EIF Private Debt Survey 2021:
ESG considerations in the lending strategy
of private debt funds

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Introduction

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Preface

Dear Reader,

Private debt funds have gained importance as an alternative asset class for European investors and a new financing source for European SMEs and mid-caps – perfectly in line with the ideas of the Capital Markets Union and the ambition to diversify SMEs’ financing sources.

The private debt market, which originally arose as an appendage of the private equity market, is now a standalone and significant part of the alternative assets industry and embraces alternative lenders ranging from large asset managers diversifying into alternative debt to smaller funds set-up in independent contexts by professionals with relevant past experiences.

In general, available information about private debt funds is scarce. Therefore, we published in February this year, with our EIF Working Paper 2022/079, a market overview that is largely based on our EIF Private Debt Survey 2021.

In the same survey, we covered questions related to a topic that is fortunately rapidly gaining importance and relevance in the financial industry: Environmental, Social, and corporate Governance (ESG) considerations. How important is ESG for private debt funds? How are related aspects considered? What are the drivers, and what are the challenges?

The respondents revealed very interesting insights which are summarized in this new EIF Working Paper. In order to provide additional information about market heterogeneity and SME financing, we also present more detailed market splits by geography and by portfolio company size.

I thank all contributors for this insightful project and analysis. In order to facilitate the reading, we offer a hybrid slide document instead of a traditional Working Paper style. I hope you will enjoy it.

Kind regards,

Helmut Kraemer-Eis

EIF Chief Economist and Head of Research & Market Analysis.
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Executive Summary
EIF PD Survey 2021 – ESG considerations in the lending strategy of PD funds: Key highlights

ESG considerations are becoming increasingly important

Most private debt (PD) fund managers incorporate ESG considerations into their lending strategy, and ESG considerations are among fund managers’ most important lending decision factors. However, the management team and classical financial metrics remain the most important lending decision factors.

Ethical or social responsibility considerations as well as growing demand from LPs and/or stakeholders are the top two motives for fund managers to integrate ESG-related considerations into their lending strategy.

The relevance of ESG-related challenges is expected to increase substantially over the next two years.

Quantifying ESG is the biggest challenge

Quantifying ESG considerations and the comparability of ESG information across companies are the main challenges for PD funds.

Funds mainly incorporate ESG considerations via negative screening and mostly measure ESG-related performance by using qualitative information and internal frameworks.

Only one third of survey participants use standardized approaches for measuring ESG performance of their portfolio.

Setting reporting standards and developing more comparable standard measurements for ESG is very important for an increased transparency in the future.

Female representation exists in most funds but not as a majority

The majority of funds have relevant investment decision bodies encompassing females. Funds investing in underdeveloped markets are leading the female representation on a fund level (75% of respondents). In contrast only 53% of respondents of developed markets answered to have relevant decision bodies encompassing females.

Only a fifth of the respondents has PD funds with female majority in relevant investment decision bodies.

Most respondents report not to have PD funds that focus their investment strategy on investments into companies with a female CEO, founder or at least 50% female ownership. A focus on companies with female representation in the management team of at least 40% is more common, but still reported by a relatively small share of respondents (12%).
The EIF PD Survey

Executive summary

Number of Respondents
146
from 22 countries
51% supported by the EIF

Assets under Management

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial / Manufacturing</td>
<td>25%</td>
</tr>
<tr>
<td>High tech industries</td>
<td>17%</td>
</tr>
<tr>
<td>Healthcare &amp; Life Sciences</td>
<td>14%</td>
</tr>
</tbody>
</table>

Top Sectors
(Most important sector named by funds)

Target Market Segment by Portfolio Company Revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; €2M</td>
<td></td>
</tr>
<tr>
<td>€3M - €10M</td>
<td></td>
</tr>
<tr>
<td>€11M - €50M</td>
<td></td>
</tr>
<tr>
<td>€51M - €500M</td>
<td></td>
</tr>
<tr>
<td>&gt; €500M</td>
<td></td>
</tr>
</tbody>
</table>

ESG Considerations
Most important lending decision factors
ESG considerations were selected by 13% of respondents among their most important lending decision factors.

Select the most important factors you consider when deciding whether to lend.
(multiple selection possible; graph based on the top 3 lending decision factors selected by each respondent)

- Management team: 60%
- Track record / Stable Cash Flows: 55%
- Business model: 34%
- Competitive and robust market position: 25%
- Loan-to-Value: 18%
- Industry: 16%
- Financial forecasts: 15%
- ESG considerations: 13%
- Show robust growth potential: 13%
- Pricing/expected returns: 11%


- 60% of respondents stated “management team” among the top 3 of their most important lending decision factors. This factor is the most important one for private debt funds in Europe for selecting targets, followed by a company’s track record.
- The majority of the most important lending decision factors are financial metrics.
- A share of 13% of the respondents selected ESG considerations as one of their three most important lending decision factors.
ESG policy and incorporation into lending strategy

Do you incorporate ESG considerations into your lending strategy?

- 75% Yes; for all of our investments
- 14% Yes; for some of our investments
- 12% Not yet; but we intend to do so in the near future
- 0% No; and we do not plan to do so in the near future

N=146

Does your investment firm have an ESG policy in place?

- 89% Yes
- 9% We are in the process of developing one
- 2% No

N=126

Note: Numbers do not always add up to 100% due to rounding.

- ESG considerations are an important part for private debt fund managers. 87% actively incorporate ESG considerations in their lending strategy. Among those respondents, 89% have an ESG policy in place in their respective investment firm and 9% are in the process of developing one.
- At the same time, 12% of private debt players reported to incorporate ESG considerations for some of their investments only.
- In addition, 14% of the respondents intend to incorporate ESG considerations into their lending strategy in the near future.
- No respondent plans not to incorporate ESG considerations in the future.

Motives for ESG integration

Most Private Debt Funds take ethical or social responsibility into consideration when lending.

- Ethical or social responsibility considerations are the most widely cited motives for ESG integration by PD fund managers.
- However, external factors such as the growing pressure from Limited Partners and the positive reputational signal associated with ESG investing are also powerful determinants of ESG adoption.
- The financial materiality of ESG considerations such as the importance for investment performance or for risk mitigation play a key role, too.
- Overall, the results suggest that PD fund managers have clear motives for integrating ESG considerations in their lending strategy and that this is not simply driven by the relevant regulatory initiatives.

<table>
<thead>
<tr>
<th></th>
<th>91%</th>
<th>75%</th>
<th>53%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical or social</td>
<td>Ethical or social responsibility</td>
<td>Growing demand from LPs and / or</td>
<td>Reputational benefits</td>
</tr>
<tr>
<td>responsibility</td>
<td>considerations</td>
<td>stakeholders</td>
<td></td>
</tr>
<tr>
<td>considerations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48%</td>
<td>Importance for investment performance</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk management</td>
<td></td>
</tr>
<tr>
<td>37%</td>
<td>(Will be) part of investment/product</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>policy</td>
<td>Attraction of new human resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9%</td>
<td>Diversification of the product offer</td>
</tr>
</tbody>
</table>

(Q: What are your motives for integrating / planning to integrate ESG considerations into your lending strategy?)

# ESG strategies and measurement

## How do you (plan to) integrate ESG considerations into your lending strategy?

* (multiple selection possible)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative screening</td>
<td>66%</td>
</tr>
<tr>
<td>Active influence / direct engagement with investee companies on ESG issues</td>
<td>51%</td>
</tr>
<tr>
<td>Positive screening</td>
<td>51%</td>
</tr>
<tr>
<td>Integration into valuation models or multiples or financial forecasts</td>
<td>32%</td>
</tr>
<tr>
<td>Thematic funds</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Total N=146*

## Which methods do you use to measure the ESG performance of your portfolio?

* (multiple selection possible)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative information</td>
<td>70%</td>
</tr>
<tr>
<td>Internal frameworks / methodologies</td>
<td>65%</td>
</tr>
<tr>
<td>Standard frameworks and assessments (e.g. GRI, SASB Standards, etc.)*</td>
<td>34%</td>
</tr>
<tr>
<td>We do not measure the ESG performance of our portfolio</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Total N=126*  

*See p. 36, *Glossary* for detailed definition of the terms.*

- Private debt fund managers integrate ESG considerations mainly as a portfolio screening tool (either on an exclusionary basis at due diligence – negative screening – or by explicitly targeting firms that perform well in terms of selected ESG criteria – positive screening –) and via active influence.

- The vast majority of private debt fund managers rely on qualitative information or their own internal frameworks for measuring the ESG performance of their portfolio. By contrast, standard frameworks are much less frequently used. This might point to the documented difficulties associated with coming up with a commonly accepted framework and methodology to measure ESG performance (see also p. 16, *ESG Challenges*).

- At the same time, one third of the fund managers stated to integrate ESG considerations into financial models/concepts.

Sustainability-related debt products

Most Private Debt Funds do not plan to issue sustainability-related debt products.

Do you (plan to) issue any of the following types of sustainability-related debt products? (multiple selection possible)

- Sustainable-linked loan: 32%
- Green loan: 11%
- Sustainable bond: 15%
- Green bond: 27%
- Social bond: 14%
- Other/s: 2%
- No: 69%
- Yes: 31%

N=45

N=146

- Most private debt funds (69%) do not plan to offer any types of sustainability-related debt products.
- Sustainable-linked loans and green loans are the most common form of sustainability-related debt products among funds that (plan to) offer sustainability-related debt products.

Biggest challenges in PD business

The relevance of ESG-related challenges is expected to increase substantially over the next two years.

Please select the biggest challenges you see in PD business.

(multiple selection possible)

- ESG-related challenges are already considered to be important in the PD industry, and they are expected to become much more relevant in the near future.
- Among the biggest challenges that PD fund managers currently see in Europe, ESG-related challenges rank in the 10th place.
- Among the items expected to be the top challenges over the next 2 years, ESG-related challenges rank in the 5th place.

### ESG Challenges

#### Which challenges do you see regarding implementing an ESG strategy? (multiple selection possible)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantifying ESG information/Developing ESG-related KPIs</td>
<td>82%</td>
</tr>
<tr>
<td>Comparability of ESG information across companies</td>
<td>57%</td>
</tr>
<tr>
<td>Clarity of ESG analytical and reporting framework</td>
<td>46%</td>
</tr>
<tr>
<td>“Greenwashing” / “impact washing” concerns</td>
<td>43%</td>
</tr>
<tr>
<td>Costs associated with gathering and assessing ESG information</td>
<td>31%</td>
</tr>
<tr>
<td>Compliance costs associated with regulatory/reporting requirements</td>
<td>24%</td>
</tr>
<tr>
<td>Availability of suitable investment opportunities</td>
<td>22%</td>
</tr>
<tr>
<td>Achieving competitive returns</td>
<td>20%</td>
</tr>
<tr>
<td>Limited internal resources and expertise on ESG issues</td>
<td>19%</td>
</tr>
<tr>
<td>Securing sufficient interest by investors/LPs</td>
<td>8%</td>
</tr>
<tr>
<td>Too long-term investment horizon</td>
<td>6%</td>
</tr>
</tbody>
</table>


- Data-related concerns are seen by PD fund managers as the key barriers in implementing an ESG strategy.
- Indeed, the ability to quantify ESG information and to compare it across companies as well as the presence of a clear reporting framework constitute the top three challenges identified by PD fund managers. "Greenwashing" concerns re-inforce this argument.
- Overall, the results highlight the importance of providing businesses and investors with a common language regarding what it means to be environmentally sustainable and/or socially impactful.
87% of European private debt fund managers actively incorporate ESG considerations for (at least some of) their investments and nearly all of those firms have an ESG policy in place already or are in the process of developing one.

Among those respondents who incorporate (or plan to incorporate) ESG considerations into their lending strategy, ethical or social responsibility motivate 91% to do so. External factors are also powerful determinants of ESG adoption: three quarters of PD fund managers indicate the pressure from LPs and/or stakeholders, and more than half expect reputational benefits.

ESG considerations are mainly integrated into the lending strategy as a portfolio screening tool or via active influence in investee firms. In most cases, the subsequent ESG performance of the portfolio is/will be measured using qualitative information and internal frameworks.

Despite the high percentage of PD fund managers integrating ESG considerations into their lending strategies, considerable challenges persist. These mainly reflect data-related concerns (quantifiability and comparability of ESG information across firms) as well as the presence of a clear ESG analytical and reporting framework. Overall, the results highlight the importance of providing businesses and investors with a common language regarding what it means to be environmentally sustainable and/or socially impactful.

Female Representation and Ownership
Female Representation and Ownership

Female Representation

- Among the survey respondents, a majority (61%) stated that they have PD funds with relevant investment decision bodies encompassing females.
- However, 81% of the respondents do not have PD funds with female majority in relevant investment decision bodies.
- Further research could reveal whether there are structural disadvantages for women to obtain relevant investment decision positions within the industry.

Female Ownership

Female Ownership

Do you have PD funds that focus their investment strategies on investments into companies that have …

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>... a female CEO?</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>... female representation in the management team of at least 40%?</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>... at least a female founder?</td>
<td>6%</td>
<td>94%</td>
</tr>
<tr>
<td>... at least 50% female ownership?</td>
<td>6%</td>
<td>94%</td>
</tr>
</tbody>
</table>

- Only a niche of funds consider gender diversity in the ownership structure and in the management team of their portfolio companies as part of their investment strategy.
- 12% of the respondents have funds that consider female representation of at least 40% in the management team of their investees.
- The survey results do not show the actual situation at the portfolio company level, but show the considerations at a fund’s investment strategy level. Further analysis is needed to investigate whether there are structural impediments for PD funds to launch gender-focused strategies.

Summary

- While the majority of private debt funds have relevant investment decision bodies encompassing females, 19% have a female majority in their investment decision bodies.

- Very few funds consider gender diversity in the ownership structure and in the management team of their portfolio companies (e.g., female owners, CEOs or founders) as part of their investment strategy. However, 12% of debt funds consider a female representation of at least 40% in the management team of their investees.

- Further analysis is needed as to whether the above findings reflect the industries’ female representation or whether there are structural disadvantages for women to obtain relevant investment decision positions or for PD funds to launch gender-focused strategies.

Market split:
Geographic

Developed (debt fund) markets: Germany, France, United Kingdom
Emerging (debt fund) markets: Italy, Spain, Netherlands, Belgium, Ireland, Nordics
Underdeveloped (debt fund) markets: Eastern Europe
Overview of Respondents by Market

- **Developed debt fund markets**: Germany, France, United Kingdom
- **Emerging debt fund markets**: Italy, Nordics, Spain, Belgium, Netherlands, Ireland
- **Underdeveloped debt fund markets**: Eastern Europe

Note: The respondents were assigned to geographic regions according to their main country of investment. Only countries with respondents are listed. The regions are clustered according to the development stage of their private debt market. The development stage was defined based on expert advice and the survey results for PD fund managers’ most important countries of investment. Four respondents did not state a European country as their main country of investment and were excluded from this analysis.

Female representation

Female representation strongly differs between markets. In underdeveloped markets, there is a stronger focus on female representation both at fund level and at investee company level.

- PD funds in developed markets have the lowest percentages of female representation and of female voting majority.
- PD funds in underdeveloped markets have a stronger focus on female representation in their portfolio companies.

Female Representation at fund level

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Female Representation</th>
<th>Male Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Markets</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Underdeveloped Markets</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Do you have PD funds that focus their investment strategy on investments into companies that have ...?

- ...a female CEO? 25%
- ...female representation in the management team of at least 40%? 25%
- ...at least a female founder? 25%
- ...at least 50% female ownership? 25%

Motives for ESG integration

Ethical and social responsibility considerations are very important across Europe.

- Regardless of the development stage of the PD market, “ethical and social responsibility considerations” is the number one motive for private debt funds to integrate ESG criteria in their lending strategy.
- Respondents in developed and emerging markets face growing demand from stakeholders and also see reputational benefits associated with the integration of ESG considerations.
- Respondents in underdeveloped markets are instead motivated more by risk management and by investment performance considerations.

ESG Challenges

Biggest challenges in implementing an ESG strategy

• Regardless of the development stage of the PD market, the ability to quantify ESG information and to compare it across companies as well as the clarity of the ESG reporting framework are the top three challenges in implementing an ESG strategy.

• “Greenwashing” is a concern predominantly in developed and emerging markets.

• Costs associated with gathering ESG information and with regulatory compliance requirements bear higher weights in emerging markets compared to other markets.

An example from the Nordics

Do you incorporate ESG considerations into your lending strategy?

- 86% Yes; for all of our investments
- 14% Yes; for some of our investments
- 0% Not yet; but we intend to do so in the near future

ESG Motives

- 100% Ethical and social responsibility
- 71% Growing demand from LPs and / or stakeholders
- 71% Reputational benefits
- 57% Risk management
- 43% Importance for investment performance

ESG Challenges

- 100% Quantifying ESG information/Developing ESG-related KPIs
- 57% Comparability of ESG information across companies
- 43% “Greenwashing” / “impact washing” concerns
- 29% Costs associated with gathering and assessing ESG information
- 29% Availability of suitable investment opportunities
- 14% Clarity of ESG analytical and reporting framework
- 14% Limited internal resources and expertise on ESG issues
- 14% Achieving competitive returns
- 14% Compliance costs associated with regulatory/reporting requirements
- 0% Securing sufficient interest by investors/LPs
- 0% Too long-term investment horizon

Female Representation at fund level

- 57% Yes
- 43% No

Note: Since the Nordics have an exceptionally high share of fund managers that incorporate ESG considerations into their lending strategy, this slide provides additional information that is solely based on the seven respondents with a country in the Nordics as their main country of investment.

Summary

PD funds in underdeveloped markets show the highest percentage of female representation in portfolio firm decision bodies. They also have a stronger focus on female representation in their portfolio companies over all categories: female owners, founders, managers, and CEOs.

Ethics and social responsibility is the major motive across all markets for private debt funds to consider ESG criteria in their lending strategy. While in developed and emerging markets, ESG integration is also driven by increasing stakeholder pressure and reputational benefits, in underdeveloped markets, risk management and investment performance considerations play an important role.

The ability to quantify ESG information and to compare it across companies as well as the clarity of the ESG reporting framework are the top three challenges in implementing an ESG strategy across all markets.

In terms of ESG considerations, Nordic countries take a prominent position, as all private debt funds in the Nordics incorporate ESG considerations into their lending strategy.

Market Split: Portfolio Company Size

SME: Funds that target portfolio companies with up to 249 employees
Small mid caps: Funds that target portfolio companies with a number of employees in the range between 250-499
Large mid caps: Funds that target portfolio companies with a number of employees in the range between 500-3,000
Market Overview

Target Portfolio Company Size

- SME (up to 249 employees): 63%
- Small mid cap (250 - 499 employees): 23%
- Large mid cap (500 - 3000 employees): 12%
- Large cap (> 3000 employees): 2%

Assets under Management

- €0M - €100M: 63% SME, 23% Small mid cap, 12% Large mid cap
- €101M - €500M: 24% SME, 55% Small mid cap, 27% Large mid cap
- €501M - €1,000M: 18% SME, 55% Small mid cap, 11% Large mid cap
- €1,001M - €5,000M: 2% SME, 6% Small mid cap, 6% Large mid cap
- > €5,000M: 6% SME, 6% Small mid cap, 6% Large mid cap

Number of respondents with EIF supported fund(s):
- 51 SME (55%)
- 16 Small mid cap (48%)
- 8 Large mid cap (44%)
- 0 Large cap (0%)

Private Debt Strategy

- SME: 55% Senior Debt, 10% Subordinated Debt, 20% Unitranche Debt, 20% Others
- Small mid cap: 55% Senior Debt, 12% Subordinated Debt, 27% Unitranche Debt, 11% Others
- Large mid cap: 72% Senior Debt, 11% Subordinated Debt, 11% Unitranche Debt, 6% Others

*Note: Large caps are not analyzed further due to their small sample size.

## Motives for ESG integration

Ethical and social responsibility considerations as well as growing demand from stakeholders are the two most important motives.

### Market Split: Portfolio Company Size

<table>
<thead>
<tr>
<th>Portfolio Company Size</th>
<th>1 Ethical and social responsibility</th>
<th>2 (Will be) part of investment/product policy</th>
<th>3 Importance for investment performance</th>
<th>4 Growing demand from LPs and / or stakeholders</th>
<th>5 Reputational benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME</td>
<td>92%</td>
<td>74%</td>
<td>54%</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Small mid cap</td>
<td>94%</td>
<td>79%</td>
<td>48%</td>
<td>48%</td>
<td>45%</td>
</tr>
<tr>
<td>Large mid cap</td>
<td>83%</td>
<td>78%</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
</tr>
</tbody>
</table>

- Regardless of the target portfolio company size, ethical and social responsibility considerations, growing demand from stakeholders, and reputational benefits are the top three motives across PD market participants to integrate ESG criteria in their lending strategy.
- For funds focusing on SMEs and small mid caps, risk management is an important motive as well.
- Funds focusing on large mid caps are more likely to incorporate ESG considerations due to their importance for investment performance or as part of their investment policy.

ESG Challenges

Biggest challenges in implementing an ESG strategy

- Regardless of the target portfolio company size, the ability to quantify ESG information and to compare it across companies as well as the clarity of the ESG reporting framework are among the top challenges in implementing an ESG strategy.

- Funds focusing on mid and small caps also see “Greenwashing” as an important challenge.

Female representation

Private debt funds focusing on small cap portfolio firms have the strongest focus on female representation.

<table>
<thead>
<tr>
<th>Female Representation at fund level</th>
<th>Do you have PD funds that focus their investment strategy on investments into companies that have …</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have PD funds with relevant investment decision bodies encompassing females?</td>
<td>...a female CEO?</td>
</tr>
<tr>
<td>53%</td>
<td>0%</td>
</tr>
<tr>
<td>79%</td>
<td>2%</td>
</tr>
<tr>
<td>67%</td>
<td>4%</td>
</tr>
<tr>
<td>Do you have PD funds with relevant investment decision bodies where female representation has majority of votes/veto right(s)?</td>
<td>...female representation in the management team of at least 40%?</td>
</tr>
<tr>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>(%) of respondents indicating “Yes”)</td>
<td>...at least a female founder?</td>
</tr>
<tr>
<td>N=146</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>6%</td>
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<td></td>
<td>8%</td>
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<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>16%</td>
</tr>
<tr>
<td>(%) of respondents indicating “Yes”)</td>
<td>...at least 50% female ownership?</td>
</tr>
<tr>
<td></td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
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<tr>
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<td>6%</td>
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<td>14%</td>
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<tr>
<td></td>
<td>16%</td>
</tr>
<tr>
<td>N=146</td>
<td></td>
</tr>
</tbody>
</table>

- Private debt funds focusing on small mid caps have the highest percentages of relevant investment decision bodies encompassing females and of decision bodies with female voting majority.
- Funds targeting SMEs and small mid caps have a higher focus on female representation in the management team of their investees, while funds targeting large mid caps tend to place greater emphasis on the presence of at least one female founder.

Summary

- Private debt funds targeting small mid cap portfolio firms have the strongest focus on female representation in the funds’ investment decision bodies as well as on gender diversity in the ownership structure and in the management team of investees.

- Across all portfolio company size classes, ethical and social responsibility considerations, growing demand from stakeholders, and reputational benefits are the top three motives to integrate ESG criteria in a PD fund’s lending strategy. While ESG integration by PD funds focusing on SMEs and small mid caps is additionally driven by risk management considerations, PD funds focusing on large mid caps are also likely to incorporate ESG considerations due to their importance for investment performance or as part of their investment policy.

- Regardless of the target portfolio company size, the ability to quantify ESG information and to compare it across companies as well as the clarity of the ESG reporting framework are among the top challenges in implementing an ESG strategy.

Annex
List of acronyms

- AUM: Assets Under Management
- CEO: Chief Executive Officer
- EIB: European Investment Bank
- EIF: European Investment Fund
- ESG: Environmental, Social, and Governance
- EU: European Union
- EUR: Euro
- KPI: Key Performance Indicator
- LP: Limited Partner
- M: Million
- PD: Private Debt
- PE: Private Equity
- RMA: Research and Market Analysis
- SME: Small and Medium-sized Enterprise

Glossary

- GRI: Global Reporting Initiative — a reporting framework used by companies to communicate their impact on sustainability issues such as climate change, human rights, governance, social well-being, etc.
- SASB: Sustainability Accounting Standards Board — SASB standards and tools are helping companies to identify ESG and sustainability issues that most directly impact their business.

Questions (1/2)

Slide #8. The EIF PD Survey
• What are your firm's total approximate assets under management (AuM)(Million €)?
• What are the corporate market segments in which you prefer to invest (enterprise size, by turnover (revenue))?  
• Please select up to 5 of the most important industries in which your firm invests in private debt.

Slide #10. Most important lending decision factors
• Select up to 5 of the most important factors you consider when deciding whether to lend.

Slide #11. ESG policy and incorporation into lending strategy
• Do you incorporate ESG considerations into your lending strategy?
• Does your investment firm have an ESG policy in place?

Slide #12. Motives for ESG integration
• What are your motives for integrating / planning to integrate ESG considerations into your lending strategy?

Slide #13. ESG strategies and measurement
• How do you (plan to) integrate ESG considerations into your lending strategy?
• Which methods do you use to measure the ESG performance of your portfolio?

Slide #14. Sustainability-related debt products
• Do you (plan to) issue any of the following types of sustainability debt?

Note: The list references those slides in which the related question is used for the first time in this paper.

Questions (2/2)

Slide #15. Biggest challenges in PD business
• Please select the biggest challenges you currently see in PD business.
• Over the next two years, which will be the three greatest challenges in PD business?

Slide #16. ESG challenges
• Which challenges do you see regarding implementing an ESG strategy?

Slide #19. Female Representation
• Do you have PD funds with relevant investment decision bodies encompassing females?
• Do you have PD funds with relevant investment decision bodies where female representation has majority of votes/veto right(s)?

Slide #20. Female Ownership
• Do you have PD funds that focus their investment strategies on investments into companies that have … ?

Slide #23. Geographic Distribution
• Please select up to 5 of the most important European countries in which your firm invests in PD.

Slide #30. Market Overview
• Please select the most important capital structure seniority of your portfolio companies for your PD business.

Note: The list references those slides in which the related question is used for the first time in this paper.

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… the European Investment Fund

The European Investment Fund (EIF) is Europe’s leading risk finance provider for small and medium sized enterprises (SMEs) and mid-caps, with a central mission to facilitate their access to finance. As part of the European Investment Bank (EIB) Group, EIF designs, promotes and implements equity and debt financial instruments which specifically target the needs of these market segments.

In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF support to enterprises is provided through a wide range of selected financial intermediaries across Europe. EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission and various public and private financial institutions from European Union Member States, the United Kingdom and Turkey. For further information, please visit [www.eif.org](http://www.eif.org).

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