

A background image of a modern glass building facade with a grid of windows and structural elements, overlaid with a large dark blue rectangle.

ESG Data Convergence Project

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ESG Metrics for Investor Reporting: A handbook

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Introduction

This document shares guidance for Environmental, Social, and Governance (ESG) reporting within Private Equity as proposed by the ESG Data Convergence Project, a consortium of General Partners (GPs) and Limited Partners (LPs).

The guiding mission of the working group has been to establish meaningful, performance based ESG data from private companies by converging on a standardized, foundational set of ESG metrics for the PE industry. The convergence towards a core set of metrics allows 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.

In the spirit of the working group, this document is intended to facilitate standardization in data reporting. To do this, we have provided a brief but thorough set of governance recommendations alongside a glossary of relevant terms, definitions, and clarifications. We encourage you to consult this document as needed to streamline your ESG reporting process and address common data-related questions.

Data collection process and governance

Data Collection

GPs will collect data annually through their existing data collection systems. We ask that once collected from portfolio companies (PortCos), GPs input the ESG key performance indicators and relevant normalization metrics into the standard excel template so that Limited Partners (LPs) can receive the data in as comparable a form as possible from underlying GPs. Data will be used in two ways:

First, as typically happens, GPs will provide the data directly to any LPs invested in its fund(s), on an as-requested basis (or proactively, if the GP chooses).

Secondly, for data collected in a given calendar year, GPs will provide their data, anonymized at the company level (i.e., “Company A, Company B...”) to the master aggregator. For the 2021/2022 cycle, the master aggregator is Boston Consulting Group (BCG). BCG has a template *Benchmarking Agreement*, found [here](#) which can be signed by both the GP and BCG to ensure data privacy, confidentiality, and use limited to this effort. BCG will aggregate the data into appropriate benchmarks (controlling for industry, geography, etc.). Benchmarks will only be generated if enough data points exist to ensure that no single portfolio company or fund can be extrapolated from the data. BCG may also perform research and analysis on the aggregated data. The research will be reviewed and approved by the GP Steering Committee with input from the LP Steering Committee before being used publicly in



any way, and it will not isolate or identify a GP, fund, or specific portfolio company. A master aggregator will be chosen for the 2022/2023 cycle at the discretion of the GP Steering Committee with input from the LP Steering Committee.

The benchmark(s) will not be publicly published at this point. They will be shared directly only with LPs that are formal supporters of the effort, and with GPs that have contributed data to the benchmark(s) by BCG.

Data for the 2021 calendar year will be due in April 2022 - the exact date will be determined based on feedback from GPs regarding the feasible speed of data collection.

Data validation

The aggregator may in certain instances confirm correct units, missing data, year-over-year (YoY) variances, etc. with GPs, but the responsibility for data quality and integrity rests with the GPs.

Data analysis and insight

The aggregator will provide high level analysis and insights into the aggregated data but cannot accommodate bespoke analytical requests.

Guidance on fund selection and reporting

Each GP will decide which underlying funds will report this data for the 2021 calendar year. While it is understood that GPs may need to pilot with a subset of existing funds, it is expected that GPs will try to increase the number of funds reporting on this data each year.

It is expected that GPs will report data for all majority owned PortCos. Reporting the data for minority owned PortCos is optional but encouraged.

It is expected that data will be reported for portfolio companies who have entered the fund during the calendar year as soon as possible, but at a minimum within one year of ownership.

If a portfolio company is exited mid-year, we ask that GPs do not include the data, as this could result in incomplete YoY data. Only include data from companies that are in a fund as of 12/31 of that calendar year.



Guidance on data quality

Scope

For operational boundaries: GPs should use the equity method (sharing full data, not proportional share) and portfolio companies should present data corresponding to their span of operational control. For additional guidance in defining operational boundaries, please refer to the GHG Protocol.

For temporal boundaries: data should be reported for the prior calendar year (January - December).

Quality and integrity

The following suggested activities represent leading practices that are necessary to produce accurate, investment grade data. Both the GP and PortCos should seek to implement these principles, and the principles should be communicated to all parties involved in the data collection and measurement process, as feasible.

Overall, entities should seek to consistently employ data quality principles to ensure information is comparable and decision useful. This includes:

- Existence - verifying that the underlying amounts are founded in reality
- Accuracy - there has been no overstatement or understatement
- Completeness - there are no omissions
- Consistency - employ the same methods to measure and estimate data
- Timeliness - reflects the defined scope

Best practices for implementing data governance (both within the PortCo and the GP levels):

- Assign clear roles and responsibilities for data production and assembly
- Establish reporting boundaries including operational and temporal boundaries (see Scope)
- Determine data collection, validation, and consolidation process/workflow (both within the PortCo and the GP levels). This should seek to include:
 - Collection sources, methods, and frequencies/timelines
 - Validation procedures (e.g., sign-off)
 - Consolidation process
 - Documentation and archival, access controls
- Review calculation and estimation methodologies to ensure a consistent approach
- Consider leveraging third-party validation, assurance versus verification

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 Sustainable Industry Classification System (SICS)	Sector	SICS-Industry-List.pdf (sasb.org)
Primary industry of operations	Industry according to SASB Sustainable Industry Classification System (SICS)	Industry	SICS-Industry-List.pdf (sasb.org)
Currency	Description of monetary unit using three letter code (ISO 4217 code)	ISO code	ISO - ISO 4217 – Currency codes
Revenue	Annual revenue reported at the end of the calendar year, in US dollars	#	
Total number of Full Time Equivalents (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 #

1. GHG Emissions

Metric	Definition	Units	Sources and guidance	Related frameworks
Scope 1 Emissions (tCO2e)	Direct emissions due to owned, controlled sources accounted for using GHG Protocol	#, tCO2e	Corporate Standard Greenhouse Gas Protocol (ghgprotocol.org)	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	Scope 2 Guidance Greenhouse Gas Protocol (ghgprotocol.org)	GRI 305:1-3, TCFD, GHG Protocol, SFDR, CDP, WEF, SASB
Scope 3 Emissions (tCO2e) (optional)	All other indirect emissions accounted for using GHG Protocol	#, tCO2e	Scope 3 Calculation Guidance Greenhouse Gas Protocol (ghgprotocol.org)	GRI 305:1-3, TCFD, GHG Protocol, SFDR, CDP, WEF



2. Renewable Energy Consumption

Metric	Definition	Units	Sources and guidance	Related frameworks
Total energy consumption in kWh	<p>The scope of energy consumption includes only energy directly consumed by the entity during the reporting period.</p> <p>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.</p>	#, 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	Scope 2 Guidance Greenhouse Gas Protocol (ghgprotocol.org); Technical guidance RE100 (there100.org)	SASB, CDP, TCFD, SFDR, CDSB,



3. Diversity of Board Members

Metric	Definition	Units	Sources and guidance	Related frameworks
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 (optional)	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 (optional for non-US companies)	<p>Number of people self-identified as belonging to an under-represented group:</p> <p>For US Companies, under-represented groups include:</p> <ul style="list-style-type: none"> African American/Black/African/Caribbean /Black British: A Person Having Origins in Any of The Black Racial Groups Of Africa Hispanic Or Latino: A Person of Cuban, Mexican, Puerto Rican, South or Central American, Or Other Spanish Culture Or Origin, Regardless Of Race 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 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 	#		GRI 405-1b, SASB WEF



4. Work Related Injuries

Metric	Definition	Units	Sources and guidance	Related frameworks
Number of work-related injuries	<p>Total number of injuries, as defined by local jurisdiction, within the last calendar year.</p> <p>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.</p>	#	Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)	GRI:2018 403-9a&b, GRI:2018 403-6a WEF
Number of work-related fatalities	<p>Total number of fatalities as defined by local jurisdiction, within the last calendar year.</p> <p>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.</p>	#	Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)	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	Resolution concerning statistics of occupational injuries (resulting from occupational accidents) (ilo.org)	International Labor Organization, OSHA

5. Net New Hires

Metric	Definition	Units	Sources and guidance	Related frameworks
Organic Net New Hires	<i>New hires</i> (the number of FTE joining the company, excluding hires that result from M&A) less <i>attrition</i> (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
Total Net New Hires	<i>New hires</i> (the number of FTE joining the company, excluding hires that result from M&A) less <i>attrition</i> (the number of FTE leaving the business) plus <i>changes due to M&A</i> (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 <i>FTEs in previous year</i> multiplied by 100	%		GRI, WEF, SASB



6. Employee Feedback/Survey

Metric	Definition	Units	Sources and guidance	Related frameworks
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 (optional)	Total number of employees responding to survey divided by total number of employees surveyed	%		Not applicable

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