ESG Viewpoint: Stafford Capital Partners

RepRisk
ESG data science and quantitative solutions

RepRisk interviews Dr. Silva Dezelan ESG Director at Stafford Capital Partners

1. RepRisk: Please provide some insight into your specific role at Stafford Capital Partners (Stafford) and the work that you and your team do.

Silva Dezelan: In my role as ESG Director I work with our Private Equity, Infrastructure, Timberland, and Agriculture & Food business lines, and facilitate ESG integration in our investments. In other words, we develop tools, organize knowledge sessions, and design processes for ESG due diligence, monitoring, and engagement with fund managers, and ESG reporting to clients. In addition, I chair the Sustainability Committee which oversees the implementation of our Responsible Investment Policy and represent Stafford in different industry initiatives, such as the UN PRI, Institutional Investors Group on Climate Change, and Invest Europe's Responsible Investment Roundtable. Furthermore, I cooperate with our HR, Compliance, IT, Fund Operations, and Client Solutions teams to incorporate sustainability in our internal operations.

Stafford has a long history in responsible and sustainable investing, which has been supported by its business lines from its beginning in 2000. When I joined as part of the former Robeco Private Equity team in May 2020, I was the first dedicated ESG specialist coordinating the various initiatives across the group. Last year, we hired an ESG analyst, and this continued expansion nicely reflects not just the increasing importance of responsible investing and ESG integration within Stafford, but also broadly in the investment world and in society as such. This trend will only strengthen in the future.

2. RR: What are Stafford's priorities for responsible investment and ESG integration, and how do those manifest in your processes?

SD: The first principle of the UN PRI on the integration of ESG analysis in each stage of our investment process and reporting remains our priority. We strive to improve our ESG due diligence, the monitoring of external managers and underlying investments, and enhance our ESG engagement with external fund managers whose funds we have invested in.

The quality and consistency of ESG data we use in our investment process and reporting is another priority. Demand from institutional investors around the world and greater regulatory requirements in many jurisdictions will continue to drive improvements in ESG data in the future.

Next to the assessment and monitoring of ESG risks in our portfolios, we also assess the contribution of our investment portfolios to the UN Sustainable Development Goals. As this kind of information is not readily available for our investee companies and assets, we have built a proprietary tool to monitor their contribution and we aim to enrich the tool with more quantitative data going forward.

Finally, we aim to contribute to the transition to the Net Zero Carbon World through the portfolios we manage. We have committed to the Net Zero Asset Managers initiative in 2021 and we are currently translating this commitment into specific targets and activities across our business lines.

3. RR: Stafford has been a client of RepRisk since June 2020, but you have been working with RepRisk data since 2015 via Robeco. How are the aforementioned processes informed by RepRisk ESG risk data and how does the data add value?

SD: Consistent ESG data is not readily available for investors in real assets and private markets such as Stafford. If you primarily invest in funds, you largely depend on external managers to provide the relevant information. Consequently, we need to be very proactive and reach out to fund managers whose funds we invest in. We do so through our annual ESG survey, which represents the main source of information on how fund managers incorporate ESG analysis in their investment practice.

To monitor ESG risks in the underlying portfolio companies and assets, RepRisk is probably the only tool out there that does not have a limited coverage and can be applied directly. RepRisk provides us with insights and statistics on the exposure of the underlying assets and companies to a range of ESG risks, independently of the fund managers. We started using RepRisk back in 2015, when the European Private Equity team was still part of Robeco who used RepRisk for the listed companies. We created watchlists with privately-held companies back then and started monitoring ESG incidents, even though privately-held and small(er) companies typically receive less media attention (neither positive nor negative).

4. RR: How can private market practitioners circumnavigate some of the ESG integration challenges in comparison with public markets?

SD: As mentioned above, one of the biggest challenges for investors in private markets is the lack of consistent ESG data and information which is not publicly available or provided by the ESG rating agencies. Established ESG data providers typically don't cover non-listed and small companies and most ESG tools work with ESG data which is only available for large and listed companies. To illustrate, there are no databases for start-ups in the portfolios of venture capital funds or for family-owned businesses that are part of many private equity funds in our portfolio. Next to data availability, data quality and frequency also represent a challenge compared to the public markets.

As a result, the willingness among the investors in private markets to work together and develop more standardized tools and templates for ESG information is very high. Good examples of such cooperation are initiatives by the PRI Private Equity workstream, Invest Europe's Responsible Investment Roundtable, and the Institutional Limited Partners Association.

We should also keep in mind that (direct) investors in private companies, infrastructure assets, agricultural land, or timber properties can and should actively influence and improve the sustainability characteristics of their investments, which is more challenging for investors in public markets.

5. RR: Ambitious sustainable finance goals have been declared over the past few years, from governments, NGOs, and companies alike. Do you think investment managers have a role in facilitating those goals? If so, how can they best fulfill that role?

SD: As investors we have the responsibility to contribute to a more sustainable financial system by taking a long-term, responsible approach across the investments we make and funds we manage. Our investment process can positively contribute to promoting greater responsible investment outcomes by reducing agency risk through our rigorous process of oversight, seeking control and greater access to underlying investee entities, both in terms of our due diligence process and how we manage and monitor our investments over time. Our investment decisions can either positively or negatively contribute to the Sustainable Development Goals and through our active engagement with the investee funds or companies, we can have an impact on how they invest and how they operate.

Investors are stewards of money, entrusted to (us) by our institutional clients, who in turn manage money on behalf of their investors. As active investors, we play an important role in ensuring that our investments uphold commonly accepted standards of environmental protection, human rights, and strong governance in a way which will enhance and underpin the financial returns that our investors expect of us over the long-term. These are the responsibilities that we at Stafford take very seriously.

6. RR: What do you believe to be the long-term value of ESG integration?

SD: At Stafford, we believe that ESG factors impact the investments we make, and that the management of both, ESG risk and opportunities, positively affects investment decisions and therefore the outcomes of our investments.

I share the belief that ESG integration leads to better investment decisions. There is ample academic and anecdotal evidence that supports it, but also common sense. How can we disregard issues like exposure to physical climate factors, bad treatment of employees and customers, or human rights violations in supply chains when analysing investment opportunities? These are material risks that investor can no longer afford to ignore. And once we agree on the ways and methodologies to account for the positive and negative impacts that our investments can have on people and the planet, we will be able to make more informed decisions and deploy money through investments that contribute to our sustainable future.

Conclusion

Stafford Capital Partners is an independent private markets investment and advisory firm. Helmed by ESG director Silva Dezelan, Stafford's ESG work has leveraged RepRisk data since 2015, as it is "probably the only tool out there that does not have a limited coverage and can be applied directly." From aligning with the UN PRI and SDGs, to committing to net zero, to portfolio monitoring and active engagement with companies on ESG risks, Stafford Capital Partners is on the cutting edge of ESG integration in private markets with the help of RepRisk.

Bio – Dr. Silva Dezelan

Dr. Silva Dezelan is Stafford's ESG Director. Prior to joining Stafford Silva worked for Robeco where she was responsible for ESG integration and the implementation of ESG engagement across different private equity programs. Before this role Silva oversaw the Responsible Investing Program at Rabobank Sustainability Directorate and held a position of a fund analyst at Rabobank Private Banking. She started her career in responsible investing as an SRI analyst at the Institute for Investment Services Research in 2007. Prior to that, Silva was an Assistant Professor of Finance at the Faculty of Economics of the University of Ljubljana in Slovenia. She holds a PhD in Economics from the University of Amsterdam, the Netherlands, and a Master's degree in Finance from the University of Ljubljana.