

KEYNOTE INTERVIEW

Getting hands-on for
a greener future

The private equity ownership model is ideally suited to driving change and building more sustainable companies, says Nordic Capital's Elin Ljung

Q Where are you seeing the most interesting opportunities when it comes to investing for a greener future?

A profound respect for nature and the environment is deeply rooted in Nordic culture. As a result, there are many global sustainability leaders to be found in Nordic countries. This is a part of the world that boasts pioneers in everything from green finance to renewable energy and circular business models, so we see no shortage of investment opportunities here. We draw on this Nordic experience and apply it internationally too, to the companies we back in Europe and the US.

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Our approach to investing behind a greener future is twofold. Firstly, we look to back companies with business models that clearly contribute to driving resource efficiency, energy efficiency and decarbonisation.

But we also believe that it is critical to ensure that all companies, in all sectors, are aligned with a greener future, cutting carbon emissions in their own operations and using their influence to decarbonise their wider value chains as well.

There are many private equity firms that focus on just one of these facets of the transition, but both are necessary to truly achieve a low-carbon economy, and so we choose to take a holistic approach.

Q Which subsectors within the green tech space are currently the most attractive?

I would say that some of the most exciting opportunities relate to resource efficiency and recycling. Last year, for example, Nordic Capital invested in Foxway, a company that enables circular tech by focusing on improving the sustainability of IT devices.

E-waste is a major environmental concern and something that is worsening around the world. We are all procuring more devices and are also disposing of them far earlier. Foxway helps large organisations, the public sector and resellers of consumer electronics to become more circular in the way they think and act, by enabling customers to source and lease IT equipment, and by also refurbishing and reselling used devices – significantly extending the lifetime of each device. This in turn minimises waste, reduces overproduction and enables decarbonisation.

Nordic Capital has also invested in a company called Autocirc, which has a circular business model built on a closed-loop ecosystem for reused and recycled automotive spare parts. Meanwhile, another investment, Sortera, is a fast-growing environmental services provider of focused recycling and waste solutions.

Finally, we have also invested behind energy efficiency trends and renewable energy installations, but I think the circular business model is particularly attractive in that it provides a competitive offering to clients in terms of cost, while simultaneously helping those clients to decarbonise.

Q What kind of support do portfolio companies in more traditional sectors need on their journeys towards decarbonisation?

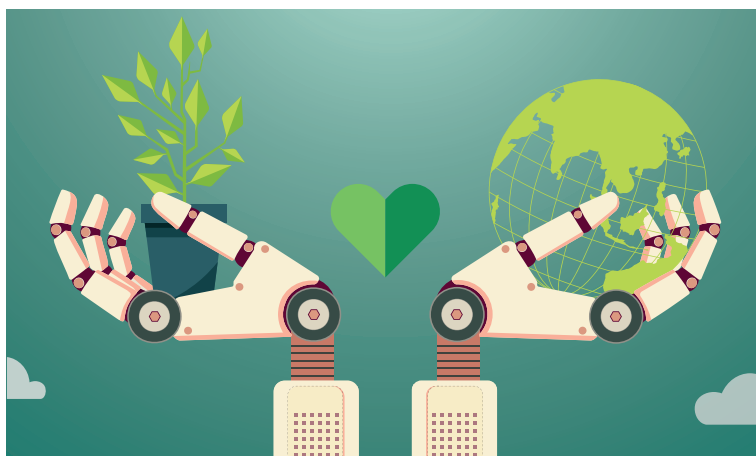
The focus has to be on emissions reduction, as well as the associated long-term cost savings and value creation. This is something that we work on with every business in our portfolio; a good example would be LEO Pharma, which had its near-term emissions reduction targets validated by the Science-Based Targets initiative (SBTi) in 2022, and in 2024 further advanced its decarbonisation efforts towards achieving a net-zero target by 2050.

Steps taken so far include investing in solar panels and other renewable

Q How are advanced technologies such as AI supporting sustainability efforts?

Data management and data analytics are integral to ESG integration and ESG reporting, particularly as the regulatory environment continues to evolve, and AI has an important role to play there. We are seeing AI tools that can not only help to collect data, but also to harness the power of that data. There are also AI tools that help with regulatory mapping, ensuring that a business is fully compliant, as well as with scenario-based analysis and reporting.

Looking beyond AI, at Nordic Capital we have been using dedicated ESG software since 2016, because we believe that a data-led approach is critical in terms of driving ESG performance. Advances in technology are therefore clearly supporting the path to a greener future.



energy sources, implementing energy efficiency measures and electrifying the car fleet.

Q To what extent is greenwashing still a problem, and how can this be overcome?

I see greenwashing manifesting itself in two distinct ways. First, there is intentional greenwashing: situations where businesses are deliberately making false or misleading environmental claims, particularly to their end customers. Where this arises, there is a need for increased transparency and accountability, with appropriate sanctions where necessary.

However, I think that unintentional greenwashing is potentially the bigger problem, and this may be a far more

pervasive issue than anyone has previously imagined. Unintentional greenwashing is when a company believes that it is being environmentally responsible, but in reality simply doesn't have the expertise or bandwidth to conduct itself in a truly sustainable manner. It typically comes down to a lack of knowledge and a lack of data.

Steps need to be taken to ensure that the appropriate level of competence and data exists within all organisations, so that environmental considerations can be factored into decision making at every stage. That means more investment in training, and more rigorous data collection and data management, as well as third-party verifications.

All told, then, there is a lot that can be done to minimise the impact of greenwashing in all its forms, and

“A growing number of GPs are striving to become more focused on sustainability and impact”

I think we are moving in the right direction.

Q How heavily weighted is the concept of responsible investment towards decarbonisation today? What other factors also need to be incorporated?

I would say that it depends on where in the world you are. Europe has been more focused on the ‘E’ in ESG for a long time, while the US has been more focused on the ‘S’. Asia is taking a more holistic approach and is still developing its approach and level of engagement with ESG.

That said, I do believe that decarbonisation lies at the heart of the responsible investment agenda. At Nordic Capital, we committed to the

SBTi last year, and we are seeing many other private market GPs and LPs putting their money and actions behind building a greener future. Human rights are another increasingly important area of focus too, alongside other forms of social impact.

Of course, it is important to not only consider every aspect of sustainability risk, but to do so in a material way, which takes the specific risks and opportunities associated with a given company or sector into account. In our case, a sector-driven strategy – across deal sourcing, due diligence and value creation – enables us to double down on sustainability tailwinds and shifts in customer attitudes, improving our competitive positioning.

We are seeing this in action in the healthcare sector, for instance, as well as in energy services. A lot of big corporates in those spaces are throwing their weight behind climate action throughout their value chains, which means that being a market leader in terms of decarbonisation can be a good route to building market share. After all, ESG isn’t just about risk mitigation. It is also about value creation.

Q How would you describe LP attitudes to responsible investing in light of some of the recent shifts in both the macroeconomic and geopolitical environments?

I would say that over the eight years that I have been at Nordic Capital, there has been a significant increase in LP interest, knowledge and understanding of how environmental, social and governance risks and opportunities can affect a company and its long-term value creation potential.

Many LPs are now taking a proactive stance and are making greater demands of their GPs, in terms of how ESG is incorporated into investment strategies, how that is reflected in active ownership, and how all that gets reported.

In general, regardless of shorter-term political and macroeconomic

headwinds, there is a definite trend towards the greater integration of ESG considerations into every decision made by both LPs and GPs, and my personal belief is that this will lead to more capital flowing into sustainable investments and long-term value creation.

Of course, that does necessitate a consensus on what sustainable investment actually means, which brings us back to the issue of greenwashing. It is vital that we continue to educate and build understanding.

Q Why do you believe private equity ownership is ideally suited to delivering a greener future?

Private equity is a fantastic ownership model when it comes to driving change, and we are seeing a growing number of GPs striving to become more focused on sustainability and impact.

What’s more, there is an abundance of investment opportunities in the quest for sustainability, and there are numerous value creation levers that a GP can pull to help develop their portfolio companies into true sustainability market leaders in their fields.

For me, what is important is to take a data-driven approach, ensuring that progress is being measured and reported in a transparent manner. I would also emphasise the importance of active ownership, engaging with companies to help them along their sustainability journeys.

For example, we have a large operations team with many different functional experts in areas such as sustainable procurement, sustainable strategy, and diversity and inclusion. Through the private equity model, we are able to share best practice, proven playbooks and the wisdom of these experts across the portfolio. It is the ideal ownership model for delivering a greener future. ■

Elin Ljung is a managing director and head of communications and sustainability at Nordic Capital