The ESG Status of Swedish Private Equity

Swedish Private Equity &
Venture Capital Association

Preface

Major investment will be required to enable the transition to a sustainable society. Private capital is set to play a key role in achieving that transition. In the investment sphere, sustainability falls within the Environment, Social and Governance (ESG) area, which has been high on the private equity agenda for several years, with Nordic private equity leading the way.

Private equity funds are active, long-term owners that provide capital and expertise to the companies they invest in. This form of ownership favours long-term and active change work and is therefore an ownership form that is extremely well suited to encouraging existing unlisted companies to move towards long-term sustainable business models. At the same time, ESG has been transformed into an issue of return on investment and indeed survival for companies that receive investment.

This report is the result of a pilot project that aims to highlight the sustainability work that is being conducted and that has been conducted by the private equity in Sweden for many years. The initiative is one way to demonstrate the concrete activities that are ongoing – and measuring these activities – with the intention of showing progress over time. Key figures in the ESG area have been compiled and compared with companies listed on the Stockholm stock exchange. Our ambition is to update this report on a regular basis to continue to make the sustainability work of Swedish portfolio companies visible. We are not there yet, but this is a step in the right direction. Our hope is that more unlisted companies and our private equity colleagues will be inspired to be more transparent and to measure activity, and thereby be encouraged to improve further.

Monalotte Theorell Christofferson, Chairman SVCA

Isabella de Feudis, CEO SVCA

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Summary of our findings

- The stability and clarity of active private equity ownership is fertile ground for ESG-related change processes. No successful private equity investor will ignore environmental, social and governance concerns going forward but rather continue to integrate these perspectives into business models.
- The portfolio companies of Swedish private equity firms are ahead of public firms in some ESG respects, while lagging behind in others. As the industry develops, refines, and operationalizes its tools to evaluate its ESG status, results will likely follow.
- **Employment growth:** long-term focus and stability/clarity of ownership lead to sustainable employment growth. The corona pandemic is likely to have impacted sector developments in 2020. The overall employment growth rate was higher in portfolio companies than in public firms, with growth being highest in middle-sized companies with 50 to 499 employees.
- **Diversity:** the industry is mobilizing to attract and retain more women. While the share of women in portfolio companies' governance bodies is still relatively small, new doors are opening. Smaller technology firms are leading the way.
- **Climate:** businesses of tomorrow need to take action on the climate issue through profitable as well as sustainable products and by reducing the carbon footprint of their day-to-day activities. Today, portfolio companies in private equity emit much less carbon dioxide (in absolute terms) than public companies, likely due to their smaller size.
- **Anti-corruption:** Swedish private equity portfolio companies work effectively against corruption. Four out of five portfolio companies have an anti-corruption policy and two thirds have a whistleblower function.

Summary: Key Performance Indicators

SDG	KPI	SVCA Members' Portfolio Companies	Nasdaq OMX Stockholm (all)	Nasdaq OMX Stockholm (Small Cap)
Sustainable Development Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	**Employment Growth** (Mean FTE growth 2020/2019)	**9%**	**5%**	**-1%**
Sustainable Development Goal 5 Achieve gender equality and empower all women and girls.	**Gender Balance in Management Teams** (Share of Women)	**26%**	**26%**	**23%**
	Gender Balance on the Board of Directory (Share of Women)	**19%**	**33%**	**28%**
Sustainable Development Goal 13 Take urgent action to combat climate change and its impacts.	**Emissions Intensity, Scope 1** (tCO2e/MSEK net sales)	**0.44**	**0.34**	**-**
	Emissions Intensity, Scope 2 (tCO2e/MSEK net sales)	**0.27**	**0.28**	**-**
Sustainable Development Goal 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	**Anti-Corruption Policy** (Share of Companies with an Official Anti-Corruption Policy)	**83%**	**81%**	**57%**
	Whistleblower function (Share of Companies with an Official Anti-Corruption Policy)	**66%**	**64%**	**37%**

Word list and definitions

- **ESG:** Environmental, Social, and Corporate Governance. A way of assessing a company by measures other than its financial performance, for example its policies relating to diversity, climate, and corruption.
- **SDGs:** The 17 Sustainable Development Goals, established by the 2030 Agenda for Sustainable Development and adopted by UN member states in 2015.
- **GHGP:** Greenhouse Gas Protocol. An accounting and reporting standard providing requirements and guidance for companies and other organizations making GHG emissions inventories.
- **Private equity:** Investment form where money is raised directly from individuals and institutions and pooled in a closed (non-listed) fund that invests in a range of business ventures.
- **Public equity:** Investment form where stocks are bought and sold through a public market such as Nasdaq OMX Stockholm.
- **Portfolio company:** A company in which private equity funds hold an interest.

hui. SVCA

1. Method of the Study and Descriptive Statistics

hui. SVCA

Method and process description

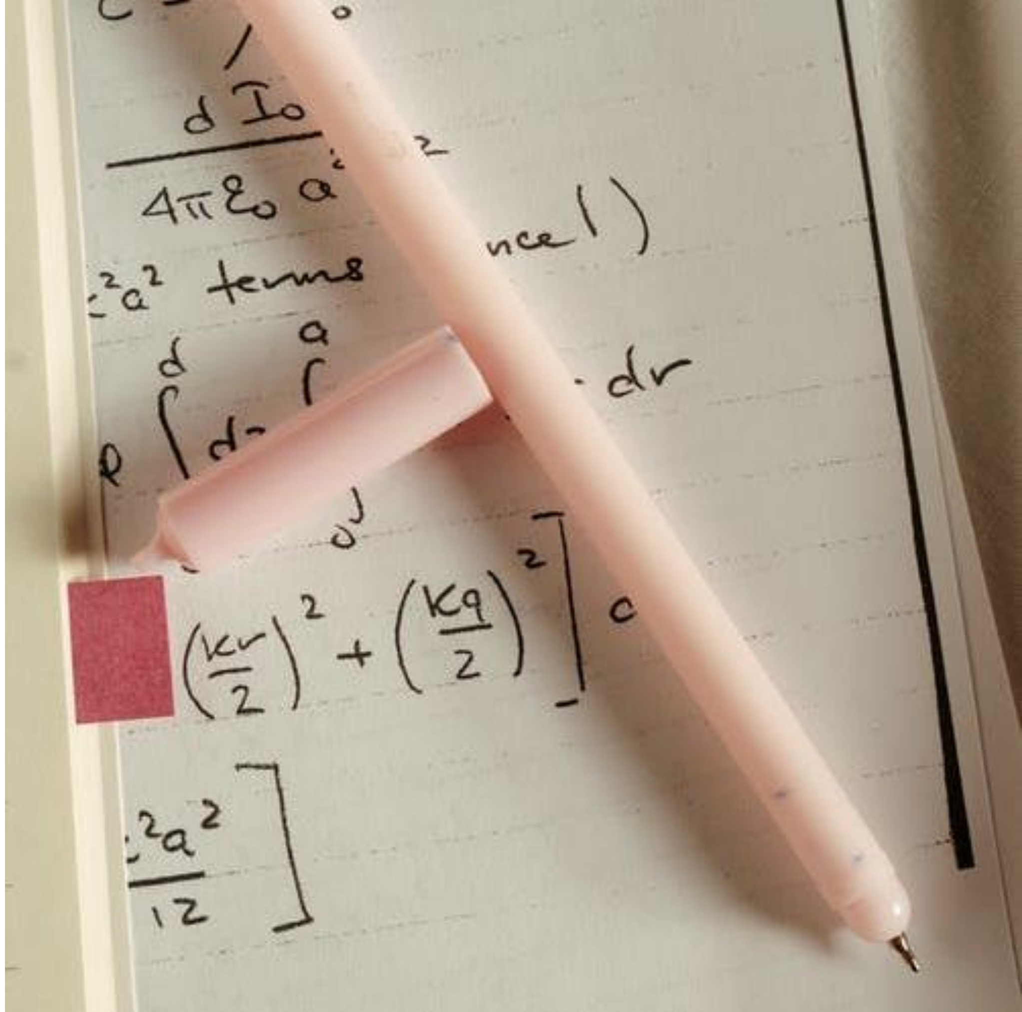
This study, conducted by HUI Research on behalf of the *Swedish Private Equity & Venture Capital Association (*SVCA), draws upon data collected from Swedish private equity firms with regards to the ESG-related status of their portfolio holdings. The participating firms are members of SVCA.

A pilot study aimed at establishing efficient reporting routines and evaluating the practicability of a set of possible KPIs was carried out between January and April 2021. The pilot study was based on figures for the 2019 reporting year. A set of KPIs was then identified for the main study based on figures for the 2020 reporting year. The KPIs relate to employment growth, gender balance in decision-making bodies, emissions intensity, anti-corruption policies, and available whistleblowing channels.

An email survey was sent to SVCA members to collect data. Participants were asked to report KPIs in a standardized template and to report each portfolio company on a separate sheet in the reporting file. All firm-level data was treated confidentially and have been used solely for the purpose of derivation of industry figures.

The data collection period for the main study was set between April 20th and May 12th 2021, a period of about three weeks. Two reminders were sent out during this period. An extension was granted following a request from some respondents until May 25th. The data were then quality assessed with samples being made against public reporting and follow-up questions raised with respondents if necessary. Firm data were then used to derive industry figures. The study specifies and compares unweighted mean values, unless otherwise stated.

Furthermore, benchmark figures have been collected, aggregated and derived from firms listed on the Nasdaq OMX Stockholm. This was in part made possible with a database provided by Nasdaq, but mainly through direct data extraction from the annual reports of corresponding public firms.



This study was conducted on behalf of SVCA by **HUI Research**, an independent research firm based in Sweden, specializing in retail, economics, sustainability and business development.

Participating members of SVCA are Altor, CapMan Buyout, CapMan Infra, EQT Partners, Helix Kapital, Litorina, Nordic Capital, Priveq, Procuritas, Spintop Ventures, Summa Equity, Triton, and Verdane.

Study population and participation rates

The study includes portfolio companies from 13 of 28 contacted SVCA members, a participation rate of 46 per cent. The total number of included portfolio companies amounts to 108.

Participating firms were asked to report KPIs only for portfolio companies with their headquarters based in Sweden. Most of the holdings were majority-owned by the reporting members. The median ownership stake was 64 per cent. However, much emphasis has been put on self-reported “decisive influence” in the underlying portfolio firm as a crucial criterion for whether to report or not. Such influence may be exercised in a number of ways other than through outright majority ownership. The main reason for this emphasis was to avoid unnecessary exclusion of relevant companies.

The respondents were also asked to classify portfolio companies in sectors that indicate the firms’ main focus. Three of those sectors (for which the responses add up to at least 20 values) are used for analytical breakdowns of the results throughout the report. Company size in terms of the firm number of employees is also used for analytical purposes.

Respondents of the Study – Overview

Participating SVCA members	13
Number of contacted SVCA members	28
Participant rate among SVCA members	46%
Number of included portfolio companies	108
Share of included portfolio companies for which members report decisive influence through ownership over 50%	81%
Ownership share (median)	64%

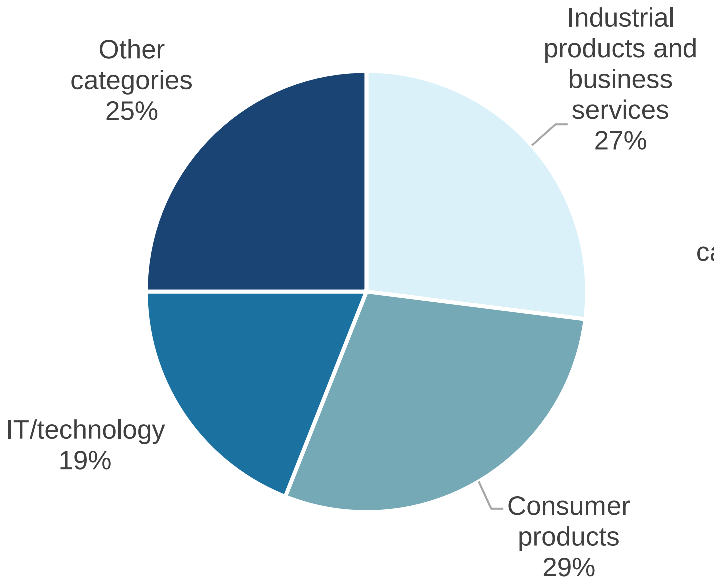
Relative tilt towards consumer products and technology

An overview of the sector distribution of private equity portfolio companies suggests that consumer products and technology are over-represented relative to the firm composition on OMX Nasdaq Stockholm.

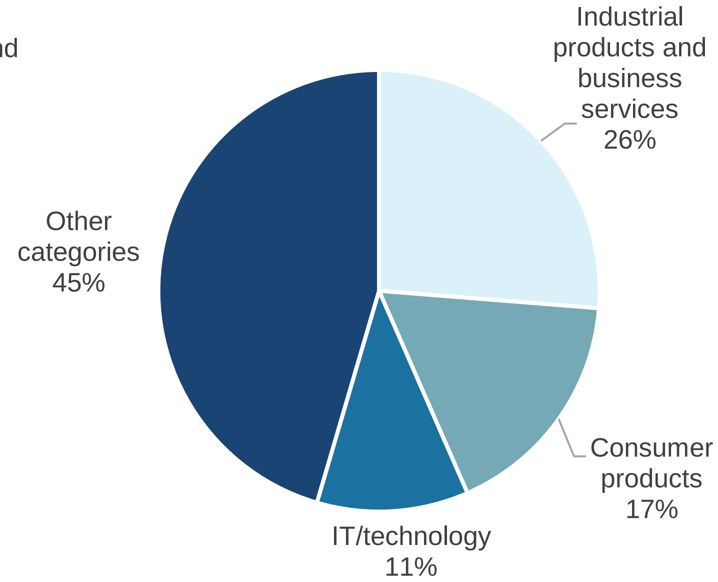
“Consumer products” is – broadly defined – the single largest sector for the included portfolio companies (29 per cent). Furthermore, “Industrial products and business services” make up 27 per cent of the population and IT/technology comprises 19 per cent.

Remaining sectors (other categories: 25 per cent) include healthcare, communication services, utilities and infrastructure as well as finance. These sectors make up a smaller share of the total in portfolio companies relative to public firms. This is not surprising considering that most businesses in the aforementioned sectors are capital intensive and rely on economies of scale. Therefore, the sectors tend to be consolidated and the firms mature, rather than the typical growth cases that often attract private equity investors.

Private Equity
Sector Distribution, n=108



Nasdaq OMX Stockholm (all)
Sector Distribution, n=327



Net sales on par with Nasdaq small cap firms

The size of firms in terms of sales is generally lower for portfolio companies in private equity than for Nasdaq OMX Stockholm. This is natural as the latter includes many multinationals and large firms.

On the other hand, the net sales distribution in the survey population of portfolio companies is similar to the companies found on Nasdaq OMX Stockholm *Small Cap*, which includes the smallest companies on the exchange with regards to market capitalization. Descriptive sales comparisons are provided in the table below.

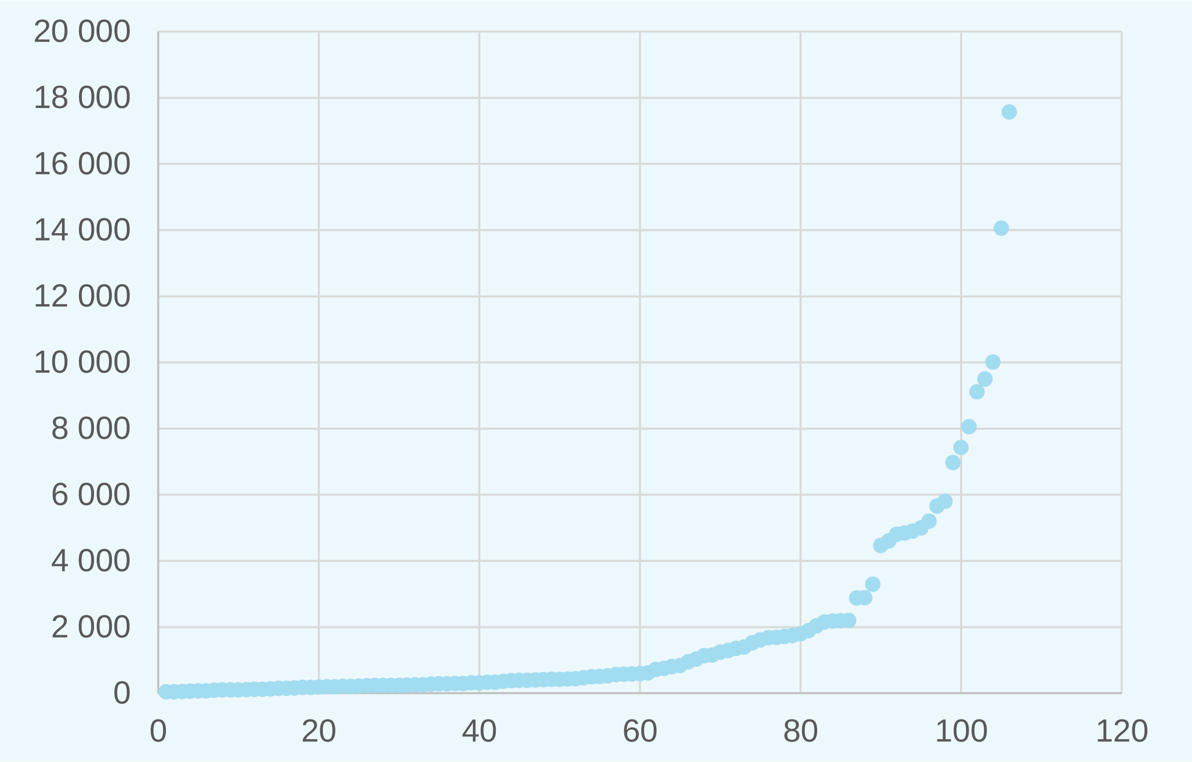
Net Sales

Mean values and distribution 2020 (SEK M)

	Portfolio Companies	Nasdaq OMX Sthlm	OMX Small Cap
Quartile 1	229	489	134
Median	478	2 124	580
Mean	1 799	17 184	2 725
Quartile 3	1 819	10 224	1 404

Net Sales 2020 (SEK M)

Distribution for portfolio companies of participating private equity firms (n=106)



2. The ESG Status of the Private Equity Sector

Active private owners ideal to drive change

ESG factors priority for sustainable returns

Per Strömberg, professor of Finance and Private Equity at the Stockholm School of Economics, is an internationally respected expert in the field of private equity (PE). He has watched the ESG movement evolve from a matter of compliance to a matter of future-proofing portfolio companies and their returns.

“After the financial crisis, the ESG perspective occupied the minds of the PE funds more and more. For example, pension funds investing in PE funds became more dedicated to compliance and a clear ESG policy and the resources dedicated to the matter became increasingly essential to raise capital,” says Strömberg.

“The ESG movement came very early to Sweden. In general, Europe has been ahead of the rest of the world. Today, it is no longer only a matter of compliance, it is more about making thematical investments in companies and technologies that are expected to benefit from the ESG megatrend.”

Private equity drives change

Strömberg is confident that the actual form of investments, when PE and venture funds go into a company and start to transform it, is highly beneficial for different aspects of ESG.

“The main point is that PE – by definition – is an active owner and has control. Furthermore, portfolio companies are not listed on public stock exchanges, which means owners can be informed about daily operations. Many companies in public equity have sustainability high on the agenda, but as an owner you can’t know more than other owners about the activities inside the company without becoming an insider.”

“In private equity, you have a longer perspective with a five-year business plan, bonuses, opportunities to drive change on a micro level, you have detailed KPIs – it’s another level of governance as owner than you can have in public equity.”

Expert help

For many years now, PE advisory firms have had a network of CEOs and board members capable of going into portfolio companies and driving change. In recent years, advisory firms have invested more and more in experts from different sectors, i.e., digitalisation, communication, and sustainability, which helps portfolio companies move forward in these business-critical areas.

Returns and impact go together

Strömberg also points out that the main role of PE is to deliver returns to fund investors, which makes sustainability-related work in investments even more authentic and made with a long-term perspective.

“No one in the Nordics would say they are giving up returns to make an impact. They do things they believe increase their returns, or at least do not compromise returns. Right now, investors expect to profit from business models within climate, recycling, batteries, clean steel etc. Outside the Nordics, you also have the social impact segment of the market, for example clean water in developing countries.”

Strömberg concludes by saying he does not think there is anything stopping the PE sector from doing more and more sustainable business – but there are potential concerns.

“PE is fantastic at identifying megatrends and will have no problem to go forward with an ESG agenda and sustainable business models. The main issue is that the market will never solve the problems we face in the world today on its own. On a general level, to push companies in a more sustainable direction, government action will be needed. Subsidies, tax, and regulation play a key role, and the obstacles there are political. We need to reach international consensus and co-ordination.”

Per Strömberg, professor of Finance and Private Equity at the Stockholm School of Economics

In brief: why private equity is well-suited for an ESG agenda, according to Per Strömberg

- Professional, active, informed owners
- No insider problems
- Specific plans, KPIs and goals adapted to specific companies
- Experience and experts that can help portfolio companies

2.1 Employment and Sustainable Growth

8 DECENT WORK AND ECONOMIC GROWTH

Sustainable Development Goal 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

High employment growth in private equity

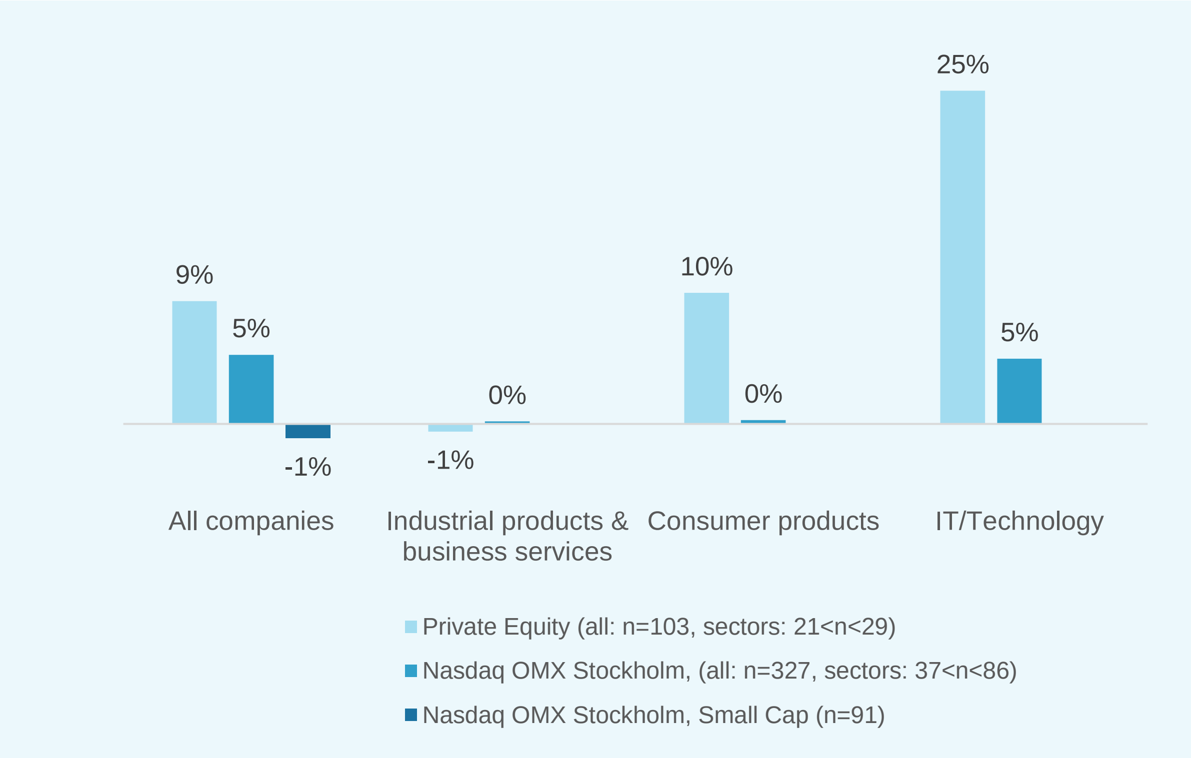
Always looking ahead

The private equity business model is tailored to produce high growth and sustainable employment. The mean employment growth rate, (in terms of FTEs – full time equivalents), for portfolio companies in 2020 was almost double the rate among publicly traded companies. The difference was even more significant if measured against small cap firms, which experienced a slight decline in 2020.

While public exchanges largely list firms with a long and proven track record, private equity firms must always look ahead, as the business models that worked in the past are not necessarily the ones that will work in the future. The maturity of holdings may thus be a factor contributing to the differences in employment growth.

On a sector basis, employment growth rates in 2020 were highest – in absolute terms and relative to publicly listed firms – in the technology sector. Employment growth was higher in the private equity sector for consumer products, but slightly lower in industrial products and business services.

Mean FTE growth 2020/2019, total and by sector



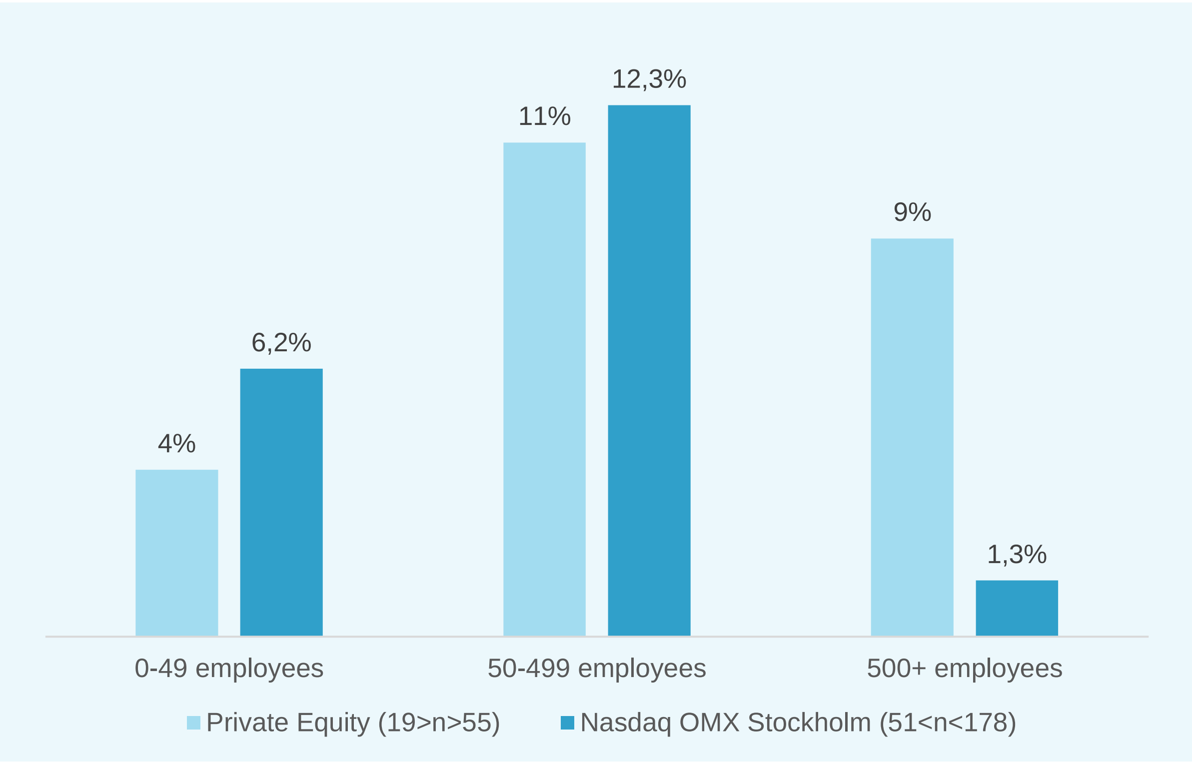
Job creation in private equity and firm size

Dynamism and job creation in the middle

Breaking down job growth per company size in terms of total number of employees, the highest growth rates in 2020 were found in middle sized companies, i.e. companies with at least 50 but fewer than 500 employees. This holds for both portfolio companies within private equity and for publicly traded firms. Firms within this interval tend to have a proven track record, yet are in many cases still in a growth phase. They may therefore be able to generate internal resources to fund further expansion, and expand into markets (or market segments) that are not fully mature, for instance abroad.

As for the largest firms, (500 employees or more), mean growth is much higher for portfolio companies than for listed firms. However, as the study sample is relatively small, some caution is warranted. Most (though not all) of the disparity is explained by a single private equity technology company that experienced exceptional growth in 2020, possibly due to an acquisition.

Mean FTE growth 2020/2019 based on number of employees



Two thirds of the growth in 2020 was organic

How are new jobs created?

Employment growth can either be organic, i.e. based on internal growth and hiring, or aquisition-driven. In 2020, roughly two thirds of employment growth in private equity portfolio companies was organic.

The economic disruption of 2020 in the aftermath of the global pandemic is likely to have pushed the share of organic growth down somewhat. Hard times generally lead to job losses, a slowdown in hirings and often consolidation, as players leave the market. Capital losses may also drive aquisitions, as assets are shifted to parties that are better-suited to sustain healthy, long-term employment opportunities.

Accumulated FTE growth in 2020 among private equity portfolio companies, by growth type

65%
Organic growth

35%
Aquisition-driven growth

Investments of today reveal business models of tomorrow

For Swedish pension fund AP6, with all capital invested in private equity, responsible investment and sustainability are central pillars to long-term high returns.

For 10 years, AP6 has had a strategy where it invests primarily in private equity funds or co-invest in particular companies. At the beginning of 2021, assets under management amounted to SEK 45.2 billion, with a net return of 20.4 per cent in 2020.

“Sustainability is a natural part of how we work today – selection, review, decision basis, follow-up and reporting. ESG is one of several equivalent assessment factors in the decision process when we go into a new fund or company,” says Katarina Staaf, CEO at AP6.

As an investor with a long perspective, (around seven to 10 years), AP6 understands the importance of integrating ESG in the investment model to meet tomorrow’s requirements and to identify the successful business models of the next decade. In a sense, they are always looking into a crystal ball.

“We see a continued strong focus on sustainability as a global megatrend. More specifically, in the coming years, focus will be more on actual outcomes and results than on processes. Reporting will be more standardized to make it possible to aggregate and compare,” predicts Anna Follér, sustainability manager at AP6.

Follér believes that some factors will prove more important than others.

“Specifically, the climate issue will continue to be high on the agenda, and in a few years, science-based targets will be standard. This way of thinking will also be used in other areas, such as biodiversity. Social issues such as human rights are also increasingly in the spotlight. EU regulation pushes for legislation on human rights due diligence. Likewise, the EU is developing a social taxonomy with a focus on human rights, business ethics, anti-corruption and tax compliance as an addition to the environmental taxonomy.”

Staaf also stresses market psychology and changing values as underlaying factors regarding investments in sustainable business to be certain of obtaining a sustainable return.

“Capital flows in the market can occur rapidly. One should never underestimate that. Values can change quickly – and this affects returns,” she says.

Katarina Staaf, CEO AP6

Anna Follér, Sustainability Manager AP6

2.2 Social Sustainability and Diversity

Sustainable Development Goal 5

Achieve gender equality and empower all women and girls.

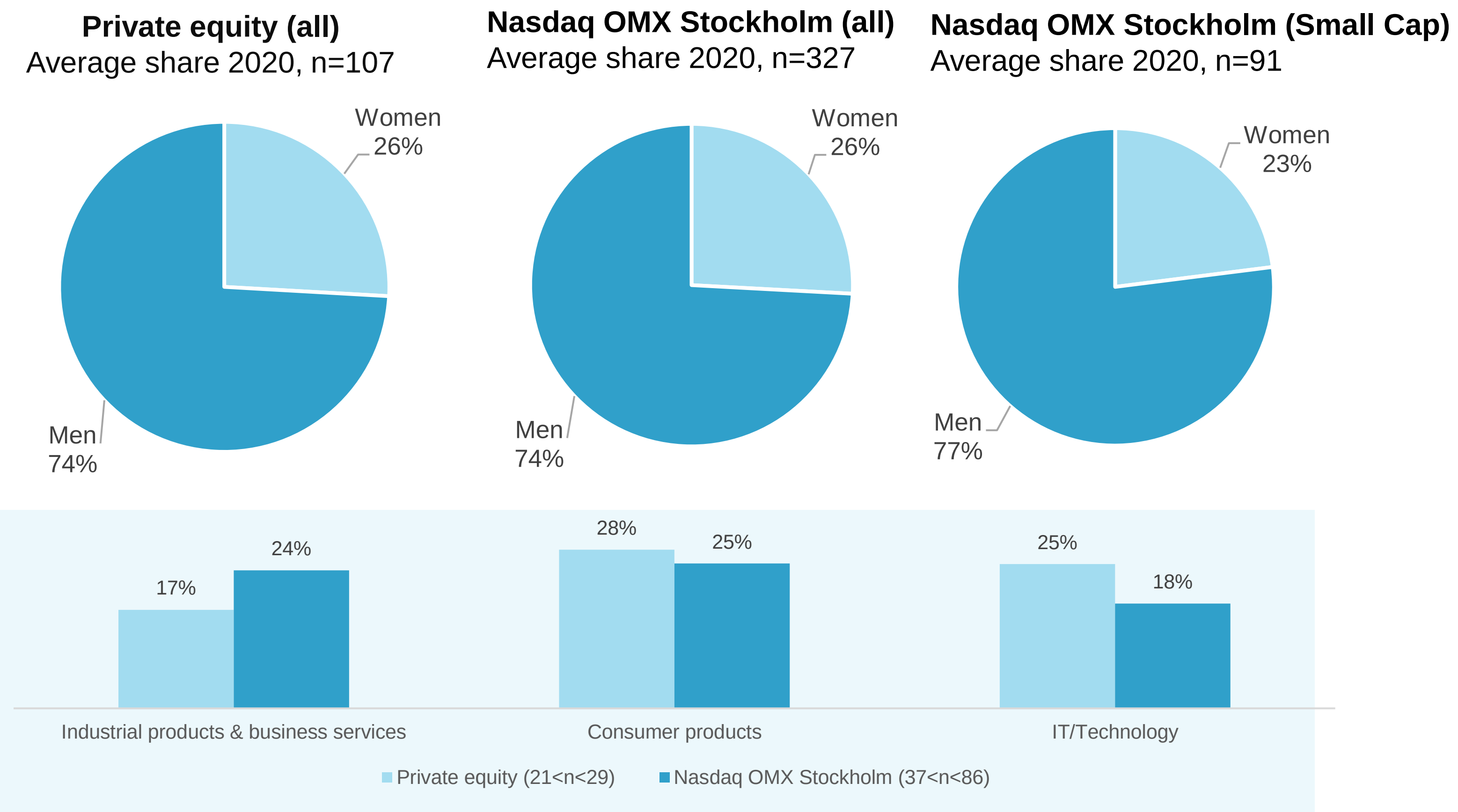
One in four tech managers are women in private equity sphere

Gender distribution in management teams is similar for portfolio companies of private equity firms and public equity. However, variations exist in underlying business sectors.

In 2020, one in four management positions were occupied by women. This level is consistent across the Swedish private equity space and publicly traded companies.

Results vary depending on business sector. Private equity holdings lag behind public companies, (in terms of women in management positions), in the industrial products and business services sector. On the other hand, the share of women is higher in portfolio companies of private equity firms than for listed companies in the consumer products industry, and especially in IT/technology, where the gap with listed firms is seven percentage points.

Share of women in management, total and by business sector

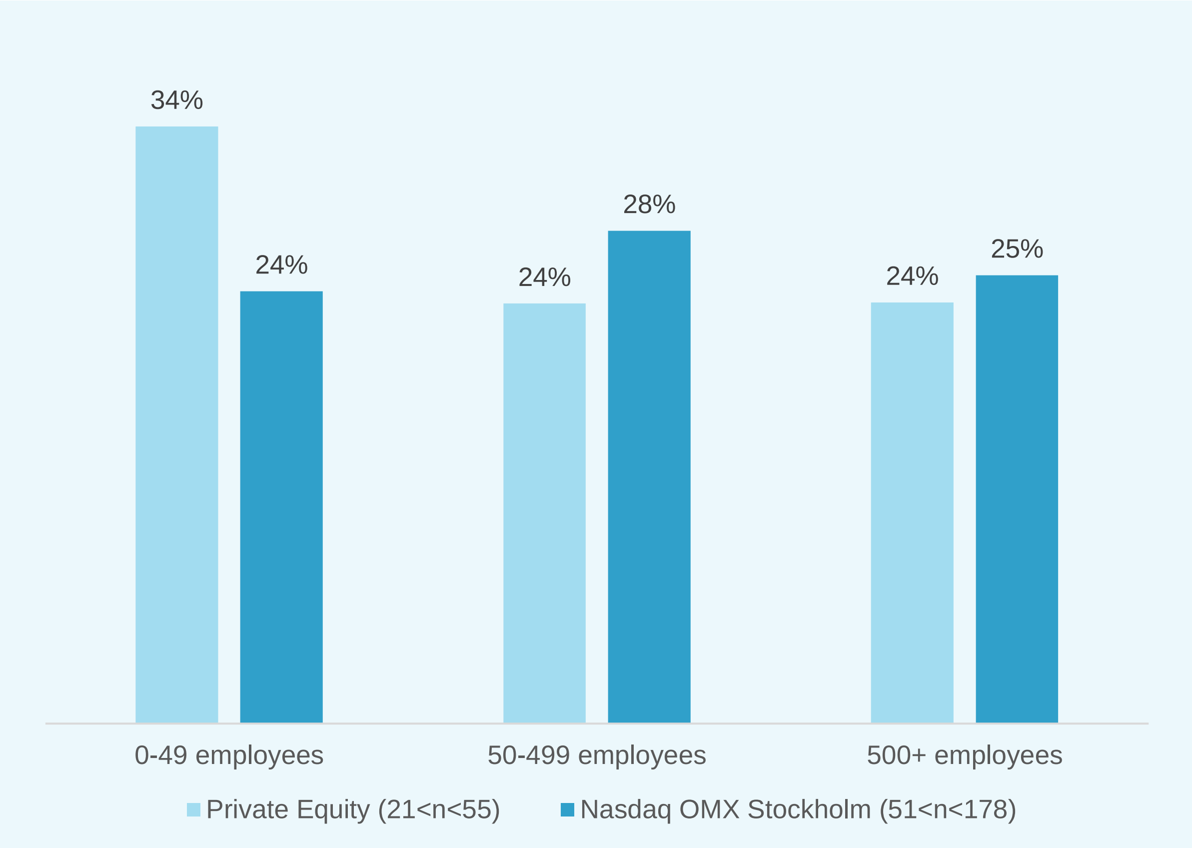


Smaller companies drive improved gender balance

Small companies are leading the way. As we have seen, women are under-represented in leading positions across the board in private and public firms. However, smaller portfolio companies in the private equity sector are leading the way on improving the gender balance.

In firms with fewer than 50 employees in particular – which would include holdings in earlier stages such as venture capital investments – more than a third of individuals in leading management positions are women. As some smaller companies inevitably expand and become large over time, this is likely to be a force that will allocate more decision-making to women, as they become more represented in larger corporate environments, too.

Share of women on management teams by number of employees



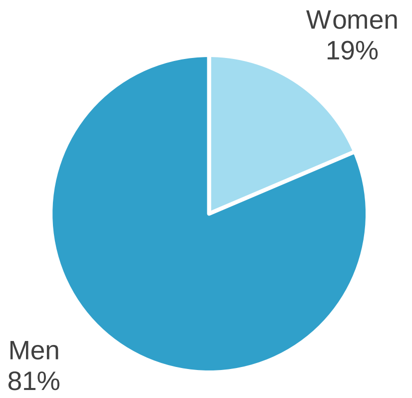
Fewer female board members than in public firms

In 2020, about one fifth of the board members of portfolio companies were women. Retention and role models are some of the key factors.

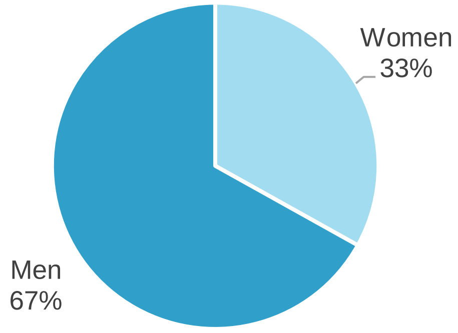
The private equity sector still has a low share of women on the boards of directors compared to public firms. Historicallly, the retention of women has been a major challenge for the private equity sector as a whole, which is reflected in a shortage of women at the senior levels. This risks leading to less women being attracted to the sector in the first place, due to a lack of mentors and role models.

Diversity among decision-makers may prove to be an important competitive edge in the future. This means that there is room for improvement and that growth potential can be unleashed as the industry is now mobilising to make people of all kinds feel genuinely welcome.

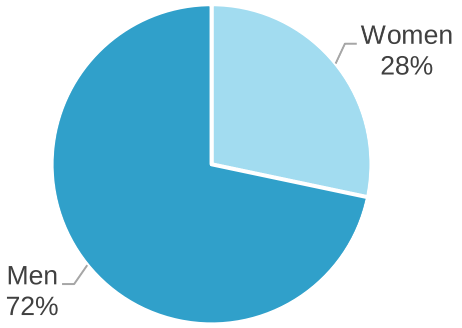
Private Equity (all)
Average share 2020, n=107



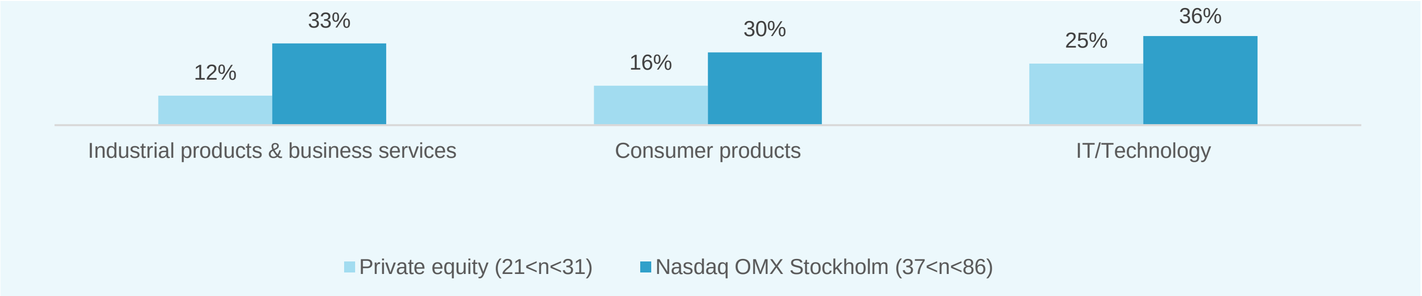
Nasdaq OMX Stockholm (all)
Average share 2020, n=327



Nasdaq OMX Stockholm (Small Cap)
Average share 2020, n=91



Share of Women on the Board of Directory per Business Sector

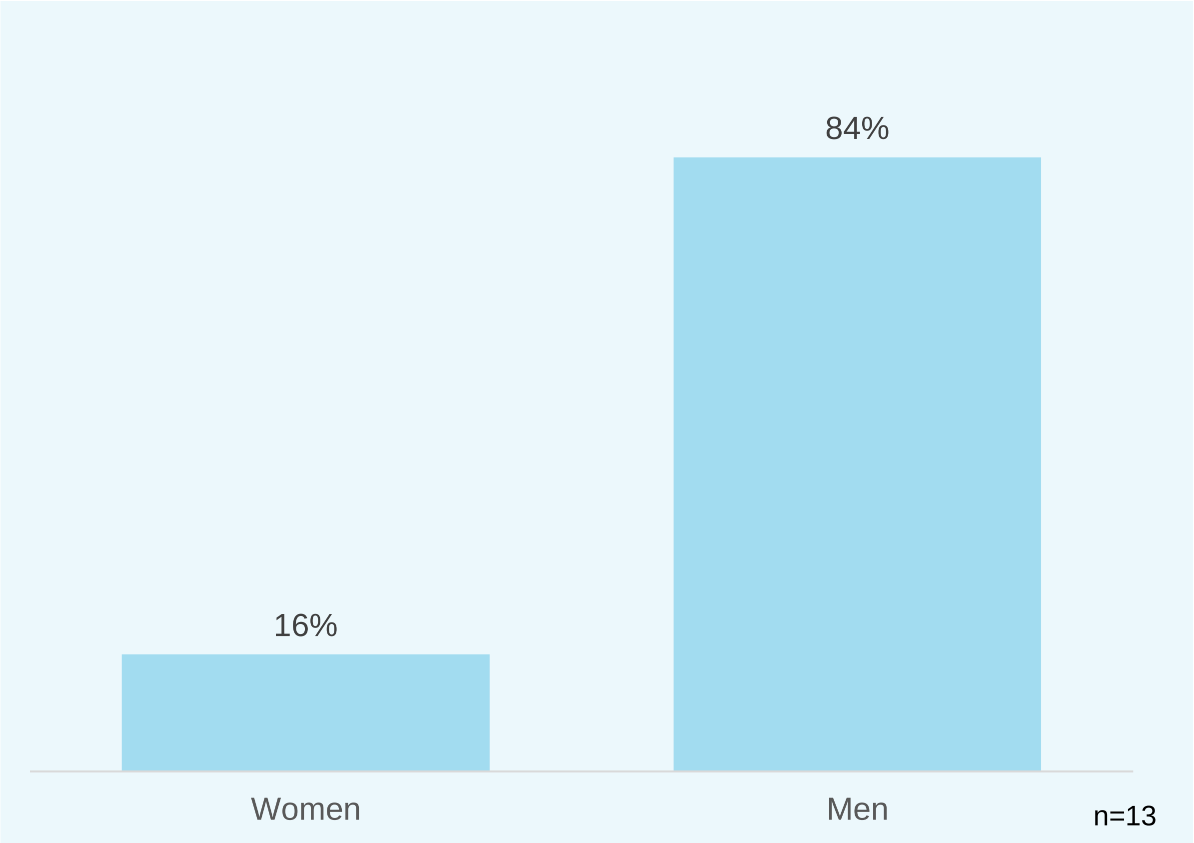


The times are changing – but change takes time

Apart from questions related to their portfolio companies, the private equity firms that participated in this study were asked to specify the share of men and women in the instance or body of the fund “where investment decisions are made”. This typically refers to investment committees. In such governing bodies, we find a major gender imbalance, where an average of 16 per cent of members are women and 84 per cent are men.

As there is a growing awareness of the need to open up the industry to talents irrespective of their surface characteristics, this imbalance may well change going forward. Industry initiatives such as network events and mentoring programmes specifically aimed to women are part of the journey, as is the determination from within the sector to measure and monitor the development in this area more strategically.

Share of men and women in SVCA Members’ governance bodies



Supportive leaders and inclusive culture paramount to retaining women in private equity

“Culture is one of the core drivers to retaining women in private equity. There has been a big shift in listening – we now have leaders that listen to juniors and diverse groups,” says Pam Jackson, CEO of Level 20.

Not-for-profit organization Level 20 has a core mission to improve gender diversity in the European private equity industry. It is seeking to increase the number of female senior investment professionals to 20 per cent.

In the UK, the number women working in senior investment positions increased from 6 to 10 per cent between 2018 and 2021 while women on the investment committees of Swedish private equity funds accounted for 16 per cent in 2020.

Level 20’s philosophy is to support women working in private equity by helping them to build networks, especially at the junior levels, source role models, participate in mentoring and attend events focused on technical and interpersonal skills – i.e., how to build a brand or build communication skills. The organization also supports its sponsor private equity firms in how to effectively move the needle on diversity in their own firms.

Pam Jackson, CEO Level 20

“Everyone should be able to do anything they want, limited only by ability,” Jackson explains her deeply felt commitment to retaining women in the industry.

She also explains why it is always preferable to make changes based on voluntary initiatives within the industry rather than on initiatives from outside, such as mandatory legislation.

“You can mandate anything, but it doesn’t help you if you don’t have commitment or engagement. This is how private equity builds value every day – you can measure everything with KPIs, but you also need to answer the ‘why’.”

5 key drivers to retain senior women in private equity

Leadership. Self-aware, skilled leaders who prioritise team management and provide the supportive, developmental conditions for women to stay.

Culture. Inclusive cultures that welcome differences, invite openness and create a sense of belonging.

Transparency and fairness. Meritocratic performance systems that recognise varied contributions, discourage self-promotion, and reward the ‘how’ as well as the ‘what’.

Family life support. Mature, tailored, and proactive efforts to help women navigate different life stages and balance personal commitments.

Supportive working environments. Flexible working and structured initiatives which accelerate networks, connection, and progression for women.

Source: Reaping the Rewards of Retention (Level 20/YSC Consulting)

Did you know…
In Sweden, Level 20 has 26 pairs of mentors and mentees.

2.3 Environmental Sustainability and Climate

Sustainable Development Goal 13

Take urgent action to combat climate change and its impacts.

Emissions intensities on par or slightly higher in portfolio companies compared to Nasdaq OMX

Reducing carbon footprint is high on the agenda for most companies and investors today and will only grow in importance.

When benchmarking with public companies listed on Nasdaq OMX Stockholm, Swedish private equity portfolio companies show similar numbers.

Publicly listed companies have a somewhat lower median emissions intensity regarding scope 1 than portfolio companies in the private equity industry. This is most likely due a higher share of listed companies reporting emissions in scope 1 are companies in service industries (finance and consultancy firms), i.e., with high sales but without production of tangible products.

Emissions intensity in scope 1 and 2

Scope 1: direct emissions according to scope 1 originate from resources companies own and control, for example facilities and vehicles.

Scope 2: indirect emissions according to scope 2 come from the consumption of purchased electricity, steam, heat and cooling.

The *emissions intensity* KPI is often used to compare emissions from companies of different sizes. Dividing emissions by net sales shows how many tonnes of carbon dioxide equivalents (CO2e) a company causes for every million SEK of net sales.

Direct emissions intensity (Scope 1, Median)

Portfolio companies	Nasdaq OMX Sthlm
0.44 tCO2e per MSEK net sales	**0.34** tCO2e per MSEK net sales

Indirect emissions intensity (Scope 2, Median)

Portfolio companies	Nasdaq OMX Sthlm
0.27 tCO2e per MSEK net sales	**0.28** tCO2e per MSEK net sales

On average, portfolio companies emit less CO_2e

Size and materials matter. This is reflected in the table on the right, which shows that average and median emissions from portfolio companies are much lower regarding the **absolute amount** of CO_2e emitted.

Only just over one third of the companies on Nasdaq OMX Stockholm report their emissions. Most of them are on Large Cap, which includes large companies, many of which are industrial companies that tend to cause substantial amounts of emissions.

Portfolio companies are mostly smaller in size than the companies listed on OMX Large Cap and are often active in sectors that have lower emission profiles, such as technology.

	Emissions scope 1 (tCO_2e)		**Emissions scope 2 (tCO_2e)**	
	Portfolio companies (n=41)	Nasdaq OMX Sthlm (n=121)	Portfolio companies (n=57)	Nasdaq OMX Sthlm (n=116)
Average	15 012	155 322	5 642	57 296
Median	1 130	3 526	242	4 793
	Emissions intensity (scope 1)		**Emissions intensity (scope 2)**	
	Portfolio companies (n=41)	Nasdaq OMX Sthlm (n=121)	Portfolio companies (n=57)	Nasdaq OMX Sthlm (n=116)
Average	5.28	5.04	2.35	1.60
Median	0.44	0.34	0.27	0.28

“Venture capital and most private equity investors in sustainability-linked business models are not so much involved in the perceived core activities, as for example energy providers, who have capital requirements that are too great for all but the largest or very targeted investors.

Private equity investments are usually more on the technology development side, for instance support services and infrastructure around major projects. And in logistics, it’s primarily on the technology side, for example in companies that make processes more efficient with blockchain, where private equity is playing a key role.”

Martin Bresson, Public Affairs Director, Invest Europe

2.4 Corporate Governance and Anti-Corruption

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Sustainable Development Goal 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

High incidence of anti-corruption policies in both ownership forms

One of the cornerstones in most ESG strategies is efforts to combat corruption. Portfolio companies are on par with publicly listed companies in terms of anti-corruption policies.

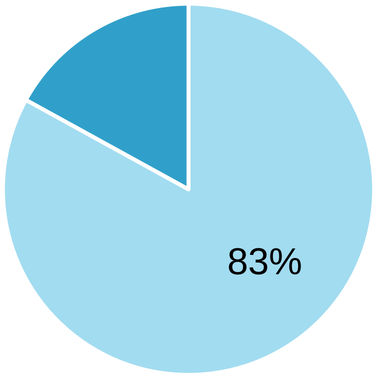
In an anti-corruption policy, companies commit to conducting its business ethically and set out its prohibitions against bribery and corruption.

Four out of five portfolio companies have an anti-corruption policy in place, which is similar to the share of companies on the Nasdaq OMX Stockholm that publicly report an anti-corruption policy.

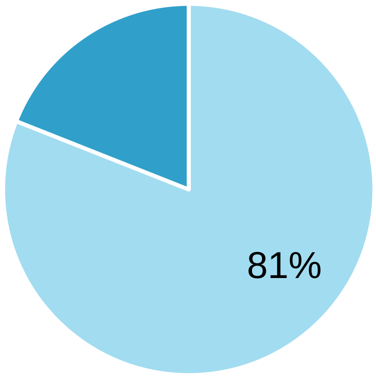
Due to the similarities in size, it can be more appropriate to compare the portfolio companies with the companies listed on the Small Cap. When doing so, anti-corruption policies are significantly more common in the private equity sector. 83 per cent of portfolio companies reporting on the question have an anti-corruption policy, compared to 57 per cent of companies on the Small Cap.

Did you know…
44%
of portfolio companies conduct anti-corruption training (n=92)

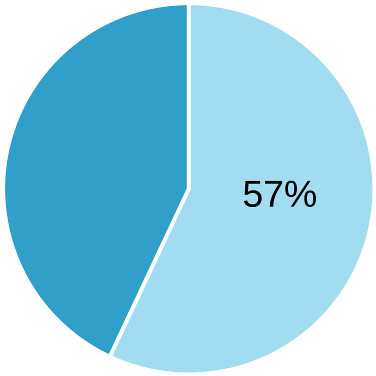
Private equity (all)
Anti-Corruption policy 2020, n=92



Nasdaq OMX Stockholm (all)
Anti-Corruption policy 2020, n=330



Nasdaq OMX Stockholm (Small Cap)
Anti-Corruption policy 2020, n=91



The share for public companies is arrived at by dividing the number of companies presenting anti-corruption policies in public reports with the total population of companies.

Whistleblower channels in two thirds of portfolio companies

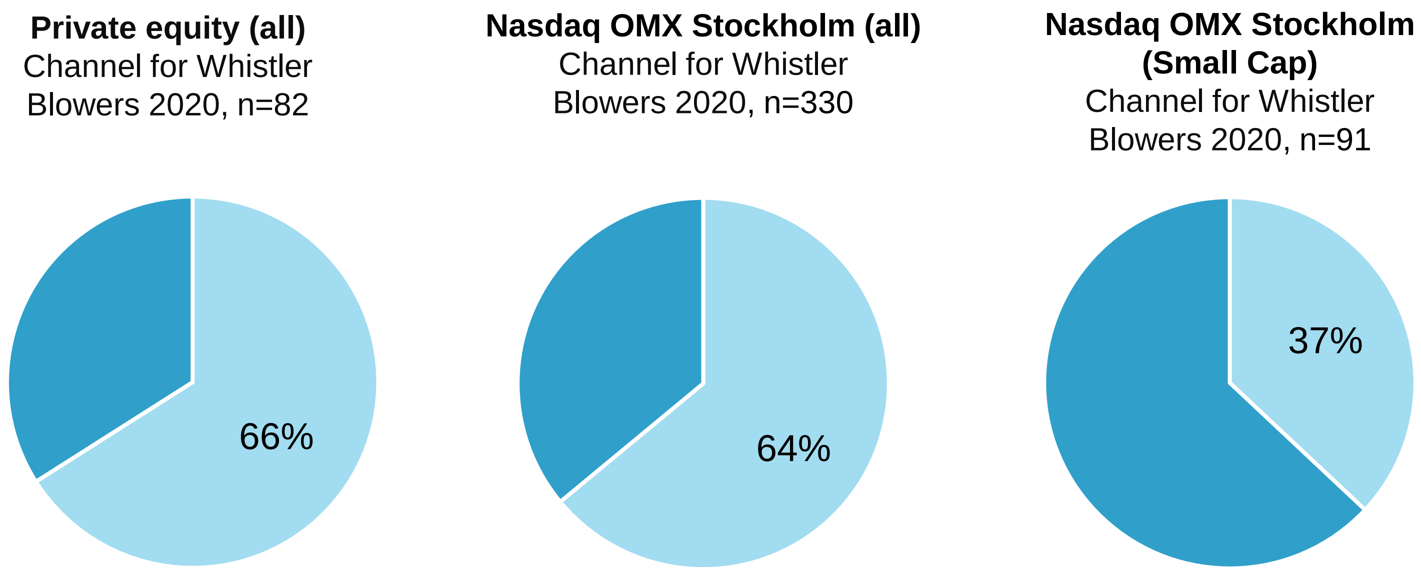
When someone supspects irregular conduct, there must be a way to report it. Two thirds of portfolio companies and companies listed on the Nasdaq OMX Stockholm have whistleblower functions.

A whistleblower function can be designed in different ways. Today, many of them are digital, anonymous and managed by a third party.

Just two percentage points separate public and private equity in terms of whistleblower function. However, the difference is greater if Small Cap is taken into account. 66 per cent in private equity compares to 37 per cent on Small Cap.

All these numbers are likely to take a giant leap in the coming year. The first step of the *EU Whistleblower Directive* will be in place in December, which will apply to all companies with more than 250 employees.

The proposal in Sweden is to go even further in the first step and make it obligatory for all companies with more than 50 employees to provide a confidential and secure channel for whistleblowers.



The share for public companies is arrived at by dividing the number of companies presenting anti-corruption policies in public reports with the total population of companies.

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