



ESG in Action

Examples from the Portfolio

Berkeley Endowment Management Company

BEMCO's investment philosophy is rooted in long-term investing, and incorporates environmental sustainability, social responsibility, and governance (ESG) factors into our investment evaluation, decision-making, and monitoring processes. We often partner, pairing BEMCO capital with investment managers who help us to achieve our investment goals. As such, their activities, and approaches to environmental, social, and governance (ESG) are of great importance.

For our managers, ESG factors are relevant to assessing investment merits, business quality, and risks. ESG consideration is consistent with the primary objective to maximize long-term, risk-adjusted returns. BEMCO is dedicated to engaging with managers to advance and monitor their approach to ESG, including investment and management practices.

We have a dynamic portfolio, and ESG is a broad and dynamic area. Below are recent examples of how our portfolio managers include ESG factors in their business activities:

REPRESENTATIVE RECENT EXAMPLES

Global Equities: *public equity managers integrate ESG analysis in their investment underwriting, which is a key factor in understanding risk management and investment returns.*

- ❖ An Indian public equity manager completed an internal assessment of its 30 largest holdings – representing over 90% of total equity exposure – to evaluate stakeholder and environmental impact. ESG factors are also incorporated into diligence, leading the manager to decline several potential investments due to material ESG concerns. In 2024, the manager submitted a voluntary UN PRI Transparency Report, using the exercise to identify areas for improvement and deepen internal accountability around ESG practices.

Private Equity: *private equity managers incorporate ESG factors in underwriting and/or business plan development and may have a greater ability to affect change at portfolio companies.*



- ❖ A private equity partner focused on heavy industrials continues to advance its firmwide commitment to safety and governance. Every board meeting begins with a safety briefing, setting the tone from the top and reinforcing that safety is a fundamental right for all employees. To institutionalize this commitment, the firm has established a dedicated safety group – the “Leader Counsel” – which promotes best practices across the portfolio. This group facilitates quarterly knowledge exchanges and conducts annual site visits to ensure safety protocols are upheld. The firm often acquires “unloved” industrial businesses where safety and operational standards were previously lacking. As a result, its rigorous focus on safety and governance delivers meaningful, transformative impact across its portfolio companies.
- ❖ A North American middle-market buyout manager continues to strengthen its responsible investing approach, originally launched in 2016, through initiatives at both the firm and portfolio levels. To support this effort, the firm engaged a third-party ESG advisor with sector-specific expertise to provide tailored guidance throughout the portfolio companies’ investment lifecycle. It also implemented annual ESG reviews at portfolio companies to drive continuous improvement and accountability.
- ❖ A private equity buyout manager continued to formalize and expand its ESG efforts in 2024, focusing on consistent data tracking, active portfolio engagement, and sustainability initiatives across its majority-owned companies. As a member of the ESG Data Convergence Initiative, the manager has now submitted three consecutive annual datasets covering key metrics such as employee diversity and workplace safety. Looking ahead, it plans to broaden reporting to include companies in its Growth Equity (minority ownership) fund and to incorporate energy-related data. At the portfolio level, ESG engagement has encompassed leadership development programs, board diversity initiatives, and the formation of employee resource groups. Environmental initiatives, such as the phasing out of single-use plastics, are being scaled across the portfolio, reflecting the firm’s commitment to operational sustainability.
- ❖ A European private equity partner recently achieved B Corp certification and published a comprehensive impact report, marking a significant milestone in its commitment to responsible investing. The firm now leverages a B Corp-aligned framework to embed ESG considerations throughout the entire investment lifecycle. It has also made diversity, equity, and inclusion (DEI) a strategic priority, setting a goal of 50% representation of women and minorities across its team by 2027 and introducing structured hiring and onboarding processes to support progress toward that target.

Venture: *venture capital relationships are forward thinking around Diversity, Equity, & Inclusion.*



- ❖ A venture capital partner has expanded its ESG strategy to address broader economic and societal impact. The updated framework now incorporates dimensions such as job creation, economic competitiveness, and the role of portfolio companies in shaping a “new economy.” The team is actively collaborating with researchers to examine labor market outcomes and pathways to upward mobility associated with the digitization of physical industries, including areas like additive manufacturing and advanced energy





HISTORICAL EXAMPLES

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- ❖ An Indian public equity manager became a UN PRI signatory and implemented a formal policy in 2023 that has increased the level of engagement on sustainability issues with portfolio companies. The manager incorporated a sustainability process during due diligence to 1) identify issues when screening new investments; 2) engage deeper assessment in the diligence stage; and 3) if material, elevate sustainability to being of enough importance to disqualify making an investment.
- ❖ A partner in global public equities recently substantively rewrote their Proxy Voting Principals to hold the Board Chair accountable for serious governance concerns. In the 2023 proxy season, analysts began voting against the reelection of responsible company directors that had not committed to setting a Science Based target for emissions reduction. In total, the firm exercised votes against the Chair or other responsible directors at 10 companies on climate grounds in 2023 (50 companies in the portfolio).
- ❖ A manager in the BEMCO portfolio believes in the powerful impact of hiring undergraduate students from populations underrepresented in the finance industry. The firm has been intentional in expanding its hiring pool to include more diverse candidates and has had success with this approach. They have partnered with United Negro College Fund as a pioneering sponsor for their Lighted Pathways Program, with the goal of increasing the number of African Americans pursuing careers in finance.
- ❖ A manager in the BEMCO portfolio is focused on both climate and diversity goals at their portfolio companies. Climate: They have developed and shared a climate roadmap with all its portfolio companies and works directly with the companies to help achieve goals. If companies do not achieve the base level requirements beginning in 2023, the manager reserves the right to vote against the Chairman or Head of the nomination committee. Diversity: They are in the process of rolling out DEI goals for their portfolio companies with the ultimate target of achieving gender parity on the board and executive team. The manager's work has led to deeper relationships with its portfolio companies.
- ❖ BEMCO is invested in an emerging markets manager with a highly concentrated equities portfolio. The fund's largest holding is the biggest producer of clean energy (renewable hydro) in Latin America, generating energy servicing almost a quarter of national market share. The company is a major contributor to Brazil's clean installed capacity and is a top-5 producer of hydro power worldwide.
- ❖ BEMCO is invested with a manager that recently became a Certified B Corp. As such, the firm is required to meet stringent standards of social and environmental performance, transparency, and accountability, with an aim to balance profit and purpose. A few initiatives include: 1) offsetting carbon emissions to become carbon neutral; 2) incorporating targets and initiatives to reduce environmental footprint across



energy, waste and water; and 3) working to become more diverse and inclusive across the organization through intentional recruiting, mentoring, and training.

- ❖ A manager in the portfolio hired a dedicated Director of Engagement with the goal of more significantly engaging companies on diversity & inclusion and climate. The manager is working with companies to achieve science-based emission reduction targets, and reports on critical metrics to plan around climate change. The firm advocates for diversity engagement plans at the company level, and is being more deliberate to demand results and change. The manager sees a difference through work and engagement with its portfolio companies, which is deeply motivating for the team.
- ❖ An India Equity manager in the portfolio initiated an inaugural ESG report to share progress towards responsible investing and share ESG information on top holdings. The firm is striving to be a leader in building ESG sustainability into business practices in India. They are the first public market fund in India to become a UN PRI signatory and have enlisted IiAS (Institutional Investor Advisory Services) to help assess shareholder resolutions.
- ❖ BEMCO's largest investment is with a manager that explicitly integrates sustainability factors into their investment approach and actively promotes sustainability best practices to corporate management. Additionally, this manager dedicates a portion of profits to a charitable foundation that aims to accelerate the transition to a more sustainable economic system. The foundation's work on fiduciary duty, stranded assets, carbon pricing, and business as a force for social good has resulted in tangible advances in regulatory, investor, and corporate behavior. For example, research commissioned by the foundation was a key factor in the adoption of legislation on sustainable finance in Europe. The foundation's research also informed the Carbon Disclosure Project's standard disclosures and assisted companies in reducing carbon emissions in their operations and supply chains.
- ❖ BEMCO invested with a manager who took multiple ESG-related actions to enhance the long-term value of a European Airline. They 1) encouraged the airline to become more fuel-efficient and to outline its environmental policies and targets; and 2) voted to encourage better social policies, board composition, and incentive structures. This airline now generates 23% lower Co2 per passenger kilometer than the average of the other four major European airlines and is investing in a substantially more fuel-efficient next generation aircraft – further widening the competitive gap. The airline has also worked with shareholders to improve governance and incentive structures.

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- ❖ A North American middle market buyout manager is deeply committed to DEI initiatives with a long-term perspective. Efforts include: 1) continued partnerships with SEO (Sponsors for Educational Opportunity) to hire associates & interns; 2) hosting annual events with Synergist, a non-profit to promote young women in investing; 3) partnering with HBS student groups to sponsor a Women in Investing Summit, a PE panel,



and Trek session; and 4) driving change from the top by improving gender and racial diversity among leadership positions for portfolio company boards, the investment team, and the advisory group.

- ❖ A European middle market private equity partner has established a dedicated Head of ESG role to lead internal direction and provide support to portfolio companies. The firm initiated an Impact Assessment for all portfolio companies to measure sustainability criteria. At the corporate level, undertaking projects to offset firmwide emissions.
- ❖ A European private equity partner built the firm with a perspective that the PE industry has a vital role to play in building a more diverse and inclusive business environment. Commitment to DEI is reflected in their engagement with portfolio companies, with a focus on target setting, engagement, and measurement over time. The firm is committed to adjusting gender pay gaps across the portfolio. They are focused on limiting bias in the hiring process at the firm level and bringing best practices to portfolio companies.
- ❖ A technology focused private equity partner engaged a firmwide journey to establish a more diverse and inclusive environment at the organization. Since 2021, they have initiated a DEI counsel, DEI portfolio benchmarking, Women on Boards program, ESG committee, Diversity Internship Program, and established a formal DEI policy. They are focused on gathering more actionable insights across investments.
- ❖ A European middle-market buyout firm BEMCO is invested in provides significant ESG training to its portfolio companies. The manager tracks its companies' climate KPIs and progress against an emissions engagement plan. The sustainability metrics help drive cost savings and allow access to preferential credit rates. They also began tracking gender demographics and pay gaps last year, which catalyzes conversations on team building and long-term results.
- ❖ BEMCO invested in a tech-enabled industrial buyout manager that recently published its inaugural ESG report. The manager identifies each portfolio company's alignment to UN Sustainable Development Goals (SDGs) and reports on metrics around climate, diversity, safety, and governance. The firm has focused thematically on energy transition at the portfolio companies with measurable emissions and waste reduction.
- ❖ BEMCO is invested with a European manager that hired a Head of ESG/Impact who focuses on helping the team allocate capital in the long-term ESG thematic. The role is pushing the organization and its portfolio companies to achieve carbon neutrality no later than the Paris Accord demands. The organization is a signatory to the UN PRI and UK Sustainable Investment and Finance Association. The manager also recently sponsored the following organizations: 1) Level 20, an organization with the mission to encourage greater female representation in investment roles across the PE industry; and 2) Out Investors, a global organization with the mission to make direct investing an industry that is more welcoming to LGBT+ individuals.



- ❖ A technology-focused control buyout firm has had significant firm-wide engagement to progress DEI initiatives, including the creation of internal sub-councils. The firm's recent initiatives include: 1) targeted sourcing of minority-owned businesses; 2) an intentional hiring process focused on diversity (including hiring 5 diverse interns in 2021); 3) creation of a more inclusive environment across the firm and portfolio; 4) increasing the percentage of minority and women owned businesses that comprise discretionary spend; 5) providing DEI awards to portfolio companies to showcase their efforts; and 6) holding firm-wide unconscious bias trainings.
- ❖ A growth equity firm BEMCO invested with is led by a diverse leadership team and strongly focuses on collaborative and open culture, diversity & inclusion, and climate change initiatives. The firm prioritized BEMCO as a partner, given its strong resonance with Berkeley's overarching mission to provide equal educational opportunity to all Californians, and the University's academic research in this area.
- ❖ BEMCO invested with a buyout manager focused in the industrials sector. The manager views workplace safety at their portfolio companies as a core tenet of the firm – a value that in turn helps to drive performance culture. Stringent processes, procedures, and accountability metrics are instituted in all investments and have resulted in a long track record of safety improvements and low incident rates. This manager has established a foundation to support the home communities of its portfolio companies. Through the Foundation Partner Program, the foundation provides human and financial capital to social entrepreneurs and local not-for-profits and serves as a model for sustainable social engagement for other for-profit enterprises.

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- ❖ A biotechnology venture firm has an approach that exemplifies a commitment to inclusivity and equal access to the healthcare sector. Portfolio companies align with these values. The commitment and driving force of the founders are reflected in the mission to create better access and outcomes for human health.
- ❖ BEMCO is invested with a seed/early-stage venture manager that strongly supports DEI initiatives within its organization and for its portfolio companies. The firm has partnered with HCVU.VC to increase mentorship and training for students from Historically Black Colleges and Universities, and the firm continues to hire a very diverse cohort in its fellowship program for rising college seniors. The manager additionally seeks to address unconscious bias in founder selection through a capital allocation program that targets diverse founders and hosts DEI workshops for founders and their teams.
- ❖ BEMCO is also invested in an enterprise-focused venture manager whose investment pipeline is more diverse than the industry average. They are strong advocates for diverse boards and executive teams at portfolio companies. Recognizing that firm leadership is not gender diverse, the manager has been very intentional in expanding diversity in their hiring pool. They recently hired a female COO, and 2 new female Associates with the intention of growing from within, interviewing 10 vetted COO candidates and 490



Associate candidates to find the right hires. They continue to partner with HBCU.VC to hire summer interns.

- ❖ One of the early-stage venture firms BEMCO is invested with has approached DEI with significant intentionality. The firm is highly focused on hiring a diverse internal team and investing with diverse entrepreneurs and management teams. The manager launched and published the first diversity representation report and began a program to provide mentorship to underrepresented groups and entrepreneurs to teach the craft of venture. The firm also started a foundation with the purpose of providing capital to founders that focus on social returns over financial returns (education, grants to underrepresented scientists, etc.).
- ❖ Another early-stage venture partner in the portfolio is led by a diverse leadership and senior team. The firm recognizes the value in diverse executive and entrepreneurial networks and raised a fund that explicitly helps place diverse executives onto later-stage company boards. In exchange, founders embrace the firm's participation in highly competitive investment rounds, which are difficult to access.
- ❖ BEMCO invested with a venture manager highly focused on diversity and inclusion within its own organization and within its portfolio companies. The firm is intentional in developing resources to guide portfolio companies in this area. Further, the firm is a co-creator and co-sponsor of OnBoarding Women, a program that fosters and supports female participation on private, public, or non-profit company boards. A cohort of approximately thirty women are invited each year for education and information sessions and to introduce participants to board opportunities. The program has been successful in placing many of its past participants in board roles.

Real Estate: *real estate managers focus on reducing carbon and promoting other environmentally friendly practices in order to lower operating costs and enhance tenant renewal rates.*

- ❖ One of our real estate investment partners focused on multi-family investments has a partnership with Southern California Edison, a regional utility company, to implement a smart HVAC system at its properties. Through the partnership, the manager administered air duct tests and installed new fan motors and fan controllers. These projects will help save energy and operate the assets at a higher efficiency level.
- ❖ A value-add real estate manager in the portfolio recently hired a leading platform for ESG management. The platform will provide strategic consulting, tracking, reporting, and analytics services to help create an annual ESG report with the goal of obtaining a GRESB (Global RE Sustainability Benchmark) rating in 2022. The manager initiated a senior-level DEI workshop, participated in an 8-week training program with outside consultants, and formed a steering committee. The committee identified 5 primary focus areas and established subcommittees with clear priorities and implementation strategies for culture, hiring, procurement and investment, and philanthropy.



- ❖ BEMCO is invested with a multi-family real estate manager. ESG factors are actively tracked in their investments and are a key focus in the investment and ongoing asset management process. The firm believes environmental consciousness leads to cost savings, social governance reduces tenant turnover (which is the largest expense), and diversity leads to performance success. The firm’s attention to culture allows them to closely monitor team satisfaction, level of engagement, and employee turnover. Asset management team turnover has been consistently lower than national averages in a high turnover industry – the firm believe this is important to their long-term performance success.

Credit: *credit managers integrate ESG analysis in their investment underwriting, which is a key factor in understanding risk management and investment returns.*

- ❖ BEMCO encouraged a credit manager in the portfolio to incorporate an ESG policy and sent examples of best practice ESG guiding principles. Less than one year later, the manager adopted a responsible investment policy that outlines best practices for investment diligence as well as day-to-day operations of the firm.