their investment process. The GPs without a formal ESG policy are relatively small, with an AUM of less than \$5bn.

GPs with a formal policy that integrates ESG criteria into their investment process

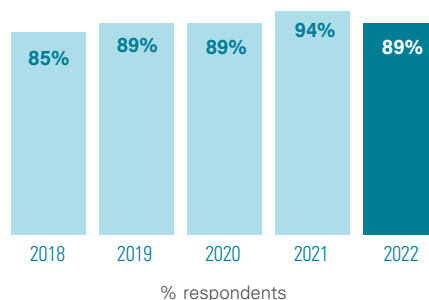


Figure 7

## More than a fifth of GPs have a formal policy that integrates climate (risk-opportunity and carbon measurement) into their investment processes

Integrating climate into the investment process is more common among larger investors, with 41% of GPs with at least \$10bn in AUM having a formal policy.

GPs with a formal policy that integrates climate into their investment processes

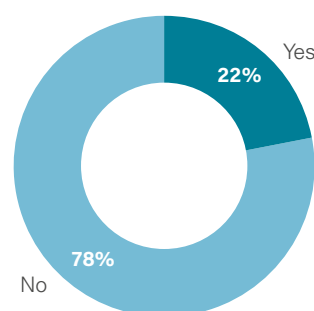


Figure 8

### Farm Animal Welfare (FAW) principles are increasingly part of the ESG agenda

38% of GPs now report having a policy to address FAW-related issues at the portfolio level. The proportion of GPs with an animal welfare policy has grown consistently over the last five years.

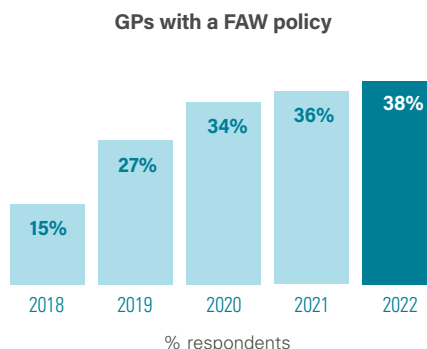


Figure 9

### Diversity and IT security are the most common topics in GPs' ESG policies

The most common topic addressed by ESG policies is diversity and inclusion, with approximately nine in ten GPs addressing the issue, both at the firm and the portfolio level.

The second most common topic is cyber risk and IT security, which was also mentioned by approximately nine in ten GPs. An increase in remote working and attempted cyber-attacks have made IT protection a priority for many fund managers.

More than two thirds of GPs addressed the environment focussed topics of carbon footprint and resource use at the portfolio level, with at least a half addressing them at the ManCo level.

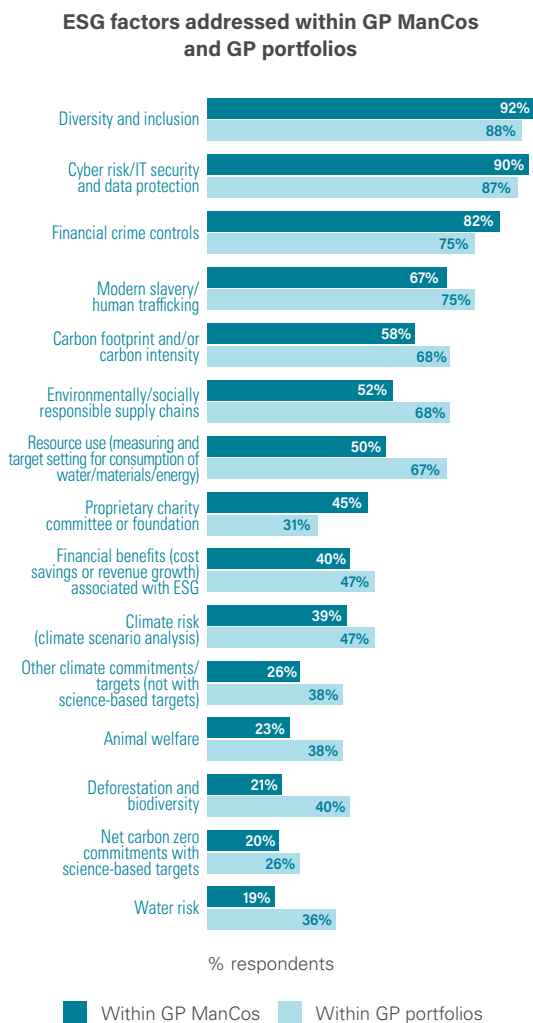


Figure 10

## The majority of GPs have a sector exclusion policy

The most excluded sectors for investments were weapons, pornography, tobacco, alcohol and gambling, which were each reported by approximately nine in ten GPs.

**Sectors and activities which are excluded from GPs' acceptable investment criteria**

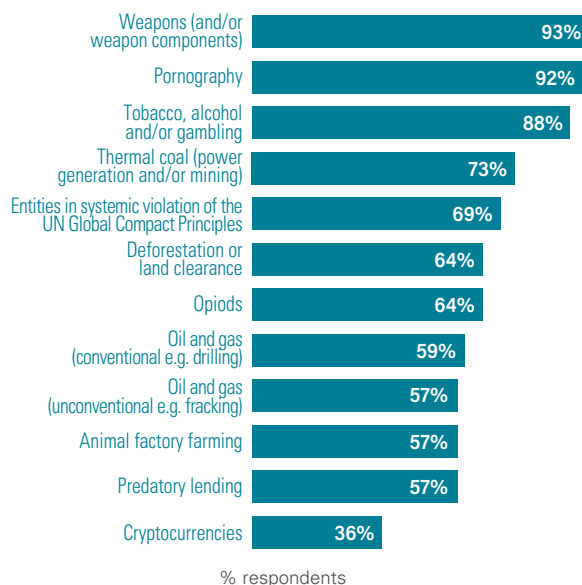


Figure 11

## More GPs will classify their funds as EU SFDR Article 8 or 9 in the future

Two fifths of GPs currently classify their funds as EU SFDR Article 6, a proportion which will drop to one fifth in the next three years. Conversely, more GPs expect to adhere to Article 8 or 9 in the future.

Article 6: Where financial market participants deem sustainability risks not to be relevant.

Article 8: Where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics.

Article 9: Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark.

Source: <https://eur-lex.europa.eu/>

**Proportion of GPs classifying their funds in line with sustainable investing regulations**

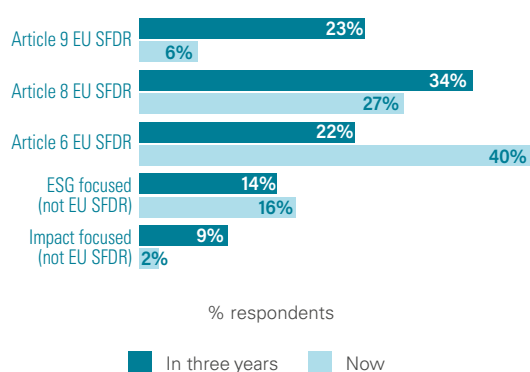


Figure 12



# Implementation and monitoring

## Almost three quarters of GPs have dedicated resources for ESG monitoring

73% of GPs now employ dedicated ESG professionals, compared to 55% in 2020 and 63% in 2021. More than a third of the GPs that have dedicated ESG resource employ four or more professionals in the area.

Proportion of GPs with dedicated ESG staff

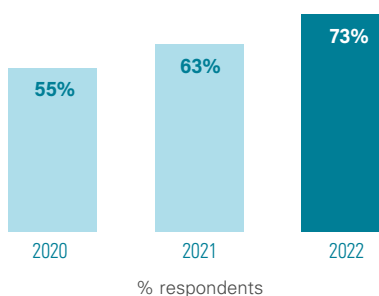


Figure 13

## Two thirds of GPs with dedicated ESG resources organise them as a standalone team, or embed them within the investment team

The ESG function sits within the investment team at 31% of responding GPs, as ESG considerations are increasingly integrated into investment processes.

Department where ESG resources sit within the organisation

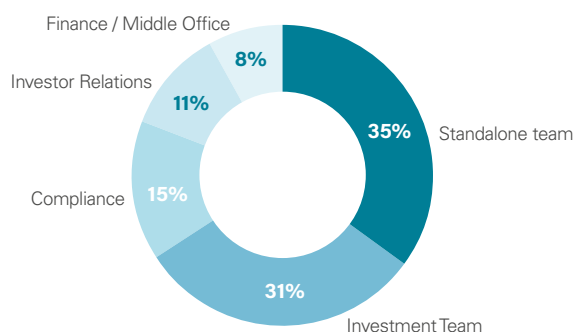


Figure 14

## Two thirds of GPs will expand their ESG function in the next three years

Over the next three years, two thirds of GPs expect to increase their in-house ESG resources. The result is in line with last year and a significant increase over the 55% of GPs in the 2020 survey.

European GPs are the most focused on ESG team expansion, as 84% of respondents in the region expect to increase resources. In line with prior ESG survey results, no GP expects to decrease the size of their ESG team.

How GPs expect their ESG functions to develop over the next 3 years

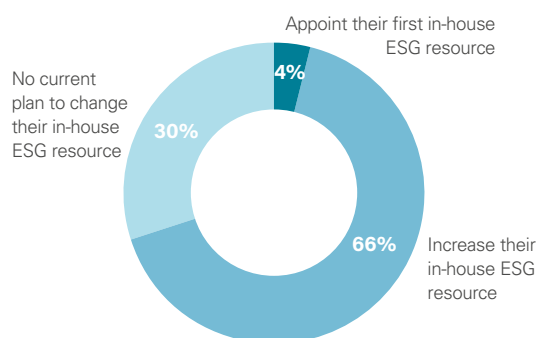


Figure 15

### Majority of GPs self-report their ESG programme as being either Advanced or Intermediate under the ILPA ESG Framework

More than half of GPs rate their ESG programmes as Advanced or Intermediate according to ILPA's ESG assessment Framework.

[ILPA ESG Assessment Framework](#)

**How GPs rate their ESG programmes according to ILPA's definitions**

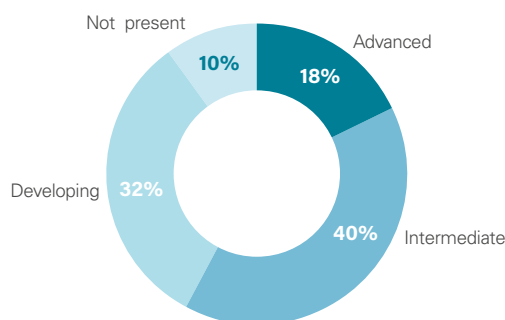


Figure 16

### For most organisations ESG function oversight is a responsibility held at senior level

The ESG function reports directly to the Executive Committee / C-suite for seven out of ten GP respondents.

**Body to which GPs' ESG resources report**

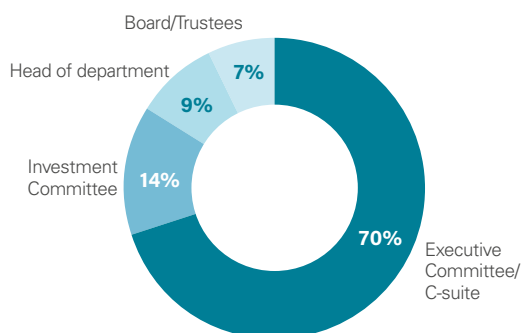


Figure 17

### Over three quarters of GPs provide ESG training to their investment teams

Whilst some GPs report providing ESG training to their investment teams only once, two thirds of GPs provide ESG training regularly.

**Frequency of GPs' ESG training**

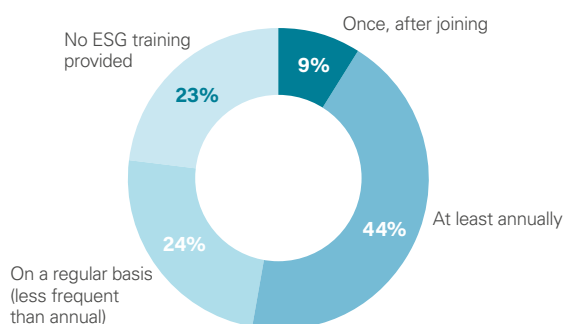


Figure 18

## Almost all GPs initiate ESG best practices within their firms and portfolio companies

The majority of GPs suggest or initiate measures to improve ESG performance within their portfolio companies, broadly in line with the prior years. A similar proportion of respondents reported pursuing such initiatives at the management company level.

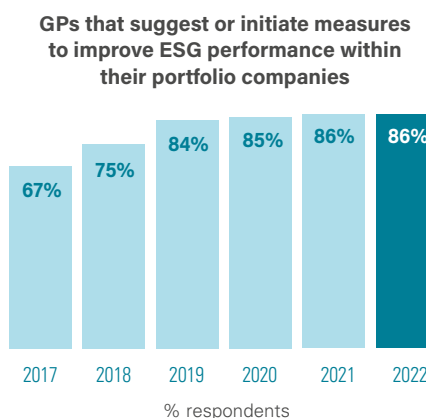


Figure 19

## More than half of GPs have declined investment opportunities on ESG grounds during the early screening stage

GPs most frequently declined investment opportunities for ESG reasons during early screening. Relatively few investments with unacceptable ESG issues made it through to formal due diligence or Investment Committee.

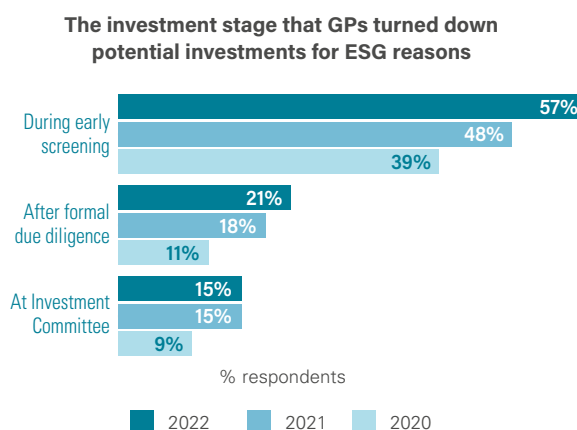


Figure 20

## The proportion of GPs focussing on ESG during the holding period remains high

Most GPs are planning to increase the emphasis on ESG during their portfolio investments' holding periods, in a result that is in line with last year.

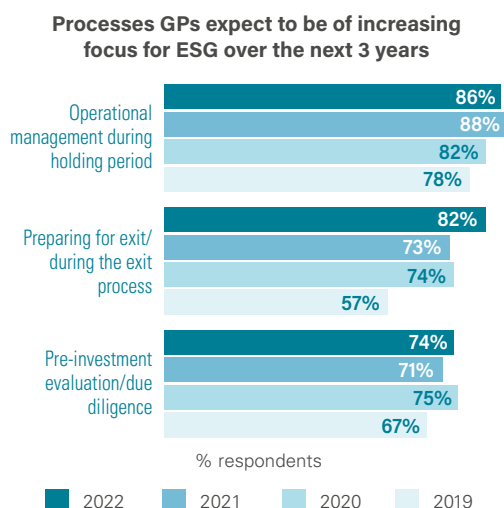


Figure 21



## GPs’ areas of ESG focus are improving diversity and providing ESG training

Diversity and training continue to be GPs’ primary areas of focus within ESG. ESG-linked employee remuneration and ESG-linked subscription lines are a lower priority for GPs.

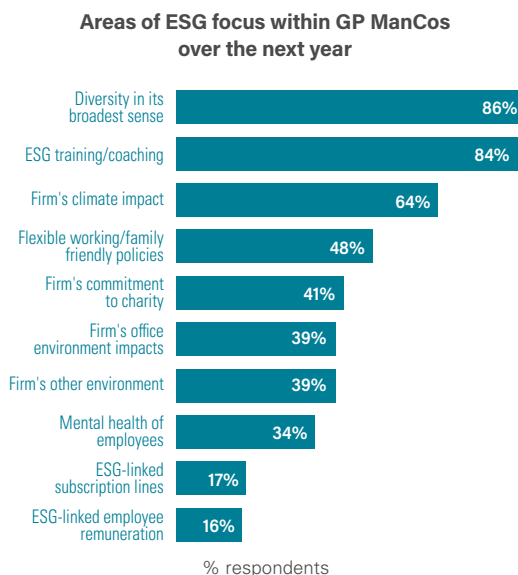


Figure 22

## Over a third of GPs view net carbon zero as unachievable by their firm

35% of GPs do not believe there is a realistic timeframe for achieving carbon neutrality within their own firms. Conversely, 31% of GPs believe that their management company could realistically reach such a milestone by 2030.

In line with last year, significant regional disparities on the achievability of carbon neutrality remain, with almost a half of North American and Asia-Pacific respondents not having a realistic timeframe for their firm.

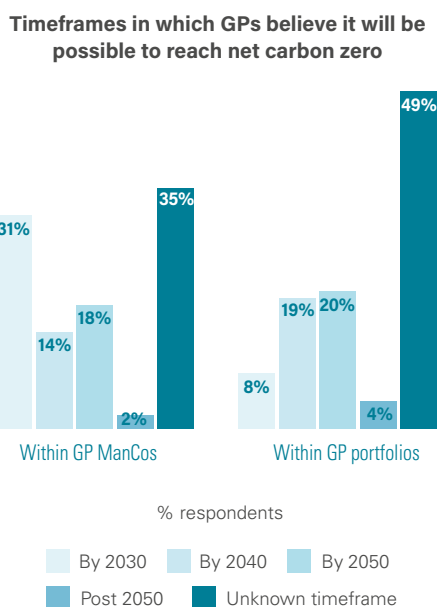


Figure 23



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# Reporting

## Most GPs include ESG comments in their investment and/or exit memoranda

The proportion of GPs including ESG comments in memoranda reached 83%, roughly in line with the level of recent years.

Percentage of GPs who comment on ESG issues in investment / exit memos

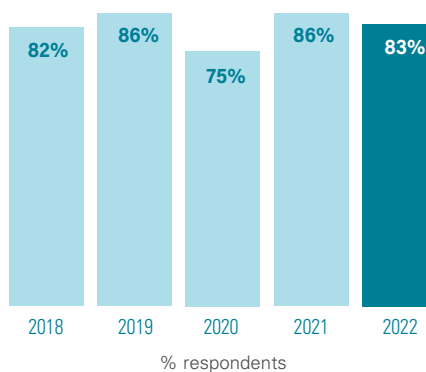


Figure 24

## An increasing proportion of GPs are reporting to their investors on ESG

The proportion of GPs reporting on ESG to their investors has increased consistently over the last five years. More than a half of GPs report ESG with a dedicated standalone report.

Percentage of GPs reporting to their investors on ESG

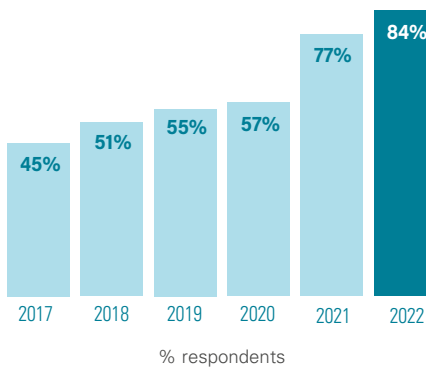


Figure 25

### Almost all GPs report material issues to their LPs

Approximately nine in ten responding GPs report material events or incidents to their LPs at both management company and portfolio levels.

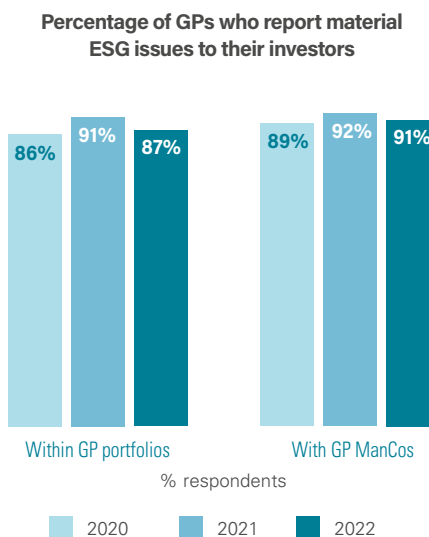


Figure 26

### GPs are increasingly recognised for their ESG efforts

Over the last few years, the proportion of GPs who reported having won an award for ESG practices has increased significantly, from 5% of respondents in the 2019 survey to 18% in 2022.

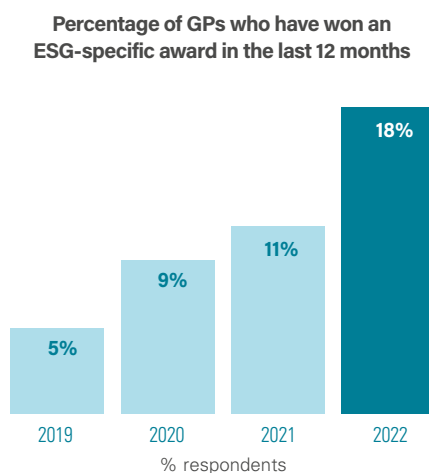


Figure 27



# Governance

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## Senior promotions are the primary reason for changes to GPs' organisational structures

Overall, half of the GPs reported changes to their firm's organisational structure. Changes in firms' ownership structures continue to arise primarily from promotions to partner level.

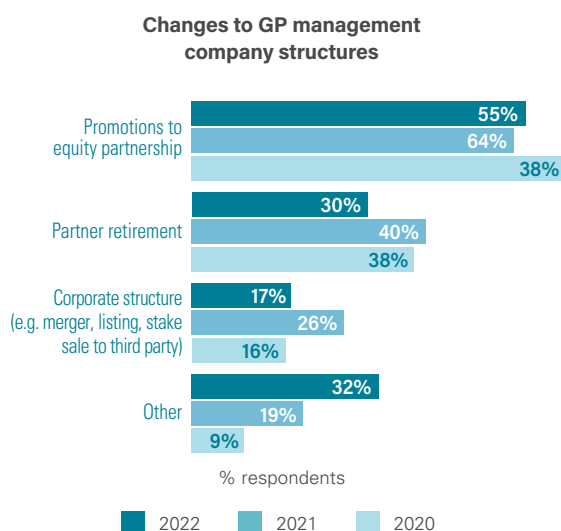


Figure 28

## Adverse events relating to ESG within GPs portfolios are relatively common

In line with last year's results, only 14% of the GPs reported any ESG-related adverse events at their own firms, but 39% reported adverse events at the portfolio level.

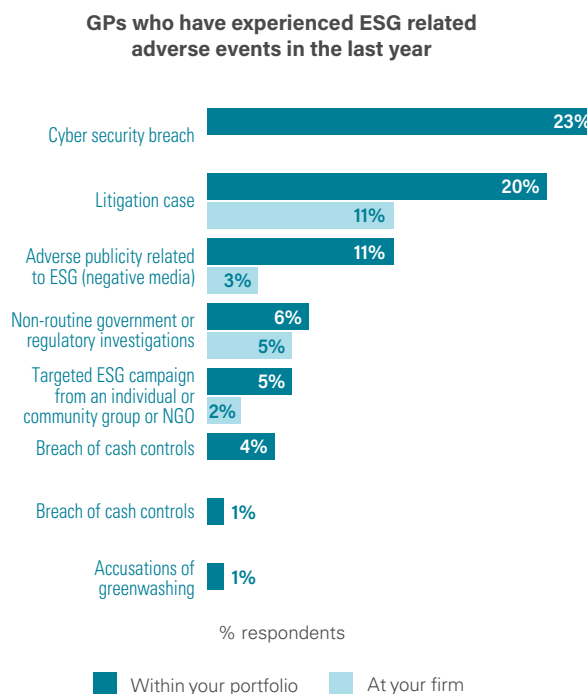


Figure 29



# Diversity, Equity and Inclusion (DEI)

## The level of female representation at partner level is increasing

Almost three quarters of responding GPs have female Partners, a result that continues an increasing trend.

Percentage of GPs with female Partners

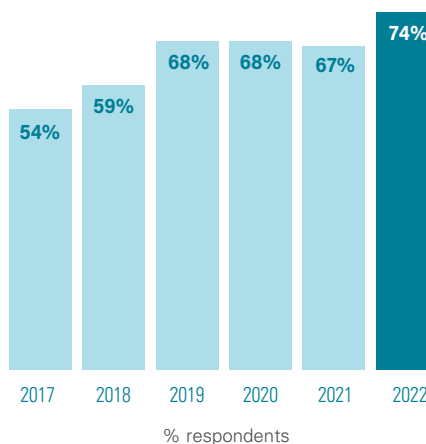


Figure 30

## However, female Partners continue to represent a minority of GPs' Partner bases

In the subset of GPs that have female Partners, more than three quarters stated that women accounted for no more than 20% of the Partnership.

Percentage of female Partners

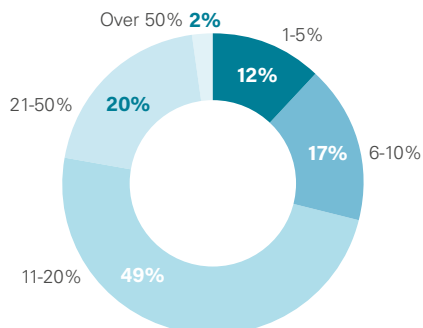


Figure 31





### The proportion of GPs with women on their Investment Committees has increased slightly over the last five years

The share of respondents who reported having women on their Investment Committee has increased slightly since 2017. Just under half of GPs now have female Partners sitting on their IC.

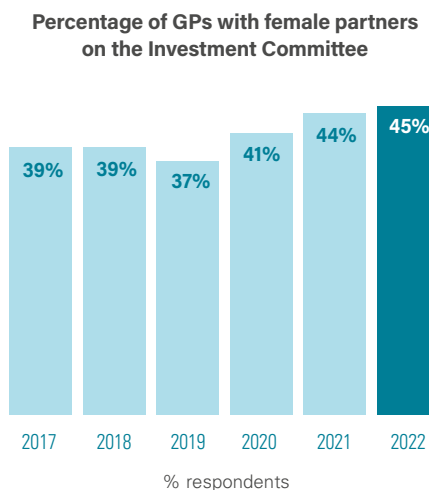


Figure 32

### However, female representation among the IC voting membership remains low

Of those GPs who have female Partners on their Investment Committee, more than four fifths report that they accounted for no more than 20% of the voting members.

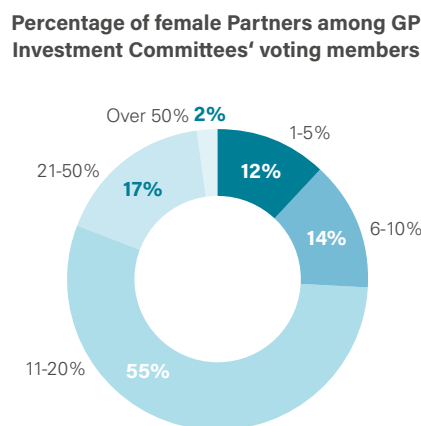


Figure 33



### Two thirds of GPs have a formal plan to improve gender diversity at their firm

The implementation of formal plans aimed at improving gender diversity at GP firms has generally improved since 2019. However, a full third of GPs reported not having such plans in place.

GPs with formal plans in place for increasing gender diversity at their firm over the next three years

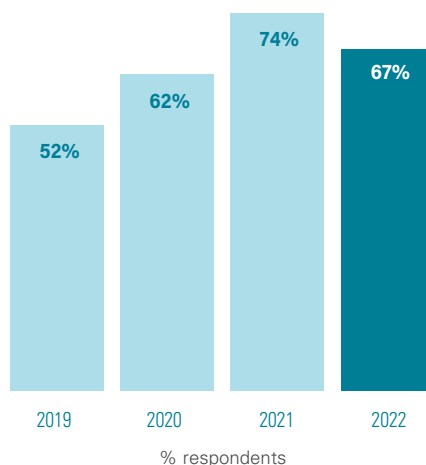


Figure 34

### Nearly six in ten GPs have ethnic minority representation in their Partnerships

Two thirds of North American GPs employ Partners with an ethnic minority background, compared to just over a half of their European counterparts.

Percentage of ethnic minority investment partners globally

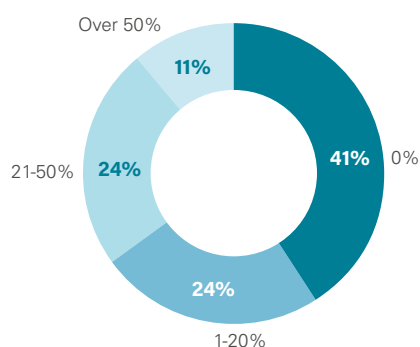


Figure 35



### Most GPs are looking to increase ethnic diversity at their firm

Improving ethnic diversity is being tackled via formal plans by 53% of respondents globally, including three quarters of North American GPs.

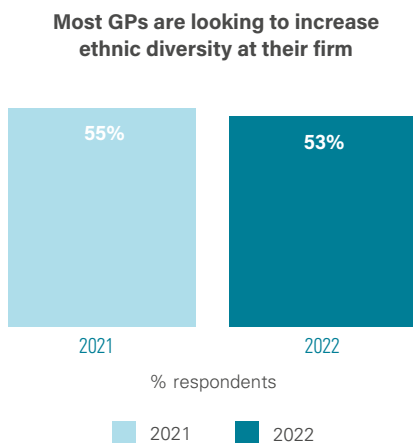


Figure 36

# Section 4: ESG at the firm



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Our Values



Diversity, Equity & Inclusion (DEI)



Sustainability



Cyber security



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**Francois Aguerre**  
Partner, Co-Head of Investment, Global Head of Origination  
and Co-Chair of the DEI Committee

DEI is a priority as  
it's both our collective  
responsibility and  
a strong driver  
of performance.





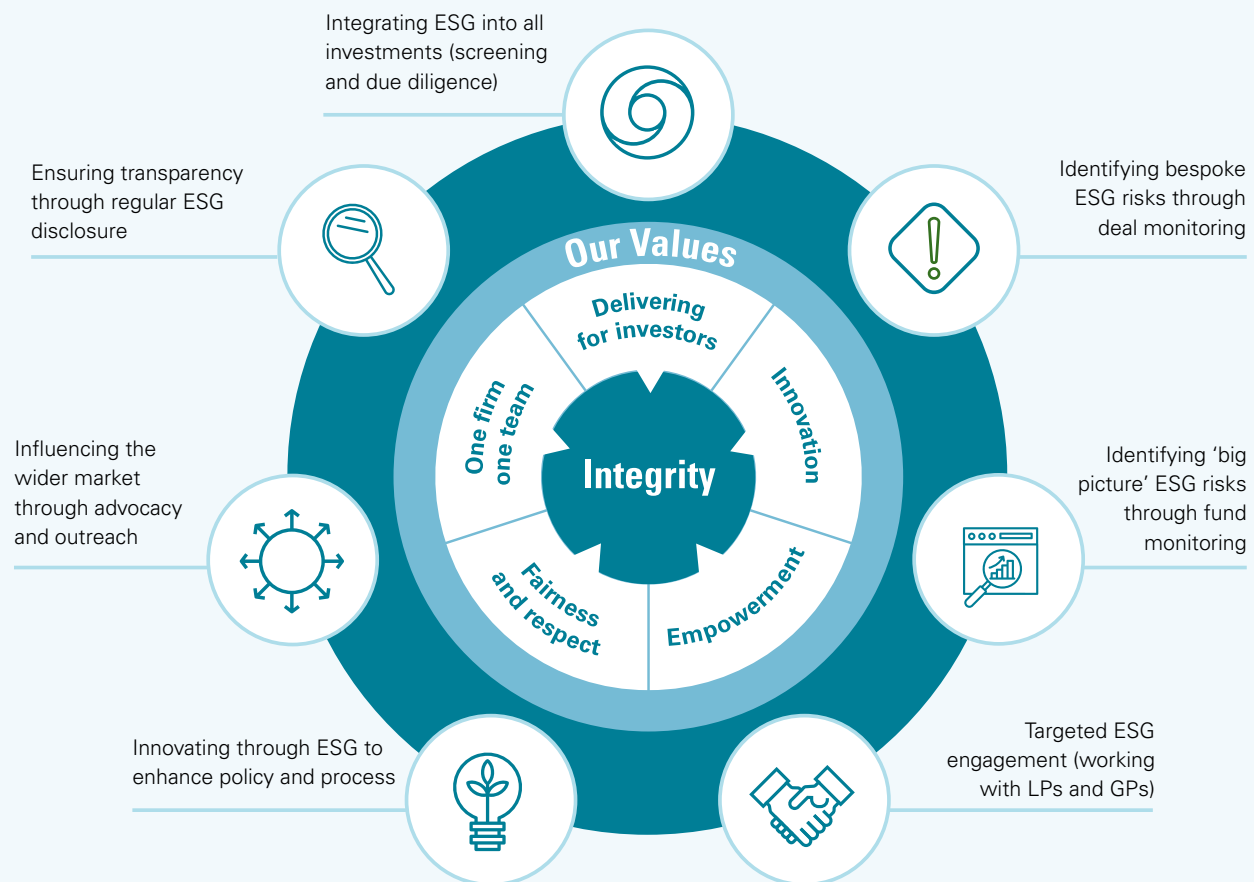
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# Our Values

A set of shared values is the lifeblood of any organisation. By working with everyone across the firm, our mission is to embed and encourage the firm’s values in everything Collier Capital does.

We believe that our pursuit of responsible investment as a business is aligned with the strong sense of responsibility – to our investors and to each other – expressed in our corporate values.

## Collier Capital's values and Fund-level ESG initiatives





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# Diversity, Equity and Inclusion (DEI)



## DEI initiatives

Collier Capital's DEI initiatives were formalised with the founding of our DEI Committee in 2018. Today, our DEI Committee, which comprises a team of passionate volunteers reports to the Firm's Executive Committee.

In addition to the DEI Committee's internal efforts, Collier Capital is a founding signatory of ILPA's Diversity in Action initiative, which brings together Limited Partners and General Partners who share a commitment to advancing diversity, equity and inclusion in the private capital industry.

Our DEI Committee revisits its top priorities each year and undertakes several initiatives to improve DEI awareness and integration at Collier Capital under three pillars: Wellbeing, Social Mobility and Inclusion.

### Wellbeing

We once again participated in the Mind 'Workplace Wellbeing Index' Survey in 2022 (Mind is a UK-based mental health charity) and achieved a bronze award which shows the Firm is 'achieving change'. The Wellbeing team are working on implementing their recommendations during 2023.

The team helped to deliver an engaging and informative month-long event, across all the offices, for Mental Health Awareness Week in May 2022. This included free Yoga and Pilates classes, a run club, access to Headspace (a meditation app) and an end-of-month social activity. The aim is to implement mental health awareness training for managers across the firm in 2023 and continuously assess our wellbeing benefits and policies.

### Social Mobility

The Social Mobility team partners with organisations to develop and provide work experience, internships and networking opportunities for under-represented students including #10000 Black Interns, Women Societies Alliance, Sponsors for Educational Opportunity

(SEO), Generating Genius Partnership, The Orchid Foundation (mentorship and scholarship program for underserved girls) and a programme with STAC, London (St. Thomas the Apostle School and Sixth Form College).

### Inclusion

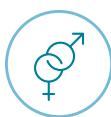
The Inclusion team focuses on creating a more inclusive and equitable work environment for everyone in the Collier team. Initiatives include a Reciprocal Mentoring Programme with participants from all five offices promoting mutually beneficial development and progression for mentees and mentors. We also run DEI training across the Firm, particularly aimed at increasing the skills and knowledge of line managers to create a more inclusive work culture.

We partner with external organisations to foster inclusion in private equity including Out Investors, an LGBT+ investment professional network whose mission is to make the direct investing industry more welcoming for LGBT+ individuals.

In association with the Executive Committee, the DEI Committee follow a calendar of events as well as producing a series of videos throughout the year which feature the experiences and perspectives of our own Collier colleagues called 'What It's Like'. For example, we recently hosted a 'What it's Like to Live with Cerebral Palsy' discussion.

The DEI team also engage external speakers to raise awareness. We also offer a free subscription for every employee to 'WorkLife Central' an award-winning digital hub of expert-led content designed to support, inform and inspire professionals on all things DEI and to supply resources which help to balance their family life, work life and improve overall wellbeing.

A better understanding of our colleagues' experiences in their lives inside and outside of the office, as well as the inspiring experiences of other notable people outside the firm, is key to our journey towards becoming a truly inclusive firm.



## Gender and ethnicity statistics

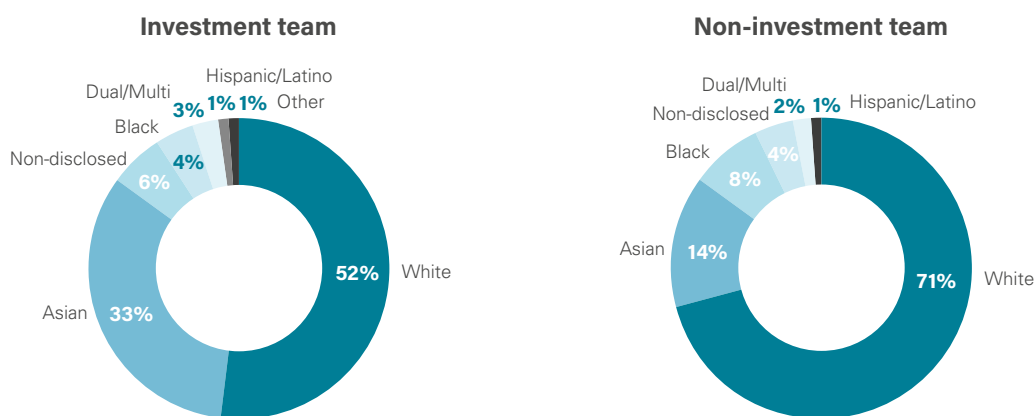
Like many firms in our asset class, we are not yet where we want to be on diversity, equity and inclusion, and this remains a work in progress.

### Coller Capital gender split

	% women (end of June 2021)	% women (end of June 2022)
Total employees	38%	40%
Investment team	23%	22%
Non-investment team	45%	48%
Senior* roles in the investment team	9%	21%
Senior* roles within the firm	6%	23%

\*Senior means Partner, Function Head or Principal.

### Coller Capital ethnicity split



Data collected at 30 June 2022.



**Paige Brotherton**  
Partner, Co-Chair of the DEI Committee

It's exciting to see the firm's DEI initiatives so enthusiastically supported across our team.

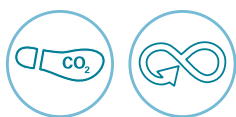






# Sustainability

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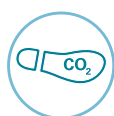
## Sustainability policies

We have an established sustainability team, which is responsible for our ESG footprint across the Collier offices, as well as our relationships with suppliers. Much of their work relates to the consideration of sustainability and ESG factors in the procurement of goods and services, and in general building/facilities management.

Examples include: ensuring our cleaning contractors are paid the London Living Wage; assisting with ESOS (the UK's Energy Saving Opportunities Scheme); working to measure, reduce and report on Collier's carbon footprint (to support our climate neutral status); and compliance with the UK's Modern Slavery Act.

Where possible, all procurement has endeavoured to avoid single-use plastic. Unfortunately, the effect of prior Covid-19 restrictions have continued to create some issues with shared packaging, so some single-use plastic has been unavoidable.

Collier Capital sources its food in line with the Firm's ESG policies and food standards, which pay consideration to animal welfare and sustainable farming practices.

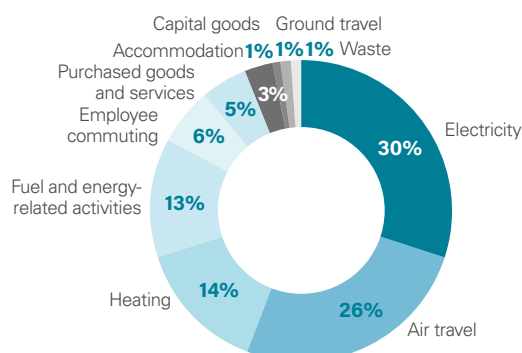


## Carbon footprint

The firm first achieved carbon neutral status in 2019 (for 2018 emissions), and we retained this status in 2020, 2021 and 2022. As in prior years, Collier Capital had its direct and indirect emissions independently measured and offset for the 12 month period 1 January to 31 December 2021.

A total of 1,017 tonnes of greenhouse gas emissions have been offset by investing in a climate protection project that supports the conservation of Ecuador and Peru's Alto Huayabamba area through preventing deforestation and protecting natural ecosystems. The project spans 53,000 hectares (approximately a third the size of London) and contributes to the following **Sustainable Development Goals**:

Sources of GHG emissions in 2021





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# Cyber security



## Cyber governance

We have established strong governance around cyber security and developed an Information Security Programme, with the Head of Cyber Security reporting directly to the COO. Cyber security is treated as a significant business risk.

An Infosec Group with departmental representation provides strategic and operational focus on cyber threats, risks and mitigation. This cyber risk approach is directly aligned to our wider business risk management via the Operational Risk & Controls Committee, with cyber security updates presented at every board meeting.

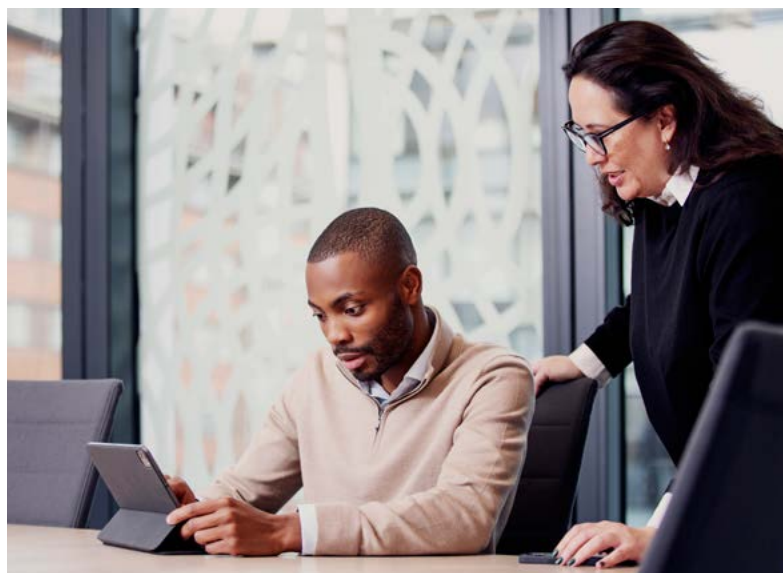
Our Bitsight Cyber Rating is 780, which is in the advanced category, ranking Collier Capital above 99% of its peer group of 1099 firms in private equity and venture capital. A range of suppliers and security products, which make use of industry-leading concepts such as machine learning and AI, are used to supplement the in-house IT and cyber functions to extend our cyber reach. Our core cyber systems are monitored by an outsourced 24/7 Security Operations Centre (SOC), which helps to

identify and mitigate any security incidents. We also have a documented Cyber Security Incident Response Plan.

All staff complete mandatory cyber security training, which is conducted annually. In addition to this, several simulated phishing emails and security bulletins are sent throughout the year.

We have also engaged several external testing, audit and benchmarking experts to independently check our cyber security health, performance, and maturity.

(1) Source: Bitsight, March 2023.



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For more information on ESG at Coller Capital visit [our website](#).

**Adam Black**

Partner, Head of ESG and Sustainability

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