



PRIVATE EQUITY SERVICES

A&M ESG SERVICES

Driving meaningful value through ESG integration for
investments, transactions and performance improvement



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ESG used to be a nicety. No more.

Environmental stewardship, societal co-benefits and corporate involvement...for Private Equity (PE), prioritizing ESG is aligned with seeking positive returns and being a responsible steward of their limited partner's (LP) investments. The potential for PE valuation uplift is two-fold through 1) ESG integration into the investment management process and 2) Strong ESG programs for existing investments.

By The Numbers

One-third of all professionally managed money, a staggering \$17.1 trillion,¹ is invested in ESG-related funds, and ESG investments are growing at a 14% annual compound growth rate.² For newly emerging portfolio companies, failure to articulate a strong ESG program leaves money on the table by not meeting investor expectations and losing out on possible investment by ESG-related funds. Even lenders are offering varying costs of debt based on a company's ESG profile with strong performers seeing a more than 100 basis point reduction in cost of capital.³

Action from institutional investors requesting enhanced ESG disclosures is only part of the story. Numerous other stakeholders have prioritized ESG over the past several years.

Stakeholder	Demand Driver
Investors/Owners	Better ESG companies trade at a 20% valuation premium to laggards per Bank of America; 98% of global investors use climate data to manage risks
Lenders	Lenders are increasingly utilizing ESG data to determine credit risk profiles; ESG leaders enjoy a WACD 200 bps better than laggards in reporting and performance ⁴
Insurers	Allianz research of 6,000 companies over 12 years demonstrates ESG parameters as "significant early warning indicators" to identify firms that pose excess risk
Customers	75% of global sectors in North America and Asia-Pacific and 67% of those in Europe expect to face additional scrutiny in ethical sourcing matters, per Bank of America
Employees	A recent survey found that 70% of Millennials will stay with a company if it has a strong sustainability plan; 40% have taken a pay cut to work at a sustainable company ⁵
Regulators	Climate-related financial disclosure is now required in the UK; The U.S. SEC is considering adding additional reporting of climate-related and non-financial risk

¹ "2020 Report on US Sustainable and Impact Investing Trends." The Forum for Sustainable and Responsible Investment.

² "Sustainable Value: How Emerging Public Companies Can Deliver on ESG Expectations." Morgan Stanley Institute for Responsible Investing.

³ Lodh, Ashish, "ESG and the Cost of Capital." <https://www.msci.com/www/blog-posts/esg-and-the-cost-of-capital/01726513589>; February 25, 2020.

⁴ "ESG from A to Z, A Primer." Bank of America, November 2019.

⁵ Governance and Accountability Institute, Inc., February 2019.

Your ESG Partner

At Alvarez and Marsal (A&M), our ESG Services offering helps private equity firms separate the signal from the noise with a pragmatic approach targeted toward tangible improvement and benefits. As your ESG partner, we are committed to helping you integrate ESG at the firm and fund level and across every phase of the investment lifecycle. Our approach to ESG goes far beyond risk mitigation – we look to not only preserve value, but create it.

Why Choose A&M?

Tailored Solutions

We believe there is no one-size-fits-all approach to ESG and are committed to helping our clients execute initiatives that are both meaningful and measurable.

Results-Oriented

We focus on delivering rapid results with an overarching focus on creating tangible value for our clients.

Experienced Leadership

We have been in your shoes. Our seasoned executives, which blend expert ESG consultants and former corporate sustainability, investor relations and communications leaders, bring practical approaches based on real world experience.

Specialized Expertise

The number of ESG frameworks and standards can be overwhelming. We simplify ESG, helping clients focus on what is most material based on your facts and circumstances. We can turn good disclosure into better performance with a global team of experts known for driving transformative change across the ESG spectrum.

Objective & Independent

Without the potential conflicts of public accounting firms or ratings providers, A&M offers objective, credible advice that is in our client's best interest, not our own.

Our Services

- ESG Due Diligence
- Peer Benchmarking
- Comprehensive Gap Analysis
- ESG Program Development
- ESG Risk Assessments
- ESG Playbooks for Portfolio Companies
- Materiality Assessments
- ESG Knowledge Hub
- Impact Measurement
- Prepare for Reporting
- Technical GHG Advisory
- Readiness and Implementation
- ESG Reporting Assistance

ESG PRACTICE LEADERS



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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to drive change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 5,500 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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