

# WORKING GROUP TERMS OF REFERENCE: PRI PRIVATE EQUITY MONITORING AND REPORTING GUIDANCE

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## BACKGROUND

PRI Limited Partner (LP) signatories are required to report ESG incorporation practices for the three stages of Selecting, Appointing and Monitoring their private equity managers. The PRI private equity programme aims to enable LPs to drive the responsible investment agenda in an industry-consistent way through the construction of three standalone tools that will support these practices.

In 2015, the PRI and private equity association partners published the [LP Responsible Investment DDQ](#) as the “Selection” tool and as the industry standard for LP ESG-related due diligence.

The PRI is in the process of finalising and publishing an advisory document for LPs on how to articulate and refine ESG provisions in fund terms as the “Appointment” tool.

**As the third step, the PRI has appointed ERM to work in partnership with PRI signatories and industry association partners in the development of a “Monitoring” tool – guidance for LPs and General Partners (GPs) on how to report on and monitor the ESG integration practices of GPs during the lifetime of the fund. The PRI has formed a Working Group made up of signatories which will support this project in partnership with ERM and the PRI Executive.**

The *LP Responsible Investment DDQ* built upon Section 1 of the [ESG Disclosure Framework for Private Equity](#), “Disclosures during fund-raising”, and this reporting and monitoring guidance should build upon Section 2, “Disclosures during the life of a fund”.

## PROJECT OBJECTIVE

The objectives of the project are:

- Present the value creation case to both LPs and GPs of reporting and monitoring ESG-related practices during the life of a fund;
- Give a range of flexible options relevant to LPs and GPs on how to report and monitor ESG practices and issues that apply to investors at different levels of ESG integration maturity.
- Encourage a more consistent approach from LPs and GPs on ESG-related monitoring and reporting which will lead to a more streamlined process across the sector.

## WHY?

One of the main findings of the [PRI Report on Progress 2014/15](#) was that, whilst many investors are considering responsible investment factors in all three stages of selecting, appointing and monitoring managers, there is a gap between LP responsible investment due diligence and the translation of these findings into manager evaluation practices. It is the role of the PRI and industry association partners to facilitate this translation and encourage the development of consistent and high-standard industry practice.

## CONTENTS OF THE DELIVERABLE

The deliverable should provide clear and accessible information on how LPs and GPs can monitor and report ESG integration practices during the lifetime of a private equity fund. The target audience is both LPs and GPs and the content should strive to give equal weighting to both. The scope of the guidance will be limited to monitoring/reporting on buyout/growth strategies where the GP has a significant or majority stake in the investment. The structure of the guidance should present a top-down cascade approach - from LP to GP to portfolio company.

More specific details on the content of the deliverable will be determined during the initial scoping meeting and are expected to evolve as the project progresses. Some initial ideas include:

- Highlight that monitoring is valuable to a GP from a value creation point of view.
- Include model examples of what best practice looks like at different levels of RI maturity for both LPs and GPs.
- Present an adaptable framework of how LPs can practically monitor GPs on process, portfolio performance and high-level ESG risk.
- Look at how LPs can use the monitoring data collected from GPs.
- Include a brief overview of current CSR reporting initiatives relevant to portfolio companies.
- Include an overview of the sustainable development goals in the context of reporting and monitoring.

## ROLES AND RESPONSIBILITIES

The PRI has appointed ERM to develop the deliverable in partnership with the PRI Executive and a PRI signatory Working Group, under oversight of the [PRI Private Equity Advisory Committee](#).

The main roles and responsibilities of the project participants are set out below.

## **PRI**

The PRI project team consists of:

Natasha Buckley - Manager, Investment Practices - Private Equity (Lead)

Jake Goodman - Analyst, Investment Practices

The PRI team will:

- Maintain overall management responsibility for the project ensuring that it remains focused, sticks to the agreed timescale and delivers the project objectives;
- Convene, administer and facilitate Working Group meetings;
- Manage and coordinate communication flow between the Working Group, the PRI Private Equity Advisory Committee and ERM including managing feedback on the draft deliverable;
- Oversee Working Group composition, manage the application process and review commitment/meeting attendance;
- Provide introductions to interviewees during the research phase;
- Organise the consultation with PRI signatories and private equity associations (ERM will be invited to participate in this as suits their capacity);
- Provide feedback during the drafting process, ahead of each Working Group meeting;
- Be responsible for final editing of the deliverable;
- Be responsible for the graphic design of the final deliverable;
- Utilise the PRI network to promote the deliverable once it has been published.

## **ERM**

The ERM project team consists of:

Jaideep Das - Partner

Guy Roberts - Partner

Jérôme Rathle - Principal Consultant (Lead)

Tim van der Weide - Principal Consultant (Lead)

Rosie Brown – Principal Consultant

Marc Williams – Senior Consultant

The ERM team will:

- Carry out the research that will inform the contents of the deliverable with advisement from the Working Group;
- Write the deliverable through an iterative revision process of drafting and soliciting feedback from the Working Group and external parties as required;
- Present their progress at key stages in the project to the Working Group and other stakeholders including at the PEI-PRI RI Forum on 28 September;
- Utilise the ERM network to promote the deliverable once it has been published.

## WORKING GROUP

See Appendix 1 for the list of Working Group members.

PRI will convene a Working Group to act in an advisory function to PRI and ERM. The Working Group will provide inputs, advice and feedback to help scope, strengthen and ensure the credibility of the guidance.

In selecting members of the Working Group the PRI will:

- Strive for an equal balance of Limited Partners, Funds of funds and General Partners;
- Only include private equity investors that are signatories to the PRI;
- Include private equity association partners who will be invited to attend as observers;
- Aim for reasonable diversity in terms of the scale, geography and type of member organisations and a range of skills among individual members;
- Select individual members on the strength of their application which demonstrate proactive interest/a history of activity with the PRI and/or leadership in responsible investment (including connections with relevant industry associations).

### Working Group members

Working Group members are expected to act in an advisory role to the PRI Executive and ERM. Members agree to commit sufficient time to provide input to the project. Estimated time commitments for Working Group members are at least four hours per month for the duration of the project, including attending project meetings by conference call and setting aside time to review drafts of the guidance.

Working Group members will be acknowledged in the published document, dependent on their approval having viewed the final version of the guidance and their attendance in a majority of the meetings.

Typical responsibilities may include:

- A minimum of four conference calls/meetings over the duration of the project, between one and two hours duration;
- Providing written feedback to the PRI Executive on the draft deliverable;
- Public speaking commitments (voluntary) on behalf of the PRI.

## CODE OF CONDUCT

- Working Group meetings should proceed only if a majority of members can attend. Due to regional time differences, separate calls may on occasion be held with members unable to join the meetings.
- The proactive involvement of signatories is important to the success of the group. The PRI Executive may cancel individual signatories' participation if the required level of commitment is not demonstrated.
- Signatories must refrain from using these forums for explicit commercial purposes and should focus on furthering the goals and objectives of the project. Failure to meet these requirements may also lead the PRI Executive to cancel member participation.

- Working Group members are welcome to advertise their participation in the Working Group in other forums such as LinkedIn.

## GOVERNANCE

The project falls under the oversight of the PRI Private Equity Advisory Committee. The PRI Executive is responsible for updating the Advisory Committee on the progress of the Working Group meetings, and the Advisory Committee may provide feedback during the scoping and drafting phases of the project. The PRI Executive bears responsibility for final sign-off on the completed work.

## PROJECT PLANNING/PROCESS

It is expected that the initial kick-off/scoping meeting will take place in May/June 2017 and that the project will take approximately 12 months to complete.

Where meetings are required during the process, these will be via conference call and there will be two calls per meeting to accommodate different time zones. Working Group meetings should proceed only if a majority of members can attend.

The project will follow broadly the following phases:

### 1. RESEARCH

There will be an initial kick off/scoping meeting with the Working Group at the start of the project led by ERM. In partnership with industry association partners to the PRI and under recommendations by the Working Group, ERM will conduct research to establish existing practice and practitioner requirements.

- The research should establish current ESG monitoring and reporting practices at LP, GP and portfolio company levels and perform an analysis of “what does good look like”.
- The research method could include individual or group interviews or a workshop format or any other approach decided during the initial scoping meeting.
- A target list of research participants will be developed by ERM in collaboration with the Working Group. PRI can provide assistance in sourcing and contacting participants.
- ERM will develop a questionnaire to use as the structure for research meetings. The Working Group will have the opportunity to provide feedback on this.

### 2. DRAFTING

ERM will use the findings from the research phase to inform an initial draft of the deliverable. ERM will present a summary of their initial findings based on the research at the PRI-PEI Responsible Investment Forum, 28 September in Berlin, adjacent to PRI in Person 2017.

- The Working Group and industry association partners will provide written feedback on the draft. PRI will manage the feedback process and provide a consolidated version to ERM.
- ERM will incorporate feedback on the initial draft into a working draft and resubmit it to the Working Group, this may be a reiterative process which could require two or three meetings.

### 3. PUBLIC CONSULTATION

There may be a call for public consultation on the drafted deliverable, which the PRI will conduct. The Working Group will be convened for a meeting and presented with a summary of any feedback for a discussion on how it should be incorporated into the deliverable.

- PRI will seek feedback on the final draft of the deliverable from industry associations including ILPA, InvestEurope, EMPEA, AFIC, BVCA, and AIC.

### 4. FINAL DEVELOPMENT

ERM will be responsible for developing the final version of the deliverable which will be reviewed by the PRI Editorial Team before final submission to the Working Group and PRI Private Equity Advisory Committee.

- The PRI is responsible for final editorial review and for graphic design and publication.

## TIMELINE

The following timeline is suggested for the project (subject to change):

May 2017	Kick-off calls with the Working Group (WG)
Jun 2017	Call with the Advisory Committee (AC) to design questionnaire
Jun – Aug 2017	Research phase
Sep 2017	PRI in Person – present initial findings
Sep 2017 – Jan 2018	Drafting and consultation with the Working Group
Feb – Mar 2018	Consultation with PE associations on a public draft
Apr 2018	Final review with WG and AC
May 2018	Final review/edit/design by PRI
May-Jun 2018	Publication

## APPENDIX 1 – WORKING GROUP MEMBERS

### GENERAL PARTNERS & FUNDS OF FUNDS

Name	Title	Company	HQ Country
James Magor	Manager, Responsible Investment	Actis	United Kingdom
Lee Gardella	Managing Director	Adveq*	Switzerland
Ellen de Kreij	Operating Advisor	Apax Partners LLP	United Kingdom
April Tissier	Corporate & Investment Responsibility Manager	Ardian*	France
Candice Brenet	Managing Director – Head of Corporate & Investment Responsibility	Ardian*	France
Joshua Cherry-Seto	CFO	Blue Wolf Capital Partners	United States
James Holley	Head of ESG	Bridgepoint	United Kingdom
Angela Willetts	Co-Head of Private Equity Investment Management	Capital Dynamics*	Switzerland
Vanessa Maydon	Corporate Affairs Director	Cinven	United Kingdom
Adam Black	Head of ESG and Sustainability	Coller Capital*	United Kingdom
Michael Hall	Sustainability Manager	DPI	United Kingdom
Therése Lennehag	Head of Responsible Investment	EQT	Sweden
Lauren De Paola	Director of Communications	First Reserve	United States
Sedef Koktenturk	Director	Generation Investment Management LLP	United Kingdom
Andrew Kolb	Vice President	Hamilton Lane*	United States
Tim Delaney	Investment Analyst	Hamilton Lane*	United States
Alison Hampton	Senior Counsel	HgCapital LLP	United Kingdom
Elizabeth Seeger	Director	Kohlberg Kravis Roberts & Co. L.P.	United States
Thomas Kristensen	Executive Director	LGT Capital Partners*	Switzerland
MaryKate Bullen	Associate Director – Sustainability & Communications	New Forests Pty Limited	Australia
Bonnie Lo	Partner	NewQuest Capital Partners	Hong Kong
Jie Gong	Partner	Pantheon*	United Kingdom
Adinah Shackleton	Head of ESG	Permira	London
Silva Deželan	Sustainability Director, Private Equity	Robeco*	Netherlands
Tania Choufani	Head of Environment, Social and Governance	The Abraaj Group	United Arab Emirates
Vani Navaratnam	Associate, ESG Officer	The Abraaj Group	United Arab Emirates

\* Fund of funds

### LIMITED PARTNERS

Name	Title	Company	HQ Country
Camilla Axvi	Head of Private Equity	AP2	Sweden
Anna Foller	Sustainability Manager	AP6	Sweden
David Woodward	Vice President Private Equity	British Columbia Investment Management Corporation	Canada

Christine Gogan	Investment Director, PE	California Public Employees' Retirement System CalPERS	United States
Liliya Kamalova	Investment Officer, PE	California Public Employees' Retirement System CalPERS	United States
Geetika Misra	Associate Portfolio Manager	California State Teachers' Retirement System CalSTRS	United States
Margot Wirth	Director of Private Equity	California State Teachers' Retirement System CalSTRS	United States
Guy Alexander	Executive, Environmental and Social Responsibility	CDC Group plc	United Kingdom
Karita Meling	Head of Private Equity Funds	Elo Mutual Pension Insurance Company	Finland
Nilesh Moodley	ESG Manager	Government Employees Pension Fund of South Africa	South Africa
Cacious Siboleka	Portfolio Analyst	Government Institutions Pension Fund	Namibia
Michael Cappucci	Senior Vice President Compliance	Harvard University Endowment	United States
Joanne Saleeba	Investment Manager - ESG	HESTA	Australia
Alexandra Bestel	Chief Analyst - SRI	MAIF	France
George Wong	Investment Officer - Corporate Governance	New York State Local Retirement System	United States
Sarah Takaki	Principal	Ontario Teachers' Pension Plan	Canada
Swee Hong Yap	Principal	Ontario Teachers' Pension Plan	Canada
Jelena Stamenkova van Rump	Advisor Responsible Investment	PGGM Investments	Netherlands
Hangwi Manavhela	ESG Specialist	Public Investment Corporation	South Africa
Helen Hopkins	RI Advisor	USS	United Kingdom
Michael Marshall	Responsible Investment Officer	West Midlands Pension Fund	United Kingdom