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IMPACT

Branding Goals Drive PE Efforts in ESG

Published by The Middle Market, July 6, 2021

The conversation about ESG's impact on investment activity has yet to provide insight on how the industry's changing priorities could influence M&A. Until now. SRS Acquiom is out with a survey of M&A professionals weighing in. Among the findings: Target company brand and reputation are expected to be more prominent than external pressure from regulators or shareholders in driving an ESG-related M&A strategy.

Respondents expected brand reputation (52.9 percent) to be more impactful than future financial results (45.9 percent), internal pressure from employees or the board (28.2%) or bylaw compliance (8.2%) as a driver of M&A, in a survey in which multiple responses were allowed. The finding harkens back to a growing body of evidence linking socially conscious companies with higher performance. And suggests private equity could increasingly look to niche brands with ESG-friendly marketing to meet their stated goals.

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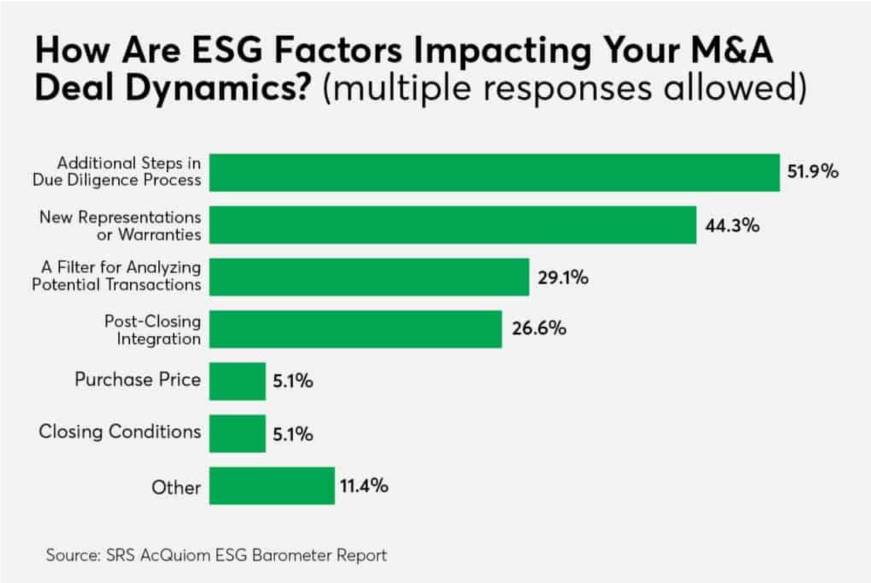
Consider the question of governance in tech. “The tech sector has lost trust from consumers,” said EY global technology, media & entertainment, telecommunications leader Barak Ravid at a media roundtable last week. “Regaining that trust is a massive opportunity, some of that maybe forced through political and regulatory avenues, but there’s a massive opportunity [through providing customers’ increased] transparency, opting in and out, showing consumers how data is used.”

The consumer sector presents another opportunity to rebrand a parent company’s commoditized offerings, say through a niche, health food acquisition. The “parent” can drive reverse integration such that the values and positioning of the fresh-focused target permeate the wholeco, driving organizational change without the price tag and legacy assets of a larger deal, Kearney UK and Ireland consumer practice leader Bahige El-Rayes told Mergers & Acquisitions last month.



The trend is already translating into an appetite for acquisitions. Only today, Blackstone announced plans to acquire Sphera from Genstar in a $1.4 billion case study in the market’s appetite for ESG-related services. The company uses data, consulting services, and software as a service to help clients manage risks including environmental and sustainability issues.

The market for ESG data provision might well play into SRS Acquiom’s findings that buyers could encounter additional steps in due diligence (51.9 percent of respondents) and another filter to analyze deals (29.1 percent) through the M&A process.

It’s important to put these figures in context. While most M&A professionals pay lip service to ESG goals, the survey confirms that actual commitment to change remains muted. Such factors are actively considered in due diligence rarely or never according to 30.6 percent of respondents, and only occasionally “when topic is relevant” by 47.1 percent of respondents. Just over 9 percent of surveyed dealmakers consider ESG “on all deals.”

Meanwhile, the link between social responsibility and profitability continues to be determinative of investor commitment. Asked if they would sacrifice a deal’s economics to support ESG, a resounding 42.4 percent noted they would not. Only 17.7 percent said they would either materially, or somewhat sacrifice value to hit ESG goals.

EY and FICCI Identify 600 Low-Carbon Project Investment Shelf

Published by Live Mint, Thursday July 8, 2021

“EY - FICCI identifies over 600 ‘shovel-ready’ low carbon investment opportunities," EY said in a statement and added, “The project pipeline has the potential to accelerate INR 2 Lakh crore of equity and INR 4 Lakh crore of project finance debt."

These projects are in areas such as renewable energy generation, green energy equipment manufacturing and green mobility. This also comes at a time when India is running the world’s largest clean energy programme and seeking a global leadership role on tackling climate change. These sectors form an important component of this playbook.

“EY in collaboration with FICCI, released a report today titled, “Accelerating post-pandemic economic recovery with clean energy infrastructure and jobs in India", which highlights concrete policy recommendations for balancing economic recovery and climate neutrality goals in the post COVID stimulus efforts by Government of India," the statement said.

Investor interest in India’s clean energy space has remained robust despite the overall turmoil caused by the covid-19 pandemic, with the global energy landscape shifting towards Environmental, Social and Governance (ESG) investing.

“The report highlights the need for new energy infrastructure to boost economic recovery and self-reliance without reversing the trends of greenhouse gas (GHG) emission, air pollution and other climate change related shocks in the post COVID economic recovery era," the statement added.

“Policy makers need to reflect on the urgency of the challenges posed by COVID-19 and leverage on the existing clean energy programs for quick economic recovery. Also, labour intensive ‘shovel ready’ low carbon infrastructure projects having strong interactions with the hard-hit construction industry must be at the focus of the post COVID green stimulus efforts," said Somesh Kumar, partner and national leader, power and utilities, EY India in the statement.

India is running the world’s largest clean energy programme to achieve 175 GW of renewable capacity. According to the Central Electricity Authority, by 2030, the country’s power requirement would be 817GW, more than half of which would be clean energy.

How Can Tech Investors Be Certain They are not Funding Human Rights Abuses

Published by Elizabeth Chiweshenga of Responsible Investor, July 8th 2021

With the recent inditement of tech execs for 'complicity to torture', investors must wake up to growing risks for the sector, argues Elizabeth Chiweshenga

With four executives of French surveillance companies Amesys and Nexa Technologies indicted last month for 'complicity in torture' for selling surveillance technology to the Libyan and Egyptian governments, the potential for human rights to be infringed by technology is clear and, what's more, tech companies are now being held accountable.

Amnesty International has said: "These indictments send a clear message to surveillance companies that they are not above the law and could face criminal accountability for their actions." Clearly, the indictment has wide-ranging implications for technology companies and their investors.

As sustainable and ESG-focused funds are particularly likely to invest in technology companies, and to bear additional reputational risk if human rights are violated, it's very important for investors to understand where the risks may lie and how to engage with companies involved in developing technology to fully understand and mitigate the potential for harm.

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While emerging technologies have brought significant social benefits and conveniences over the last few decades, trust in technology companies is eroding. High profile scandals such as the sale of Facebook data to Cambridge Analytica and the controversial use of facial recognition by US law enforcement agencies have demonstrated that tech companies know an alarming amount about us and can make use of that information in ways we may never have imagined.

Technology designed to carry out surveillance and automated decision-making is particularly controversial, and can be used across a number of sectors. These technologies rely heavily on the use and manipulation of personal data, raising serious questions about how they work in practice and the quality of the conclusions they draw. Given the wide range of applications, inaccuracies or inappropriate use of these technologies can have severe consequences – from enabling stalking or discriminatory recruitment practices, to causing the arrest and detention of innocent people.

For example, Apple's AirTag and the Tile tracker device, both designed to help people keep track of personal belongings, were accused of facilitating stalking and surveillance. When used in recruitment selection, AI may give rise to discrimination – Amazon's attempts to develop a CV-screening tool were abandoned when it was found to discriminate against women. Some facial recognition tech has failure rates that rise to 46% the darker a person's skin colour is, enhancing risks of false accusations; as a result, Amazon, Microsoft and IBM have suspended sales of this tech to US law enforcement agencies.

With the speed of change and adoption, regulators are often playing catch up and locking stable doors long after the tech and AI companies have bolted. However, regulation is now seeking to catch up with technological developments and attempting to restore the protection of rights that are possibly being fast eroded. The UN has called for a ban on sales of private sector surveillance equipment until human rights safeguards are in place, and some states of the US, plus Luxembourg, Belgium and Morocco have all banned facial recognition tech. The EU is drafting a legislative framework to govern the use of AI. If adopted, it could act as a blueprint for regulations in other regions, similar to the effect of GDPR . Updates to existing legislation around 'dual-use' equipment, which has both civilian and military uses, are also being considered.
So how can investors in technology companies protect themselves against any involvement in human rights abuses? The key to avoiding risk and being prepared for any future legislation is ensuring that investee companies undertake robust end-use due diligence and customer vetting. This would include asking any prospective company how it understands and addresses possible harms to people that could be caused by its products and services in use. Advice from independent, credible experts and stakeholders is essential. Where high human rights risks are identified, enhanced due diligence and safeguards should be put in place, as far as possible. It's very important that tech companies 'know and show' how they address adverse impacts that could occur from the use of their products and services.

There are, beyond doubt, extremely valuable investment opportunities to be found in the tech sector, but the possible reputational and regulatory risk has to be very carefully considered. Sustainability funds need to be particularly aware as they are major tech investors and face larger reputation damage should any human rights controversies occur.

Impact in the News

- Microsoft:
Built the world's first gas powered data center with a goal to become carbon negative by 2030.
- TE Connectivity:
Emphasis on diversity and equal opportunity, has amassed over 36,000 volunteer hours across the world.
- Clorox:
100% score on the Human Right Campaign's 2020 Corporate Equality Index. Ranked 43 on the 2020 list of America's most responsible companies.

E3 = Epic Time, Talent & Treasure

Epic Capital is a mission-driven firm with a genuine heart for community, both locally and around the world. We focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support families in need, the working poor, homeless or impoverished. This is meaningful to us because we recognize the incredible blessings in our lives and the opportunities that we have been given to do work that we love. So we have taken our personal passion for empowering others and made it a part of our corporate charter. We call it **E3**.

- We give **our time** through our quarterly ***Epic Outreach*** program, serving where the greatest needs are through local charities.
- We give **our talent** through our ***Epic-EDU*** program, in addition to our partnership with CommonWealth Charlotte, administering financial workshops for organizations and churches that minister to low income families, the working poor and the previously incarcerated.
- And we give **our treasure** through our ***Epic Impact Grant*** program to local community and global organizations that meet our social outreach criteria.

We believe that we are all called to serve. We also believe that the positive impact one can make by empowering the life of another can alter the direction of that life forever.

We are pleased to announce that we have opened up our quarterly Epic Outreach initiatives to include volunteer participation from clients of Epic Capital. Please consider joining us during one of our upcoming volunteer efforts.

Invest in Others Selects Wine to Water™ for $25,000 Grant

$25,000 Grant Secured by Edward Doughty of Epic Capital Wealth Management

We are so excited to announce that Wine To Water and their new Navajo and Hopi Nations water project has been selected as a recipient for a $25,000 grant from the Invest in Others Charitable Foundation!! What a blessing, and what an impact it will have on the indigenous peoples right here in the United States.

In what capacity are you involved with this organization?

“In 2015, I started the Wine to Water Charlotte Chapter which fundraises, volunteers, and raises awareness for the mission. We have raised over $30,000 for clean water. Additionally, I have represented Wine to Water at corporate events and have served internationally on four volunteer trips to help implement water projects.”

What is the grant for and how will it benefit the community?

Wine to Water is committed to supporting life and dignity for all through the power of clean water by serving the most remote, inaccessible communities and the most vulnerable populations around the world. The $25,000 grant from Invest in Others will be used to fund improved water access for the Navajo and Hopi people. Thousands of people are forced to drive long distances to fill up containers of water, which costs time and money. Through this program, Wine to Water will work with community leaders to identify priority water needs, design sustainable water systems in high needs communities, and develop meaningful education programs which lead to sustainable water service in rural Navajo and Hopi Nations.

If you would like to consider other volunteer opportunities, or to learn more about over 400 local non-profits in the Charlotte region, please visit a community partner of ours who we hold in very high regard: **Share Charlotte** https://sharecharlotte.org/

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