

Edward Tran and Oliver Williams Discuss ESG Trends in M&A

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Partners Edward Tran, Financial Markets and Funds, and Oliver Williams, Corporate, spoke with *Equity Report* regarding their findings on the effects environmental, social and governance (ESG) factors have on the overall M&A climate. Edward noted, "ESG considerations have not only informed the M&A process, but also the fundraising side, with investors who used to be primarily focused on the strategy and economics of a fund, now also considering whether the fund they are sponsoring is taking into account environmental parameters such as sustainability, energy efficiency, and carbon footprints in its investment decisions. This is particularly common in the case of real estate funds." Oliver added that "Pension funds are looking at the G [of ESG] in companies."

The increased interest in ESG has led to a more rigorous due diligence processes amongst those pursuing acquisitions. Edward stated, "It's harder to get the deal done, but the ESG due diligence process on both the buy and sell side has become more standard." Additionally, investors are sensitive to ESG-related issues potentially resulting in litigation down the line, as a company might have "good financials, but a poor track record."

Oliver stated that the approach to ESG factors also is varied. He shared that in the UK, "the debate is 'pretty close in line' with the rest of Europe, with environmental concerns being a key topic for many institutional investors, in other countries like the US, there are strong views on either side of the argument."

"Decrease in M&A activity leading to more stringent ESG due diligence process," *Equity Report*, June 26, 2023

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