Case Study.

Arcmont Asset Management.

London, UK.

Asset Management.

Upgrading a European asset manager's approach to ESG integration on a firm and investment level, whilst acting as an outsourced specialised ESG team

Arcmont Asset Management is a leading private debt investor, providing flexible capital solutions to a wide range of businesses across Europe. Thus far, the firm has raised €22bn and has committed €20bn in +240 transactions since inception in 2011. Arcmont established its responsible investment focus nearly a decade ago while the firm became a member of the UN-backed Principles for Responsible Investing (PRI) network, contributing to the PRI's first Private Debt guidelines, and implementing dedicated ESG integration policies.

Challenge

In 2020, Arcmont set a clear objective of positioning itself at the forefront of ESG integration in the private debt asset class, showcasing to its investors and other stakeholders how environmental, social, and governance (ESG) considerations can be integrated into all aspects of the investment process as well as its operations. Arcmont is continuously looking for opportunities to enhance its approach to responsible investing.

Solution

After performing a full review of Arcmont's responsible investment approach in July 2020 and establishing a formal Investment Exclusions Policy and ESG Risk Management Policy, dss+ Advisors was retained to support the asset manager with implementing best practices into their investment process on an ongoing basis, and to operate as an extension of Arcmont's investment team for ESG-related functions. This includes:

- supporting deal teams with pre-investment ESG due diligence and scoring of prospective borrowers,
- providing guidance on the implementation of ESG-performance linked loan terms ('margin ratchets'),
- establishing customised ESG engagement plans for equity positions with identified high ESG risks, and
- supporting with post-investment monitoring and investor reporting.

Further, dss+ contributed on an ongoing basis to upgrading Arcmont's responsible investing strategy by advising on industry best practices, contributing to the firm's product strategy for SFDR compliance, providing ESG training and education services to the leadership and investment teams, whilst updating their policies annually. To position the private debt investor at the forefront of ESG integrated investing, dss+ and Arcmont published a joint whitepaper in 2021 on 'ESG in Private Debt: Rising to the Challenge'. In 2022, dss+ also helped the firm formalise its corporate sustainability strategy by conducting a materiality assessment and showcasing the firm's efforts and commitments in an inaugural Sustainability Report.

dss+

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Assignment
Position the firm at the forefront of ESG-integrated private debt investing. Act as an extension of the investment team and provide ESG-related expertise.

Offering
Responsible investment advisory, customised tool development to improve investment decision making, ESG due diligence, ESG policy writing & training, materiality analysis, reporting.

Impact
Helped build ESG scoring methodology that is used to assess prospective investments ESG risk profile and identify bespoke ESG performance targets and improvement plans for portfolio companies.

Supported in building investor confidence in Arcmont's leading ESG integration practices.

Established industry best practices for the private debt asset class and co-wrote whitepaper on 'ESG in Private Debt: Rising to the Challenge'.

Conducted corporate materiality assessment and developed inaugural Corporate Sustainability Report.

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