

KEYNOTE INTERVIEW

A guiding hand



PE firms have a unique role to play in steering portfolio companies' sustainability efforts, according to 3i's Sophia Walwyn-James and Sasha East

Q How hands-on should PE firms get when steering portfolio companies' sustainability efforts? And how might that differ based on their maturity?

Sophia Walwyn-James: In our experience, many mid-market companies are still early in their sustainability journey, and progress forms part of broader professionalisation as the business grows. Our role is to provide clarity on what is expected and to support companies in meeting expectations in a pragmatic way. This is inherently collaborative, and we often act as a trusted sparring partner or an extension of portfolio company teams. For instance, a member of the team was recently seconded to a portfolio company to support the delivery of several key projects. For more mature companies, our role is typically lighter-touch, focusing

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on targeted challenge and support where it adds most value.

Sasha East: It's a question of working in partnership with portfolio companies to help them succeed. In our case, the sustainability team works closely with deal teams and management teams to define and deliver sustainability strategies shaped by what is material to each business. We use our influence to ensure sustainability is on the board's agenda and that sustainability strategies are board-approved, with appropriate resource allocated. We seek to strike a balance between the portfolio company taking full ownership of developing and delivering sustainability initiatives yet also leveraging

our in-house expertise for efficiency. This balance will naturally vary based on each company's unique positioning, maturity and priorities.

Q What are some of the most common sustainability priorities you see today, and how can support be tailored to these varying needs?

SWJ: In most cases, our engagement on sustainability focuses on a small number of areas that consistently matter. These include strategy and preparedness for future regulatory and market change, climate and emissions, and key social topics such as health and safety and human rights.

While the emphasis varies by business model, geography, size and end-market, these are the areas where we most often see material risk and value creation opportunity across a diverse

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portfolio. Focusing on common themes allows us to build and share collective insight, helping to make clear what good looks like in practice and how companies can respond effectively. Developing practical tools and resources can also support companies in making progress.

SE: One key engagement topic is health and safety, as portfolio companies should be aiming to achieve continuous improvement in both performance and safety culture. That might mean, for instance, ensuring health and safety is always first on the board agenda, and consistently reporting relevant KPIs alongside monthly financial reporting. Immersive training for investment teams has helped to embed this critical topic and ensure appropriate expertise, as we push to reach an agreed understanding between each board, investment team and portfolio company management team.

Q **As ESG oversight becomes more data-driven, how will approaches to monitoring and reporting sustainability performance change?**

SWJ: Moving to a more data-led approach has been a key area of focus in recent years. Having multiple years of high-quality data gives a better understanding of risk and performance, and enables the tracking of trends over time. Sustainability metrics are increasingly integrated into portfolio monitoring and investment committee materials,

and we also share performance insights back with portfolio companies. This is particularly valuable for smaller companies with limited access to relevant private market benchmarks.

SE: Engaging with portfolio companies on the methodology and data quality of their emissions data has become central to our active ownership strategy in recent years. That’s especially true as our SBTi-validated targets cover downstream emissions from the portfolios we manage, as well as our own operations.

Where portfolio companies report independently on their sustainability performance, we encourage them to align with recognised standards, move away from purely qualitative narratives and provide forward-looking indicators such as target trajectories. Large companies based in the UK and the EU will increasingly be required to report externally on sustainability, and proactive alignment with recognised standards is likely to be an advantage.

Q **What governance structures or processes can help portfolio companies ensure robust sustainability decision-making?**

SWJ: Three enablers consistently stand out for mature companies. Strong performance is closely linked to having a dedicated head of ESG, a board-approved sustainability strategy and regular board-level discussions around key sustainability topics. Where companies want to succeed with new sustainability programmes, we first recommend ensuring these three elements are in place.

SE: For companies that have set targets that require sustained change across the organisation, for example on decarbonisation, ensuring alignment between the board, senior management and operational teams is key. In the context of SBTi, boards need to approve emission reduction targets, ensure

these are integrated with strategy and capital allocation and monitor progress via KPIs. Linking management incentives to decarbonisation and other ESG milestones, supported by internal controls and external assurance on key metrics, can further align the organisation, strengthening decision-making and credibility. That’s why 82 percent of firms in the 3i Infrastructure portfolio had ESG-related remuneration objectives for executive board members at the end of FY25.

Q **How can PE firms create opportunities for portfolio companies to share practical learnings with one another?**

SE: Portfolio-wide engagement is a core tool for accelerating sustainability progress. That’s why, in February 2024, we held an inaugural sustainability forum in Amsterdam, with a second in Paris in June last year. These events help to keep sustainability leads across the portfolio up to date on priorities and targets, as well as providing opportunities for upskilling, relationship building and best practice sharing across the network. Key topics in 2025 included ways to deliver sustainability strategies effectively, nature for business and health and safety culture.

SWJ: Beyond formal events, knowledge sharing can be embedded via communities of practice (for example, a network of ESG leads across portfolio companies), curated case-study libraries and targeted peer introductions.

A recent example comes in relation to SBTi target-setting, where companies with recently validated targets shared practical learnings with others preparing to do the same. This peer-to-peer learning complements the ESG team’s support, helping to raise overall maturity across a diverse, international portfolio. ■

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