The Alignment of Interests between the General and the Limited Partner in a Private Equity Fund—the Ultimate Governance Nut to Crack?

Martin Steindl[i]

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Introduction

There are arguably two broad objectives to the governance of any entity including private equity (PE) funds: i) effective and accountable decision-making and ii) aligning interests of different stakeholders. This paper focuses on the second of these objectives describing in more detail the difficulties in aligning interests between a general partner (GP) and a limited partner (LP) in a PE fund. Of note is that we approach this issue from a pure governance angle and do not take certain legal implications or, e.g., tax considerations into account.

In two subsequent articles we will further explore the alignment of interests among LPs, as well as within a GP that is a multi-product firm. The general premise—and underlying assumption for all three articles—in the specific context of PE is: the greater the misalignment of interest between parties, the more important effective governance will be to their relationship.

What is PE Fund Governance

The governance of PE funds is increasingly coming into the spotlight. The Institutional Limited Partners Association (ILPA) revised its Private Equity Principles in 2011 to establish a set of best practices to govern the relationship between GPs and LPs.[1] Also, the UNEP Finance Initiative for Responsible Investment (UNPRI) issued a second version of its guide for LPs in 2011.[2] There are contributions from the European Private Equity and Venture Capital Association (EVCA), the Australian Private Equity & Venture Capital Association Limited (AVCAL), as well as most recently from the International Corporate Governance Network (ICGN)—all on the same topic.[3]

PE fund governance differs from conventional corporate governance in that investors, as LPs, engage the GP or fund manager to achieve a specific investment purpose over a defined period of time. The relationship between the LP and the GP mainly relies on explicit contractual measures, which are entered into at the outset of the partnership. Fund governance also features another layer, which focuses on the governance—and the PE fund's influence—on portfolio companies. Proponents of PE would argue that the governance of their portfolio companies is superior because of a better alignment of interests between themselves and their portfolio companies.[4] This alignment, however, seems to be achieved at the detriment of the alignment of interests between the GP and the LP. Many LPs complain that governance structures that supervise the relation between GP and LP do not provide them with sufficient control mechanisms over the ultimate users of their funds.[5] One could thus argue that the PE industry

[1] *ILPA*, Private Equity Principles, 2.0, January 2011.
[2] *UNEP*, Principles for Responsible Investment (UNPRI), Responsible Investment in Private Equity, A Guide for Limited Partners, 2nd edition (2011).
[3] *EVCA*, The Professional Standards for Private Equity and Venture Capital, June 2011; *AVCAL*, Code of Private Equity Governance; *ICGN* Model Mandate Initiative, Sept. 14, 2011.
[4] E.g., *Viral Acharya, Conor Kehoe, and Michael Reyner*, The voice of experience: Public versus private equity, The McKinsey Quarterly, December 2008; *Andreas Beroutsos, Conor Kehoe*, A Lesson in Governance from the Private Equity Firms, FT November 30, 2006; *Stefano Bonini, Senem Alkan, and Antonio Salvi*, The Effects of Venture Capitalists of the Governance of Firms, ICGR, 2012, 20 (1), pages 21-45; *John Plender*, Mr. Romney and the Equity Privateers, FT January 30, 2012.
[5] *Wouter Pelser*, CIO Mn Services, Investment & Pensions Europe, June 2011.

hasn't actually solved the principal-agent problem that exists in public companies but rather shifted it up the investment chain.

This article will attempt to describe the most pressing problems around the alignment of interests between GPs and LPs in PE governance. We will make the argument that some of the best governance practices developed for publicly listed companies can indeed be 'borrowed' to improve the misalignment of interests between GP and LP. In an ultimate step this could also lead to exploring alternatives to the limited partnership model on which the establishment of most PE funds is currently based. In the relationship between GP and LP we do appreciate, though, that the latter stands to benefit from a specific skill of the former for which the latter should be willing to forgo certain control rights that it would otherwise have when investing directly or ensuring for co-investment rights.

The Major Problems in the Alignment of Interests between the GP and the LP

Conceptually, the LP is a passive partner in the management of a fund. Investment and risk management considerations, for example, are entirely delegated to the GP.[6] In most jurisdictions—and this is a major obstacle in enhancing the governance role of the LP—the LP will lose the limitation of liability if it interferes in management. As a consequence, LPs have limited rights to participate in day-to-day operations, challenge decisions of fund managers, or approve major transactions as board members in a publicly listed company would do.

[6] *UNEP*, Principles for Responsible Investment (UNPRI), Responsible Investment in Private Equity, A Guide for Limited Partners, 2nd edition (2011), page 6.

Since GPs act as agents for external investors who choose to invest in publicly-held or closely-held firms through an intermediary, rather than directly, the agency problem not only still exists, but is likely to be difficult and intractable.[7] One can observe a high degree of information asymmetry between the GP who may play an active role in the portfolio company, and the LP, who is not able to monitor the prospects of each individual investment closely.[8]

While in such a set up the need for aligning interests can hardly be disputed, the question remains whether covenants and schemes that align the incentives of GPs with those of outside investors are sufficient and adequately reduce agency costs. The success of the limited partnership model ultimately relies on the interests of both parties being adequately taken into account. Events over the life of the fund may result in a change in how LP or GP interests are best being served. LPs do entrust their capital to a GP for up to 15 years based on the expectation that the investment thesis will remain valid over time and also that their interests will remain aligned. If one of these two assumptions does not hold true, there is immediately a problem with the relationship that remains unsolved unless both parties agree to change the underlying agreement, which is rarely the case. The following table gives an overview of the potential causes for misalignment.

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[7] *Joseph A. McCahery and Erik P.M. Vermeulen*, The Contractual Governance of Private Equity and Hedge Funds (2008).
[8] Ibid.

Table 1: Possible Areas of Misalignment between the Interests of GP and LP and their Mitigation

Possible areas of misalignment between the interests of GP and LP and their mitigation		
Issue	*Reason*	*Mitigation*
Economic misalignment in '2/20' fee structure	Key issue with the 2% (or lower) management fee is that the fund manager will receive it regardless of fund performance, as well as that it creates an incentive for constantly raising money to increase the size of the fund. The issue with the performance-related part on the other hand is that that it may encourage the manager to make overly risky investment decisions. In the case that the hurdle is out of reach, the GP may start to 'neglect' portfolio and pursue other priorities.	To ensure alignment, GPs and their managers should be provided with sufficient cash flow to meet operating needs. Aggregate waterfall structures should be agreed upon. GPs are also expected to contribute sufficient resources to the fund. Question remains whether financial markets can be relied upon in simple ways to evaluate and compensate individuals because they can't easily distinct between skill and luck.
Key man event	For example, a PE fund has a pharmaceuticals sector focus but loses its sector head so that in-depth expertise is all of a sudden missing. After the sector head's departure and prior to having found an adequate replacement, the GP proposes a new investment in this sector.	Due to its fiduciary duties towards its own constituency, the LP would possibly be obliged to prevent GP from continuing to invest in pharmaceuticals sector until an adequate replacement is found. By so doing, however, LP risks losing its limited liability.
GP/manager is taking too much risk	If the hurdle is difficult to achieve, for example, the current near 0% nominal interests rate means that a GP wanting to hit an 8% equity hurdle may be incentivized to take more risk than LPs would agree to.	LP can use its advisory committee seat to exercise influence, review the investment guidelines, and/or express concern vis-à-vis GP through another avenue. Such action remains weak in comparison with the directors on a board of publicly-listed company who can clearly define and adjust risk appetite .
GP/manager is not considering ESG-related investment policies	A number of institutional investors have recently begun applying ESG-related investment policies to their private equity portfolios and, from a fiduciary perspective, would like to apply these policies to legacy investments.	LP can exercise persuasion to revisit investment guidelines but in case of resistance amendment of limited partnership agreement would be needed, which again is not possible without the GP's consent.
Alignment of fiduciary duties	GP is outsourcing investment decisions to manager in service contract in which fiduciary duty to the LP is not adequately transferred.	LP can only express concern; additional remedies such as derivative actions of the LP against the manager under the service contract are not available.

Fee Structure

To ensure alignment in what is commonly referred to as the 'two and twenty'[9], most commentators recommend a 'fees/carry' model that provides GPs and their managers with sufficient cash flow to meet operating needs but conditions gains on the achievement of investor

[9] *Victor Fleisher*, Two and Twenty: Taxing Partnership Profits in Private Equity Funds, 83. N.Y.U.L. Rev. 1 (2008); see also *Lee Harris*, A Critical Theory of Private Equity, 35 Del. J. Corp. L. 259, *283f. Fund managers are usually paid through a general management fee close to 2% of the fund's total capitalization for managing fund capital, as well as a percentage, around 20% of fund profits, the so-called 'carry'.

objectives. Further, the use of aggregate waterfall structures would be supported. GPs or the managers are also expected to contribute sufficient resources to the fund (generally not less than 1% of total commitments) to ensure that they have their own money at risk. Despite all these alignment efforts, however, a recently quoted opinion on the PE compensation schemes is still that 'PE had been better at enriching its own managers than producing good returns for pension fund beneficiaries'.[10]

The broader question left unanswered is whether financial markets can be relied upon in simple ways to evaluate and compensate individuals because they can't easily distinct between skill and luck.[11] Under a typical, even aligned, compensation package for a fund manager, a 20% return may not represent 'alpha', given the opportunity cost of capital for the investment.[12] The reasons compensation can be misaligned with investor goals can include (i) insufficient information for the LP because of market asymmetry, market movement, and the actual investment skill of the GP or its manager, as well as (ii) the fact that alternative and new forms of compensation and monetization, such as public offering of parent asset management companies, have raised the concern that they could upset the traditional alignment calculus. Therefore, to potentially improve monitoring and accountability, one could only increase information and more carefully examine key person compensation within the fund manager or GP, which may, ultimately, not be sufficient to successfully align economic interests.

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[10] *John Plender*, Mr. Romney and the Equity Privateers, FT January 30, 2012.
[11] *Mihir Desai*, The Incentive Bubble, Harvard Business Review, March 2012.
[12] *Ibid*.

The Risk-Taking of the General Partner or Manager

The success of the partnership model relies on the interests of both parties being adequately taken into account. This naturally encompasses appropriate risk-taking by the GP or the manager. During and after the financial crisis, for example, the denominator effect[13] led some over-leveraged public pension funds to encourage their GPs not to call capital at the same time that other LPs were encouraging GPs to take advantage of good buying opportunities. Further, the near 0% nominal interest rate meant that a GP wanting to hit an 8% hurdle rate may be incentivized to take more risk than LPs would like to agree to. Finally, a number of institutional investors have recently begun applying environmental, social, and governance (ESG)-related investment policies to their private equity portfolios and, from a fiduciary perspective, would like to apply these policies to legacy investments.

In both of the first two cases it is the nature of the contracts themselves that gives rise to GP-LP or even LP-LP misalignment[14]. In the third case, the issue arises from the fact that no contract could anticipate the full range of events that may impact a partner's interests within a 10-15 year fund. In all cases, the line of action for the LP remains weak in comparison with the definition and adjustment of the company’s risk appetite that directors can undertake on the board of a publicly-listed company.

[13] The denominator effect is an asset allocation problem that forces the sell-off of assets that are not frequently priced. It occurs when e.g., during the last financial crisis, public markets collapse and the prices for liquid assets plummet while allocations to venture funds, buyouts, and real estate, which aren't priced often, have held.

[14] This will be described in more detail in our second article on LP-LP conflicts.

Concerns about the General Partner's Fiduciary Duty

Fiduciary duty is the highest standard of agency relationship inherent in the advisor/investor relationship and obliges the fiduciary to place the interests of the client before his or her own. The fiduciary duty naturally extends to the relationship between the GP and the LPs of a limited partnership and, in either case, encompasses a duty of loyalty.[15]

Some jurisdictions allow for fiduciary duties to be contractually reduced, either through generous indemnification provisions or also in the outsourcing to the fund manager, which has been frequently made use of in the market.[16] Consequently, ILPA recommended that provisions that allow the GP to reduce or escape its fiduciary duties in one way or the other must be avoided.[17] Yet, some of the larger pension funds still highlight that 'while on the face of it, fund managers are burdened with fiduciary duties through the simple fact that they are looking after money on behalf of others, not all accept the analysis, and in many ways the fiduciary duties are crowded out or limited by the specific terms of the contractual relationship'.[18] The problem is exacerbated if the GP outsources the investment decision to a separate fund manager that is not part of the corporate structure of the GP. The fund manager is then operating outside of the fiduciary duties that encompass GP and LP and only aligned with the GP through a service contract that may or may not include a fiduciary duty. The alignment between manager and LP and consequently also between LP and GP is thus undermined.

[15] Ibid.
[16] *Tarek Mardini and Amos Veith*, The Growing Importance of Fund Governance –ILPA Principles and Beyond, in 2009 Private Equity & Venture Capital Adjusting to New Market Conditions; *Jeffrey Horvitz*, LP Agreements Imperil Fiduciary Oversight, Pension & Investments, November 2011.
[17] *ILPA*, Private Equity Principles, 2.0, January 2011, page 8.
[18] Quote taken from the Kay Review of UK Equity Markets and Long-term Decision Making, Interim Report, February 2012, par. 7.18.

If one can weaken fiduciary obligations contractually, LPs could also consider strengthening them in the same way. There may be several ways to do this. As already mentioned before, one practical issue that has come up in the past in this regard is as to whether ESG issues can be considered by the GP in the context of its investment decisions. The ESG investment movement is a typical area in which LPs struggle to convince GPs to integrate such considerations into their investment decision process for their legacy investments. In the UK, the case Cowan v. Scargill[19] encouraged fund managers and GPs to take a very narrow view of their obligations, which focused only on immediate financial gain. Lawyers, however, point out that such narrow view was not an accurate reflection of the legal position.[20] FairPensions[21] have thus lately suggested amending the law in the UK according to which trustees are expressly obliged to take further considerations of ethical or ESG-nature into account.[22] Without such legal obligations, or the clarification thereof, LPs will continue to struggle to convince GPs to take ESG or other considerations into account, in particular for their legacy investments.

The point above touches upon a broader issue, namely that LPs have in general no means to influence the GP's investment decision-making if something fundamentally changes that has not been foreseen contractually. There is arguably an increased reality that things can easily change in the contractual time frame of 10-15 years. In addition, LPs are confronted with the challenge, and potential dilemma, of being fiduciaries and stewards of their own monies, e.g., pensions,

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[19] *Cowan v Scargill* [1984] All ER 750; [1985] Ch 270, page 760: In this case the Court had rejected the claim by Mr.Scargill that union representatives could insist on wide disinvestment by the coal pension funds.

[20] *UNEP*, A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment, October 2005 ('the Freshfields report'); *UNEP*, Fiduciary responsibility, July 2009.

[21] FairPensions is a membership association fostering corporate responsibility, good returns on pensions, and environmental and social issues.

[22] *FairPensions*, The Enlightened Shareholder: Clarifying Investors' Fiduciary Duties, 2012; see also *FairPensions*, Rediscovering Fiduciary Obligation, 2011.

which potentially increases the pressure to more actively influence the decision-making of the GP during the long time horizon in a PE fund.[23]

Suggestions to Improve Fund Governance

As this article shows there is an emerging recognition of the complexity in aligning the interests between the GP and the LP that may not easily be solved by a single model or through reform of the existing model. At the origin, the adoption of the limited partnership model permitted LPs to participate in the GP's or fund manager's financial skills while providing substantial investment discretion to the GP and contractual freedom to the parties to structure their alignment and provide for adequate oversight. Over time, due to an increased complexity in the structures proposed by GPs, a more rapidly changing environment, as well as increased investor (LP) demands, the original alignment scheme has become frequently both, watered down and less effective. LPs may need to recognize that the traditional PE model has its limitations. There are different options that can arguably better fit the specific set of investment objectives and types of investors. We will propose two models; an *enhanced alignment model* with one additional variation and a *corporate holding model*. We would invite the GP and LP communities to consider these models and see what additional principles can guide their investment approaches. Naturally, more work is needed to define the two models and we may discover additional alternatives in moving forward.

The recently published ILPA Principles, the UNPRI Guide for LPs, and the Model Mandate Initiative of ICGN helped or will help focus attention on the governance areas of concern, such

[23] We will return to this issue in our next article on LP-LP alignment.

as the relative value (and predictability) of management and performance fees, the waterfall structure, catch-up provisions and escrows, the advisory committee, etc.[24] As long as one stays within the existing and still preferred model of a limited partnership arrangement, an LP may not be able, or even entitled, to make, or materially influence, specific investment decisions, but it can still influence the decision-making process.[25] According to these initiatives, the key to exercising such influence is a proper level of transparency between the GP and the LP, adequately defined risk and conflict management processes, and specific disclosure requirements of the GP to the LP. Some would argue, however, that these recommendations do not go far enough.[26]

One way to address still existing shortcomings in the alignment of interests could be what we will call here an *'Enhanced Alignment Model'*. The goal of such a model is 'defensive'—to ensure that the GP and its fund manager deliver on the agreed investment objectives, undiluted by other interests. In other words, all parties (incl. the manager) would strive to create a stronger contractual framework for the limited partnership as it currently exists. It would foresee stronger information rights with regards to performance and remuneration and stronger conflict of interest provisions that also bring other GP (parent) operations under appropriate firewalls.[27] It would further—within existing legal constraints—push for greater participation of the LPs, including a stronger advisory committee with members taking on near fiduciary obligations on the part of participating LPs. (Indeed, some LPs are taking membership in the investment committees of

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[24] *ILPA*, Private Equity Principles, 2.0, January 2011; *UNEP*, Principles for Responsible Investment (UNPRI), Responsible Investment in Private Equity, A Guide for Limited Partners, 2nd edition, 2011: and *ICGN* Model Mandate Initiative, Sept. 14, 2011.

[25] See also *UNEP*, Principles for Responsible Investment (UNPRI), Responsible Investment in Private Equity, A Guide for Limited Partners, 2nd edition (2011).

[26] E.g., *Wouter Pelser*, CIO Mn Services, Investment & Pensions Europe, June 2011.

[27] This will be discussed in more detail in our final article on the GP who is a multi-product firm.

their investee funds.) This model would enhance the fiduciary obligation of the manager, as well as the GP, to align not only the interests between GP and LP but also between the LP and the manager, though at the cost of increased legal (and possibly reputational) exposures to LPs. Additional features would include more focused attention on incentivization through carry allocation and retention obligations, as well as additional remedies such as derivative actions against the manager under the service contract.

Under this suggestion, a strengthened advisory committee would be the key fund governance body to improve the alignment of interests. It remains yet to be seen whether fund governance would become more effective and active if the advisory committee properly evolved into a quasi-board as we suggest above. Under this proposal, it is unclear which duties the representatives in the advisory committee are confronted with, whether decisions could be challenged if respective duties are breached, and how to avoid, after all, the loss of the limited liability.

A variation of this 'Enhanced Alignment Model' can be envisioned where the GP of the fund is established as a limited liability company or other type of corporation. If the GP is established as such a corporation, its board could ensure more adequately for an alignment of interests with the LPs of the various funds the GP has created. A recent decision of the Grand Court of the Cayman Islands found two directors of a failed investment fund liable for damages for the fund's losses caused by their breach of their duties and examined the role and responsibilities of fund directors generally.[28] In this decision, it was clarified that directors must take an active role in supervising the fund's affairs and its business and 'apply their minds and independent judgment

[28] *Weavering Macro Fixed Income Fund Limited (in liqu.) vs. Peterson and Ekstrom*, Hedge Fund Law Report, Vol.5, No. 3 (Jan. 19, 2012).

to the decisions they make and to the documents the fund's service providers ask them to sign'. Further, it was noted that directors need to perform their duties in an 'active, diligent, inquisitorial, and professional' fashion, as well as 'develop and implement appropriate procedures that enable them to carry out their functions'.[29]

Through the appointment of truly independent directors to the board of the corporate GP, proper risk management for each existing fund could be exercised. Unlike LPs, board members can more effectively exercise control rights and get involved in risk oversight by defining adequate levels of risk allocation. The directors, being selected in an appropriate selection process, may also more easily be able to stand up to GPs and, ideally, would know as much about the business as the fund manager.[30] The amount of influence that LPs can exercise through direct or indirect representation on the board of the GP will remain, however, limited. Most likely the LP will not be able to nominate a board representative or be directly represented on the board of the GP. Yet, an active and nimble board at the GP level that takes its oversight function seriously can still provide more effective control than even the enhanced version of an advisory committee as described above . Under such an approach, the advisory committee could remain limited in scope and duty thereby enabling LPs to speak candidly.

Under the *corporate holding model*, we would suggest integrating the GP, the fund manager, and all LPs into a corporate holding structure.[31] Under this model, each fund created would become a corporate subsidiary of the parent GP in which the fund manager would be the executive and the respective LPs are the subsidiary's shareholders. The GP would act in a manner similar to

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[29] Ibid.
[30] *Lisa Lacy*, Special to the Monthly ILPA Guidelines, PEI Manager, September 2010.
[31] *Lee Harris*, A Critical Theory of Private Equity, 35 Del. J. Corp. L. 259, *264f.

that of an executive in a parent company who exercises influence over a subsidiary, namely, by being represented on the board of the subsidiary. The majority of the board, however, would be comprised of independent directors. These directors would be jointly nominated in a process involving all subsidiary LPs or through a nominations committee that is comprised of jointly elected representatives of the LPs.[32] The so-nominated independent directors would act exclusively in the best interest of the fund subsidiary and the manager would be accountable to the whole board. Such a model would emanate from what is already established good practice in the governance of publicly listed companies with subsidiaries.

The advantage of creating a proper board under such a model is two-fold: On the one hand, a corporate board has an extended and clearly defined role in supervising management, exercising risk oversight, and providing strategic insight and advice. It can also react to new events and redefine its role and obligations during the life-time of the fund subsidiary. Unlike an advisory committee, the board's competencies are not cemented in stone for a time period of at least a decade.

On the other hand, board members who are selected jointly by all the LPs would have a clearly-defined mandate to represent the interests of the specific fund by taking all shareholder—as well as other stakeholder—interests into account. The advisory committee could continue having a pure advisory function in which the voice of some, if not all, owners is heard. The board of directors would use the advisory committee to ensure that they adequately represent all shareholders and that they exercise their control rights to the benefit of all owners.

[32] In moving forward a nominations committee could be also comprised exclusively of independent directors but the direct participation of shareholders in nominating independent directors is commonly referred to as the "Swedish model" and considered by many as superior.

Many of the alignment issues outlined in this article could be addressed through such an approach. It comes, however, at a cost. Embedding several funds into a holding structure may be significantly more expensive than the partnership model in which the investment decision is often outsourced from the GP to independent fund managers. An alternative may be to look at the different funds as separately managed accounts but to nevertheless create a board-like oversight function in which independent directors are nominated by all LPs or their representatives.

Conclusions

This article has described several challenges one faces in attempting to align the interests of the GP and LPs in a PE fund. Over time, from the perspective of an LP, a full alignment of interests with the GP has become increasingly difficult. Some even argue that PE firms have structured themselves in a way that they are run by officers and staff who do not have the strong duties to put shareholder interests first that are ordinarily required by investors in their direct equity investments, and that fund investors (i.e. LPs) in fact appear to be an 'afterthought'.[33]

It is surprising that many conventional tools of governance used to define the relationship between the GP and its portfolio companies but also more generally in a publicly-listed company, cannot be easily and effectively put to use to better align interests between the GP and the LP. To eventually overcome misalignment, this article suggests two models to tackle

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[33] *Steven M. Davidoff,* In Private Equity I.P.O, a Shareholder Fear of Losing Favor, The New York Times DealB%k, March 13, 2012.

persistent shortcomings in the alignment of interests in general and fiduciary duties in particular, namely the *enhanced alignment* and the *corporate holding model*.

Many asset holders are increasingly conscious of the value in long-term investments from acting as an active owner of the assets in which they are invested.[34] Just as investors have advocated changes in corporate governance and disclosure practices to be able to act more effectively as stewards of publicly-listed companies, it may be time that GPs and LPs consider a fund governance model that allows LPs to more effectively meet their own obligations as stewards for their investors.[35] Even from the view point of a very skeptical GP, such efforts to explore stronger architectures for fund governance would still be less costly and more effective than if investors and policy makers continue to view increased regulation as their primary recourse for improving alignment.[36]

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[i] During the last seven years, and at the time the article was drafted, the author has been a Senior Corporate Governance Officer for the International Finance Corporation (IFC), based in Cairo and Mumbai. He is now a Senior Corporate Governance Officer for the Netherlands Development Finance Company (FMO), based in The Hague. As such, he supports investment officers in identifying and mitigating governance risks in FMO's investments. Martin also provides direct advice to investee companies. Previously, he practiced in corporate law and international arbitration as attorney at law in Vienna. He wrote two major publications, one of them on corporate governance.

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[34] *ICGN* Model Mandate Initiative, page 7.
[35] *UNEP*, Principles for Responsible Investment, Responsible Investment in Private Equity (UNPRI), A Guide for Limited Partners, 2nd edition (2011).
[36] Once could draw a parallel to the corporate governance reform process for publicly-listed companies: In the US, despite its faults, the Sarbanes-Oxley legislation has encouraged boards to adopt procedures that have improved the standard of company reporting, not only in the US, but also elsewhere in Western Europe; see Legal Week, Rules Can't Replace Judgement, April 2, 2009.