



# ESG Data Convergence Project

SEPTEMBER 2021

# Executive Summary

**ESG data is a mess:**

LPs can't see standardized, comparable ESG data across their portfolios; GPs are struggling under a mounting volume of bespoke ESG data requests; portfolio companies are sorting through an increasingly complex set of ESG frameworks; and broad-based data about ESG performance under PE ownership doesn't exist in the market.

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**The market is splintered:**

Our hypothesis is that it is not a framework problem-tremendous work has gone into defining and detailing the ESG data points that matter across companies and within industries-instead, market participants are spread across too many frameworks and efforts, leading to a lack of critical mass and meaningful data in any one framework.

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**Convergence is needed:**

If PE LPs and GPs can converge on even a small set of ESG KPIs from mainstream frameworks-tracked using the same definitions, at the same time every year, with standard normalization factors, across underlying portfolio companies-we could relatively quickly begin building a critical mass of performance-based, comparable, meaningful ESG data. That data could be used to create ESG private market benchmarks, and would significantly reduce the amount of work LPs and GPs spend "recreating the wheel" on the definitions of different KPIs.

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**PE is collaborating on a way forward:**

7 GPs have worked alongside 9 LPs with more than \$4T in investments and BCG to agree on 6 core ESG metrics, drawn from existing frameworks, to track and report on in a standardized format for the 2021/2022 cycle for underlying portfolio companies. The data will be shared directly with invested LPs, and aggregated into an anonymized benchmark. More metrics may be added to the effort every year by LPs and GPs in a collaborative "sprint" in the spring.

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**Come with us:**

We can solve this challenge. This effort will only be successful, however, if as many of us as possible move together towards convergence. To join? Align your data collection with the collaborative definitions, contribute anonymous data to the ESG benchmark, and publicly support the effort for more performance-based, comparable, meaningful ESG data.

# Objective for this effort

Create a **critical mass** of meaningful, performance-based **ESG data** from private companies by converging on a **standardized set** of ESG metrics for the PE industry.

The standard can allow GPs and portfolio companies to **benchmark** their current position and generate progress toward **ESG improvements**, while enabling greater **transparency** and more comparable portfolio information for LPs.



# Context | Current ESG challenges

Despite the proliferation of ESG frameworks and ratings providers, there remains a lack of standardized, meaningful, and performance-based data from private companies.



## Challenges

Too many frameworks for companies and investors to choose from; no critical mass in one

Different use cases/ambitions/stakeholders for each

Reporting resources are spread thinly across multiple reporting frameworks and proliferating ESG data requests—leads to ad-hoc, incomplete, non-comparable data

Compounded by continual addition of new frameworks to understand and manage to

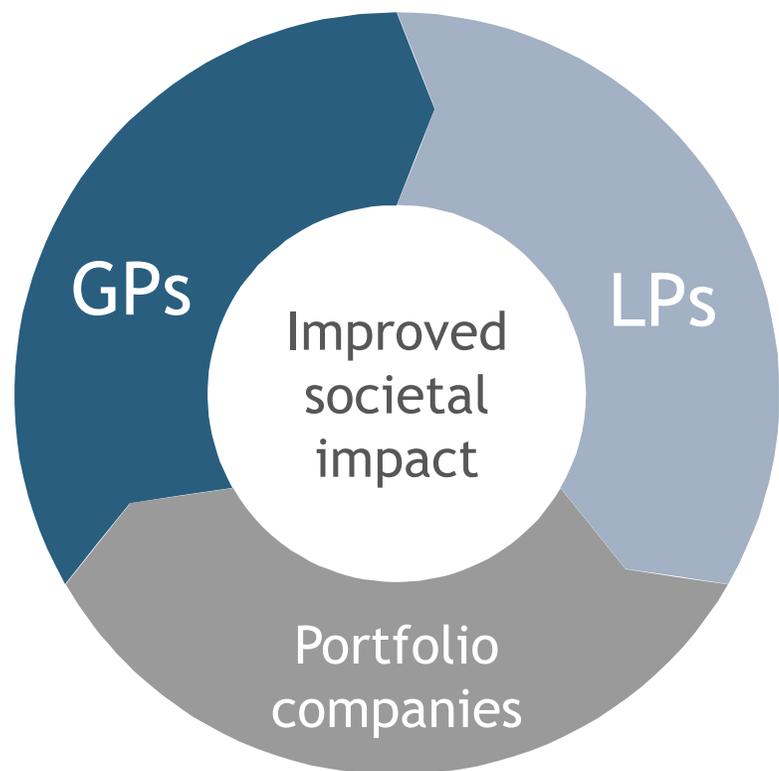
Tension between materiality by industry/company vs. broad comparability

Ratings use subjective and differing weighting/methodology—low to no correlation between ratings firms or with returns

Ratings also frequently focus on binary indicators related to policies—not performance data

Low disclosure rates and data quality for the performance data that does exist

# Value proposition | A standardized set of ESG metrics and mechanism for comparative reporting can benefit all stakeholders in the private markets



Increased accountability from portfolio companies



Clear understanding of performance compared to peers



Additional analytical lens to understand ESG's correlation with financial performance



Increased attractiveness to LPs



Simple reporting that can support broader ESG goals



Increased transparency across portfolio



Increased accountability from GPs and basis for improved engagement with GPs



Simplified reporting that can support broader ESG goals



Additional analytical lens to understand ESG's correlation with financial performance



Clear understanding of performance and where to improve



Potential for increased funding for demonstrated improvement

# Guiding Principles | for determining core metrics

**Globally accepted**

Selected from the most accepted and widely regarded frameworks; including GRI/WEF, SASB, and TCFD (and EU SFDR as formalized)

**Meaningful**

Meaningful from a financial or societal impact perspective; may be specific to a given industry

**Comparable**

Allows performance comparisons between PortCos/GPs; adequate overlap exists across sectors

**Dynamic**

Metrics are expected to evolve over time, as tracking gets better and understanding evolves

**Straightforward**

Simple to track accurately, with limited total number of metrics to not overburden companies and ensure data quality and integrity

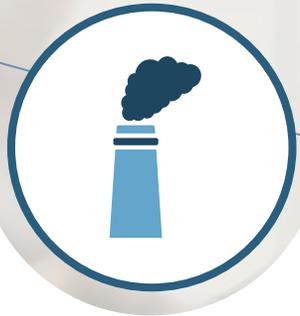
**Actionable**

Tied to specific actions that GPs and portfolio companies can control

**Objective**

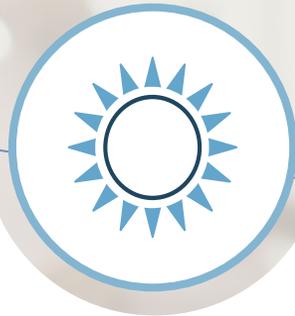
Metrics should minimize subjectivity or need for interpretation

# Metrics | ESG Data Convergence Project aligned on tracking the following 6 metrics in 2021/2022 cycle



## GHG Emissions

Scope 1  
Scope 2  
Scope 3 (optional)



## Renewable energy

% Renewable energy use



## Diversity of board members

% women  
% under-represented groups<sup>1</sup> (optional)



## Work-related injuries

Injuries  
Fatalities  
Days lost due to injury



## Net new hires

New hires  
Attrition



## Employee engagement

Employee survey (Y/N)  
Employee survey response (optional)

A standard template and reporting guide provides details on how to report and track these metrics, which should help reduce the burden on LPs and GPs to create their own definitions.

Metrics will be expanded in breadth and depth in following years

1. Required for US only in 2021/2022 cycle, optional for rest of world. Option for LGBT.

# Additional resources available for general partners including the PortCo Data Collection Template and ESG Metrics for Investor Reporting: A handbook

## Excerpt of PortCo Data Collection Template

Company Fundamentals >>															
Company ID [anonymized unique identifier]	Company Name [please delete data from this column before sharing with BCG]	Year	General Partner	Fund ID [anonymized unique identifier]	Country of domicile / headquarters	Primary country of operations - optional	Company structure - optional	Growth Stage of Company	Percent ownership	Primary sector of operations	Primary industry of operations	Currency	Revenue	Total number of FTEs in previous year	Total number of Full Time Equivalents (FTE) in current year
Anonymous-12345	Company-12345	2020	ABC	Anonymous-A1	United Kingdom	United Kingdom	Private		100%	Technology and	Telecommunication services	USD	6935460000	33578	35400
GHG Emissions >>			Renewable energy consumption >>			Diversity of board members >>			Work related injuries >>						
Scope 1 Emissions (tCO2e)	Scope 2 Emissions (tCO2e)	Scope 3 Emissions (tCO2e) (optional)	Total energy consumption (kWh)	Renewable energy consumption (kWh)	Total number of board members	Number of women board members	Number of LGBTQ board members (optional)	Number of board members from under- represented groups	Number of work-related injuries	Number of work-related fatalities	Days lost due to injury (days)				
563	340	2000	15000	13200	11	5	NULL	0	160	0	335				
Net new hires >>			Employee engagement >>												
Organic Net New Hires	Total Net New Hires	Annual Percent Attrition (%)	Do you conduct an employee survey (Y/N)	% employees responding to survey (optional)											
300	57	30%	Y	72%											

# Firmographic detail | Proposed metrics for segmentation and normalization

In addition to the six ESG metrics, company-level details will be used to normalize and segment the data

Theme	Detailed metric	Motivation for including in data set
 <b>Revenue</b>	<ul style="list-style-type: none"><li>Annual revenue (P&amp;L)</li><li>USD</li></ul>	<ul style="list-style-type: none"><li>Can be used to normalize GHG emissions, % renewable, net new hires and assess how assets are changing as a result of GP intervention/during GP ownership period</li></ul>
 <b>Total FTEs</b>	<ul style="list-style-type: none"><li>Full time equivalents</li><li>[Company size] <sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>Can be used to normalize GHG emissions, % renewable, injuries, net new hires and for segmentation by company size (e.g., small, medium, large companies) <sup>2</sup></li></ul>
 <b>Industry</b>	<ul style="list-style-type: none"><li>SASB's Sustainable Industry Classification System<sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>Can be used to provide more differentiated, and thus meaningful perspective on GHG emissions, % renewable, injuries, net new hires</li></ul>
 <b>Country of operations</b>	<ul style="list-style-type: none"><li>Primary country of domicile</li><li>Primary country of operations (optional)</li></ul>	<ul style="list-style-type: none"><li>Can be used for more like-for-like comparisons, esp. % board diversity, but potentially also energy usage metrics</li></ul>
 <b>Company growth stage</b>	<ul style="list-style-type: none"><li>Venture, growth, buy out</li></ul>	<ul style="list-style-type: none"><li>Can create additional segmentation for comparison across all metrics</li></ul>
 <b>Year</b>	<ul style="list-style-type: none"><li>Calendar year</li></ul>	<ul style="list-style-type: none"><li>Provides ability to track historical trends and changes in metrics over time, relevant for all metrics</li></ul>

<sup>1</sup> [SICS-Industry-List.pdf \(sasb.org\)](#) <sup>2</sup>. Recommend creating company size segmentation after data is received

# Our goal | Deliver value beyond the current ESG data sharing process

## Today



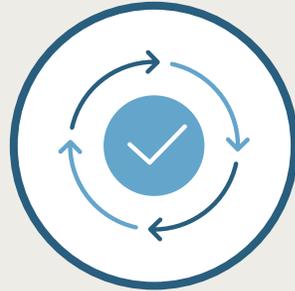
### ESG data meets basic investor needs

Manual and fragmented data approach across GPs

- High collection burden across multiple, varying LP requests
- Limited ability to compare data to derive meaningful trends

ESG data transmitted directly from GP to LP for any fund LP has invested

## Future Vision



### Simplified data sharing process with investors

Aligned KPIs and standard reporting formats

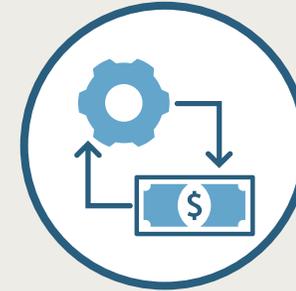
Transmitted directly from GP to LP for any fund the GP is invested in [OR, in the future:] transmitted through secure third party



### Benchmarking against peers

Data aggregated by secure third party into benchmark available to any participating LP, regardless of if they are invested in constituent funds<sup>1</sup>

Benchmark data available in an anonymized, aggregated format to participating GPs in order to track and improve performance



### Translating ESG into material impact

Aggregate data can be developed into meaningful statistical measures linking ESG to performance materiality helping this group focus on the ESG metrics that matter most



### Shaping future of industry

Aggregate data can be published with permission from Steering Group to show where and how PE ownership may improve private company ESG performance

1. Individual PortCo data will not be extractable from benchmark (guardrails around how many data points would be needed to ensure anonymity). Financial data points will not be available individually, but only as part of normalized data figures

# What will change in data process for GPs?

## Current ESG data:

Transmitted directly from GP to LP for any fund the LP is invested in, where ESG data exists. (Normalization data only provided at GP's discretion).  
GPs own source data.



## Future ESG data:

Transmitted directly from GP to LP (in a standard template for **6 KPIs agreed upon for 2021/2022 cycle**) for any fund the LP is invested in. (Normalization data only provided at GP's discretion). **GPs own source data.**

**New:** ESG data aggregated by secure third party [BCG for 2021 /2022 cycle] into benchmark available to any participating LP, regardless of if they are invested in constituent funds

- Individual PortCo or GP Fund-level data will **not** be extractable from benchmark (guardrails around how many data points would be needed to ensure anonymity)
- Financial data points will not be available individually, but only as part of normalized data figures
- **GPs still own source data; derivative data governed by legal benchmark agreement.**

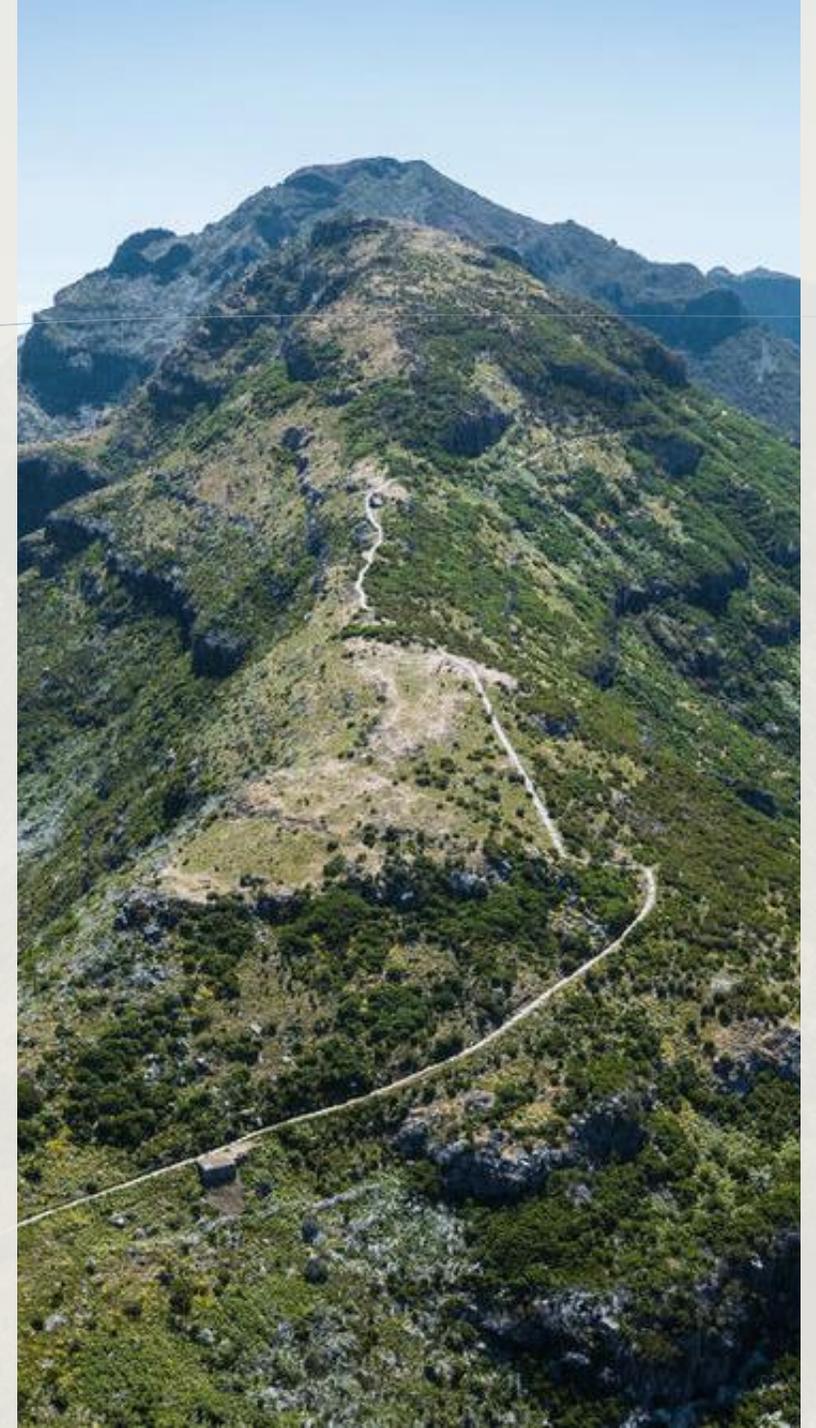
# Future tech platform | Outstanding questions

For the 2021/2022 cycle, BCG has agreed to serve as the third-party aggregator of anonymized data, in order to create the benchmark(s) and derive research insights (publication of which is governed by the Steering Group approval)

- The data management and security is governed by the benchmarking agreement, [available here](#)

In subsequent years, the group may explore additional third-party partnership(s) for 1) data aggregation/transmission, 2) data analysis and benchmark creation, and 3) program management of this effort. Selection will be governed by the Steering Group, but will focus on initial criteria, which include:

- Credible, independent, trusted third-party
- High-level of data security and privacy
- Will abide by the group's guidance on the use of data



# Increasing ambition | ESG Data Convergence Project may add several new KPIs each year

Annual process aims to collaboratively increase ESG reporting ambition over time while minimizing “meeting creep”



# Proposed Governance | Joint GP-LP Annual Collaboration

GPs and LPs voluntarily opt-in to the effort at any point in the year-agree to all principles (articulated on next two slides) and submit benchmark agreement (all materials housed [here](#))

## Proposed meeting schedule (exact dates and meetings subject to change):

May

Annual survey of all GPs and LPs to gather information on priorities. LP-only Steering Group meeting to discuss priorities for upcoming year. Joint meeting of GP/LP Steering Group to review prior year's data, discuss feasibility of priority KPIs for current year, discuss other topics (e.g. tech platform, central aggregator, etc.)

May-June

Weekly/Bi-Weekly meetings of GP Steering Group to detail new KPIs

June

Mid-sprint check in with GP/LP Steering Group

July

Final GP/LP Steering Group meeting to review proposed additional metrics (if any)-metrics adopted by majority vote of all GP/LP members (GP and LP votes separate)

## Proposed Steering Group membership:

- 2022 data sprint: GP/LP Steering Group membership will be Steering Group members from 2021 project kick-off
- Additional 2022 Steering Group members added at discretion of existing Steering Group
- After 2022 sprint, Steering Group members will rotate-process to be determined, potentially in collaboration with third-party chosen to help administrate/manage the data effort

# What does it mean to be a part of this collaboration?

## GPs

Determine the funds/strategies to which this will apply (while we recognize GPs may start with a subset of their investment strategies, the expectation is this will increase over time, as feasible)

Change internal data collection system to track the 6 categories of KPIs and associated segmentation/normalization KPIs. Abide by the ESG Metrics for Investor Reporting Handbook to the extent possible, and explain instances of deviation

As requested, supply the above KPIs to LPs invested in a particular strategy, preferably using the standard template (available [here](#)).

As soon as feasible, but by April 30<sup>th</sup> each year, provide to central aggregator (BCG for 2021/2022 cycle) the above data for the prior calendar year, anonymized by company

Agree to be publically associated with the effort

Encourage LPs to align with this effort

Voluntary: serve on the GP/LP Steering Committee for annual sprint

## LPs

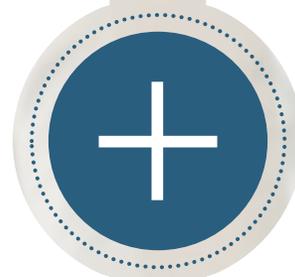
On a best-efforts basis, where LP has relevant/overlapping ESG data requests to GPs, change definitions to align with the 6 KPIs of this effort (or remove those questions and collect through the standard template)

Encourage underlying GPs to align with this effort

On a best-efforts basis, encourage additional industry efforts to drive ESG information/data request convergence

Agree to be publically associated with the effort

Voluntary: serve on the GP/LP Steering Committee for annual sprint



# Interested? Here's how to get involved ...

1

Join informational session in September to learn more about the commitment (sign up [here](#))  
**Option 1 - US/EMEA:** October 13<sup>th</sup> from 11:00am-12:00pm ET/4:00pm-5:00pm London/11:00pm-12:00am Hong Kong.  
**Option 2 - EMEA/Asia:** October 14<sup>th</sup> from 4:00am-5:00am ET/9:00am-10:00am London/4:00pm-5:00pm Hong Kong

2

Fill out [this survey](#) to express interest or [this survey](#) if you are ready to commit

3

Complete benchmarking agreement (found [here](#)) and submit to BCG via [this link](#) to secure Egnyte folder

4

Download templates and template guidance [here](#) and share with portfolio companies

5

Complete 2021 data collection by April 30, 2022

For more information, contact: [ESGDataConvergence@CalPERS.ca.gov](mailto:ESGDataConvergence@CalPERS.ca.gov)

# Glossary

## 0. common variables

Metric	Definition	Units	Sources and guidance
Company ID	Unique identifier for portfolio company that should be anonymized by the GP	String	
General Partner	Name of general partner	Name	
Fund ID	Unique identifier for fund that portfolio company is a part of, that should be anonymized by the GP	String	
Country of domicile/ headquarters	Country where company affairs are discharged. Please provide only one country (if more, provide explanation).	Country	
Primary country of operations - optional	Country where majority of business activities are conducted. Please provide only one country.	Country	
Company structure - optional	Private or Public	Name	
Growth Stage of Company	Description of company growth stage: venture/growth/PE. This is based on self-determination.	String	
Percent ownership	Equity ownership stake for general partner, between 0-100%	%	
Primary sector of operations	Sector according to SASB to Sustainable Industry Classification System (SICS)	Sector	<a href="#">SICS-Industry-List.pdf (sasb.org)</a>
Primary industry of operations	Industry according to SASB Sustainable Industry Classification System (SICS)	Industry	<a href="#">SICS-Industry-List.pdf (sasb.org)</a>
Currency	Description of monetary unit using three letter code (ISO 4217 code)	ISO code	<a href="#">ISO - ISO 4217 – Currency codes</a>
Revenue	Annual revenue reported at the end of the calendar year, in US dollars	#	
Total number of Full Time Equivalent (FTE) in current year	Number of Full-Time Equivalent (FTE) employees at the end of the calendar year	#	
Total number of FTEs in previous year	Number of FTEs at the end of the previous calendar year	#	

# Glossary

## 1. GHG emissions

Metric	Definition	Units	Sources and guidance	Related framework
Scope 1 Emissions (tCO2e)	Direct emissions due to owned, controlled sources accounted for using GHG Protocol	#, tCO2e	<a href="#">Corporate Standard   Greenhouse Gas Protocol (ghgprotocol.org)</a>	GRI 305:1-3, TCFD, GHG Protocol, SFDR, CDP, WEF, SASB
Scope 2 Emissions (tCO2e)	Indirect emissions due to purchase of electricity, heat, steam, etc. accounted for using GHG Protocol	#, tCO2e	<a href="#">Scope 2 Guidance   Greenhouse Gas Protocol (ghgprotocol.org)</a>	GRI 305:1-3, TCFD, GHG Protocol, SFDR, CDP, WEF, SASB
Scope 3 Emissions (tCO2e) <b>(optional)</b>	All other indirect emissions accounted for using GHG Protocol	#, tCO2e	<a href="#">Scope 3 Calculation Guidance   Greenhouse Gas Protocol (ghgprotocol.org)</a>	GRI 305:1-3, TCFD, GHG Protocol, SFDR, CDP, WEF

## 2. Renewable energy consumption

Metric	Definition	Units	Sources and guidance	Related framework
Total energy consumption in kWh	The scope of energy consumption includes only energy directly consumed by the entity during the reporting period. The scope of energy consumption includes energy from all sources, including energy purchased from sources external to the entity and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling, and steam energy are all included within the scope of energy consumption.	#, kWh	SASB CG-EC-130a.1.(1)	GRI, SASB, CDP, TCFD, SFDR, CDSB
Renewable energy consumption in kWh	Total renewable energy consumed from: geothermal, solar, sustainably sourced biomass (including biogas), hydropower and wind energy sources. Accounting should follow best practices outlined in RE100 and GHG Protocol Scope 2 Guidance.	#, kWh	<a href="#">Scope 2 Guidance   Greenhouse Gas Protocol (ghgprotocol.org)</a> ; <a href="#">Technical guidance   RE100 (there100.org)</a>	SASB, CDP, TCFD, SFDR, CDSB,

# Glossary

## 3. Diversity of board members

Metric	Definition	Units	Sources and guidance	Related framework
Total number of board members	Number of people on board of directors at end of Calendar Year	#		GRI 405-1b, SASB WEF
Number of women board members	Number of women on board of directors at end of Calendar Year	#		GRI 405-1b, SASB WEF SFDR
Number of LGBTQ board members <b>(optional)</b>	Number of people self-identified as LGBTQ on board of directors at end of Calendar Year	#		GRI 405-1b, SASB WEF
Number of board members from under-represented groups <b>(optional for non-US companies)</b>	Number of people self-identified as belonging to an under-represented group: <ul style="list-style-type: none"> <li>• For US Companies, under-represented groups include:               <ul style="list-style-type: none"> <li>• African American/Black/African/Caribbean/Black British: A Person Having Origins in Any of The Black Racial Groups Of Africa</li> <li>• Hispanic Or Latino: A Person of Cuban, Mexican, Puerto Rican, South or Central American, Or Other Spanish Culture Or Origin, Regardless Of Race</li> <li>• Native American Or Alaska Native: A Person Having Origins in Any of The Original Peoples Of North And South America (Including Central America), And Who Maintains Tribal Affiliation Or Community Attachment</li> </ul> </li> <li>• For non-US companies: PortCos are encouraged to adopt governmental guidelines or, in absence of this, local convention; no data is expected where local jurisdictions prohibit collection</li> </ul>	#		GRI 405-1b, SASB WEF

# Glossary

## 4. Work Related Injuries

Metric	Definition	Units	Sources and guidance	Related framework
Number of work-related injuries	Total number of injuries, as defined by local jurisdiction, within the last calendar year. Injury records could come from national systems as part of primary data source (e.g., labor inspection records and annual reports; insurance and compensation records, death registers), supplemented by surveys.	#	<a href="#">Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)</a>	GRI:2018 403-9a&b, GRI:2018 403-6a WEF
Number of work-related fatalities	Total number of fatalities as defined by local jurisdiction, within the last calendar year. Fatality records could come from national systems as part of primary data source (e.g., labor inspection records and annual reports; insurance and compensation records, death registers), supplemented by surveys.	#	<a href="#">Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)</a>	GRI:2018 403-9a&b, GRI:2018 403-6a WEF SASB
Days lost due to injury	Total days lost due to work-related injury	#, days	<a href="#">Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)</a>	International Labor Organization, OSHA

## 5. Net New Hires

Metric	Definition	Units	Sources and guidance	Related framework
Organic Net New Hires	<i>New hires</i> (the number of FTE joining the company, excluding hires that result from M&A) less attrition (the number of FTE leaving the business) during a given calendar year. Excludes any FTE growth or decline due to a business acquisition or business unit divestiture.	#		GRI, WEF

# Glossary

## 5. Net New Hires

Metric	Definition	Units	Sources and guidance	Related framework
Total Net New Hires	<i>New hires</i> (the number of FTE joining the company, excluding hires that result from M&A) less attrition (the number of FTE leaving the business) plus changes due to M&A (the net change in employees due to M&A) during a given year	#		GRI, WEF
Annual Percent Attrition	<i>Attrition</i> (the number of FTE leaving the business) over the course of the year divided by average FTEs in previous year multiplied by 100	%		GRI, WEF, SASB

## 6. Employee Feedback/Survey

Metric	Definition	Units	Sources and guidance	Related framework
Do you conduct an annual employee survey (Y/N)?	Y/N response indicating whether a company issues an annual employee feedback survey. An employee feedback survey can include, but is not limited to, questions related to company culture, company values, employee job satisfaction, employee engagement, and training.	Y/N		Not applicable
% employees responding to survey ( <b>optional</b> )	Total number of employees responding to survey divided by total number of employees surveyed	%		Not applicable

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For more information, click [here](#) or contact  
ESGDataConvergence@CalPERS.ca.gov