



▼ DOW +0.06%

▼ S&P 500 +0.39%

▼ NASDAQ 100 +0.65%

Big investors like Apollo and Carlyle are ramping up impact-focused hiring. We talked to 15 insiders to learn more about the data-crunching driving the strategies.

Casey Sullivan and Bradley Saacks 1 hour ago





Business Insider interviewed 14 financiers and recruiters in private-equity firms and hedge funds about recent efforts towards ESG and impact investing. The Carlyle Group; JUST Capital; TPG; Impactive Capital; Samantha Lee/Business Insider

The coronavirus pandemic and the ongoing reckoning of racial justice and equity in the workplace has ESG investing at the forefront of the conversations in the asset management business.

While investors in the space believe funds can be agents of change, many asset managers have been drivers of the shareholder capitalism priorities.

But some private-equity firms and activist hedge funds are



BUSINESS INSIDER

"The average active hedge fund and PE investor are not typically those you would associate with sustainable, ESG, impact investing," said Martin Whittaker, of JUST Capital.

[For more stories, subscribe to our Wall Street Insider newsletter.](#)



SPONSOR CONTENT

What small businesses should know about marketing in a post COVID-19 world

A public health crisis along with nationwide protests over racial inequality have brought a long-running question to the forefront: the role investors should play in influencing companies to promote diversity, social responsibility, and other goals beyond the bottom

1: --



BUSINESS INSIDER

five years, as cases have been made by business leaders that things like energy efficiency and diversity of thought in an organization can lead to better financial performance.

One of the biggest pools capital of alternative asset managers has led the way: Public pensions. More than half of the \$5.6 trillion in sustainable and impact assets managed by institutional investors is done by public plans, according to the US Sustainable Investment Foundation.

Managers have also noted the much-hyped generational wealth transfer that will put trillions into the hands of millennials and women, who are more interested in ESG strategies.

Yet the biggest companies remain difficult to change — and hard to avoid from an investment perspective since they make up such a huge chunk of markets. Passive funds run by BlackRock, Vanguard, and State Street have ballooned to be a significant percentage of S&P 500 shareholders, insulating many companies.

In recent weeks, though, the conversation in the investing



BUSINESS INSIDER

— has ratcheted up.

And so have discussions about a similar, but different topic: impact investing.

Impact investors try to buy stakes in companies whose products will play a positive role in society and the world, whereas ESG more so

refers to the measurement of a company's operations, rather than products.



SPONSOR CONTENT

Here's how small-business owners can adapt to the new re landscape



BUSINESS INSIDER

portfolio companies for roles that complement both of these efforts. And, they're taking stock in the moment to raise more money to invest and strike new deals.

These efforts are playing out both in public and private markets, sources said, though some noted that it wasn't necessarily a reaction

to current events, but part of a years-long strategy that had taken on new meaning and increased urgency.

"There has definitely been an uptick in demand for talent," said Sofia Benmouffok, a recruiter at Acre who leads searches for senior executives in responsible investment and clean technology.

Benmouffok said that historically, ESG has been staffed by internal professionals, but now, firms are starting to look outside their own walls to tap talent, running searches that can last anywhere between weeks to months.

"I think as institutional investors have asked more and more complex questions from asset managers, and as ESG as a subject matter has



Benmouffok.

***Read more:** [Investors are clamoring for pandemic bonds. Here's how Wall Street banks are responding.](#)*

Apollo looks to beef up D&I and impact investing

At Apollo Global Management, the firm already houses an ESG function, but is now in the process of raising a fund dedicated to impact investing, [with Bloomberg reporting plans to raise up to \\$1 billion.](#)

Two people familiar with the effort tell Business Insider that Apollo is looking to hire a head of that unit, a first role of its kind for the firm. And, these sources say, the firm has already internally appointed an executive to share the responsibility as a co-head.



SPONSOR CONTENT

What to consider when

**A NEW HEAD OF TALENT**

Apollo is also making moves to ensure its own people are more diverse.

In recent weeks, it's hired its first head of diversity and inclusion: Jonathan Simon, who at JPMorgan focused on identifying, hiring and developing Black and Hispanic talent, with much of his time spent on recruitment at college campuses, according to his LinkedIn biography.

Read more: [Meet 10 Wall Street power players picking through up to \\$1 trillion in new distressed debt opportunities to bag huge returns](#)

Apollo's new head of talent, Matt Breifelder, who joined the firm in 2019 from BlackRock, said it's all part of a broader plan to modernize the investment firm. Some initiatives he is overseeing had been in the works before COVID, like improving the firm's diversity profile, hosting meditation sessions, and organizing groups so parents can



But COVID made Apollo formalize these networks with a sense of urgency, he said.

"This a very important moment in time and we need to seize on it and accelerate progress across the board," said Breitfelder.

Carlyle, TPG look to expand impact investing

While its impact investing arm will come as a new feature for Apollo, other investment firms expressed an increased commitment to the discipline, with The Carlyle Group saying that it was looking to expand its team of three impact professionals, and TPG making the case for more impact investing, pointing to the resiliency of investments in this class throughout the crisis.

TPG Rise, founded in 2016 in partnership with Bono and Jeff Skoll, has \$5 billion in assets under management, and is currently raising its second fund, with a first close marked at \$1.7 billion as of October



SPONSOR CONTENT

6 ways small businesses can market themselves a post-COVID-19 world

The Rise fund, which invests in companies that drive social and environmental change, lists eight professionals on its website.



Maya Chorengel, Maya Chorengel, co-head of TPG Rise. TPG

Maya Chorengel and Steve Ellis, co-heads of TPG Rise, told Business Insider that several investment themes help explain the resiliency of its Rise investments throughout the pandemic.



BUSINESS INSIDER

THEMES WE HAVE INVESTED IN — HEALTH CARE, FINANCIAL SERVICES AND
using tech enabled business models — these are tailwinds to our
business, and to this space generally," said Chorengel.

Chorengel and Ellis pointed to TPG's backing of companies that
provide digital services as an area of strength throughout the
downturn, from financial-payment platforms that serve low-income

communities, to companies that offer online curriculum for students
from kindergarten through 12th grade.

"What's happened is, by virtue of being forced to go remote, there has
been an acceleration of digital adoption," said Ellis.

Firms tap ESG data to inform investments

While these investments held up well throughout the pandemic,
private-equity firms are now setting their sights on future deals and
using internally harvested data.



BUSINESS INSIDER



Meg Starr, head of The Carlyle Group's impact investing arm. Goldman Sachs

Insider that the firm tracks key performance indicators, which can include portfolio companies' use of water and chemicals, along with the diversity make-up of management.

"Each diverse director is correlated to a five percent increase" on average, in annualized earnings growth, said Starr of the company's internal research across its portfolio companies.



SPONSOR CONTENT

How to move your retail businesses to your home and manage online to meet customer c



BUSINESS INSIDER

Carlyle just issued a 113-page report detailing how some of its portfolio companies were contributing to the COVID-19 response, like one company that develops ventilators and equipment to protect healthcare workers.

In interviews with Business Insider, Carlyle executives said they are now looking to back more companies that qualify as impact-driven,

including renewable energy companies that one of its executives, Pooja Goyal, says has not been as affected by the coronavirus as other energy companies.

Now, she said, 90% of her work time is spent on "offense," meaning looking for deal opportunities rather than putting out fires at portfolio companies.

"I would say that might not be true with every single strategy in an asset manager," said Goyal, pointing to the resiliency of the sector and the firm's portfolio.





BUSINESS INSIDER

While PE firms may be bullish in ESG, it's an area that has long been met with skepticism by industry insiders, who view PE executives as caring about money above all else. Skeptics have expressed concern that these efforts are little more than a PR tactic to raise money from investors.

"The average active hedge fund and PE investor are not typically those you would associate with sustainable, ESG, impact investing," said Mark Whittaker, CEO of JUST Capital.

"They tend to be the bad guys."

And even within the community, there's debate over the most effective approach.



For instance, experts say ESG and impact executives who sit within the compliance or legal departments of a private-equity shop don't have as much



BUSINESS INSIDER

Mark Whittaker, CEO of JUST Capital

Martin Whittaker

professionals.

And critics say more focus has traditionally been given to the governance and the environmental components of ESG, rather than social issues, which can be difficult to quantify.



SPONSOR CONTENT

How to transform your retail business to p online orders from anywhere

"The social part of it has been seen as the softer of the three and it's been harder to track," said Steven Desmyter, co-head of responsible investing at Man Group.



equity firms, either.

The activist investors

When Jeff Ubben announced [plans to exit \\$16 billion hedge fund, ValueAct, and create a new fund focused on environmentally and socially responsible investing](#), it was one of the most prominent

examples in recent memory of an activist investor devoting his career to ESG.

But others have been at it for years and some told Business Insider that they've recently made strides in mounting their campaigns for policy changes at companies, pointing to recent protests and COVID as creating a moment for corporate America to self reflect.

See also: [This year's 10 biggest private equity hires show how firms like KKR and Blackstone are placing their bets for 2020](#)

"This is an interesting constellation of stars happening right now," said Kristin Hull, an activist investor with Nia Capital which has more than \$100 million in assets under management.



BUSINESS INSIDER

after running a nine-month campaign, demanding that it report statistics about the diversity of its leadership and workforce.

Earlier in June, investors voted 70% in favor of adopting such reporting in some form, and additional meetings will be held to discuss how much detail the reporting will cover, according to Hull.



SPONSOR CONTENT

Returning to work requires a new safe strategy. Here's how to start.

"I think that, before this time, diversity was seen as a nice thing to have and now it's a must have," Hull told Business Insider.

Lauren Taylor Wolfe, co-founder of Impactive Capital, reports a



BUSINESS INSIDER

to discuss ways to improve their ESG metrics.



Co-founder of Impactive Capital, Lauren Taylor Wolfe. Impactive Capital

Her pitch to companies to better their ESG measurements is that ultimately it will help retention across all facets of the business — customers, employees, and investors.

"This will make companies more competitive, more profitable, and ultimately more valuable."

Yet even proponents of socially responsible investing are wary to conclude that, even in a more equality-minded America that's seen protest after protest in recent months, we've seen a catalyst that will bring a universal reckoning at companies.

"I don't think there is a lot of herd mentality yet in this space," said Whittaker of JUST Capital, the nonprofit sustainable data provider backed by billionaire Paul Tudor Jones.