



ESG Data
Convergence
Initiative

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NYU Stern - Creating Financial Value Through Sustainability in Private Markets

DECEMBER 2024

ESG Data Convergence Initiative

Introduction



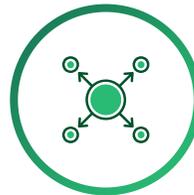
What | A global initiative to advance ESG reporting in private markets

Initially designed for Private Equity, but since evolved to include Infrastructure and Private Credit



Why | The private markets historically had a fragmented approach to collecting and reporting ESG data

The EDCI seeks to create a critical mass of meaningful, performance-based and comparable sustainability data



Outputs | Core set of 7 ESG metrics, collected at the PortCo level and benchmarked by BCG.

The data unlocks insights into trends and opportunities for sustainability-linked value creation



Opportunity | Since its formal launch in Oct 2021, +450 GPs/LPs have joined, representing +\$38T in AUM and ~6,200 PortCos

450 GPs and LPs have come together to converge around a standardized set of ESG metrics

Environmental

- ▶ GHG emissions
- ▶ Net Zero
- ▶ Renewable Energy

Social

- ▶ Work-related injuries
- ▶ Net new hires
(Inc. turnover)

Governance

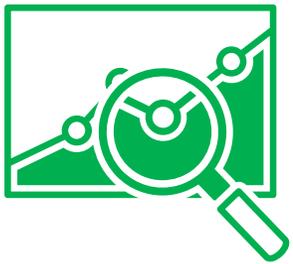
- ▶ Diversity
- ▶ Employee engagement

Metrics
Principles

Simple

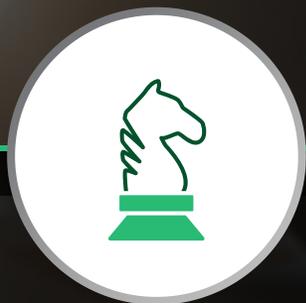
Broad

Substantial



So, what do 150K data points tell us about sustainability-driven value creation?

The private markets are beginning to incorporate decarb. into strategies, with long-term paths to Net Zero emerging



22% have a decarbonization strategy



19% have a short-term emissions target

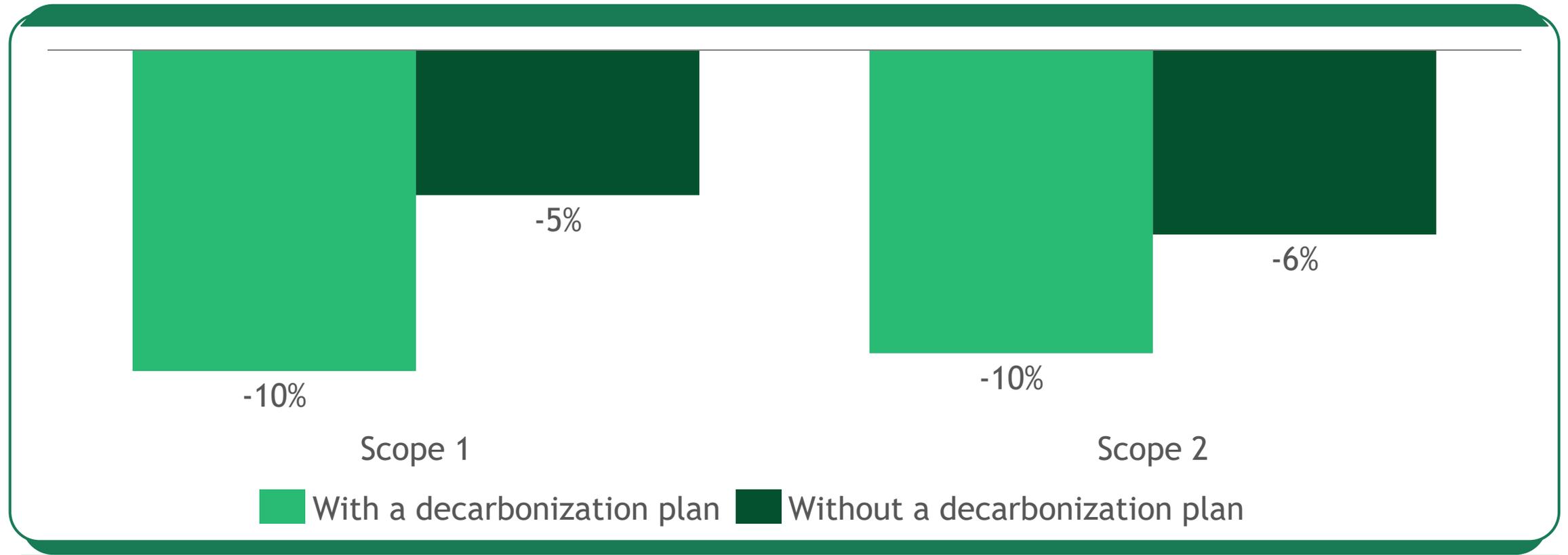


17% are on a long-term net zero pathway ...



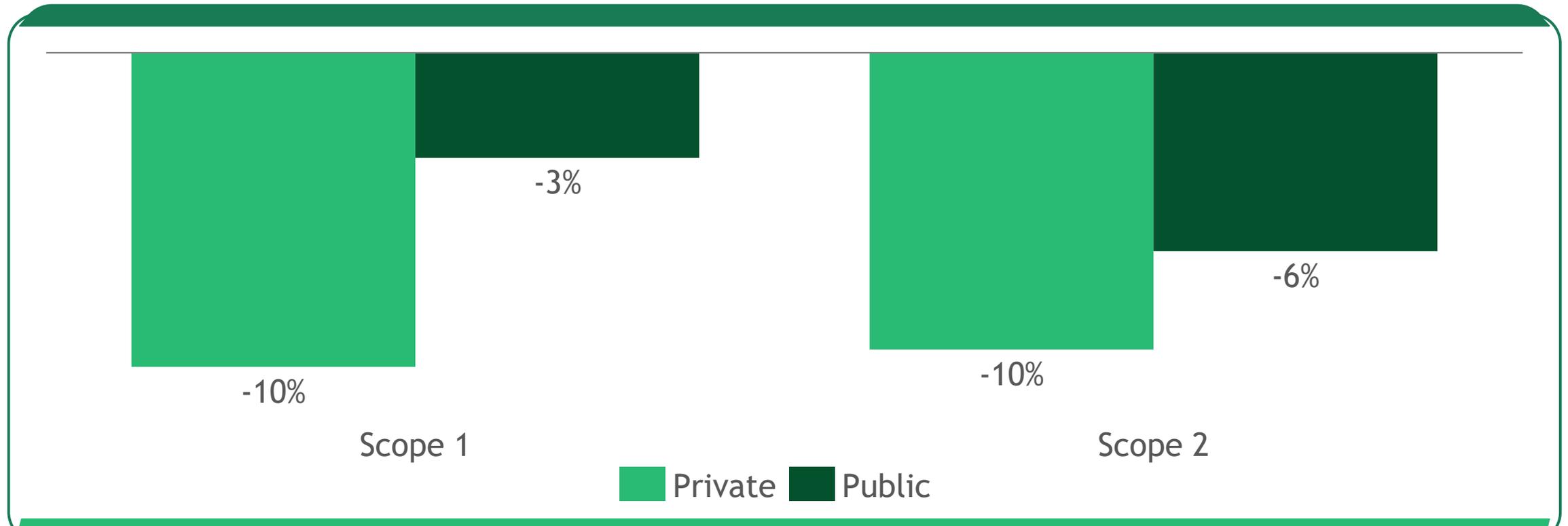
... with a further **19%** committed to doing so within the next two years

Private companies with a decarbonization strategy in place are reducing emissions faster than those without a strategy...



Median change in emissions intensity (%)

....while also decarbonizing at a faster rate than public peers with a decarbonization plan

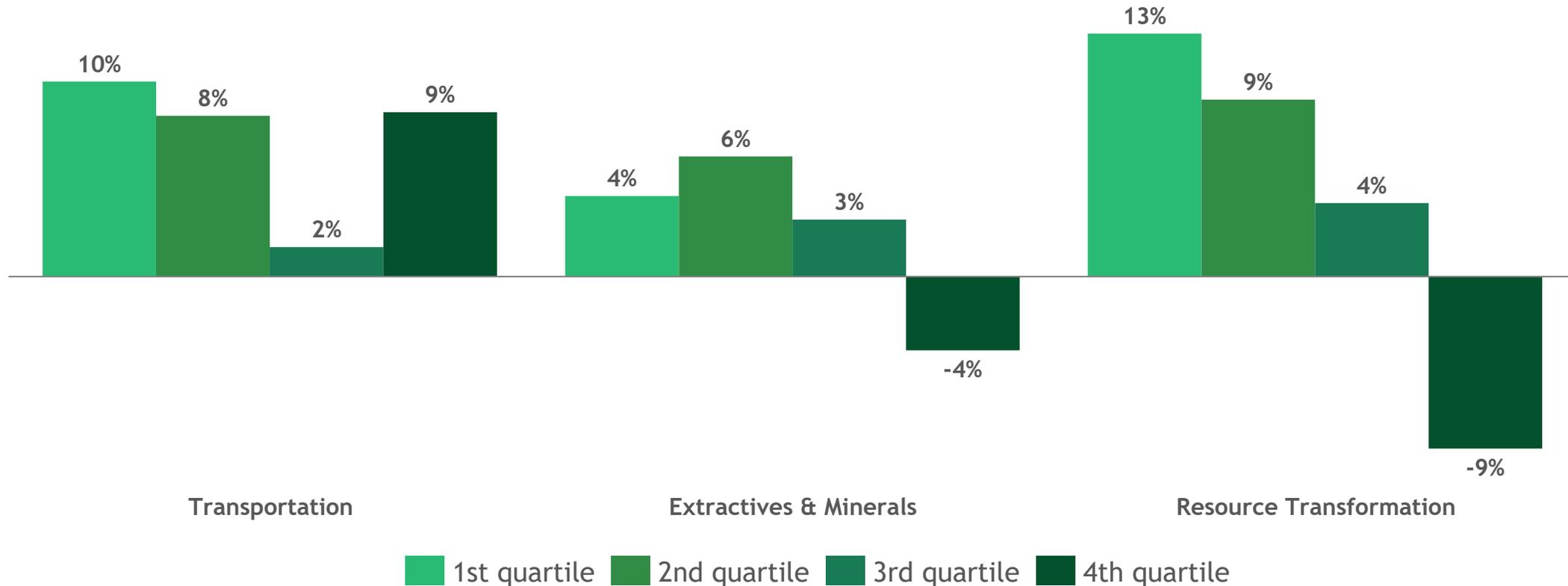


Median change in emissions intensity for companies with decarbonization strategies (%)

Companies with lower emissions intensity increase their revenues faster than their higher intensity peers



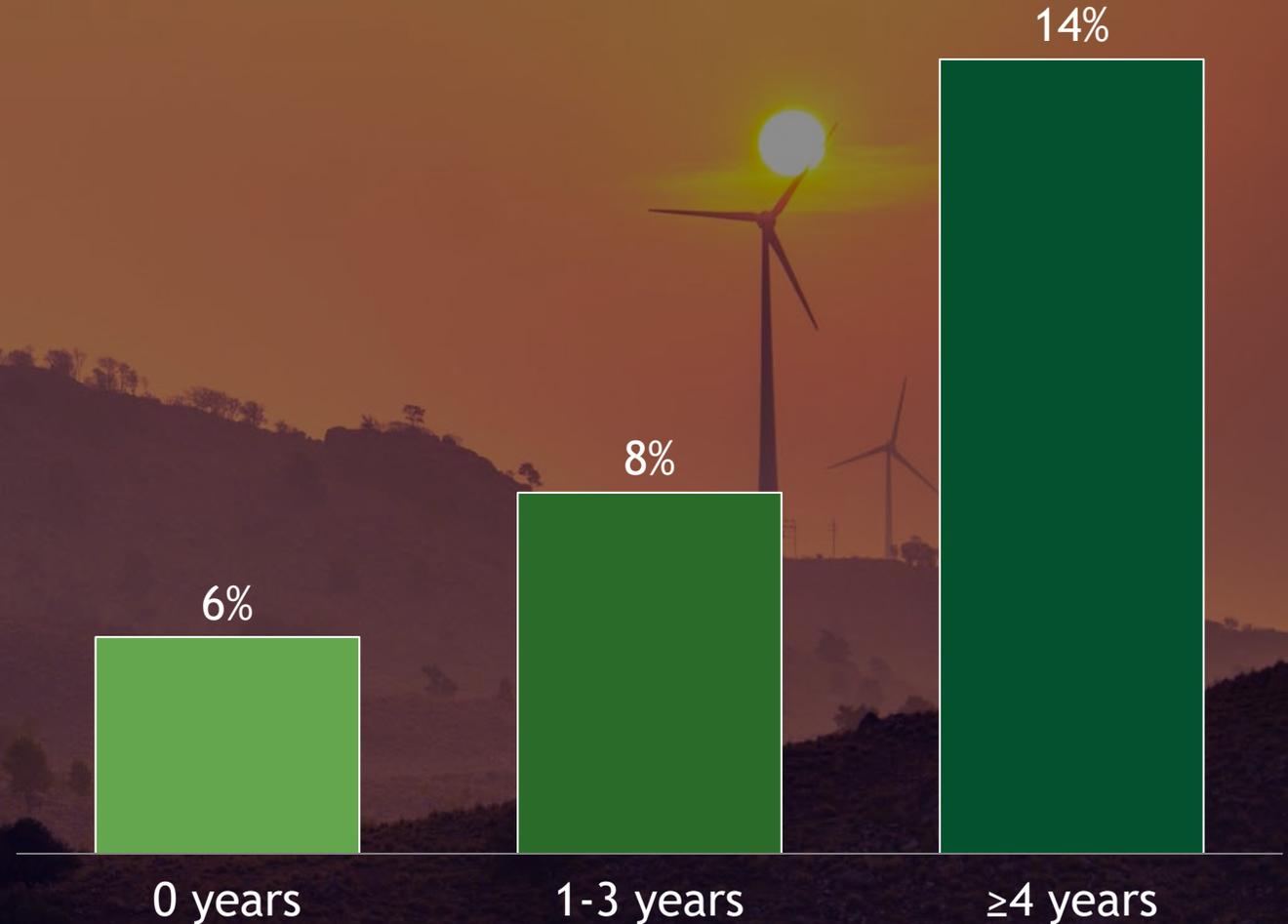
Median revenue growth, 2022-23 (%) looking at industries with the highest coverage of decarbonization strategies



Decarbonization levers:

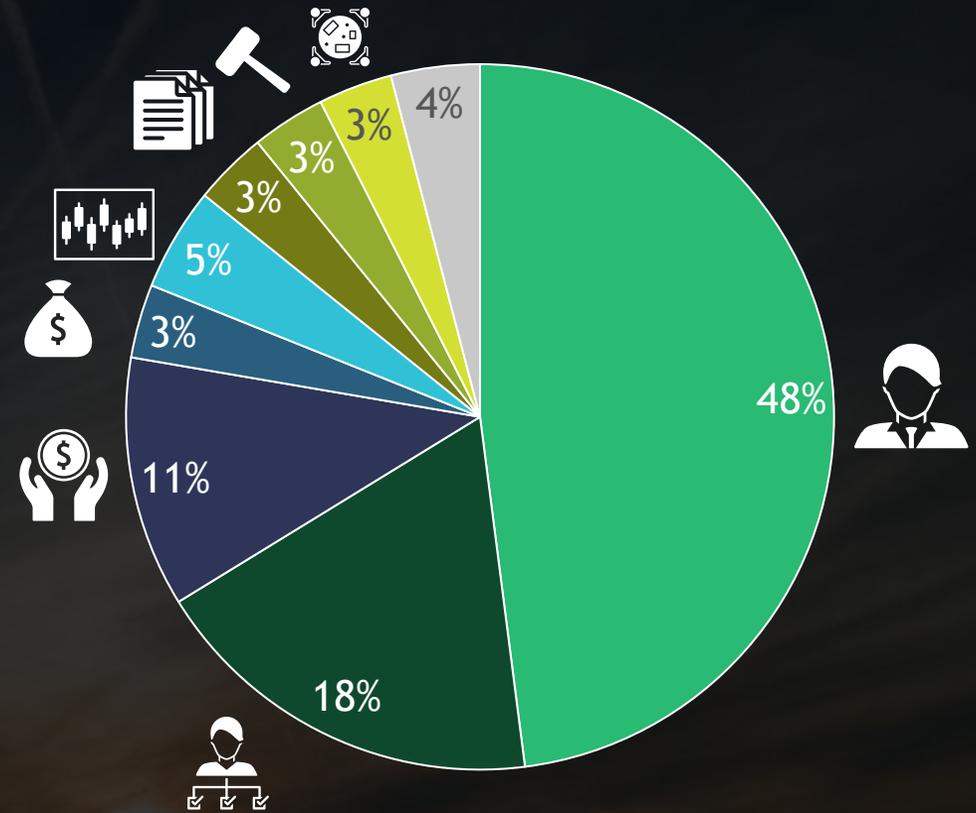
One way that private equity funds are achieving this is through rapid growth in renewable energy usage

Share of renewable energy usage by length of GP hold-period



As it stands, sustainability leads report into a diverse range of reporting lines...

~20% of ESG team leads report into portfolio and investment teams



Legend

	Head of Value Creation		Head of IR		CEO (or equiv.)
	Chief Investment O.		General Counsel (or equiv.)		COO
	Investment team		Board (inc. ESG committee)		Other C-suite

... with those GPs that integrate sustainability leaders into investment teams realizing stronger outcomes



GPs who integrate sustainability leaders into investment teams spend

+7pp

More time supporting the portfolio or individual PortCos with sustainability initiatives, or providing exit support



These GPs realize stronger outcomes

+27%

More renewable energy used

+5pp

More women on board

-50%

Less work-related injuries

Thank you!



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