

Private Equity Industry Establishes First-Ever LP and GP Partnership to Standardize ESG Reporting

LPs and GPs representing more than \$4 trillion in AUM call on peers to join commitment to a collaborative ESG data reporting system to drive meaningful progress and transparency

September 30, 2021 – Leading global general partners (GPs) and limited partners (LPs) today announced the creation of the ESG Data Convergence Project to advance an initial standardized set of ESG metrics and mechanism for comparative reporting.

The California Public Employees' Retirement System (CalPERS) and global investment firm Carlyle (NASDAQ: CG) led the collaboration which includes GPs and LPs representing more than \$4 trillion in AUM. The group includes LPs: AlInvest Partners, APG, CalPERS, CPP Investments, Employees' Retirement System of Rhode Island, PGGM, PSP Investments, The Pictet Group, Wellcome Trust; and GPs: Blackstone, Bridgepoint Group Plc, Carlyle, CVC, EQT AB, Permira, and TowerBrook.

The group's objective is to streamline the private equity industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of material, performance-based, comparable ESG data from portfolio companies. This will allow GPs and portfolio companies to benchmark their current position and accelerate progress toward ESG improvements, which the group believes drives better financial outcomes. This will also enable greater transparency and provide more comparable portfolio information for LPs.

GPs will track and report six metrics from their underlying portfolio companies, beginning with calendar year 2021. The data will be shared directly with invested LPs by GPs and aggregated into an anonymized benchmark by Boston Consulting Group (BCG) for this first cycle. The initial six metrics are: Scopes 1 and 2 greenhouse gas emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement.

The group plans to meet annually to assess the prior year's data, and to refine and build on these initial metrics, prioritizing materiality. This collaboration is intended to be a long-term mechanism to increase the quality, availability, and comparability of ESG data in private markets.

Marcie Frost, CalPERS CEO, said, "Sustainability is a cornerstone of the CalPERS investment program. And yet, we have found it challenging to effectively measure impact in our private equity portfolio because of the multitude of frameworks and definitions used by GPs and LPs. This initiative simplifies sustainability reporting by using comparable metrics which allow us to gain insight into the investment risks and opportunities in our private markets portfolio. Managing these risks and opportunities is essential to fulfilling our fiduciary duty to provide retirement security to our 2 million members. Collaboration between the GP and LP community is the foundation, and we look forward to building out this important work."

Peter Branner, Chief Investment Officer at APG Asset Management, said, "On behalf of clients, APG has long been driving ESG transparency in private equity as a way to secure accountability for responsible investment performance in the asset class. Through this collaboration, we expect to push towards comparable ESG performance measurement and wider adoption of ESG as an integrated objective of PE investments. APG will use the metrics in its engagement with managers. While APG's ambition goes beyond the six metrics identified by the ESG Data Convergence Project, we are excited by the momentum generated, with data collection by PE managers already underway."

Eric-Jan Vink, Head of Private Equity at PGGM, said, "Since 2020, PGGM has actively collected portfolio company GHG emissions data, enabling us to report Scope 1 emissions data on 27% of the companies in our private equity portfolio. By supporting the ESG Data Convergence Project, we are committed to achieving full ESG transparency. The current set of six metrics is a great starting point, and we expect more as the field develops. In Europe, we see that additional ESG disclosures are required under the Sustainable Finance Disclosure Regulation already. PGGM, as a member of the ESG Metrics Steering Group, will play a role in driving the private equity market towards making more and better ESG disclosures."

Steve Nelson, ILPA CEO, said, "ESG has become a core consideration for many LPs when evaluating private market commitments both because of the need to align organizational priorities and from an investment resiliency and return perspective, but to date LPs have lacked a standard set of metrics for assessing their ESG objectives. ILPA believes such convergence is a necessary ingredient for industry-wide progress and supports initiatives aimed at streamlining existing frameworks that are fit-for-purpose and flexible enough to adapt as the market and investor needs evolve. In service of these objectives, we are proud to include these resources as a part of our ESG Roadmap, which is comprised of a variety of helpful ESG-related resources for the private equity industry."

The partnership is open to any GPs and LPs that wish to join and agree to support the principles of the work. The effort encourages private equity industry stakeholders to work together to gather better, decision-useful ESG data in order to generate deeper insight into ESG factors and their relationship to financial outcomes, and, ultimately, to drive greater progress on critical ESG issues.

Click [here](#) to learn more about this initiative and how to get involved.

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