

ESG Data Convergence Initiative

EDCI Overview



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ESG Data Convergence Initiative |

Context

[Read More](#)



What | A global initiative to advance PE ESG reporting

- A group of GPs and LPs led by Carlyle Group and CPP Investments
- Supported by ILPA & BCG with ambition to drive progress on ESG and financial value

Why | Low comparability and standardization of ESG data

- The private equity industry has historically had a fragmented approach to collecting and reporting ESG data
- Ambition of the EDCI is to create a critical mass of meaningful, performance-based and comparable ESG data from private firms to understand what drives value

Outputs | 7 standardized categories of ESG metrics

- Initiative aligned on a small set of ESG metrics categories, which have been collected across all represented PortCos and benchmarked by BCG
- Benchmarks have been shared with all participating firms at no cost, allowing investors to view their portfolio company performance vs peers
- For the third year of the initiative (2024) the Steering Committee has refined the metric guidance, and included one additional metric (Net Zero)

Opportunity | Growing participation among PE firms

- Since its formal launch in October 2021, over 400 GPs/LPs have signed onto the project, representing over \$28T in AUM and ~4,300 submitted PortCos
- Interested GPs and LPs can sign up for the project at any time

EDCI Engagement | EDCI has brought together 400+ committed firms with ~\$28T of AUM

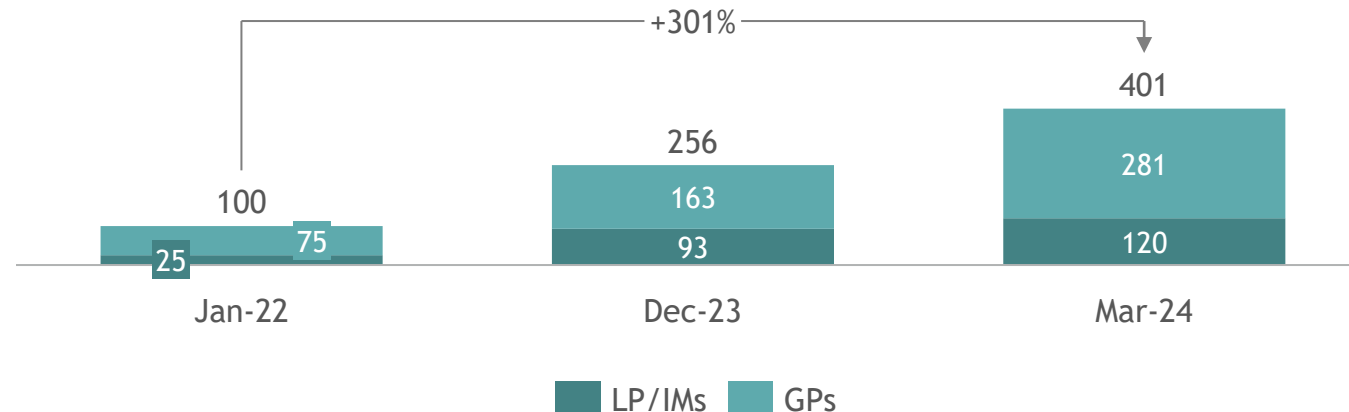
400+
Committed
GPs and LPs

~\$28Tn
AuM

301%
Growth since
2022

380+
Interested
firms

EDCI firm commitment as of March 2024



“
Fantastic initiative. Standardization of metrics across the industry is very helpful. This initiative has a credible set of backers and is getting much traction.
—EDCI GP Member

“
I think it is the best executed benchmark process in the industry and created a great basis to work from.
—EDCI GP Member

“
The EDCI allows us for the first time to collect, analyze and aggregate ESG data from across our portfolio in an effective manner.
—EDCI LP Member

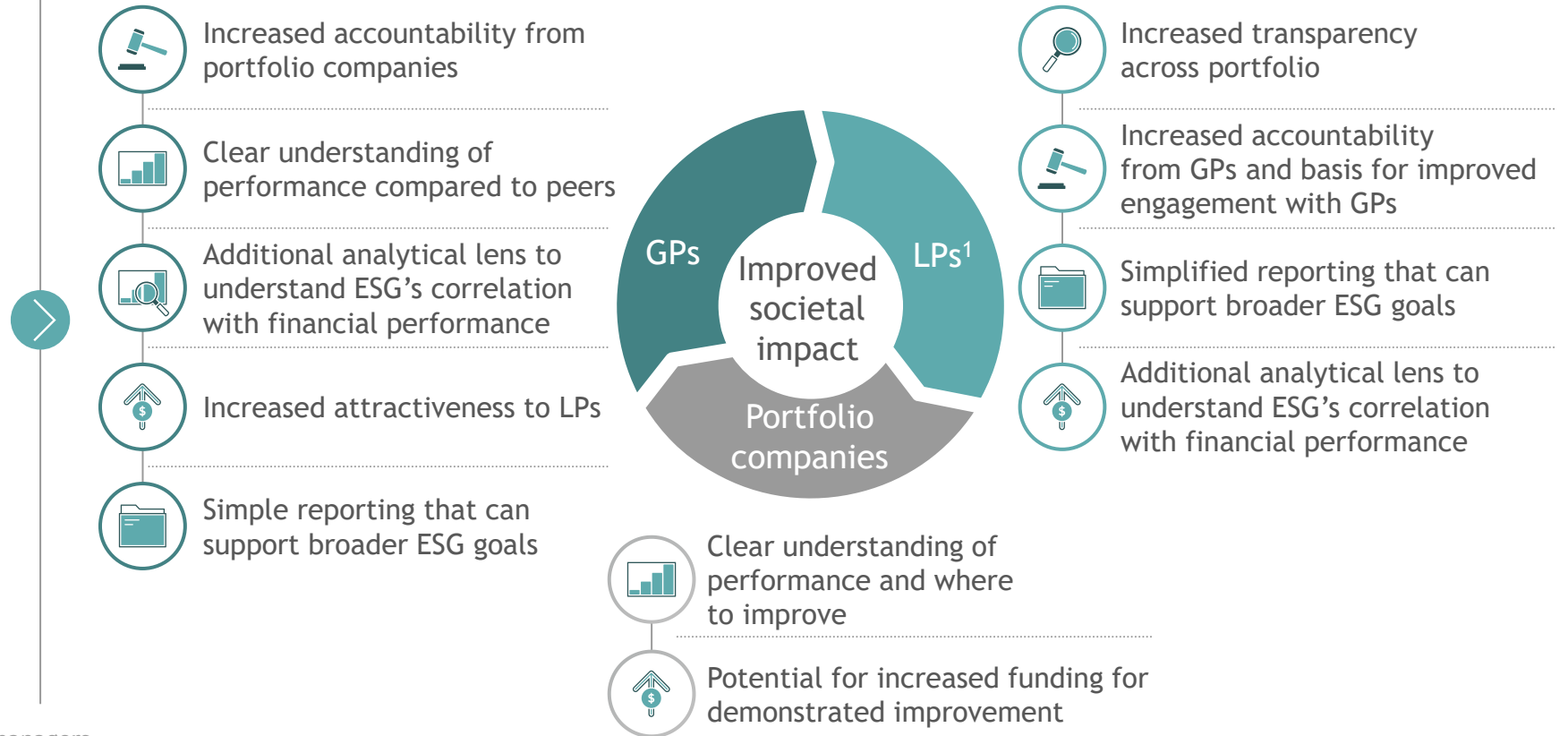
Objective and value proposition | Initiative focused on converging around a core set of ESG metrics for the private markets

Objective of the EDCI

Driving convergence around meaningful environmental, social, and governance (ESG) metrics for the private equity industry.

Generating useful, performance-based, comparable ESG data.

Value proposition for core members (GPs and LPs)



ESG metrics | The ESG Data Convergence Initiative now tracks seven metrics across E, S and G

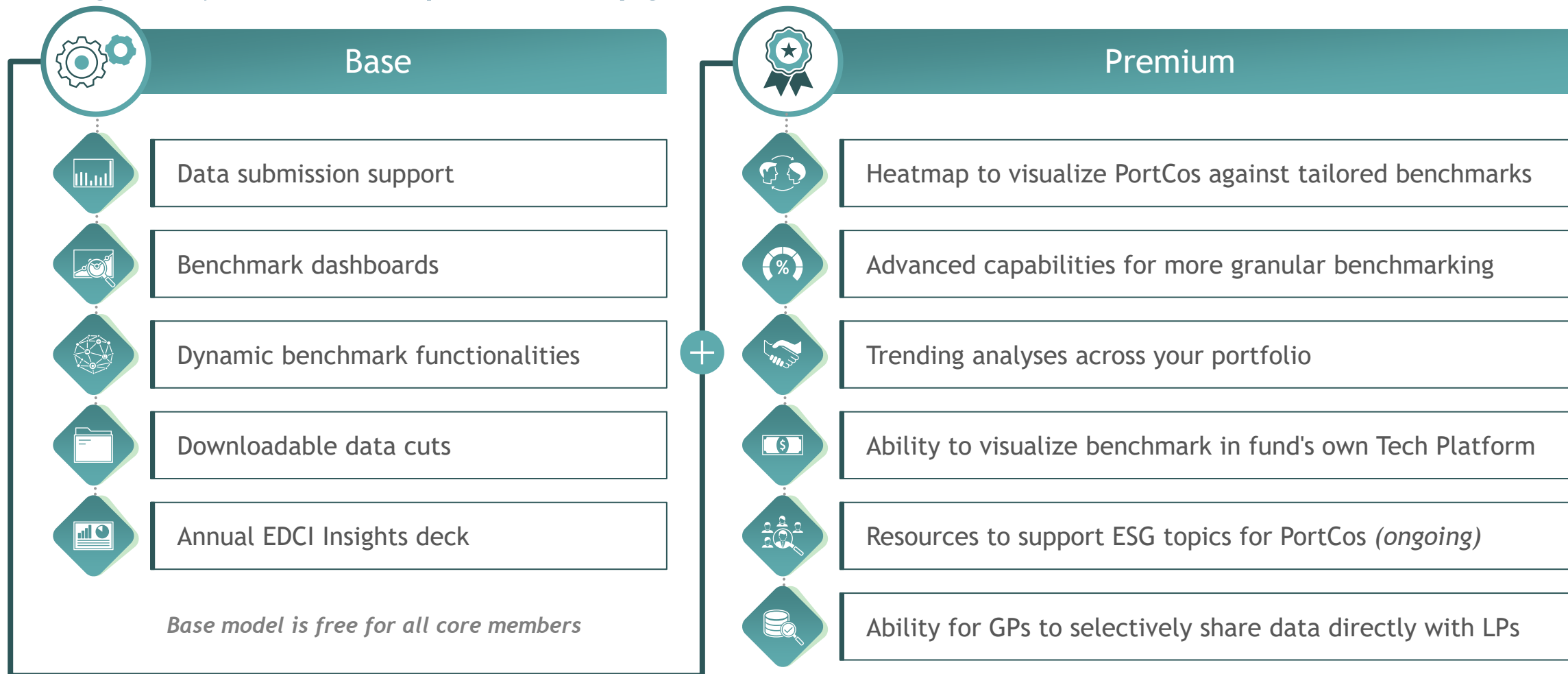


— New metrics added for 2024

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From 2024, GP and LP members will retain access to EDCI offering from inaugural year with option to upgrade for access to additional functionalities



Base model is free for all core members

Upgrade fee dependent on AUM - goal is to allow all interested parties to participate while enabling targeted cost recovery for the Initiative

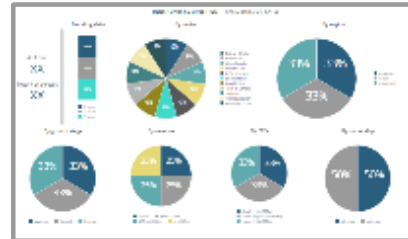
Base model | The high quality EDCI offering from the inaugural year will remain free of charge for EDCI members



Data submission support



Submit data to the EDCI with guidance and real-time assistance from the BCG Expand team



Benchmark dashboards



Snapshot of most up-to-date benchmark data overview and data submission rates



Dynamic benchmark functionalities



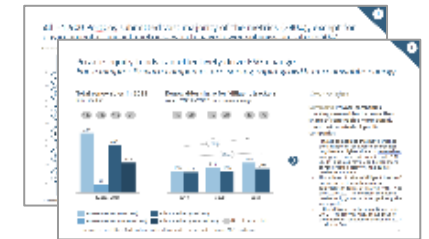
Ability to access flexible benchmark with capacity to self-serve benchmark cuts at a high level

Category	Count	Median
Portfolios with employee survey	40	1
Renewable energy consumption	15	0

Downloadable data cuts



Download data applying relevant cuts for analysis and exporting in various formats (e.g., Excel, image file)



Annual EDCI insights deck



Detailed annual report providing members with comprehensive trends and insights about ESG in private equity

Premium functionality (I/II) | GPs and LPs that choose to upgrade to become premium members will have access to additional, useful functionality

CompanyID	Sector	Region	Emissions					
			Scope 1 GHG emissions (tCO2e per \$1m revenue)		Scope 2 GHG emissions (tCO2e per \$1m revenue)		Scope 3 GHG emissions (tCO2e per \$1m revenue)	
			BM	GP	BM	GP	BM	GP
Portco 1	Financials	EMEA	-3%	+16%	-4%	-1%	+7%	-8%
Portco 2	Services	EMEA	+9%	+375%	-2%	+40%	+9%	+62,039%
Portco 3	Services	EMEA	+9%	+57%	-2%	-44%	+9%	+46%
Portco 5	Health Care	EMEA			-3%	+40%	+15%	+43%
Portco 6	Health Care	EMEA	+9%	+7%	-3%	+54%	+15%	+87%



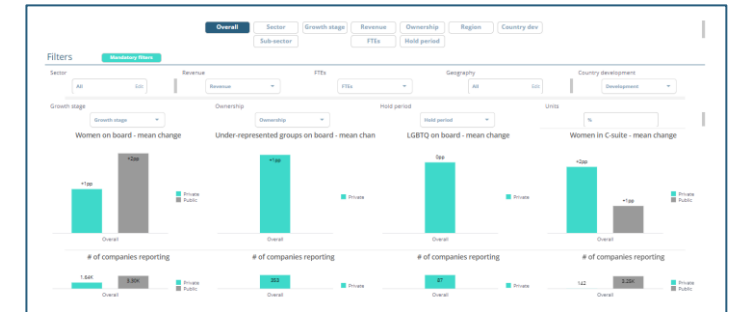
Visualize portfolio companies against tailored benchmarks

- Visualize portfolio companies and funds against tailored, relevant private market benchmarks
- Expand team constructs a dynamic peer set for each metric based on most important demographic variables



More granular benchmarks

- Bespoke, customizable filters to craft benchmarks at industry and geography sub-levels for more nuanced evaluation of portfolio performance



Trending analyses

- Easily visualize benchmark trends over time to understand how ESG performance is evolving
- Understand PortCo changes within a broader context

Premium functionality (II/II) | GPs and LPs that choose to upgrade to become premium members will have access to additional, useful functionality



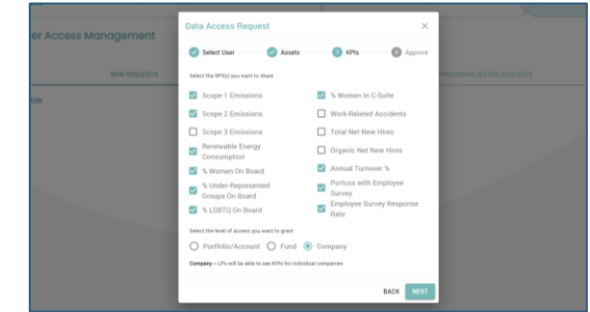
Ability to visualize benchmark in fund's own Tech Platform

- Enable visualization of the EDCI benchmarks alongside broader financial and ESG data in software service solutions
- Rapidly growing set of EDCI software partnerships



Resources to support funds on ESG topics

- Tools and resources to help members make meaningful progress on EDCI metrics
- Tailored resources across the 'E', 'S', and 'G' metrics



Ability for GPs to selectively share data with LPs and PCs¹

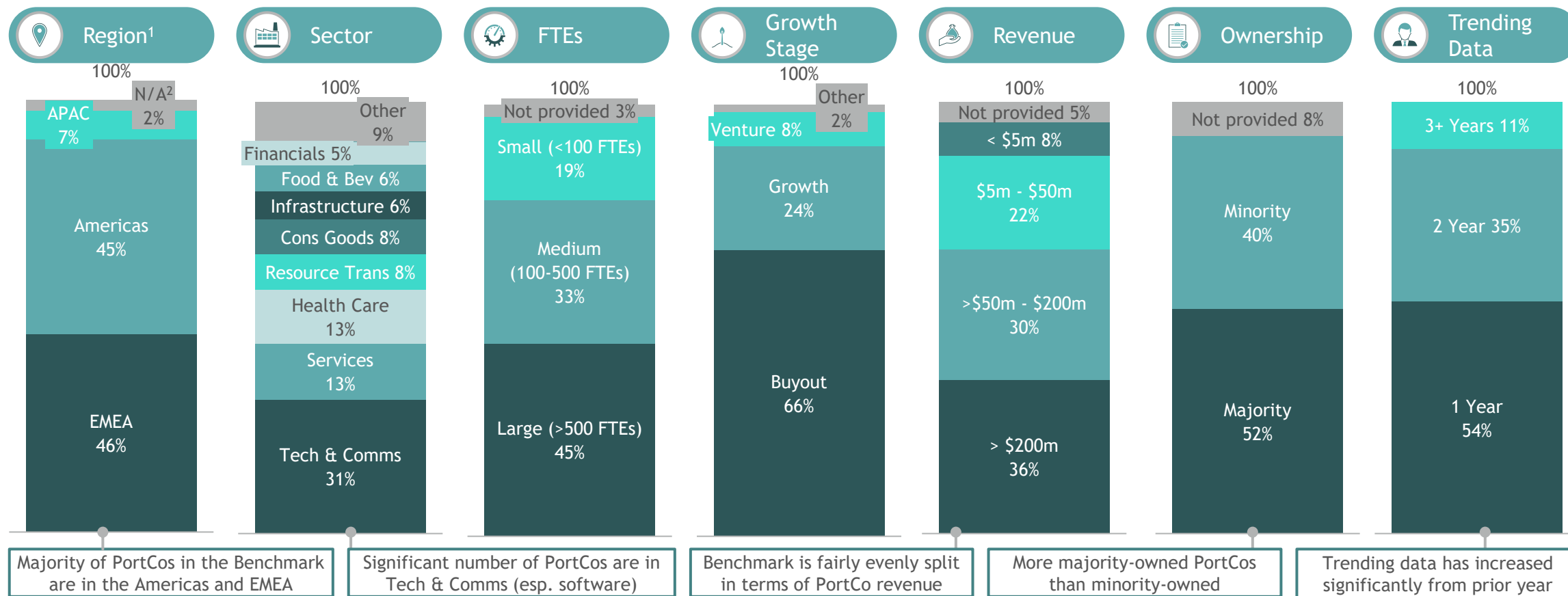
- Simplifies process for GPs to share data with LPs and PC funds, creating a seamless one-stop-shop for data sharing
- Fully customizable data-sharing processes (e.g., by asset, fund, metric, year)

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Data submission | EDCI benchmark incl. ~2x the number of PortCos relative to 2022 benchmark covering a broad range of regions, industries & sizes

185 GPs; 4,268 PortCos



Key Learnings | Three overall insights are emerging on ESG in PE from the second year's analysis

The inaugural year EDCI benchmark revealed several key insights about ESG in PE:

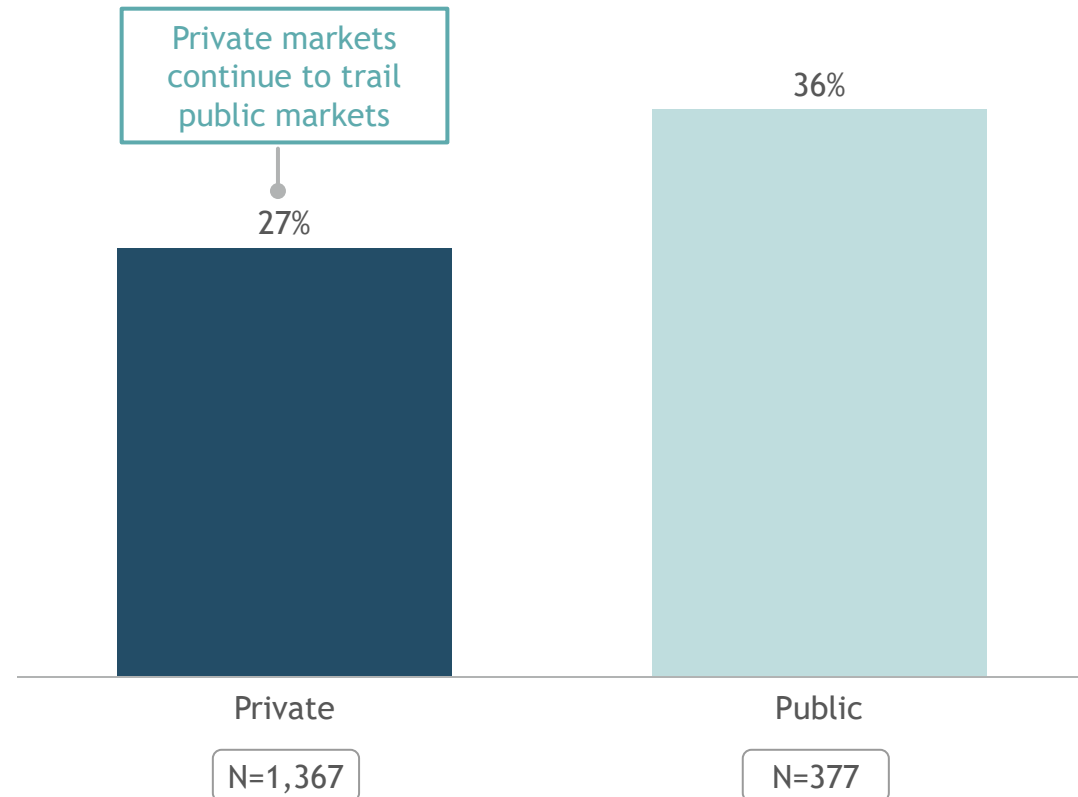
- Private companies are often starting from a **lower ESG baseline** than public peers (e.g., public companies show a significantly higher % of women on board than private peers)
- The **PE model is effective at driving improvement** on ESG topics - e.g., more rapid growth in renewable energy usage than typically seen in the public markets
- Proactively investing in progress on ESG can **lead to financial outperformance** as firms lead the transition to a more inclusive and sustainable world - e.g., higher board gender diversity is associated with higher revenue growth

The Year 2 benchmark lends support to many of these findings - as well as raising new insights on ESG in the private markets:

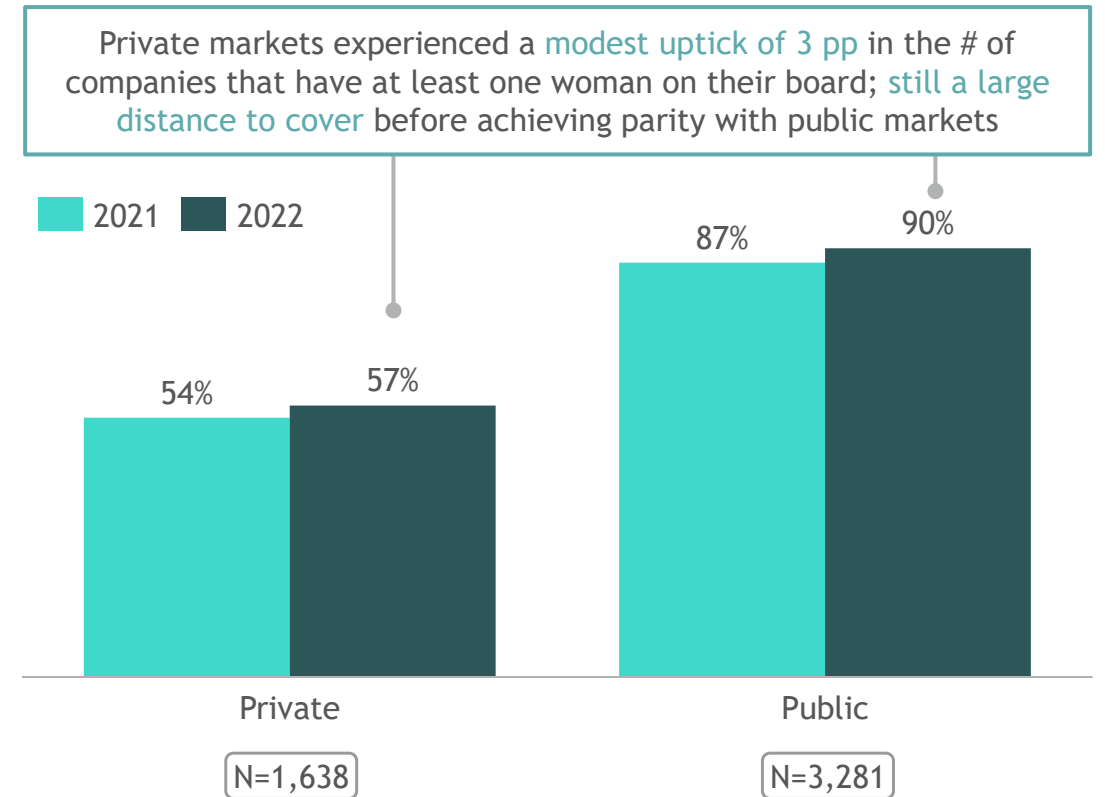
- 1 While private companies start from a **lower baseline relative to their public peers on some metrics, they outperform on others** (e.g., private companies continue to be a stronger engine of job growth than public markets, and have higher % of women in C-suite)
- 2 Further evidence of the **ability of the PE investment model to effectively drive ESG outcomes** (e.g., we observe improvements in renewables usage, gender diversity, and work-related injuries over the average hold period)
- 3 Additional **links between ESG and financial performance** are observed - e.g., among private companies, employee engagement was correlated with lower turnover (which is associated with higher productivity and lower costs), and lower work-related injury rates were correlated with higher revenue growth

While private companies start from a lower baseline compared to public ones on some metrics ...

Median renewable usage (excl. companies with no usage)¹

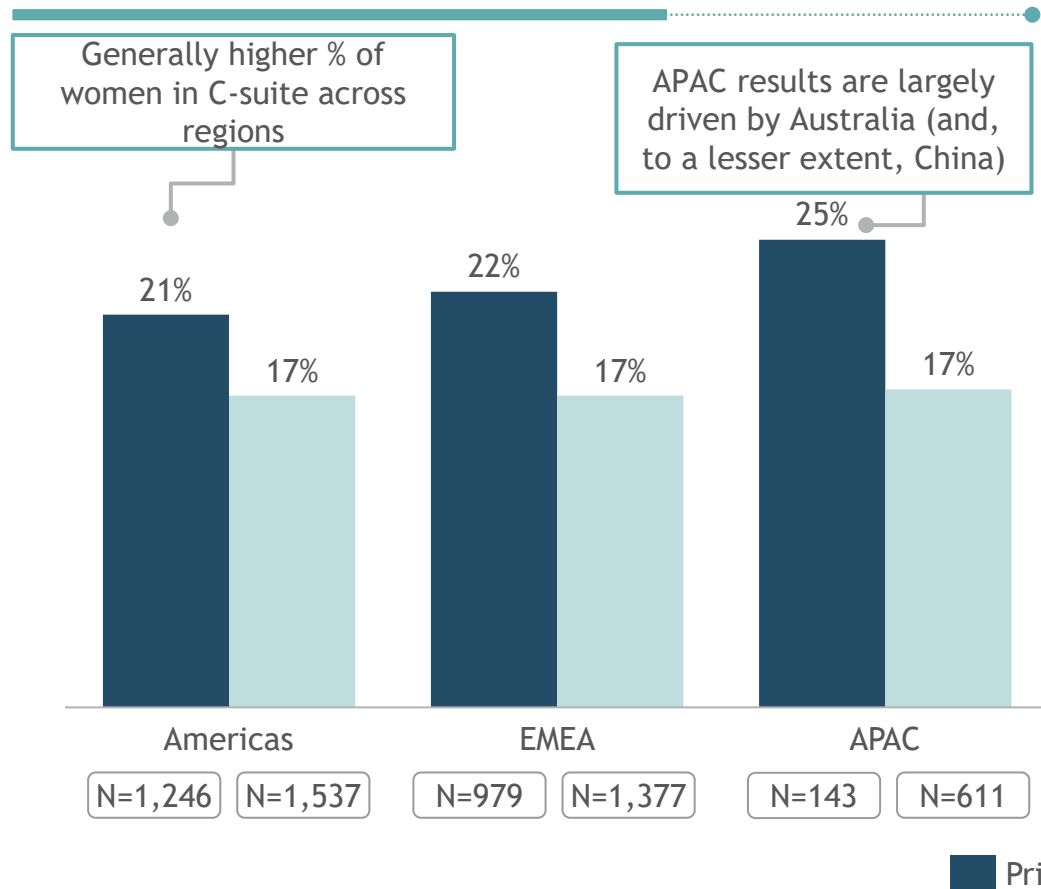


% of companies with at least 1 women on the board²

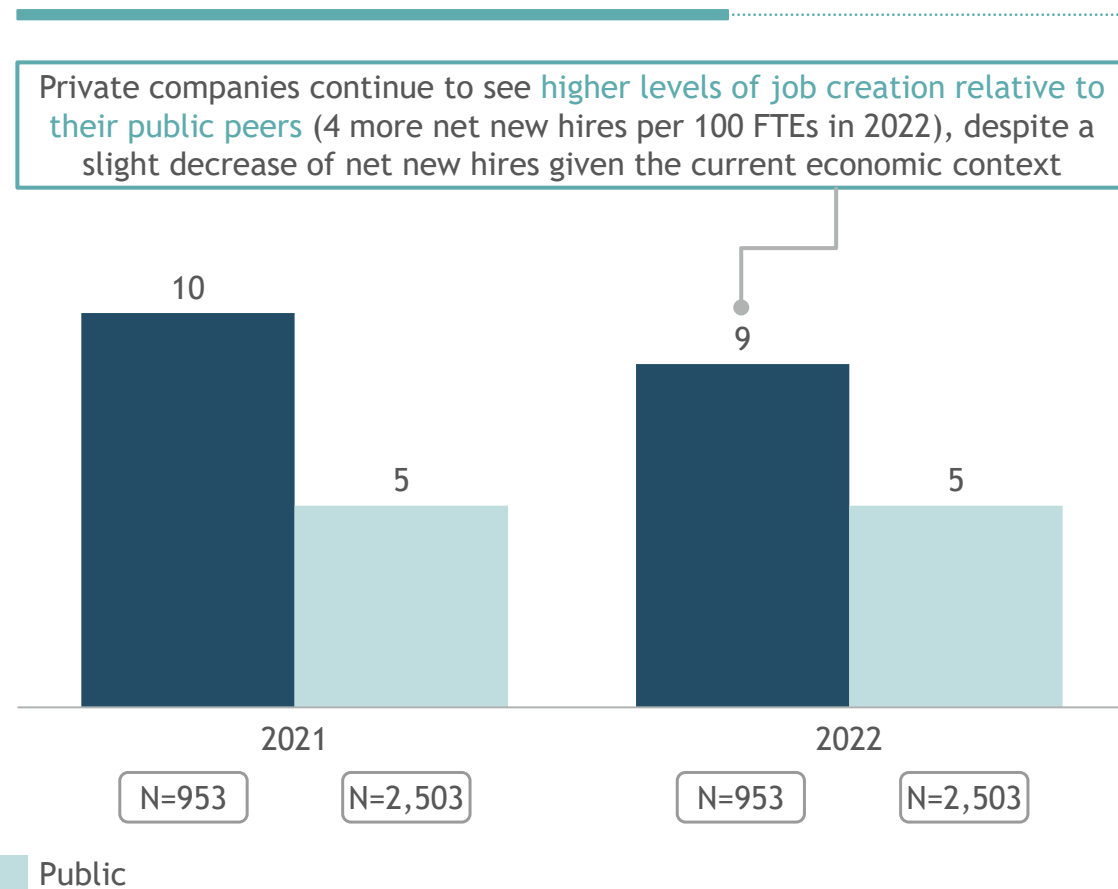


... they outperform on others such as management gender diversity and job creation

Median % of women in C-suite by region¹



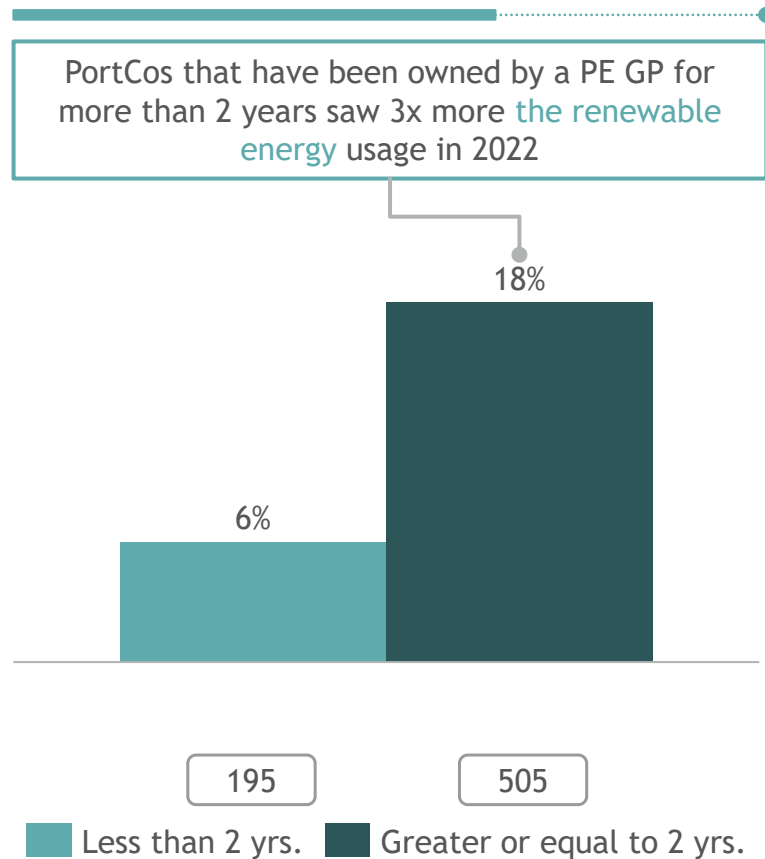
Median net new hires - Private vs. Public (# per 100 FTE)²



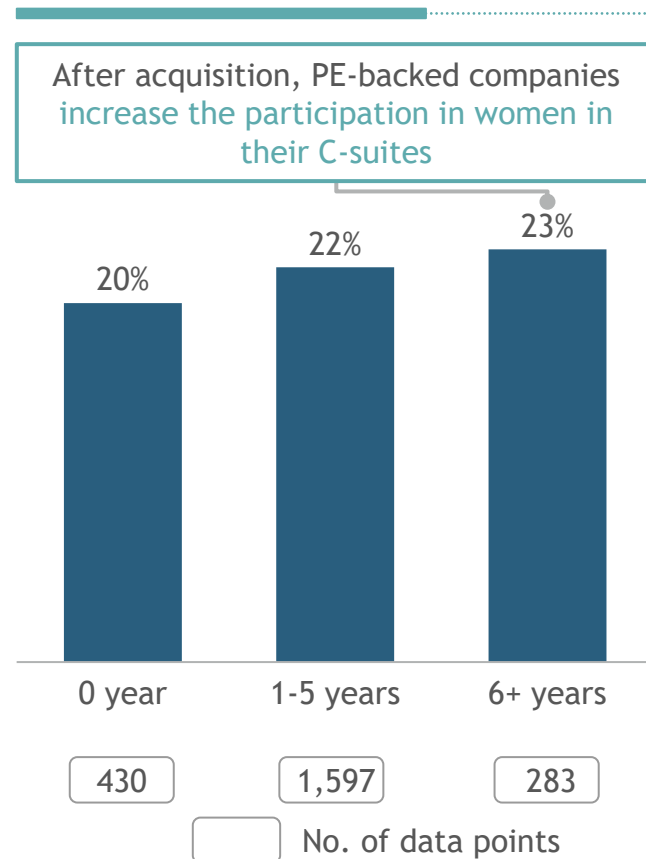
1. Private benchmark only. Does not include any PortCos that did not disclose their region
 2. Analysis includes only buyout companies and companies that provided data for both 2021 and 2022.
 Source: EDCI benchmark; BCG analysis

Driving change | Private firms have been effectively increasing their renewable energy usage, reducing injuries, and increasing diversity

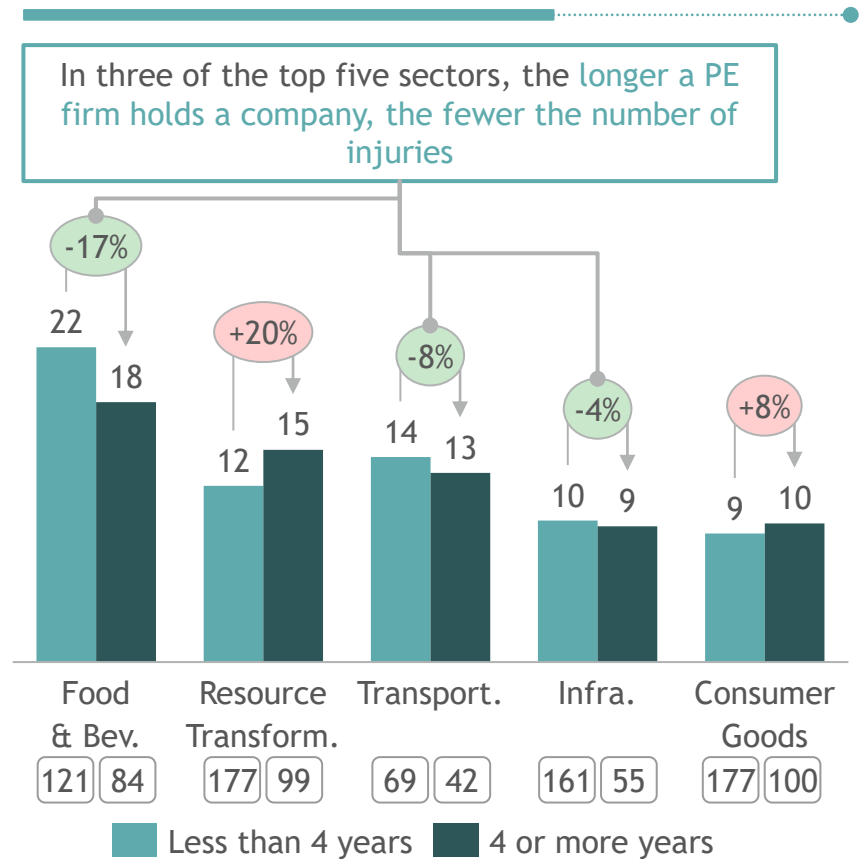
Renewables usage by hold period - 2022^{1,2}



Median % of women in C-suite by hold time³



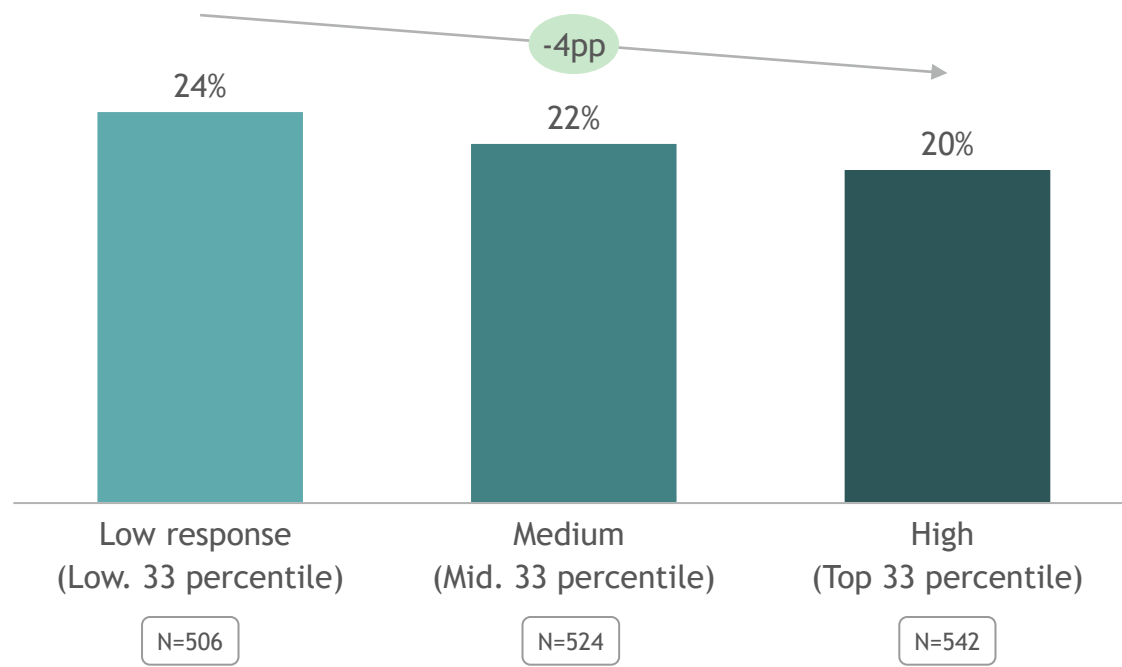
Median # of work-related injuries/1,000 FTEs by hold period and sectors⁴



Performing well on ESG metrics also drives benefits for businesses

Median employee turnover (%) by level of employee survey response rate

Private companies that engaged employees benefited from lower turnover, and lower turnover rates have financial benefits such as reduced cost of recruiting and higher productivity rates



Median year-over-year revenue growth (%) by work-related injury rates

Lower injury rates correlate with higher revenue growth, suggesting a link between job safety and business performance

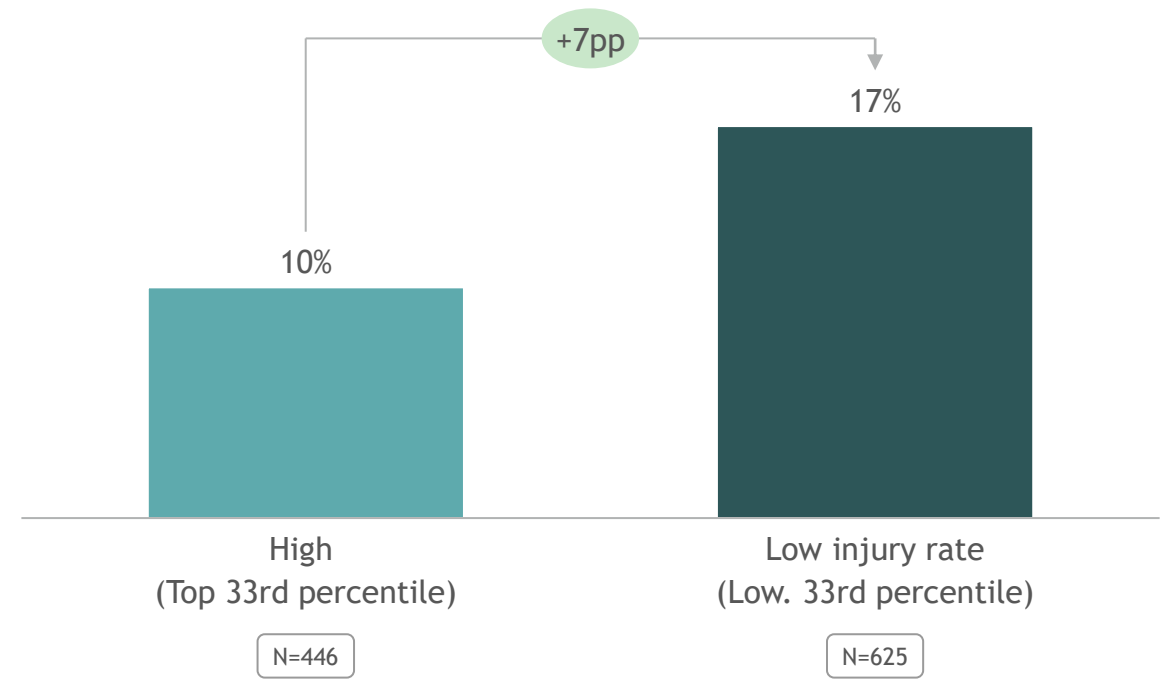


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Interested in getting involved with the Initiative?

What does it mean to be part of this initiative? To participate, members agree to:

General Partners

- Determine funds that will take part in the initiative (while we recognize GPs may start with a subset of their investment strategies, the expectation is this will increase over time, as feasible)
- On a best-efforts basis, track EDCI metrics, with an emphasis on mandatory metrics
- Abide by the EDCI Metrics Guidance to the extent possible and explain deviations
- As requested, provide EDCI data to LPs, preferably using the Data Submission Template
- Submit anonymized data for participating PortCos by April 30 each year
- Be publicly associated with the initiative
- Encourage LPs to align with the EDCI
- Voluntary: serve on working groups or self-nominate to join the steering committee



Limited Partners & Investment Managers

- On a best efforts basis, where LP or IM has relevant / overlapping ESG data requests to GPs, align definitions with the EDCI's definitions
- Encourage underlying GPs to align with this effort
- On a best efforts basis, encourage additional industry efforts to drive ESG information/data request convergence
- Be publicly associated with the effort
- Investment Consultants agree to use the benchmark only with LP clients that are current EDCI members
- Voluntary: serve on working groups or self-nominate to join the Steering Committee

The initiative is open to any GP, LP or Investment Manager who wishes to join and agrees to support the principles of the work.

To learn more about the initiative, please visit our [website](#).

To join the initiative, click [here](#).

If you have any questions, please reach out to us on info@esgdc.org with questions.

A scenic mountain landscape with a large teal overlay containing the text "Thank you!". The background shows rugged, rocky mountain peaks under a soft, hazy sky. The teal overlay is a large, semi-transparent rectangle that covers most of the image, with the text "Thank you!" centered in white. The text is in a clean, sans-serif font. The overall mood is peaceful and appreciative.

Thank you!