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ESG Viewpoint: KKR

RepRisk interviews Elizabeth Seeger, Director at KKR

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit strategies, and hedge funds.

Elizabeth Seeger joined KKR in 2009 to help oversee the management of environmental and social responsibility issues and opportunities across KKR's portfolio, including through KKR's Green Portfolio Program. Ms. Seeger was previously a Project Manager in the Corporate Partnerships Program of Environmental Defense Fund. Prior to EDF, she was a consultant with the Corporate Executive Board, where she advised companies across a broad range of industries in Europe and the United States. Ms. Seeger has also worked with the Environmental Law Institute, a non-profit organization focused on environmental law and policy research and education.

RepRisk: Could you provide some insight into your specific role in KKR and the responsibility of your department within the firm?
Elizabeth Seeger: KKR recognized many years ago that there could be real business benefits to considering ESG-related issues in its private equity investments. In 2009, before I joined the firm, KKR signed on to the UN-backed Principles for Responsible Investment. Therefore, when I joined in late 2009, the foundation had been set for my role, but there was a lot of room to define KKR's approach. In the past few years, we have been very focused on value creation, which is a core thesis of our investment model. In other words, how do we use our own understanding and the knowledge within our extensive network of thought leaders to partner with our portfolio company management teams to drive or protect business value through thoughtful management of ESG issues.

RR: Could you share more about KKR's Green Portfolio Program and its significance with respect to the firm's strategy?
ES: In 2007, when I had recently joined the Environmental Defense Fund (EDF), KKR and EDF started talking about how the two organizations could partner to find ways to drive business value and positive environmental improvements. We focused on leveraging the aspects of the private equity model that are so effective at building better companies — long term investment, active governance, and the power of the portfolio — and thought about how some of these tools could make companies more efficient and reduce their environmental impact. Through that, the Green Portfolio Program was born.

The program historically has been focused on eco-efficiency and the associated avoided costs and environmental impacts, but later this year we are re-launching it to include eco-efficiency and eco-solutions. The evolution in the program is a reflection of our overall evolution, as we spend even more of our time partnering with portfolio companies to find new ways to help them create and protect value through the management of ESG-related issues. More information on the current Green Portfolio Program is available at www.green.kkr.com.

RR: How have you seen ESG trends evolve over the last 5-10 years – in general, and in the private equity space in particular? Which ESG issues do you see as being the most critical in the future?

ES: It has been really fascinating to see the changes that have occurred in the six years since I joined KKR. A few years ago the conversation shifted from "if" GPs should be doing something related to managing ESG issues to "how," and now many of KKR's peers have positions such as mine. We're all still asking "how," but the dialogue has matured a bit and so that we're all generally focused on creating long-term value. Going forward, I think we'll continue to shift that way to a place that has been really exciting for us, which is the point where we use our understanding of ESG-related issues, such as clean water or food shortages, to make investments in companies that provide compelling solutions to these challenges.

RR: Do you think that integrating ESG criteria creates value? What are the dangers of failing to consider ESG risk in strategic corporate planning?

ES: I do believe that integrating the consideration of ESG issues in business decisions creates value. However, I do not believe that there is such a thing as a "business case for ESG." The term "ESG" is a small word that stands for dozens of issues, all with different business and societal impacts. Some are short-term, others are long-term; some are direct, some are indirect. Some ESG-related issues are best managed by individual facility managers; others are best managed by the corporate strategy function. Understanding the various business cases as well as the complex tradeoffs makes the difference between being able to thoughtfully manage these issues versus simply checking boxes.

RR: How does KKR use RepRisk's business intelligence and what are the main benefits of using the Platform?

ES: When it comes to responsible investment, KKR understands that there is valuable information outside of our own knowledge and experiences, and we have a track record of finding and relying on thought partners to inform our decisions. We use the RepRisk service in this way. It helps us identify issues where we may want to spend some more time digging in to make sure we understand stakeholders' points of view, as well as how the company is managing the issues and engaging with their stakeholders.