



ESG as a Value Driver

Environmental, Social and Governance (ESG) factors are growing in importance. Their integration into management and investment decisions is a new imperative. Already almost 60% of Private Equity players declare including ESG factors while taking investment decisions.¹

Ongoing implementation of Sustainable Finance Action Plan, aligned with the goals of the European Green Deal is supposed to transform the EU market into more strategically oriented on environmental, social and governance (ESG) factors, and thus contributes to climate change mitigation.

With tightening regulations, the EU Commission is strengthening the transparency of companies in ESG management practices and results disclosures.

Besides the EU regulators, companies are facing increasing pressure to report on and to behave according to ESG matters driven by shareholders needs, consumers behaviors, reputational concerns and more.



EUROPEAN GREEN DEAL



SUSTAINABLE FINANCE ACTION PLAN



TCFD AND CLIMATE CHANGE IMPACT



CONSUMERS CHANGING BEHAVIORS

The ESG transformation has already started

649 billion USD was invested worldwide in ESG-focused funds only in 2021 – an increase from 542 and 285 billion USD invested in 2020 and 2019 respectively⁵

30% of businesses have already observed operational impacts from climate change⁴

10% of worldwide fund assets now account for ESG funds⁵

137 billion USD of estimated losses caused by natural disasters in 2019⁴

90% of studies have reinforced the long-term benefits and relationship between ESG and company financial performance²

8/10 Nearly 8 in 10 consumers declare changing buying habits in response to environmental concerns⁴

24/26 sustainable index funds outperformed comparable conventional index funds in Q1 2020²



Employees are paying increasingly more attention to sustainability factors in their current or potential workplace³

EU narrative may eventually lead to increased pressure on ESG ratings

EU Regulations
(TCFD, CSRD, SFDR)



Financial sector
increased transparency



Increased data
availability



Increased focus on
Transparency and ESG ratings





Recent market response indicates strategic moves among Private Equity players⁵

56%

Implemented an investment policy which specifically includes ESG factors, with further 28% who perceive moving in this direction soon

48%

Perceive moving towards formal decarbonisation commitments and targets

11%

already implemented formal decarbonisation commitments and targets, with another 9% who are developing it

Factors that may affect success

- 1 | How can ESG strategy be integrated into the business strategy to drive more value?
- 2 | What governance structures are currently in place to define ESG priorities and oversee ESG activities?
- 3 | Does the tone at the top support these initiatives, and are they incorporated into the broader investment strategy?
- 4 | How does a PE identify and monitor the ESG-related risks and opportunities of both its targets and current holdings?
- 5 | What is a PE mechanism for evaluating companies in different industries?
- 6 | How is ESG data sourced, and how does the PE get comfortable with the reliability of ESG data?

Our approach - We can help you create value in the ESG-driven market



Strategy.

- Define the **core principles** of Fund's policies **shaping ESG requirements & targets**
- **Support the portfolio companies** in shaping their ESG strategy and alignment to the Fund's principles



Operational support.

- Execution of **ESG Due Diligence**
- Development of **100-day plans**
- Calculation of baseline for **ESG related key indicators** and regular assessment
- Development of policies and procedures supporting ESG area for both PE and the portfolio companies



Disclosures.

- Development of **ESG & Sustainability reports**
- Assessment and verification of **ESG disclosures**
- Preparation of **informative reports for stakeholders and investors**
- Development of **TCFD disclosures**



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