

# Private Funds CFO

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## NEWS & ANALYSIS

# How Blackstone does ESG

CFO Michael Chae and global head of ESG Alison Fenton-Willock explain how the firm gathers ESG data from the private equity giant's portfolio companies.

Blackstone, the world's largest private equity firm according to the PEI 300, gathers environmental, social and governance data from its portfolio along with more conventional financial metrics. Private Funds CFO put eight questions to Blackstone's CFO, Michael Chae, and its global head of ESG, Alison Fenton-Willock, to reveal more about the process.

### WHAT DOES BLACKSTONE'S ESG POLICY LOOK LIKE?

**Alison Fenton-Willock:** Blackstone's inception, ESG principles have been integrated into our investment decisions. Our firm wide Responsible Investing Policy codifies three overarching responsible investing objectives for the firm: integration, engagement and reporting. The specific way we meet those objectives is different depending on the asset class and product.

### WHAT SORT OF DATA GATHERING FROM PORTFOLIO COMPANIES DOES IT INVOLVE?

**AFW:** We collect certain ESG data and metrics from our portfolio companies on a quarterly basis, leveraging the same process that we use to collect quarterly financial information from them. On a less frequent



Alison Fenton-Willock

basis, we also collect more qualitative ESG information from our companies. ESG data comes to us in a number of ways. Primarily we rely on the companies themselves, but we also get information through the investment teams.

### DO LPS WANT DIFFERENT ESG DATA, OR DO THEY ALL GET THE SAME THING?

**AFW:** LPs sometimes have different areas of focus. We are very disciplined about the data we collect from our portfolio companies, and we generally



Michael Chae

ask for information we find meaningful in managing our assets and measuring our impact. For example, we track employee data across our portfolio. This allows us to measure our impact on job creation in the US which has been that we've created more than 100,000 jobs in the last 15 years. We also know that we have more than doubled the number of women in our incoming analyst class from 15 percent in 2015 to nearly 40 percent in 2018. We care about our diversity initiatives, so we track that data to measure our progress and the success of our initiatives.

## **DOES ESG SUCK UP A LOT OF YOUR RESOURCES?**

**Michael Chae:** This isn't the type of work that one can do casually or periodically, so it requires the right process and resources as well as a clear mandate from the top. Rather than thinking of it as a time sink, we view this work as valuable and important in delivering for our LPs and being responsible stewards of capital and owners of companies. For an asset manager, engaging in this critical aspect of due diligence before deciding to make an investment is time well spent.

## **IS IT LED BY DEDICATED ESG-FOCUSED PROFESSIONALS?**

**MC:** We have a head of ESG, Alison Fenton-Willock, who leads the firm's

overall approach to environmental, social and governance issues that affect our investing activities. For several years, we have also had a chief sustainability officer, Don Anderson, who leads sustainability initiatives across the portfolio. Don's team has helped achieve more than 15 percent in energy savings for companies participating in the Blackstone sustainability program. Don and Alison work closely together and with others across the firm to coordinate our approach.

## **DO YOU USE ANY CONSULTANTS FOR THE PROGRAM?**

**AFW:** ESG covers a broad and constantly evolving list of topics. It is not possible or practical for an investment firm to develop the desired depth of expertise in each area,

so we leverage the expertise of various consultants in some of our work.

## **DO YOU USE ANY SOFTWARE FOR IT?**

**AFW:** Yes, we have developed our own tool to manage and visualize the information we collect from portfolio companies.

## **WHAT DO YOU THINK THE FUTURE HOLDS FOR ESG REPORTING?**

**AFW:** Certainly, it should become more mainstream. In addition, as more and more companies report on ESG and sustainability matters, hopefully what the future also holds is that reporting standards converge and there is increased consistency in what is reported and how it is reported. ■