

Open-Source Intelligence and ESG (OSINT-ESG)

“New insights into ESG risk factors – the power of open-source intelligence”

Background

This paper explores how open-source intelligence (OSINT) is being used to effectively uncover ESG risks. OSINT refers to any information that can legally be gathered from free, public sources about an individual or organisation. That often means information found on the internet (surface web, deep web, or dark web), although any public information can be considered OSINT (e.g., public reports, articles, or press releases). OSINT can highlight risk factors on a more real time basis without the usual ESG reporting delay and it provides insights beyond what is typically self-reported.

At Coller Capital we first began to explore the use of OSINT when undertaking “enhanced due diligence” on individuals we might be investing in or with during our wider transaction related due diligence (over and above the traditional background checks we have used for many years). More recently, we explored the application of OSINT techniques to analyse organisations, specifically when evaluating or monitoring an underlying asset where we might have a large financial exposure.

We frequently seek opportunities to enhance ESG within our investment processes. We felt that OSINT based analysis was the natural next step for our ESG programme. Moreover, the restrictions arising from the Covid-19 pandemic, meaning due diligence had to be carried out remotely, coupled with the limitations inherent within our mandate as a secondaries investor (removed from the level of the underlying assets), made OSINT an attractive tool for us.

Coller Capital and Neotas

The service provider we typically use is Neotas.

<https://neotas.com/>

Neotas apply the science of OSINT, interrogating and analysing publicly available online data across the entire breadth of the Internet. Data sources can include employee reviews, customer reviews, deep web sources, active and passive content, as well as media (including social media). This data provides new and original insights into non-financial risks. The inclusion of non-financial risk analysis has enabled better decision-making, as we show below with examples. Neotas searches go deeper than traditional due diligence checks by ‘spidering out’ across the entire Internet and their proprietary AI technology helps them analyse vast quantities of data at speed.

Sources used, but not limited to, during the research have been listed below:

| | |
|------------------------------------|---|
| International Corporate Records | ✓ |
| Cached Information | ✓ |
| Search Algorithms | ✓ |
| Social Media Data Analysis | ✓ |
| Third Party Sources | ✓ |
| Breached Data Sources | ✓ |
| Deep Web Sources | ✓ |
| PEPs/Sanction Checks | ✓ |
| Adverse Media | ✓ |
| Trademark & Patents | ✓ |
| Electoral Roll Data | ✓ |
| Application Programming Interfaces | ✓ |
| Geolocation Methods | ✓ |
| Unstructured Datasets | ✓ |
| Government Resources | ✓ |

Several deep dive reports were undertaken focusing on ESG red flags, such as: the illegal use of animals and animal parts (e.g., rare, and protected species), deforestation (e.g., illegal logging or logging in sensitive areas), financial crime (e.g., fraud, money laundering) and unethical or unsafe work practices (e.g., slavery and human trafficking or other human rights abuses).

Firstly, information was provided by us on the relevant target assets (we term this seed information). Secondly, Neotas undertook a review of the content that was both created and posted online directly by the asset (we call this active content) and, also, content created and posted by others about the asset (termed passive content). Neotas then evaluated information from surface and deep web sources relevant to the asset and the supply chain.



In deciding which assets to undertake OSINT ESG analysis on we focused our pilot on those representing the largest financial exposures to Coller as a private equity secondaries investor (notably those within the 'direct' secondaries portfolio). The intention being to include further assets over time as the exposures change throughout the funds' investment lifecycle.

Outcomes

An anonymised example Executive Summary report is provided in **Annex A**.

Some of the potential red flags identified from the pilot assessments included:

- Criticism of a company's use of rubber plantations and its alleged contribution to deforestation.
- Bribery and corruption allegations arising from sales incentives/rebates provided to distributors.
- The use of legal animal parts in the supply chain, fuelling some conservationists to argue it promotes an increase in illegal trade of related products.
- Alleged exploitative practices of workers relating to pay and working conditions.
- Insight into the shipping routes of companies and their connections to high-risk jurisdictions.

Next steps

The findings were used to engage with the underlying GPs responsible for the assets, either to highlight an issue already known about from previous due diligence/engagement, clarify our understanding of an issue or raise a new issue for further investigation.

The intention is to include additional assets for deep dive OSINT ESG during the fund lifecycle as we gain exposure to new assets of applicable size.

We view the exercise as complimentary to our existing ESG due diligence and monitoring and consider it a useful tool to ensure we maintain a risk adjusted focus on enhanced ESG, where it makes sense for us to do so given our mandate.

Moving forward this will become an annual or bi-annual exercise and we also intend to use these techniques on suitable investments as part of enhanced asset focused due diligence (e.g., human rights due diligence).

Most importantly given our investment mandate, i.e., not being the underlying GP responsible for managing the assets or deciding upon the timing and form of any exit process, we intend to promote the adoption of OSINT ESG techniques across the asset class. We envisage retaining Neotas to periodically review specific assets over the life of our funds.

About Coller Capital

Coller Capital, founded in 1990, is one of the world's leading investors in the secondary market for private assets – and widely acknowledged as an innovator at the complex end of secondaries.

The firm provides liquidity solutions to private markets investors worldwide, acquiring interests in private equity, private credit, and other private markets assets. With headquarters in London, and offices in New York and Hong Kong, Coller's multinational investment team has a truly global reach.

In January 2021, the firm closed Coller International Partners VIII, with committed capital (including co-investment vehicles) of just over \$9 billion and backing from over 200 of the world's leading institutional investors.

Annex A

ESG Risk Investigation

ESG Report Summary

| Deforestation – Wiki-Jewel | Illegal Trade in Animals/Animal Parts – Wiki-Jewel |
|---|--|
| No immediate areas of concern were identified relating to deforestation. | Through open sources, we identified the use of rhino horn in jewellery products and ornaments sold by Wiki-Jewel. Wiki-Jewel have been featured in an investigative report concerning the use of rhino horn in their products. |
| Modern Slavery and Human Trafficking – Lee Lam & Kee ABC | Financial Crime – Wiki-Jewel |
| One of Wiki-Jewel's manufacturers was identified as Lee Lam & Kee ABC. Lee Lam & Kee ABC have been accused of "running sweatshops" and it has been reported that there have been "major incidents involving labour violations and exploitation of workers." | No immediate areas of concern were identified relating to financial crime. |

For further information about the sources explored and the methodology used, please see the Validity of Information section in the report below.

Significant Countries



This is an example output report.