

Strong private equity industry support for Environmental, Social and Corporate Governance (ESG) Disclosure Framework

A new Environmental, Social and Corporate Governance (ESG) Disclosure Framework for Private Equity has been published today, following a 16 month consultation and drafting process that involved a group of more than 40 limited partners (LP) from 11 countries, 20 Private Equity Associations, and 10 leading general partners (GP).

The ESG Disclosure Framework has been developed to help general partners better understand why limited partners want ESG related information, and to help rationalise the types of questions that LPs are increasingly asking GPs on ESG.

The document outlines eight objectives common to many LPs who want more structured ESG disclosures within their private equity investments. The first five objectives relate to the fund due diligence process, and the next three relate to disclosures during the life of the fund. Guidance is also provided on the disclosure of information around unexpected events that might pose reputation risks to an LP, GP or portfolio company.

Tom Rotherham-Winqvist, Director of Private Markets at Hermes Equity Ownership Services, who chaired the drafting process, said: "This is an example of what can be achieved within the private equity sector when there is a common interest, mutual respect and a commitment to finding pragmatic solutions. This will help give LPs better insights into the management of underlying portfolio companies - something a growing number believe is needed to fulfil their fiduciary duty."

Along with many of the world's leading private equity associations, the drafting group benefited from close contact with the Board of the International Private Equity Valuations (IPEV), the Institutional Limited Partners Associations (ILPA) and the UN-backed Principles for Responsible Investment (PRI). This helped to ensure that the ESG Disclosure Framework is complementary to the recently released IPEV Reporting Guidelines and the ILPA Quarterly Reporting Standards, and is broadly consistent with the private equity section of the upcoming UN PRI reporting & assessment survey.

Réal Desrochers, Senior Investment Officer, CalPERS Private Equity said: "ESG is a strategic priority across the CalPERS investment portfolio. This disclosure framework will help clarify and define the information needed by limited partners in order to assess how private equity firms manage ESG risks and opportunities across their portfolio."

Ruulke Bagijn, Chief Investment Officer Private Markets at PGGM, said: "Responsible investing is one of our investment beliefs. For it to become practice, ESG disclosure is important, because what is disclosed, will be managed. We believe the ESG disclosure framework will lead to effective management of ESG risk and value creation. Moreover, the framework is an important step towards more coordination and alignment among the LP community."

Umberto Pisoni, Portfolio Head - Private Equity Funds at IFC, said: "IFC is confident that corporate commitment to sustainability and transparency is associated with better business performance and better returns for investors; and therefore we welcome this framework as an important step towards a more structured ESG management of private equity investments."

Iain Leigh, Managing Director, Global Private Equity at APG said: "For APG it is vital that ESG factors are addressed across the whole investment cycle, to match our approach to integrating ESG factors into the investment process. We have been actively involved in the development of the framework. Supported by various key stakeholders this framework can help drive change and achieve greater consistency in ESG disclosures. As momentum gathers we expect more and more LPs and GPs to make ESG a standard component of performance reviews."

The document is currently available at www.hermes.co.uk/eos and www.estoolkit.com and will be circulated by a number of leading private equity associations to their members.

Note to Editors:

41 limited partners from 11 countries have expressed formal support for the ESG Disclosure Framework:

AFL-CIO Office of Investment, AlpInvest, AP1, AP2, AP3, AP4, APG Asset Management, Aviva Investors, Axa Private Equity, Blue Sky Group, Caisse de dépôt et placement du Québec, Caisse des Dépôts, CalPERS, Capital Dynamics, CBUS, CDC Group, Hermes GPE, HESTA, IFC, Local Government Super, Lothian Pension Fund, Merseyside Pension Fund, MN, Ontario Teachers' Pension Plan, OPTrust Private Markets Group, Pension Protection Fund, PREVI, Public Sector Pension Investment Board, Pantheon, PGGM, PKA, Robeco Private Equity, RPMI Railpen Investments, SEIU Master Trust, South African Government Employee Pension Fund, SPF Beheer, Storebrand, Syntrus Achmea, Unipension, USS and VFMC.

About Hermes Equity Ownership Services

Hermes Equity Ownership Services undertakes proxy voting and corporate engagement on behalf of 33 institutional investors in 11 countries, representing over USD\$161 billion in assets under advice as at 31 December 2012. Hermes EOS is part of Hermes Fund Managers Ltd.

www.hermes.co.uk/eos

Hermes Fund Managers Ltd. is a multi-boutique asset manager with a growing global presence. Our pursuit for excellence is defined by a commitment to deliver innovative investment solutions through a responsible asset management approach. We offer investment solutions across alternatives, fixed income and specialist equity products, as well as being one of the market leaders in responsible investment advisory services.

www.hermesfundmanagers.com

About CalPERS

CalPERS is the USA's largest public pension fund with approximately \$256 billion in assets, administering retirement benefits for more than 1.6 million members, and spending over \$7 billion annually to provide health benefits for more than 1.3 million State, public school, and local public agency employees, retirees, and their families. The average CalPERS pension is \$2,420 per month. The average benefit for those who retired in the most recent fiscal year that ended June 30, 2012, is \$3,025 per month.

www.calpers.ca.gov

About PGGM

PGGM is a cooperative Dutch pension fund service provider. PGGM offers its institutional clients: pension fund management, comprehensive asset management, policy advice and

management support. Currently – on behalf of five pension funds – PGGM manages slightly in excess of EUR 133 billion for 2.5 million people. As a co-operation with more than 578,000 members, PGGM is helping to achieve a valuable future. Either alone or with strategic partners, PGGM is developing innovative future provisions by linking together pensions, care, housing and work.

<http://www.pggm.nl>

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. We help developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. In FY12, our investments reached an all-time high of more than \$20 billion, leveraging the power of the private sector to create jobs, spark innovation, and tackle the world's most pressing development challenges. For more information, visit www.ifc.org.

About APG

APG, a financial services provider in the collective pensions market, provides pension fund administration, asset management, management support and communication services to pension funds. For these pension funds and their 4.5 million active and retired participants in the public and private sectors, APG manages pension assets totalling about EUR 325 billion (year-end 2012). APG administers over 30% of all collective pension schemes in the Netherlands.

www.apg.nl

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