

# Strategic Impact Partners

Own the Future.



NEW VALUE CREATION DELIVERED:

## ESG FOR PRIVATE MARKETS

*Private Companies; Family Businesses; P-E and Venture Capital Teams*



Don't mistake values as politics.

ESG is *not* about injecting politics or personal opinions into your business.

ESG is about aligning the methods and means to revenue performance, EBITDA, profitability, and valuation to the drivers of the *license to operate* in the new paradigm of stakeholder capitalism.



## Master Your Next Horizon

*The ESG Wave of Competitive Transformation for Private Companies and Family Businesses*

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Today's risk and opportunity landscape is dramatically broadening for C-suite leaders, Board directors, and their P-E and venture capital partners. Embracing a proportionate ESG leadership and operations strategy, customized for your unique context, is essential if you want to win at the next horizon.

SIP helps private market operators maximize ESG opportunities for strategic competitive advantage, new value creation, market leadership, and enhanced exit options.

In this age of perpetual volatility, fleeting control and diminished predictability, ESG for private companies and family businesses is a toolbox for better managing success and reducing risk while improving anticipation of, and your response to, recurring disruption.

ESG aligns with where customers, supply partners, employees, and capital markets are heading. If you want to meet them and lead where they're going, our team is exceptionally equipped to help get you there.



## Private Companies and Family Businesses Succeed from a Unique Perspective

*Few Consulting Firms Understand the 'Why' or 'How'.  
We do, and for good reason.*

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Our team colleagues are, or recently have been, private company CEOs and senior executives, private company or family enterprise Board directors, P-E partners and VCs, Fortune 100 executives, operational management consultants, university educators and corporate training developers, and widely respected subject matter experts.

We are inherently multi-disciplinary and highly collaborative, the backbone needed in upscaling your competitive readiness for today's private market context.

Each of our career journeys has involved extensive experience with one or more key areas of the emerging global ESG/Corporate Integrity movement.

From a private company worldview, we deliver the ESG capabilities that will help you build a more durable enterprise for mastering your next opportunity horizon.



# New Risks Over the Immediate Horizon

- ✓ ▪ Stakeholder expectations **maturing and becoming emboldened**
  - A public markets ecosystem of monetized scrutiny is reaching its pinnacle
  - Private companies are the next target of opportunity for the **growing scrutiny industry**
- ✓ ▪ You can no longer choose not to engage, only **be prepared to choose how to respond**
  - *Not* responding or *not* developing a proactive ESG strategy will be seen as *implausible distancing or denial*
- ✓ ▪ With context ESG customized to your unique situation, expect **severe limitations on your growth and expansion, succession, and exit options**
  - **Private capital markets** are increasingly calculating material ESG factors when determining market value and a **defendable valuation**
- ✓ ▪ The “Great Resignation” – now the great **Work-Life Recalibration**
  - Sustaining a **Preferred Employer Brand** requires an advanced model of **ESG human capital enablement and empowerment** to **attract and retain the best candidates**
- ✓ ▪ For private B2B mid-caps, lead growth can come as supplier to a large cap or multinational; attaining first tier or *Preferred Supplier* status, or their business at all, may **rest on complying with their ESG requirements**.
- ✓ ▪ Large caps and multi-nationals: Increasingly outsourcing the innovation function or taking equity positions in specialized private companies to deliver R&D
  - Non-compliance with their ESG obligations will likely **disqualify you from capitalization**



# Conscious Governance

*SEC transformation of public company oversight will trigger changes for private companies*

## Board requirements in the SEC proposed Item 1501(a) of Regulation S-K:

- ✓ Identify those **directors or board committees responsible** for the oversight of climate-related risks.
- ✓ Whether any **directors have expertise** in climate-related risks.  
(Would require disclosure “in such detail as necessary to fully describe the nature of the expertise.”)
- ✓ The processes and frequency by which the board – or any board committees – **discuss climate-related risks**, including **how the board is informed**.  
(Corporate secretaries will have to keep track of very specific discussions, **getting far into the weeds of board meeting processes** and disclosing greater detail than has historically been included in board minutes.)
- ✓ Whether – and how – the board (or any board committees) **considers climate-related risks as part of its business strategy**, risk management, and financial oversight.  
(This is **core to what investors want to know**; however, some companies might disclose they’re integrating climate factors into the business strategy when they are not.)
- ✓ Whether – and how – the board sets climate-related targets or goals, and **how it oversees progress**.  
(For C-suite climate pledges, boards should know and understand the plan including outcomes goals. The board should also **conduct intermittent progress checks**.)



*Weighing on the cautious side due to potential legal challenges, the SEC may not adopt final rules in 2023 and if so, there would be a phase-in period for all sizes of companies, with the compliance date dependent on a company's filer status.*

# Human Capital: What to Worry About

## Tipping Point: Global Covid-19 Pandemic

- ✓ Health & Public Safety **legitimately challenged**
- ✓ **Loss of work**/compensation/livelihoods/homes
- ✓ Yet productivity in many organizations at **all time highs**
- ✓ Further **deterioration of confidence** in business leaders

## Seismic Shift

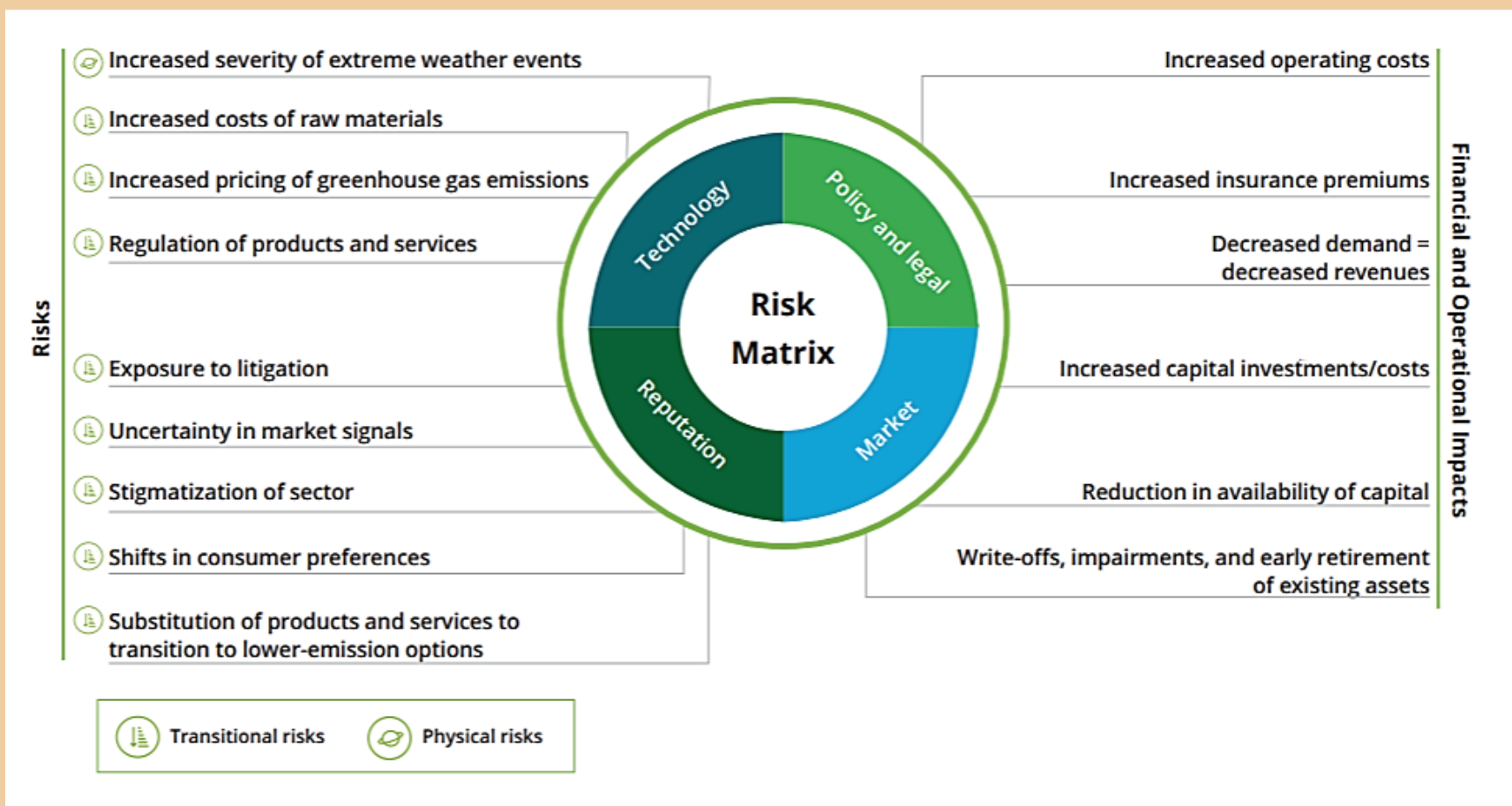
- Weary disengaged work force, at the point of **'us' versus 'them'**
- Reclaiming/re-ordering of Social Constructs – **Shift power distribution** employer-employee
- Insistent **demand for rebalancing** of the profit and purpose equation... emphasis on ESG initiatives for leveling the playing field
- **External pressure** from customers – demand more from companies with whom they do business
- **New ESG requirements** by institutions: SEC, PE firms, Investors

*"Work force voting with their feet ..." (McKinsey):  
68% of workers currently looking for a new job*



# Today's Business Risks are Characteristically Indiscriminate

*No longer a distinction between publicly-held dynamics and private market impacts*





# Top-of-Mind Risks for CEOs Ongoing



This **Top Risks** list is compiled from annual surveys conducted by The Conference Board, Vistage and Protiviti, then synthesized with our in-market observations from clients this past year.

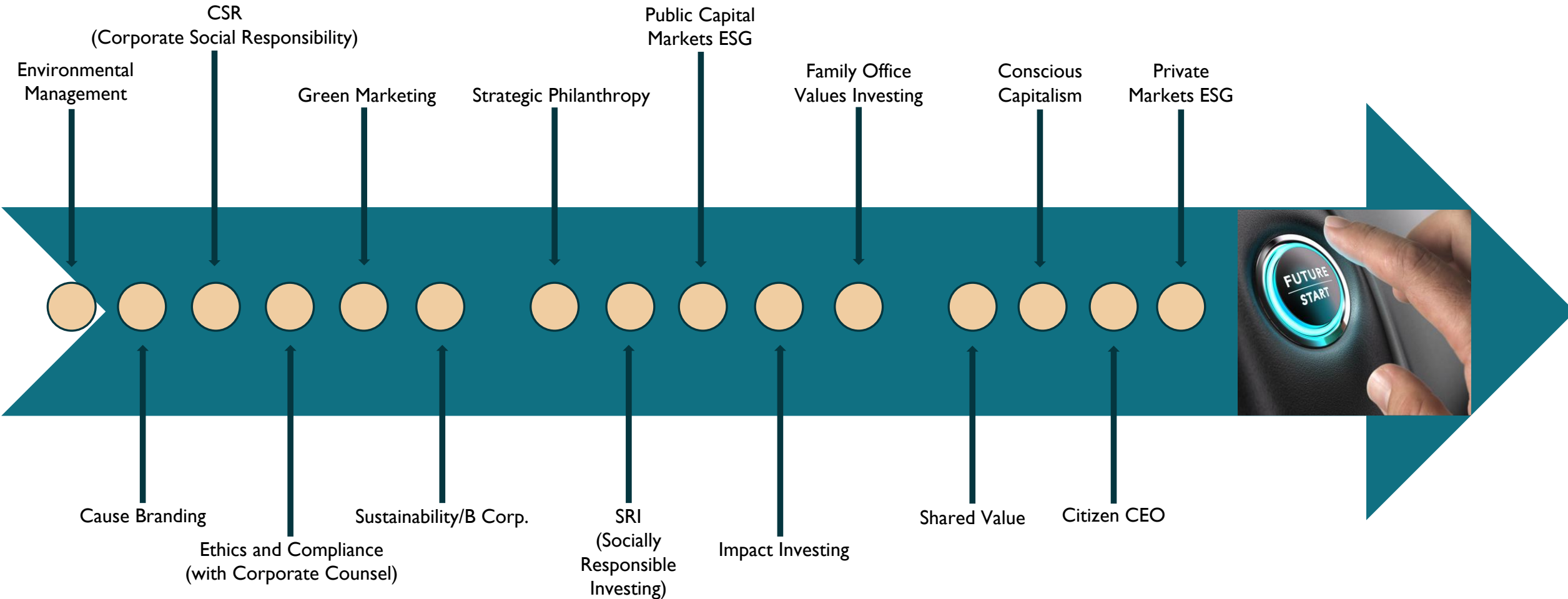
Each of these risk areas are more pervasive in the new, changed landscape and require an ESG-centric solution.

As We See It

# Evolution of Corporate Integrity

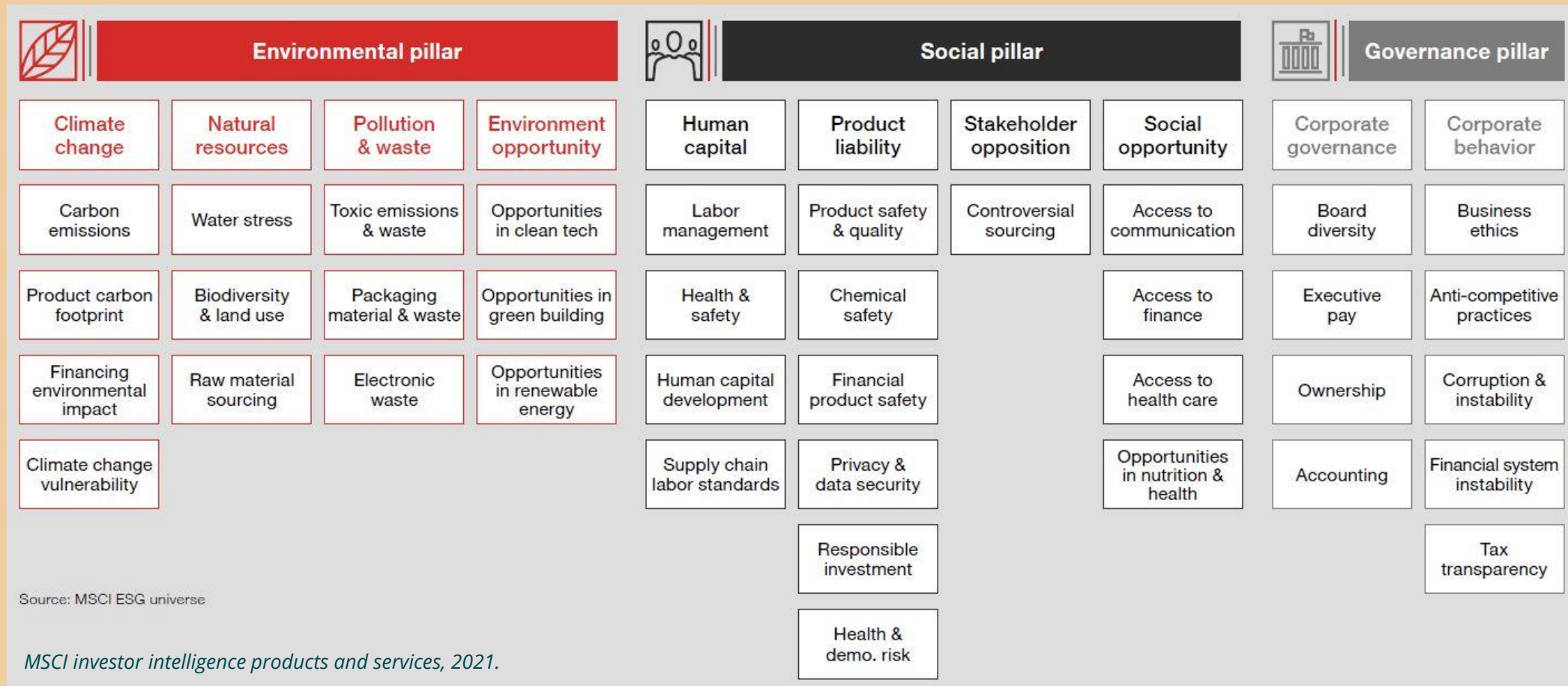
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The 'new' ESG is the culmination of a 45+ year arc in the steady evolution of the broader Corporate Integrity movement worldwide.

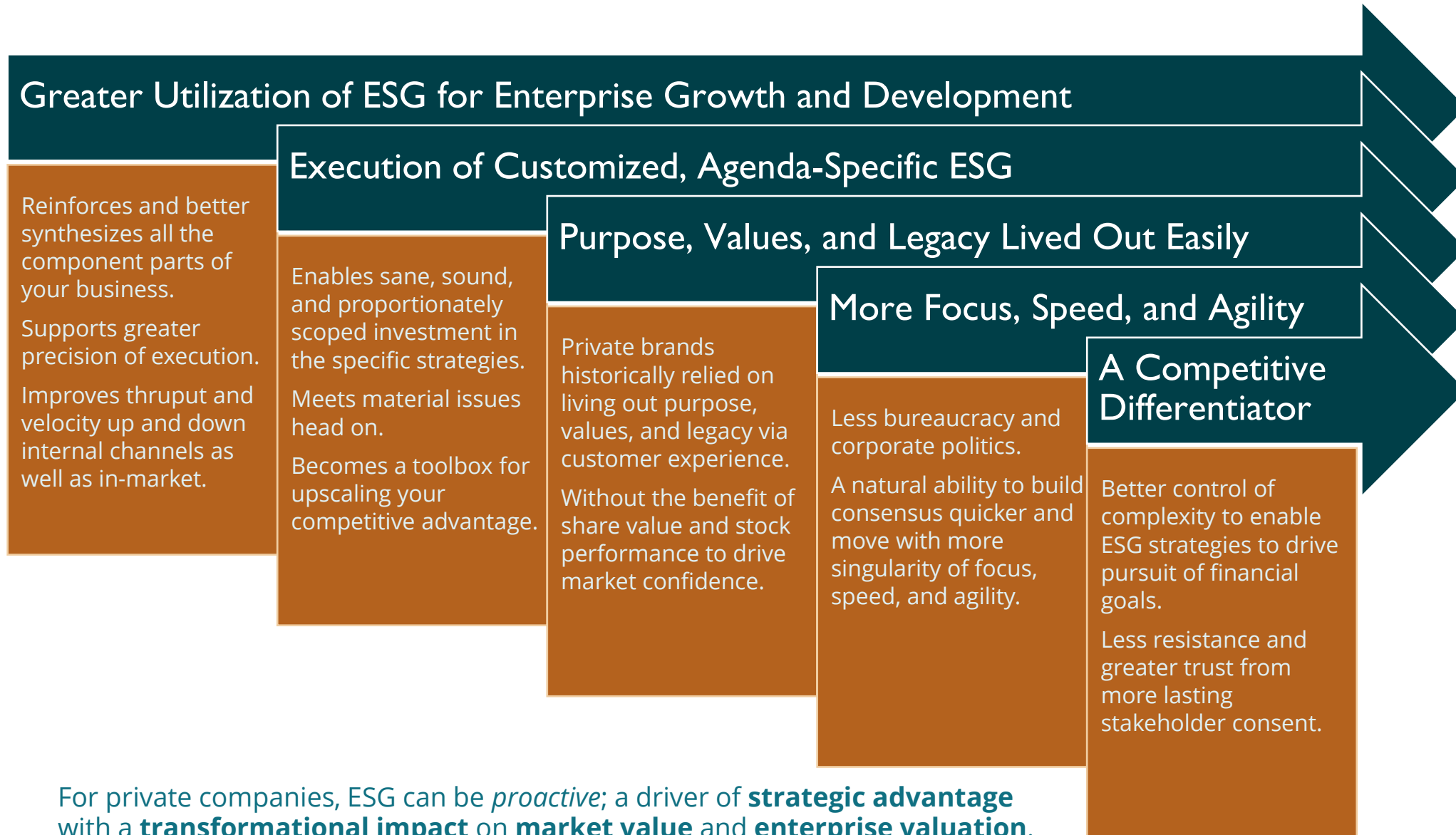


# Definition of ESG Accountability and Reporting Factors

Public markets, shareholder/investor context guided by standards frameworks



# The Private Company/Family Enterprise Advantage in ESG





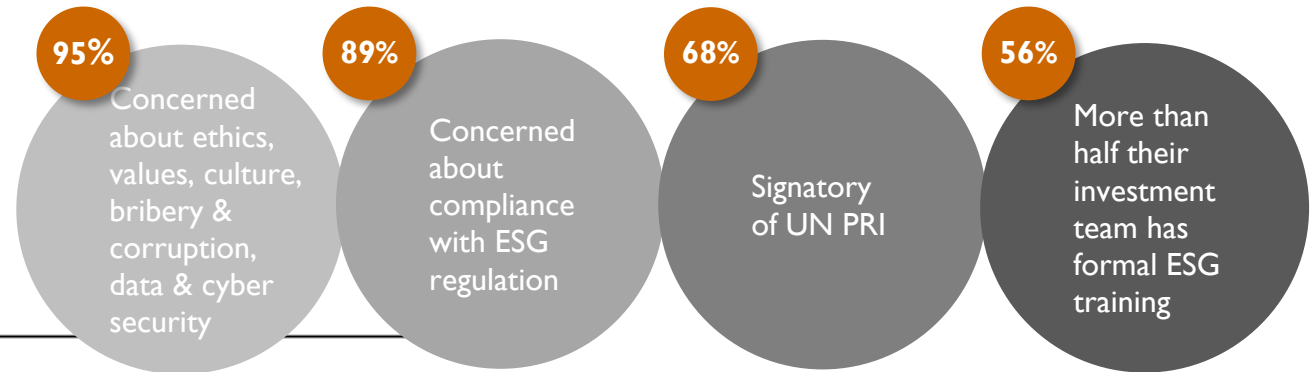
# SIP's ESG for Private Markets: Holistic Value Creation

*One-time intangibles are now calculable assets in new valuation/market value equation*

Sustainability to Business Continuity	▶ Risk management in ESG, cyber, domestic and foreign assault, natural disasters. The viability, durability, continuity, and longevity of the enterprise.
Innovation	▶ Reimagining R&D function or business unit model with tech-driven holistic radar view on alignment of IP, patents, inventions, new products et al.
Holistic Brand Integrity	▶ Equity enhancing and P&L-measurable: Closing end-to-end any walk-talk gap between brand promise and the everyday in-market stakeholder experience.
Customer and Stakeholder Wellbeing	▶ Connective action around the social, cultural, economic, and political dimensions of values consciousness via appropriate in-market opportunities.
Conscious Governance	▶ Self aware and mutually accountable ethos with an independent Board; ethics, transparency, disclosing, responsive within a modernized structure.
Human Capital Enablement and Empowerment	▶ Intellectual wellbeing training for enabling empowered frontline colleagues as brand ambassadors; Beyond DEI&B; safe, candid cultures.
Environmental Actualization, Sustainability, and Stewardship	▶ Values = investment in responsible utilization/consumption, clean tech, renewables, carbon footprint/Net Zero strategy, ethical sourcing.
Corporate Citizenship Citizen CEO	▶ Private Sector emerging or disadvantaged market opportunity development, local community re-investment, strategic philanthropy, impact investing.

# ESG and P-E Firms

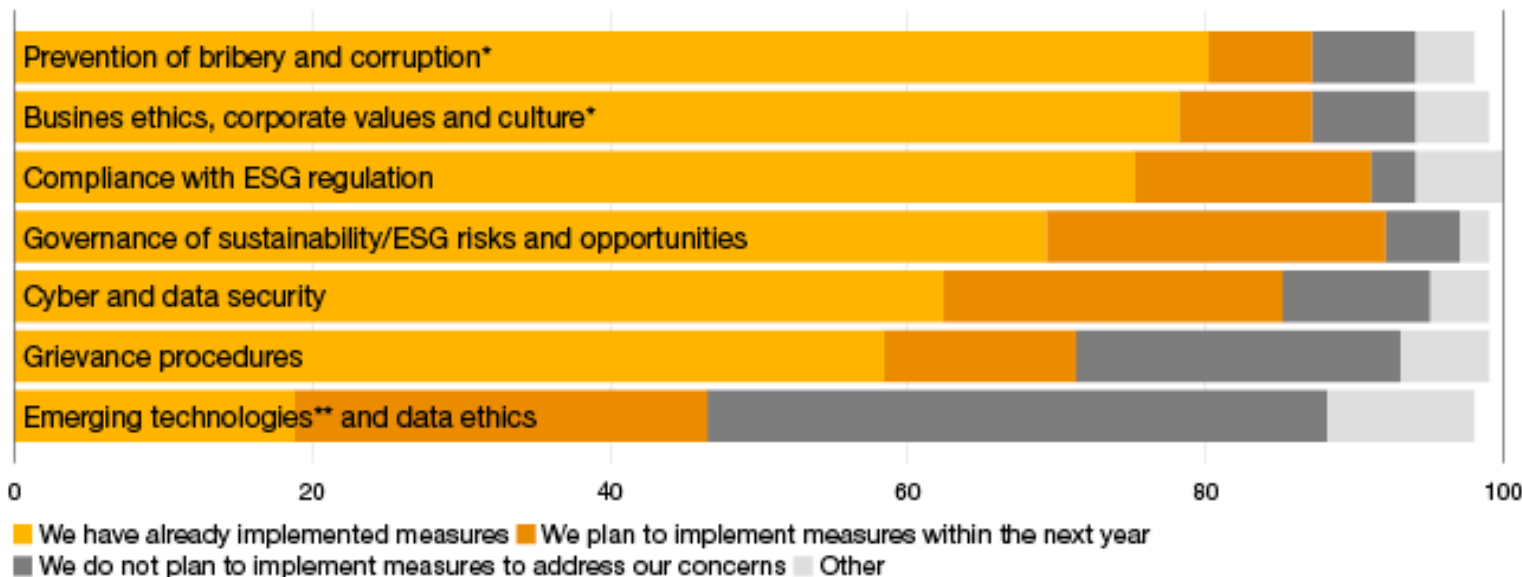
Conscious Governance approach taking hold at firm level and with portfolio companies



## Taking governance seriously

Many firms have measures in place to manage governance in their organisation and in portfolio companies

% of respondents



\*Within PE firms and portfolio companies \*\*For example, AI or blockchains

Note: Bars may not total 100 due to rounding. Source: PwC Private Equity Responsible Investment Survey 2021

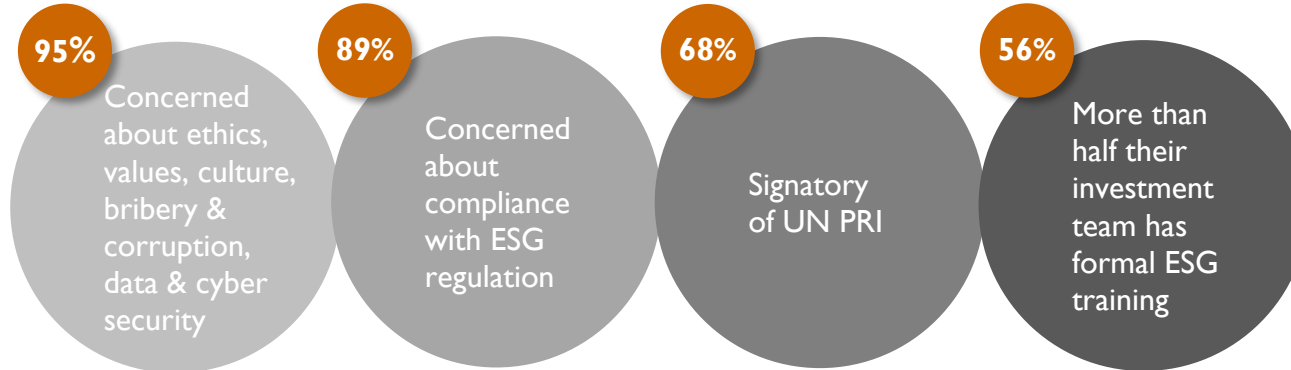
Base: Those who selected 'Very concerned' or 'Slightly concerned' for each topic

PE firms will increasingly address Corporate Integrity issues through the lens of responsible investing or **ESG strategies**. Their outlook and approach will also be shaped by the **diversity and innovation of their workforce**. Firm and portfolio company **governance** will ultimately determine the extent to which ESG-centric approaches meet the challenges of a changing landscape.

(PwC Global Private Equity Responsible Investment Survey, 2021)

# ESG and P-E Firms

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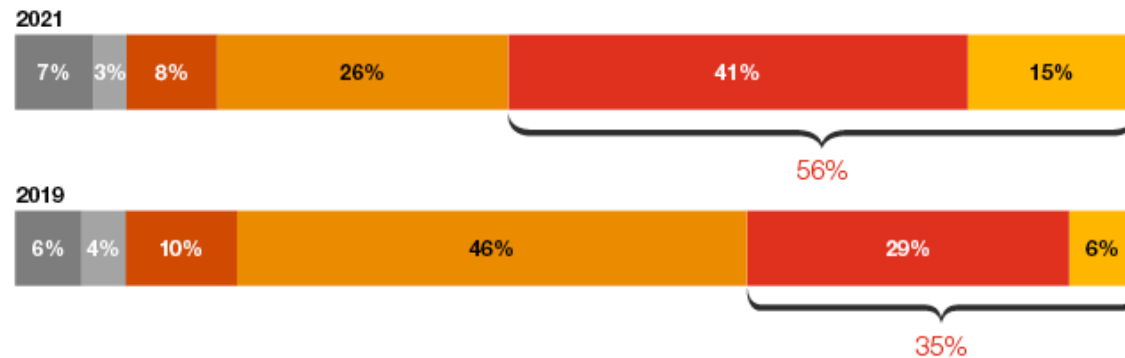
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(PwC Global Private Equity Responsible Investment Survey, 2021)

## Greater oversight

ESG appears on the board agenda more frequently now than even two years ago

% of respondents



■ Not applicable ■ Never ■ Less than once a year ■ Once a year ■ More than once a year ■ All board meetings

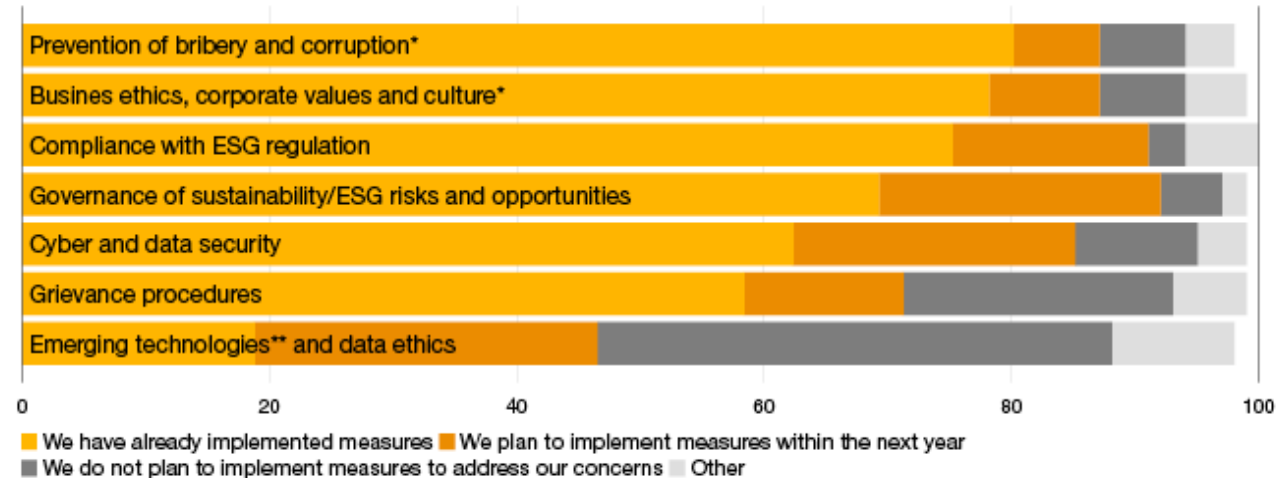
Source: PwC Private Equity Responsible Investment Survey 2021 and 2019

Base: 2021: 180 (excluding Venture Capital-only respondents); 2019: 162

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Base: Those who selected 'Very concerned' or 'Slightly concerned' for each topic

# ESG and Venture Capitalists

*On a parallel trend line with their P-E colleagues*

In the PwC private markets survey, **70** respondents (**29** being pure VC firms, **41** part of larger P-E houses integrating VC activity) had no major discrepancies in their responses.

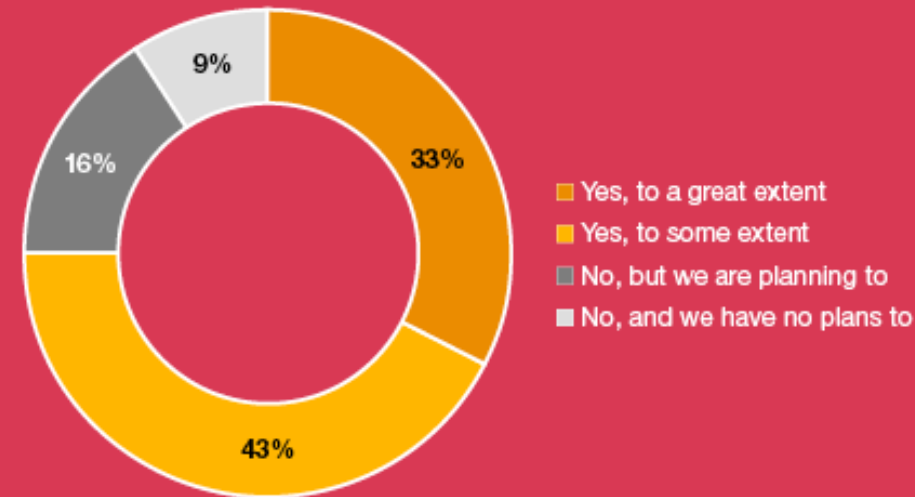
There's **no significant delta** between the practices in place at pure-play VC firms and the practices of VC investment teams operating within larger, diversified P-E houses.

- ☛ **76%** of surveyed VCs currently consider ESG in their investment process
- ☛ **37%** have refused an investment because of ESG concerns
- ☛ **64%** say their LPs have expectations regarding ESG risk management
- ☛ **57%** believe they can align with ESG expectations

## Venture capital embraces ESG

The majority of VC investors have integrated ESG into their investment process

% of respondents



Note: Numbers do not total 100 due to rounding. Source: PwC Private Equity Responsible Investment Survey 2021  
Base: VC respondents (70): pure VC, 29; PE firms integrating VC investing, 41



# Differentiated Value Delivered is Better Value Realized

SIP's unique, ESG centric, next-gen approach to private company growth and competitiveness

Private companies are freer to prioritize a customized ESG approach that serves their specific context. ESG then becomes *proactive*; a driver of **strategic advantage** with a **transformational impact** on **market value** and **enterprise valuation**.

## Environmental, New Risk, and Resilience Management

- Evaluate and measure **cross-disciplinary initiatives**
- Drive context-appropriate, attainable outcomes to address material issues, including **product and process sustainability**
  - Develop a **sustainability quant model** for your supply chain, facilities, and operations
  - Produce metrics, KPIs, and **collect the right data**
- **Report to drive down risks** and validate new value opportunities

## Supply Chain

- **Partner as an owner** with your sourcing company customers
  - **Empower frontline procurement** to collaborate directly
- Develop an **ESG supplier relationship management program**: policy, standards, functionality/process, branding
- Pursue and acquire a **Preferred Supplier** readiness and status
  - Use scenario planning and institutionalize contingency relationships to **enshrine your disruption response**

## Conscious Leadership and Management

- Behave authentically with public, private, and interpersonal **consistency**
- Deploy an **integrity-centric** management framework
- Break down barriers, inspire trust, **enable safety**
- Model a **culture of candor**; be the definition of **apolitical**
- **Institutionalize inclusion** and belonging
- Practice **mutual everything** (e.g., disclosure, transparency, accountability)

## Conscience Governance

- Realign Board structure to the **competitive market landscape**
- **Recast fiduciary jurisdictions**, charges, functionality oversight
- Incorporate greater **future casting** into Board process
- Mandate ongoing individual and collective **'self care'** to better enable agility, resilience, risk navigation
- Improve **Board director data analysis and literacy** focused on emerging new risks and value creation opportunity
- Enshrine process, infrastructure, assimilation of ongoing **stakeholder sentiment** data

# Differentiated Value Delivered is Better Value Realized

*SIP's unique, ESG centric, next-gen approach to private company growth and competitiveness*

## Human Capital

- Eliminate liabilities in DEI&B 'window dressing'
- Correlate DEI&B hires and Board appointments to programs specific to what prompted the recruitment
- Secure a *Preferred Employer Brand* readiness and status
- Empower your people then *free them to lead consequential change* in brand equity and stakeholder confidence

## Risk and Resilience

- Let go of what no longer serves you
- Improve alignment of internal infrastructure, processes, and systems – *up and downstream*
  - Engineer *infrastructure-ensured control* of your customers' in-market brand experience
  - *Close gaps* between operations, ESG outcomes-benchmarks-KPIs, and material outputs

## Customer/Stakeholder Experience

- Systematize a lifecycle of *meaningful brand touchpoints* for every hard and soft interaction
- Create occasions, moments, aspirations for *sticky brand encounters*

## Value Development and Acceleration

- *Reconstitute and capitalize* on your hidden or underutilized assets
- Use ESG models to *boost your innovation* function and standards benchmarks
- *Partner to accelerate scaling* and improve your attraction to better aligned resources for growth and desired outcomes
- Productize and commercialize a *defendable innovation asset* that will drive revenue and calculate as a valuation enhancement

## Brand

- *Close the walk-talk gap* to reduce risk and liability exposure
- Build a culture of *integrity as a firewall* and competitor neutralization strategy
- Move brand away from identity depictions to a *responsive behavioral framework* structurally interdependent with in-market customer experiences

## Digital Transformation

- *Restructure tech* as a cross functional, inter-jurisdictional radar system
- Support greater collaboration, dismantling of silos, and disempowering of power fiefdoms
- Enhance access and report on vital information; *depoliticize access*

# Differentiated Value Delivered is Better Value Realized

*Don't Drop (into their) Box – Use SIP's unique approach, whether you're in a private or shareholder market*

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One thing to keep in mind depending on your operating context and orientation: Public entities, often larger than most private companies and multinational, have greater impositions of accountability, scrutiny, and regulation to manage with the added complexity of bureaucratic structures. Unlike in private markets, allocations for ESG innovations in public or shareholder markets can often conflict with the resources needed to support transparency, disclosure, and compliance.

Our team covers the spectrum of any required ESG table stakes as the foundation for your unique program:

- Developing an **ESG-Specific Strategic Plan** (Goals and Targets; Resilience Strategies)
- Setting **Sustainable Development Goals** (SDGs) and **Science Based Targets** (SBTs)
- Employing the Right **Reporting** Standard
- Sustainability **Model Development**
- Architecting a **Preferred Employer** or **Preferred Supplier** Brand Strategy
- Establishing a **Code of Conduct**, **Sustainability Policy**, and Attendant Guidelines
- Creating an **ESG Messaging System**
- Designing and Writing **ESG-Sustainability Reports**
- Conducting **Materiality-Risk Assessments**
- Providing Data, Property, **Asset Assessments**
- Conducting **ESG Due Diligence** for Acquisitions, JVs, Commercialization Initiatives
- Developing the Strategy and Roadmap for an **Environmental Management System** (EMS)
- Individual and Teams **ESG Coaching/Training**



# Our Team

Strategic Impact Partners  
Own the Future.



Art Stewart, MPM  
*Managing Partner*



Tamara Gracon, MBA  
*DEI&B; Strategy Economics;  
Conscious Leadership &  
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Tom C. Hogan, DM  
*Human Capital Management  
DEI&B Policy & Program  
Development*



Yan Hai, MA-Sc  
*SOPs, TQM, FDA, EU-GMP, ISO  
Compliance Program  
Development*



Keith Darcy, MBA  
*Scrutiny-Reputation Risk  
Management; Ethics  
Strategy & ESG Compliance*



Chris Warshaw, MPA  
*Environmental Compliance,  
Materiality, Risk, Regulation  
(Gnarus Advisors)*





## Thank You!



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