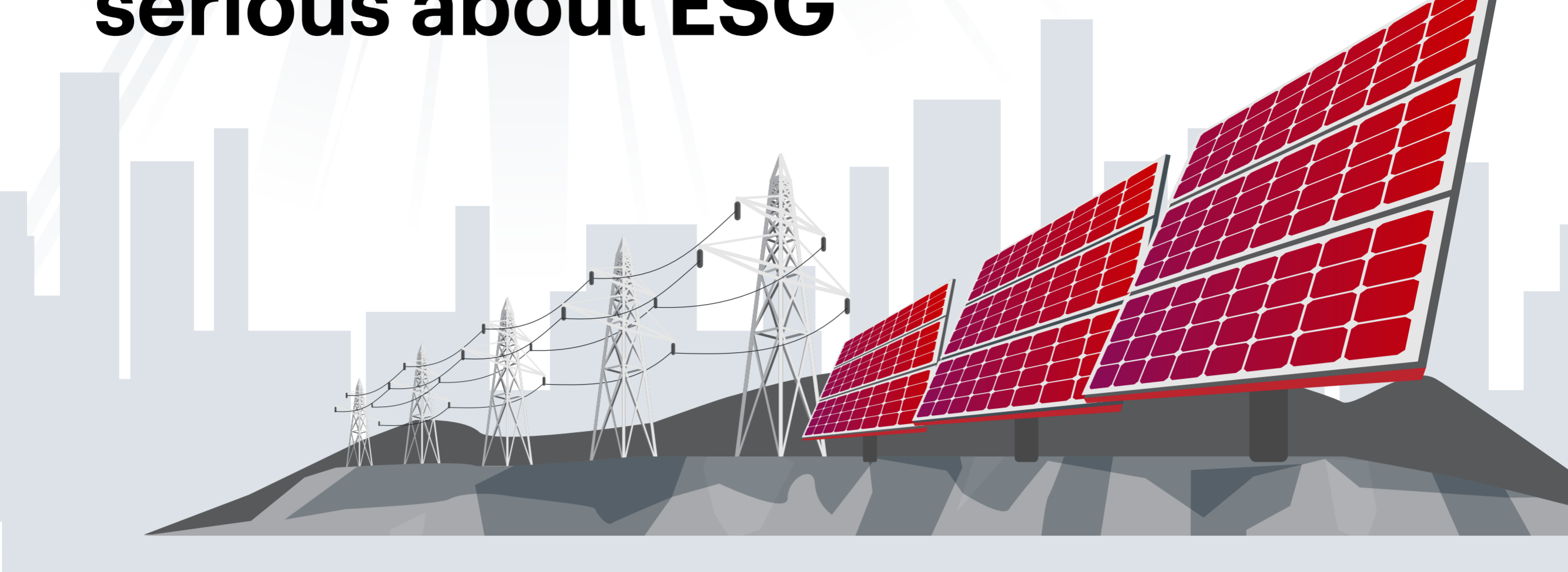


Closing the ESG Measurement Gap in Private Equity

Investors say environmental, social, and governance (ESG) matters more than ever, but limited partners and private equity firms frequently lack the tools to measure what's working—and what's not.

Investors are getting serious about ESG



According to a survey of limited partners (LPs) by Bain & Company and the Institutional Limited Partners Association (ILPA)

70% of LPs say their organization's investment policies include an ESG approach



Of these, **85%** have an ESG investment policy for private equity (PE) fully or partially implemented



76% of private equity assets under management by these LPs are affected by those policies

50% cite better investment performance as a key reason to incorporate ESG



93% would walk away from an investment opportunity if it posed an ESG concern



This ESG focus is only going to get more intense

Over **the next 3 years**, LPs will focus their ESG efforts on a few key areas



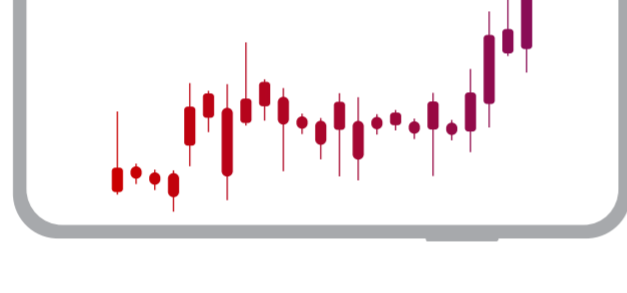
Climate change

such as implementing climate action plans and making portfolio decisions to match net-zero commitments



Transparency

such as creating more granular reporting on ESG data points with a focus on net-zero goals



Capacity building

such as developing and implementing an ESG policy and monitoring ESG performance of general partners (GPs)



Improving DEI

such as maintaining a strong focus on diversity issues while boosting efforts in other areas, such as human rights

There's a glaring measurement gap

Only a small share of LPs ask for ESG key performance indicator (KPI) reporting from their GPs ...



Fewer than 20% of LPs said that they request ESG KPI reporting from GPs

... and most GPs can't provide relevant data



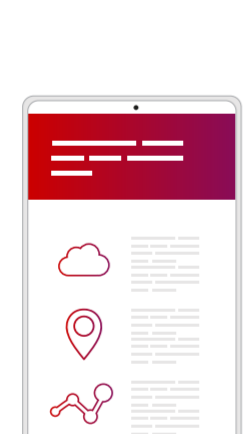
Fewer than 25% of GPs can provide data on scope 1 and 2 emissions all or most of the time



Fewer than 35% of GPs can provide data on all principal adverse indicators all or most of the time

Leading PE firms are finding ways to measure ESG

Steadily, the market is developing reliable ways to measure impact and compliance



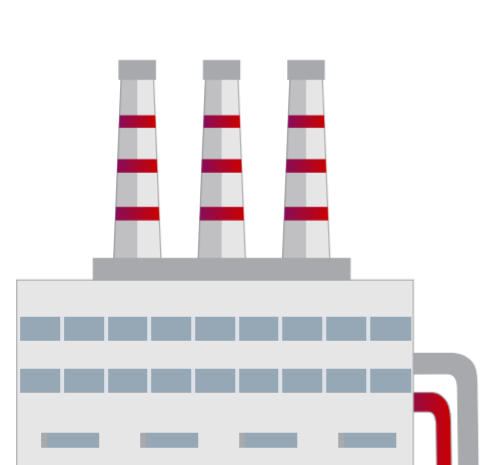
Third-party services

can provide companies with real-time monitoring of emissions and other sustainability metrics

For example ...

Persefoni's climate management and accounting platform can provide detailed, trackable data on an organization's emissions footprint

EcoVadis's business sustainability rankings for global supply chains provide detailed insight into ESG maturity for investors



Net carbon

once a vague concept, can be measured fairly precisely



Net Promoter ScoreSM

can be used to track employee and customer sentiment around ESG results



Using measurement to improve ESG outcomes pays off

PE investors now believe that strong ESG performance can help them increase value and performance across a host of measures, to:

Win market share

Hire and motivate the best talent

Reduce costs

Improve access to capital

Create a positive impact for employees and communities