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ESG Viewpoint: ESG Analytics

RepRisk interviews Rina Kupferschmid-Rojas, Founder and CEO at ESG Analytics

ESG Analytics is dedicated to innovation and defining best practices for integrating environmental, social, and governance (ESG) performance analysis into Private Equity investments. They provide web-based products and services for both Private Equity LPs and GPs to collect, analyze, and present ESG data. The firm is relatively new, and is launching their flagship tool, Aditus in September at the Dow Jones Private Equity Conference in New York.

Rina Kupferschmid-Rojas: Before founding ESG Analytics, I was responsible for Global Business Development activities at Adveq Management AG, a leading private equity fund-of-funds with $5 billion AUM. I also previously worked in Business Development at PriceWaterhouseCoopers in Switzerland. I am very involved in the private equity and ESG space such as through the World Economic Forum's Young Global Leaders, sitting on the Private Equity working group of the PRI, as well as part of the Finance Working Group of the Sustainability Accounting Standards Board (SASB) and the New Innovators Council of the World Resource Institute (WRI).

RepRisk: What need did you see in the private equity space that made you want to found ESG Analytics?
RK-R: I noticed that within Private Equity there continued to be increasing discussion of ESG issues, but the industry lacked standardized metrics and mechanisms to communicate on policies and performance to take the next step. There were a handful of fund managers and investors far out ahead, leading the way in integrating ESG issues. However, a gap existed between these leaders and the rest of the industry. Through conducting extensive research for my PhD thesis, which focused ESG Integration into Private Equity Investment I realized that both LPs and GPs wanted to manage ESG risk, they were just lacking the tools to develop and achieve best practice. As part of my thesis I developed the methodology that Aditus is based on to address these issues.

RR: Who is your typical client? And have you seen growing awareness / interest from these investors in ESG issues?
RK-R: Our clients vary in asset size, geographical focus, and also level of ESG sophistication- therefore it difficult to typify our client base. This is due to the fact that we designed Aditus to standardize industry expectations and to meet the needs of various Limited Partners (LPs) and General Partners (GPs). We engage with firms just beginning to address ESG issues to advanced firms. Overall, there is not only increased attention to ESG from both LPs and GPs on ESG issues, but increasing attention to improving processes already in place.

RR: What do you see as the challenges of integrating ESG information in investment decisions for private equity investors?

RK-R: The biggest challenge for both LPs and GPs has been identified as 'metrics' for a while now. However, industry has made progress in identifying material KPIs; the challenge now is how to systematically integrate these metrics as part of the entire investment process from fundraising all the way to exit to not only minimize risk, but to identify opportunities.

RR: How do you work with RepRisk to address these challenges?

RK-R: We utilize the proven expertise and dedication that RepRisk exhibits in ESG to offer our clients access to most critical and up to date business intelligence on the issues that affect them. ESG risk to investors and fund managers can change overnight and we found the confidence to identify this risk by partnering with RepRisk. Their specialization in meeting the unique needs of asset managers and with a global focus illustrates the ability of Reprisk to accurately identify vital information that may affect our clients.

RR: Are there any future trends/developments in the private equity space that you want to share?

RK-R: As ESG develops within the industry from a few leading firms to more widespread adoption, I expect firms to engage more with external stakeholders and industry organizations to achieve best practices. AUM by signatories is more than $34 trillion, or 15% of the world's investable assets, however many signatories have not been required to report yet. With the new guidelines released in October all signatories are required to report with new signatories still only receiving a one-year grace period. As firms find themselves in similar positions needing to integrate ESG into the investment process and illustrate this integration, they will be looking to other stakeholders and industry organizations for support.