

ESG Guide

Getting your business ESG-ready for investment

ESG has become a crucial component for companies and investors partnering for growth. Investment Director [Matt Newbold](#) offers advice to management teams seeking funding.

With ESG a fundamental part of how businesses operate, investors continue to look to companies that have embedded the principles of environmental, social and governance into the heart of their strategies. And that's something [we've done ourselves at LDC](#).

Getting your ESG strategy right is an important part of making your business more resilient and therefore more attractive to investors. Indeed, a recent KPMG survey suggested investors are willing to pay a premium of 1-10% for assets with ESG maturity. So, for management teams seeking a funding partner, what should they ensure they have in place? **Here are three tips based on our experience.**

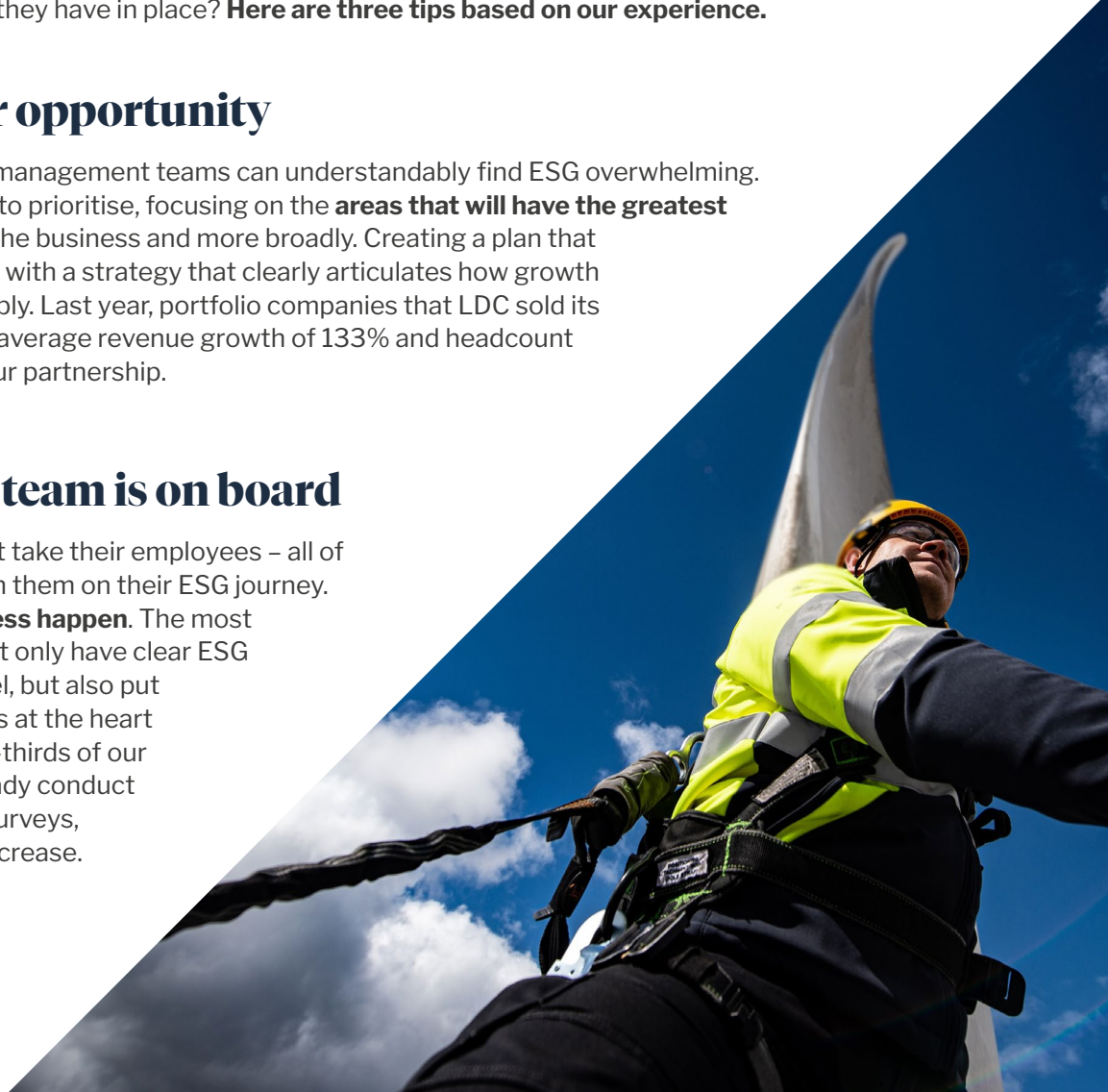
1. Identify your opportunity

With so many elements, management teams can understandably find ESG overwhelming. The best place to start is to prioritise, focusing on the **areas that will have the greatest positive impact** on both the business and more broadly. Creating a plan that aligns profit and purpose, with a strategy that clearly articulates how growth will be delivered sustainably. Last year, portfolio companies that LDC sold its investment in generated average revenue growth of 133% and headcount growth of 159% during our partnership.

2. Ensure your team is on board

Management teams must take their employees – all of them, at every level – with them on their ESG journey.

People make ESG progress happen. The most successful companies not only have clear ESG leadership at a board level, but also put engaging their employees at the heart of their approaches. Two-thirds of our portfolio companies already conduct employee engagement surveys, and this is only likely to increase.



3. Track your progress using data

Finally, like many parts of the investment process, **data is key** to help identify challenges and opportunities. It means businesses can understand their baseline, set improvement objectives and track progress. Having access to data that shows positive progress makes businesses 'future fit' for investors who have their own ESG commitments to consider. Last year our portfolio companies disclosed an average of:

80%

key environmental
measures

88%

social
measures

100%

key governance
measures

Supporting businesses with purpose

As a responsible investor, LDC is committed to supporting companies with **ESG as their purpose** – those businesses whose products and services enable other businesses to further their ESG ambitions. In the last two years, we have invested in a number of these businesses, right across the UK:



- ▶ London-headquartered [Sedex](#) whose technology platform enables organisations to assess the ESG risks across their supply chains, helping them manage what is increasingly a major area of risk and a topic scrutinised by stakeholders.



- ▶ Yorkshire-based [Boston Energy](#), a company that provides specialist technicians for wind farms across the UK and further afield, including the world's largest offshore wind farm Dogger Bank.



- ▶ In [Stonbury](#) we're supporting one of the UK's leading water and environmental sustainability specialists. The Bedfordshire-based company helps organisations operate more sustainably, and increase the lifespan of critical water infrastructure.



- ▶ [Waterscan](#) is a tech-enabled and ESG-focused water management consultancy that helps household names including BT, Greene King, Sainsbury's, John Lewis and Whitbread to develop effective sustainable water management strategies.

The importance of embedding a positive ethos

We work with the management teams of our portfolio companies, across many different sectors, to support their ESG ambitions. We're committed to ensuring that all of LDC's portfolio operate with a positive **ESG ethos**. Some current examples include:



- ▶ [Mi Hub](#) is the UK's largest supplier of uniform solutions, exporting many of its products. The company's management team developed the Circular Bi Design approach, which uses recycled materials and reduces packaging waste. Mi Hub has also partnered with Sedex to audit garment manufacturers in its supply chain.



- ▶ At Birmingham-based [Precision Micro](#), meanwhile, which manufactures components for sectors including aerospace, automotive and energy, our support has helped the management team increase recycling rates and efficiency. This includes a £1.8m investment into machines that use less energy.



- ▶ And London-based financial and corporate reputation specialist [Headland](#) has set up a range of initiatives to increase diversity in its workforce with help and advice from our team. For example, a partnership with the Taylor Bennett Foundation encourages Black, Asian and minority graduates to pursue a career in communications.

What to expect from an investment partner

For most investment partners, ESG is a key part of the pre- and post-investment process. The right investor will help you identify opportunities to support growth, as well as risks.

LDC's proprietary data platform allows us to track portfolio companies' progress across 30 key performance indicators, aligned to industry frameworks and standards. Together with management teams, our investors and ESG experts use this data to collaboratively agree tailored ESG improvement plans.

The businesses we back also benefit from being part of our 90-strong portfolio. We promote best-practice sharing and encourage learning, we use our collective buying power for individual company benefits and we make introductions that create real value – such as Mi Hub's partnership with Sedex.

Our approach drives the creation of real value – both from an ESG perspective as well as economic impact. In the last 12 months, 46% of the electricity used by our portfolio companies came from renewable sources compared with a 29% average for all private equity backed UK businesses. In addition, the growth of our portfolio companies created 2,600 jobs.

ESG is at the heart of good investment

ESG is now a permanent fixture of the investment landscape. By working to get the right ESG strategy, management teams can future proof their business in the face of evolving stakeholder expectations and increasing regulations as well as put themselves in a better position to find an investment partner; and potentially greater valuation.

What our management teams say about their ESG investment journey

“The wind energy industry is growing rapidly and there are more opportunities than ever for our business to expand our offering. Our partnership with LDC is helping us to respond to the growing demand for our services at pace and continue to invest in our expert technicians. In the process, we're supporting the green economy and decarbonising the UK's energy mix, as well as bringing our expertise to others around the world.”

Julian Cattermole, CEO, Boston Energy

“We knew from the moment we met the LDC team that they were the right investment partner for us. Their relationship-first approach and extensive network of connections were important factors in our decision. It's clear that ESG is fundamental to LDC's investment model, and their backing has supported our progress in providing our services to new customers keen to identify ways of reducing their impact on the environment.”

Trevor Hoyle, CEO, Stonbury

“LDC has been a fantastic partner to the business as we have invested in the future of our facility, making sustainability a key priority through our ESG commitment. We look forward to the next stage of growth with their support.”

Tim Barrett, Managing Director, Precision Micro

“Though there's still lots more work to do, we're championing more diverse perspectives in our business, which is good for our culture, our team and, crucially, the advice we can offer to our clients. It's great to have LDC to partner with as we continue with our work in this area.”

Dan Mines, CEO, Headland