From Risk Management to Value Creation:

Now is the Time for Private Equity to Embrace ESG

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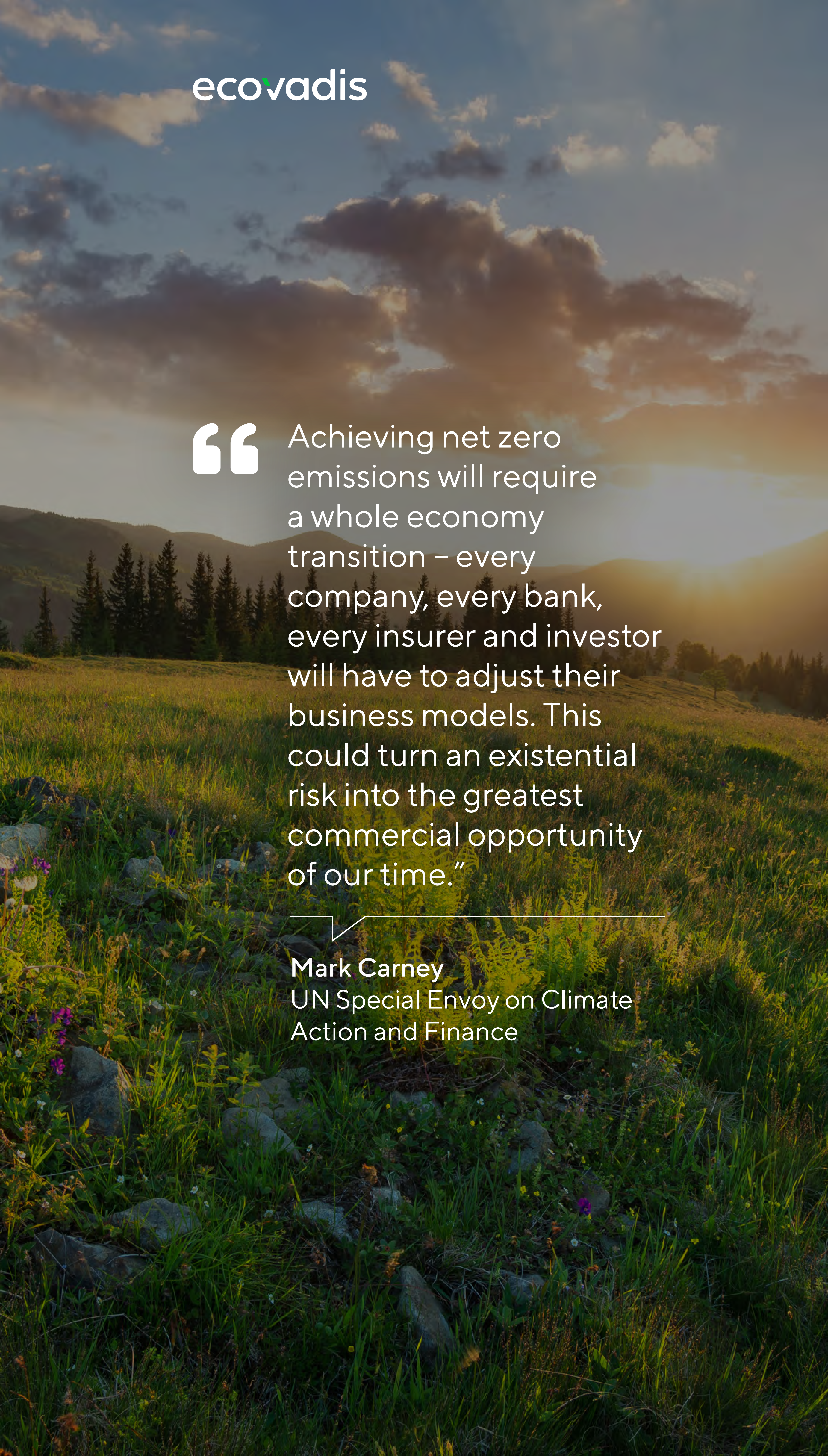
Introduction



Introduction

The tumult caused by the COVID-19 pandemic has brought the vulnerabilities of our global economy and society to the forefront. Widespread supply chain disruptions, in some cases compounded by climate-fueled extreme weather events, have highlighted the sheer amount of work required to build resilience in a warming world. Other challenges, including human rights concerns exacerbated by the pandemic, have shown that the private sector must redouble its efforts to contribute to a more equitable future. A staggering amount of capital will be needed to finance this sustainable transition and build systems that rapidly scale positive impact beyond growth.

This opportunity includes of course not only accelerating industries focused directly on this (renewable energy, carbon capture, social enterprises, etc.) but also making every business more circular, regenerative, just and sustainable. This massive capital deployment is already underway and is creating untold opportunities for value creation that private equity (PE) should be poised to tap into. This whitepaper explores how stakeholders in the PE industry are increasingly integrating environmental, social and governance (ESG) principles into their decision-making processes to unlock this value – and how you can do the same.

88%
of limited partners already consider ESG performance in their investment decision-making.

120
new or updated ESG regulations were released by governments around the world in 2021 alone.

66%
of general partners consider "value creation" to be a leading ESG driver for their firm.

$53 trillion
The projected value of global ESG assets under management by 2025.

[1] Bain Global Private Equity Report 2021
[2] EY Responsible investing: New evidence, new energy
[3] PwC Global Private Equity Responsible Investment Survey 2021
[4] Bloomberg 2021

> In the last 18 months, I have seen more change in the perception of ESG and impact investing than during the previous 18 years."

Deborah La Franchi
CESO, SDS Capital

The Rapidly Evolving ESG Investing Landscape

2021 was a watershed year for ESG investing. While the past decade has seen this broad asset class grow at a steady rate, ESG-focused investing has surged since the start of the pandemic. Inflows into ESG ETFs reached a record $83 billion in the first half of 2021 alone, surpassing the total for all of 2020. Global ESG assets are projected to reach $53 trillion by 2025 and account for roughly one-third of all assets under management (AUM). The PE market as a whole boomed in 2021, hitting a record $1 trillion in dealmaking and establishing new all-time highs in entries in both Europe and North America. This frenetic activity in the private market is already spurring significant growth in ESG assets AUM, which are anticipated to account for up to 42.4% of all PE AUM in Europe by 2025.

Driven by emerging national regulations and international commitments, growing investor and stakeholder pressure to not only protect brand reputation but also assure long-term value creation and returns, and a responsible consumer awakening, this fundamental transformation of the market is already creating leaders and laggards.

Moving From Risk Management to Value Creation

With a wealth of capital under its purview (as much as $8.3 trillion by 2025) and an ability to directly intervene in companies to set them on more sustainable trajectories, the PE market is positioned to play an integral role in the sustainable transition and reap the rewards – which range from purely financial to reputational – of doing so. PE firms, whose success has long hinged on anticipating the impacts of megatrends and capitalizing on the opportunities for value creation they present, are increasingly recognizing the value proposition of ESG.

While the concept of ESG is hardly new to PE, the perception of it has evolved significantly in recent years. ESG has, at times, been met with skepticism by some in the industry who view it as a "check-the-box" exercise that fails to drive tangible value. However, as the connection between sustainability and return on investment continues to crystallize, PE firms are beginning to reframe their approach to ESG around value creation rather than risk management. According to PwC's Global Private Equity Responsible Investment Survey 2021, 72% of general partners (GPs) already screen for ESG performance during pre-acquisition and 65% of respondents have developed an ESG policy and relevant tools. This trend of GPs embedding ESG principles into their firm-wide investment strategy – and ultimately into the strategies of their portfolio companies (portcos) – will only continue to accelerate as the overall value proposition grows.

The World-Leading EcoVadis Solution

Despite the promise of ESG, integrating it into investment strategies and monitoring progress against key performance indicators (KPIs) presents a range of challenges. It is harder still to develop an approach for tracking the ESG performance of portfolio companies that enables universal comparison and drives measurable improvements. As a result, many GPs – either of their own volition or at the encouragement of their limited partners (LPs) – are beginning to work closely with external ratings agencies.

The global supply chain is the most important lever for accelerating the sustainable transition. With small and medium enterprises comprising its bulk, capital partners backing these companies have a unique opportunity to drive positive impact. With its extensive experience in assessing global supply chains, EcoVadis is ideally positioned to help GPs understand the holistic ESG performance of portcos of all sizes across a wide range of industries and regions. Through its globally recognized ratings, innovative platform and tools, and expansive network of more than 85,000 rated companies (of which 90% are private), the EcoVadis solution enables PE firms to not only evaluate the ESG performance of their portcos but also help them improve.

Learn more about our approach and “Select” offering, which has been fully customized for the PE industry →

Find out how Astorg is using the EcoVadis solution to create value throughout its portfolio →

Key Trends Driving ESG Adoption in the PE Industry

Key Trends Driving ESG Adoption in the PE Industry

ESG's rise in importance within the PE industry is primarily being driven by three key factors: evolving stakeholder expectations, growing international commitments and mounting regulatory pressure.

Stakeholder Expectations Are Evolving

Investors

While a complex web of factors is driving ESG adoption in the PE industry, keeping pace with the evolving expectations of LPs remains the most important to firms. LPs around the world are dialing up their focus on ESG: According to a recent study, up to 88% of LPs across the globe are now utilizing ESG indicators in their investment decisions and 87% have prioritized reallocating capital to an ESG initiative over a short-term return. Investors are demanding a clearer picture of their portfolios' ESG impact – throughout the entire investment lifecycle – and are rewarding GPs with the systems in place to provide this.

LPs are also increasingly emphasizing the importance of all three ESG pillars. While "governance" has always been crucial to investors and the "environmental" pillar has been widely considered through the lens of climate risk, growing concern around social inequities and the disproportionate impact that climate change will have on vulnerable groups has underlined the importance of the "social" pillar. A 2020 survey conducted by Edelman found that US investors consider the "social" pillar to be the most important in their decision-making processes ("environmental" also rose in importance while "governance" fell). Providing LPs with the information they need to balance decision-making across all three will require GPs to develop an overarching ESG framework that considers the complex interactions between them and uses targeted KPIs to monitor progress on each.

"We look for the intentionality of our managers, do they have a commitment to ESG or are they using it as a glossy marketing tool?"

Michael Cappucci
Senior Vice President, Harvard Management Company

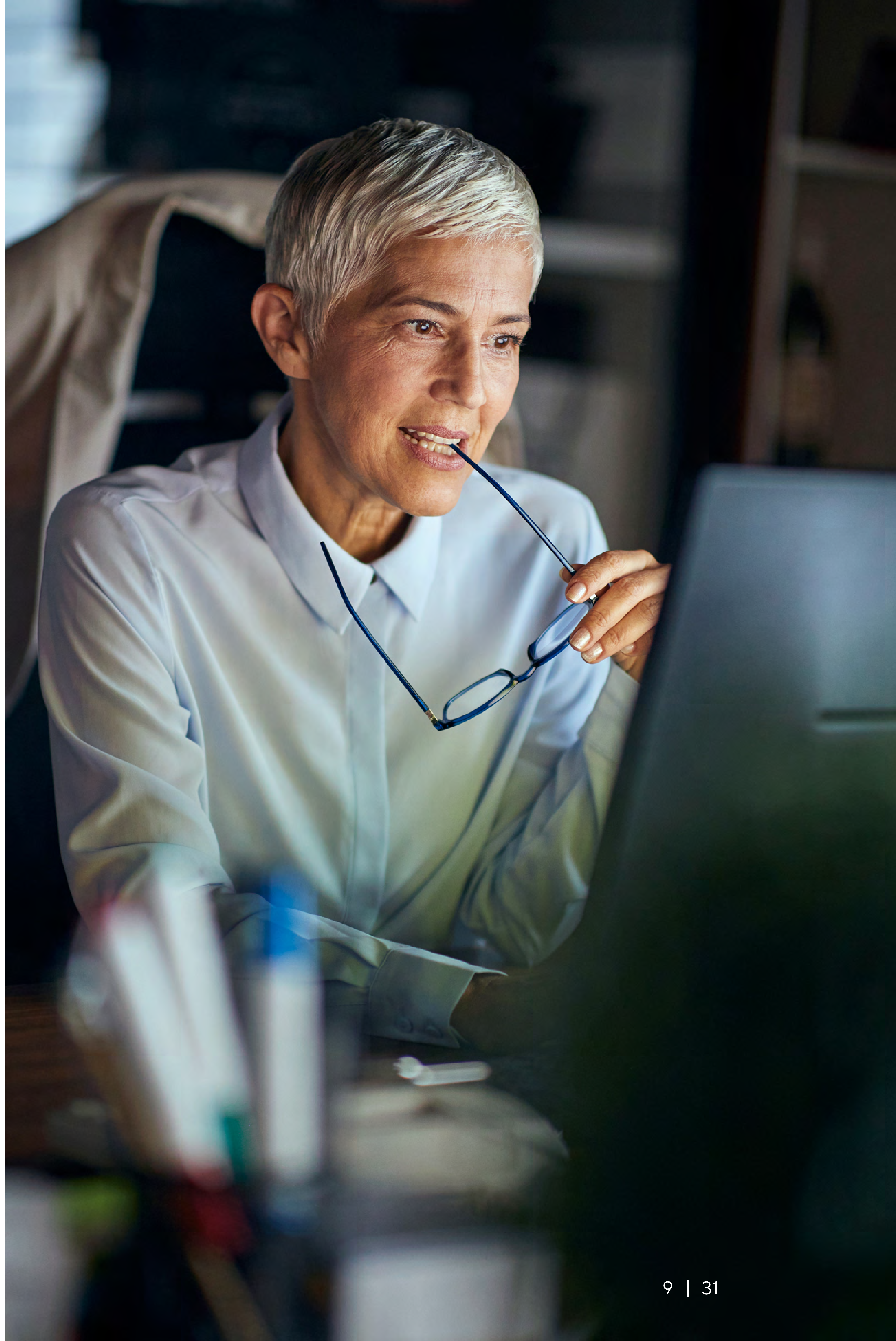
Consumers

The COVID-19 pandemic added fuel to a responsible consumer awakening that was already well underway. Widespread and ongoing supply chain disruptions have highlighted the fragility of our interdependent global systems and led to significant changes in consumer behavior. Deloitte's recent survey revealed that a growing number of consumers are taking a more holistic approach to purchasing, with up to one-third of consumers now vetting brands and products based on their environmental/ ethical practices and values. This shift toward more sustainable consumption, which is already more pronounced among younger generations, will only accelerate as more granular ESG information becomes available for products and services. To ensure that the companies they invest in are future proof, PE firms must adopt a forward-looking approach that accounts for the rapid structural changes occurring in the consumer market.

Internal

ESG is quickly becoming an essential tool for both GPs and portcos to attract and retain high-quality talent. The data on the benefits of building a robust ESG program is compelling: Socially and environmentally driven companies retain workers at a 40% higher rate than their peers. Millennials, who will make up the bulk of the global workforce by 2025, are particularly focused on aligning their work with a broader purpose. According to one survey, 40% of millennials have chosen a role over another based on company sustainability performance, and 70% are more likely to remain with a company that has a strong sustainability policy in place. As the pandemic continues to sow uncertainty throughout the global job market, using every advantage to attract and retain talent will be vital for PE firms and portcos alike.

Learn more about EcoVadis' tailormade ESG solution for PE firms

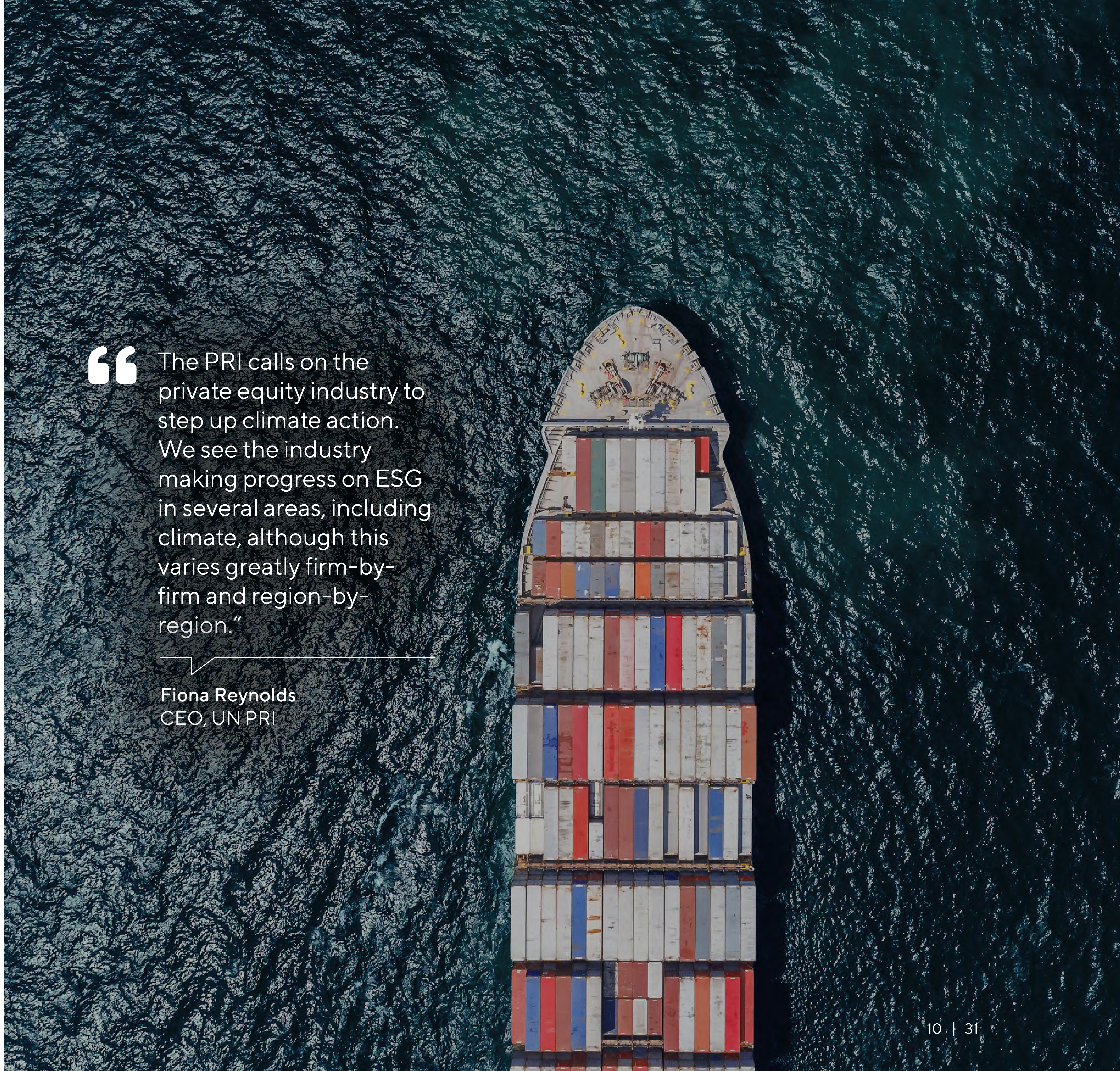


International Commitments Are Growing

International initiatives to encourage the financial sector to channel a greater proportion of its vast resources toward the sustainable transition have proliferated in recent years. Pressure to participate is mounting from both ends, as many of the world's largest institutional investors and PE firms are signing on to initiatives that will require them to increase their focus on ESG.

The United Nations Principles for Responsible Investment (UN PRI)

The most influential of these is the UN PRI. Launched in 2005, the PRI is a global network of more than 4,500 investors and service providers (including EcoVadis) committed to following six guiding principles that place ESG at the heart of their investment strategies. Signatories to the PRI increased by 28% in 2020 and now hold over $110 trillion in AUM. As of 2021, more than 800 PE firms have signed on to the PRI – a 100% increase since 2018. While this recent influx is promising, a study found that most still lack adequate transparency around their ESG efforts, making it difficult to ascertain their level of commitment and the performance of their portcos. This indicates that, while many PE firms recognize the importance of participating in global initiatives – particularly in terms of what it signals to investors – a gulf remains between their commitment and ability to integrate ESG into their investment strategies. However, the PRI recently announced that it will be raising the bar on its signatories to spur more ambitious action and reduce the risk of greenwashing.



> "The PRI calls on the private equity industry to step up climate action. We see the industry making progress on ESG in several areas, including climate, although this varies greatly firm-by-firm and region-by-region."
>
> **Fiona Reynolds**
> CEO, UN PRI

Other Notable Initiatives

Other initiatives encouraging PE firms and institutional investors to commit to ESG-driven decision-making include:

UN Global Compact (UNGC):

The UNGC, which now boasts over 13,0000 private sector participants, is the most expansive corporate sustainability framework in the world. It set out 10 key principles across a range of sustainability areas (including human rights, the environment and ethics) that companies should integrate into their activities. With LPs increasingly expecting GPs to have an in-depth understanding of how their portcos are performing against these principles, the importance of the UNGC is only poised to grow. To respond to this growing interest, EcoVadis has developed an ESG dashboard to highlight how rated companies are performing against the UNGC requirements.

The ESG Data Convergence Project:

Announced in late 2021, this ground-breaking collaborative effort between a number of leading LPs and GPs has generated some standardized ESG metrics for the industry and a broad reporting mechanism. Members of the Project will be required to report on six foundational metrics (including Scope 1 and 2 greenhouse gas emissions and board diversity) that will be expanded as interest and adoption grows.

UN-Convened Net-Zero Asset Owner Alliance:

With $10 trillion in AUM, this global partnership of 61 institutional investors has committed to ensuring its investment portfolios are net-zero by 2050. This joint initiative of the UN PRI and UNEP FI will require its members to set a range of emissions-based targets and consistently report on them.

Science Based Targets initiative (SBTi):

Six PE firms representing €133 billion in AUM are set to have their science-based targets approved by the initiative, and five more have committed to undergoing the process within two years. The SBTi, in collaboration with UN PRI and ICI, has also developed a guidance designed to help PE firms develop emission reduction targets for their own operations and for their portcos.

Regulatory Pressure Is Mounting

Regulatory pressure around ESG disclosure is quickly ratcheting up, and while the European Union (EU) continues to lead the way in terms of stringency, countries around the world are introducing increasingly comprehensive ESG-related regulations and guidance. According to the UN PRI regulation database, 88 countries have some type of sustainable finance or ESG regulation in place as of the end of 2021. Over 150 sustainable finance policy tools were developed or updated across the world in 2021 alone, a significant increase from 2020.

To account for existing regulations and prepare for those that will inevitably emerge – like the EU Carbon Border Adjust Mechanism currently being developed as part of the European Green Deal – PE firms must act early to ensure they are able to provide the level of entity and portfolio-level disclosure that will enable them to maintain compliance. Those that take these steps now will gain a significant edge on the broader market.

Europe Leads the Way – The US Is Poised to Take Action

The Sustainable Finance Disclosure Regulation (SFDR), which entered into force in March of 2021, is the European Commission's latest effort to ensure EU investors are able to access the information they need to make more sustainable investment decisions. Spanning all asset classes, the Regulation will require the bloc's financial market participants to disclose how they are integrating ESG risks and considerations at both an entity and product level. The SFDR is underpinned by the EU Taxonomy, which uses science-based criteria to standardize reporting terminology. The UK is also taking bold steps on mandatory ESG reporting, with the government announcing in late 2021 that a swath of companies (including private companies with revenue over £500 million or more than 500 employees) will soon be required to produce disclosures aligned with the Task Force on Climate-Related Financial Disclosures recommendations.

ESG disclosure has rapidly climbed the US agenda in the past year, with the Biden-Harris Administration placing an emphasis on sustainability that is permeating a wide range of federal agencies. The Securities and Exchange Commission (SEC) took a number of steps in 2021 toward the establishment of a new ESG regime, including appointing a senior policy advisor role focused on ESG and creating a task force to combat ESG-related fraud. With SEC Chairman Gary Gensler recently stating his support for mandatory climate disclosure, new ESG rules and regulations are expected to emerge in the near future.

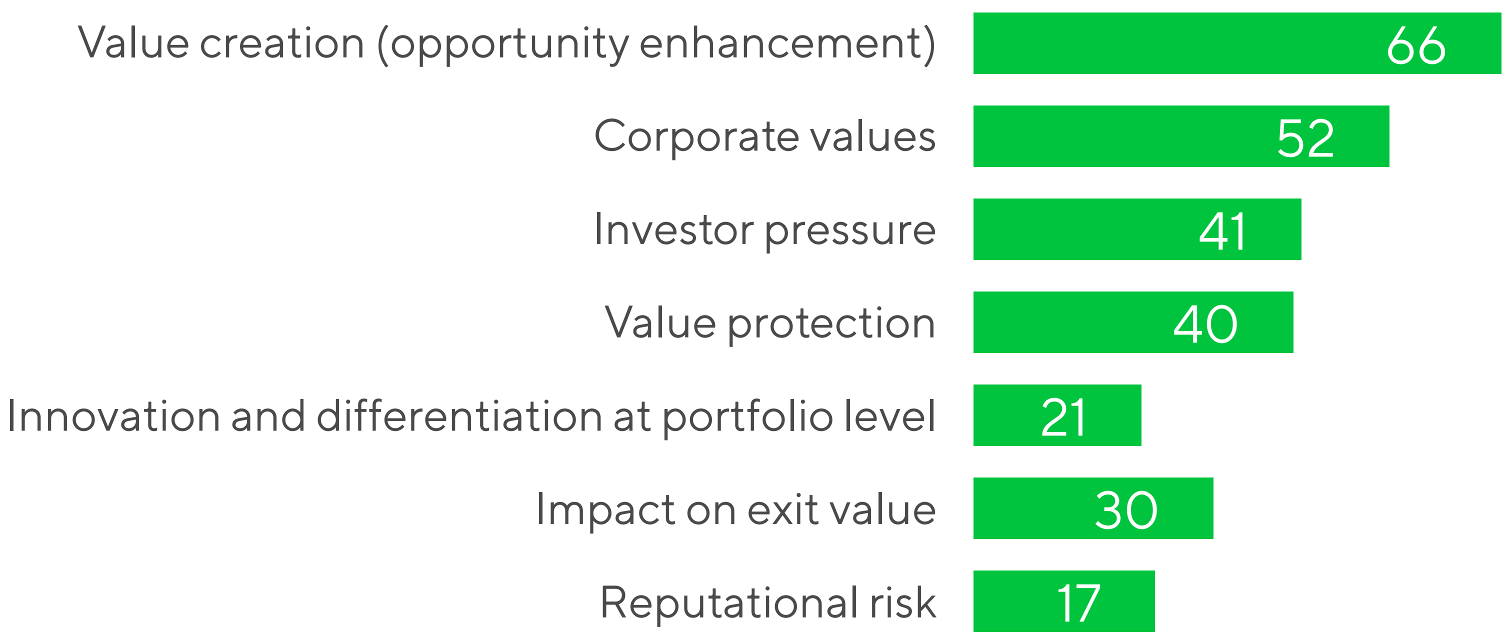
Toward a Global ESG Reporting Regime

Growing calls from investors, such as the open letter penned in 2020 by a high-profile coalition representing over $103 trillion in AUM, have accelerated efforts to bring a new level of standardization to the currently fragmented landscape of ESG reporting standards. Indeed, the foundation for a true global ESG disclosure standard may have recently been laid. In late 2021, the International Financial Reporting Standards Foundation (IFRS) launched the International Sustainability Standards Board (ISSB), which will be tasked with developing unified standards for global investors that will enable universal comparison and stamp out greenwashing. This initiative is supported by a number of existing high-profile standards organizations, including the CDP, CDSB, GRI and the Value Reporting Foundation.

ESG-Related Opportunities and Challenges for the PE Industry

GPs view ESG as a way to create and protect value

% of respondents who ranked each answer as one of their top three drivers of ESG activity



Source: PWC Private Equity Responsible Investment Survey 2021

ESG-Related Opportunities and Challenges for the PE Industry

Key Opportunities

The shift toward ESG integration is presenting PE firms with a number of promising opportunities, from attracting more capital to building resilience in portfolio companies.

Move from risk management to value creation

As recently as 2019, risk management was identified as the driving force behind ESG activity in the PE space. However, the culmination of factors discussed above has ushered in a new era where ESG is increasingly being viewed through the lens of value creation. PwC's latest survey of ESG trends in the PE industry highlighted that respondents now view value creation as the most important ESG driver – with risk management dropping to fourth. The data backing this up is compelling: 70% of PE respondents to the PwC survey stated incorporating ESG has positively impacted their portfolio value, and over 95% agreed that there is still much more value to be created through ESG.

This reframing is expected to fundamentally alter how LPs will allocate capital over the next decade. Currently, 71% of LPs report that they would "turn down a fund or co-investment over ESG concerns". In the coming years, this same percentage of investors may turn down a fund that is not able to clearly demonstrate how its ESG strategy will deliver tangible value. While uncertainty around the trajectory of ESG remains, PE firms should take steps now to develop ESG strategies that identify opportunities for value creation throughout the investment lifecycle. Those that do will be well positioned to evolve alongside their LPs.

How does ESG create value for PE

ESG is a differentiated driver of value across the full investing value chain

Raise better — Strategy & fundraising

- Win higher share of wallet with **key investors**
- Lower cost of **capital**
- Easier access to **capital markets investors**

Invest better — Deal generation & due diligence

- **Better pattern recognition** on ESG topics in diligence
  - » Clarify on baseline
  - » Identification of improvement opportunities
  - » Fit with fund approach
- **Starts the flywheel** on outcomes

Own better — Portfolio management

- **Gaining share** through improved value proposition premiumization
- Improved margin/returns through **efficiency (cost, capital...)**
- Ability to stay ahead of **regulatory changes and manage risks**
- Talent optimization – **retain longer with better engagement**

Exit better — Exit

- **Broader universe** of capital
- **Premium valuation** for assets with a track record of success

Societal impact | **Company impact**

Societal return for external stakeholders
Positive outcome for the planet and community (environment and people, e.g., through less emissions)

ESG outcome for internal stakeholders
Positive outcome for the company's community (e.g., working conditions, diversity, fair governance)

Financial return for shareholders
Higher valuation through a combination of above drivers (e.g., increased revenue from more sustainable offering)

Create value throughout the entire investment lifecycle

By integrating ESG into their investment strategies, PE firms will be better positioned to unlock value throughout the entire investment lifecycle. At the fund level, demonstrating higher ESG performance through compelling ESG reporting to LPs, regulators and other stakeholders can result in higher wallet share with key investors and a lower cost of capital. At the deal level, ESG is a value driver from deal generation all the way through to exit.

Working closely with portco management from the outset to build a baseline against both standards and peers on key sustainability themes is a crucial step in the process. Once ESG opportunities have been identified, relevant KPIs should be verified and tracked to monitor progress and collate the information needed to create a data-driven value creation story that can ultimately be communicated to potential buyers and the broader market. In a global economy that is placing an ever-increasing premium on sustainability, a PE firm that can demonstrate it has improved a portco's ESG performance – either within its operations or through a more sustainable product or service offering – stands to realize a significant gain upon exit.

Build resilience to prepare for future crises

The COVID-19 pandemic has made it abundantly clear that "resilience" is anything but a buzzword in today's hyperconnected economy and society. In the face of ongoing supply chain disruptions and accelerating climate change, PE firms that are able to embed resilience throughout their operations and portfolio companies will be better prepared to weather future crises.

As the World Economic Forum put it, "ESG is missing a metric: R for resilience". But, while finding better ways to measure and evaluate resilience will be important moving forward, research has already shown that "companies with higher ESG ratings exhibit lower share price volatility than ESG laggards." There is also growing evidence that ESG leaders tend to have more effective governance structures in place as a result of their high level of engagement with stakeholders and portcos. Thus, firms that take ESG seriously will already be a step ahead of their peers in terms of building resilience.

Gain a long-term edge on competitors

By acting now to integrate ESG into investment decision-making and portfolio management processes, GPs can gain a distinct edge on their competitors. Many PE firms are acutely aware of the importance of megatrends – like climate change, net-zero efforts and next-gen technologies – and the extent to which they will shape the global economy going forward. However, most have been slow to build the systems they will need to effectively consider the risks and opportunities associated with these trends.

PwC's latest market survey highlighted the wide gulf between firms' stated level of concern and action on a range of key issues. While most firms are backing up their concerns around topics like ethics, corruption and ESG compliance with clear action, many are falling short on topics like carbon footprinting, climate risk and emerging technologies (the widest gap identified). The ability to translate such ESG commitments into action will be a major differentiator in PE fundraising moving forward. LPs are becoming more attuned to the risks of greenwashing and are increasingly rewarding firms capable of demonstrating tangible ESG performance. Ultimately, the ability to approach these issues through an ESG lens – and identify opportunities for value creation – represents a key differentiated capability that GPs will need to stand out in an increasingly competitive PE market.

Key Challenges

While the benefits of ESG integration are myriad, there are a number of challenges that make implementation difficult. Here are a few of the most significant and how the EcoVadis solution can help both GPs and portcos overcome them.

Many firms and portcos lack the in-house expertise needed to integrate ESG operationally

- More PE firms are hiring sustainability officers but most still do not have the personnel needed to fully integrate ESG.
- Building the systems needed to monitor ESG performance can be resource-intensive for both GPs and portcos.

Identifying the right KPIs can be challenging

- Developing KPIs for specific sectors or hard-to-measure ESG areas is challenging for firms or portcos lacking ESG experience.

Data-collection processes are often outdated and inefficient

- Many in the industry still use highly manual processes for ESG data collection and analysis that are far less efficient than those used by advanced ratings platforms based on next-gen technologies.

ESG standards lack harmonization, making benchmarking and comparison of performance difficult

- Clear baselines are needed to enable GPs to benchmark the ESG performance of their portcos and identify opportunities for value creation throughout their portfolio. This information is also crucial to LPs as it gives them the ability to compare performance at the fund level.

Some PE firms and portcos are failing to leverage emerging financial products

- A growing number of firms are reducing their cost of capital through sustainability-linked loans. Taking advantage of innovative financial products like these requires full ESG integration.

The EcoVadis solution

- A team of more than 150 ESG analysts that can tap into their wide-ranging experience that spans countless industries and regions.
- 15+ years of experience in ESG materiality analysis and selecting tailored KPIs based on company size, industry or location.
- A powerful and continuously evolving technology platform that enables world-leading data integration and analysis.
- A unique and extensive network of over 80,000+ private companies that enables benchmarking by size, industry and location.
- World-recognized EcoVadis Ratings, aligned with over 500 sustainability-related regulations, enable firms to access innovative financial products.

The EcoVadis Solution: Enabling Value Creation Through ESG

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The EcoVadis Solution: Enabling Value Creation Through ESG

With the broad range of challenges facing PE firms, it is clear that many will require external support to effectively integrate ESG into their strategies and create value throughout their portfolios. While numerous ratings products exist on the market, few compete with the comprehensiveness and universality offered by the EcoVadis solution. With globally recognized ratings underpinned by a wealth of data and a focus on driving continuous improvement, EcoVadis helps PE firms scale value and impact, benefiting their investors and portcos along the way.

85,000+
Since its founding EcoVadis has rated

90%
of those rated are private companies

160+
countries spanned

200
industries covered

72%
of rated businesses improve

100,000+
external data sources utilized for assessment

Our World-Leading Solution

With over 150,000 assessments conducted for companies of all sizes spanning more than 160 countries and 200 industries, EcoVadis is a global leader in assessing and verifying ESG performance. Backed by a powerful technology platform and a global team of more than 600 experts, EcoVadis ratings and scorecards provide both PE firms and portcos with actionable insights that they can use to drive improvements in key sustainability areas.

Our ratings, scorecards and collaborative platform offer the following benefits for PE firms and portcos:

For PE firms:

- Drive critical improvements and create value throughout your portfolio.
- Standardize how you measure and report on your portfolio.
- Raise more capital from the growing number of LPs focused on ESG.
- Attract and retain high-level talent.

For portcos:

- Identify areas for improvement on key sustainability themes.
- Find your baseline and start driving year-on-year improvement.
- Gain key performance insights from our experts.
- Leverage the extensive EcoVadis network to find your next opportunity.
- Avoid redundant surveys and streamline your reporting.

Interested in setting up a call with one of our experts?

Our Methodology

EcoVadis evaluates ESG performance by assessing a company's policies, actions and progress against KPIs. This is bolstered by inputs from a broad range of third-party professionals and external stakeholders. The assessment methodology is based on a framework of 21 ESG criteria grouped into four core themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. It is aligned with leading ESG standards, including the GRI, the United Nations Global Compact and ISO 26000, and factors in over 500 sustainability-related regulations.

Policies - Actions - Results

Environment	Labor & Human Rights	Ethics	Sustainable Procurements
Energy consumption & GHGs	Employer Health & Safety	Corruption	Supplier Environmental Practices
Water	Working conditions	Anticompetitive Practices Responsible Information Management	Supplier Social Practices
Biodiversity	Social Dialogue		
Local & Accidental Pollution	Career Management & Training		
Materials, chemicals, & Waste	Child Labor, Forced Labor & Human Trafficking		
Product Use	Diversity, Discrimination & Harassment		
Product End-of-Life	External Stakeholder Human Rights		
Customer Health & Safety			
Environmental Services & Advocacy			

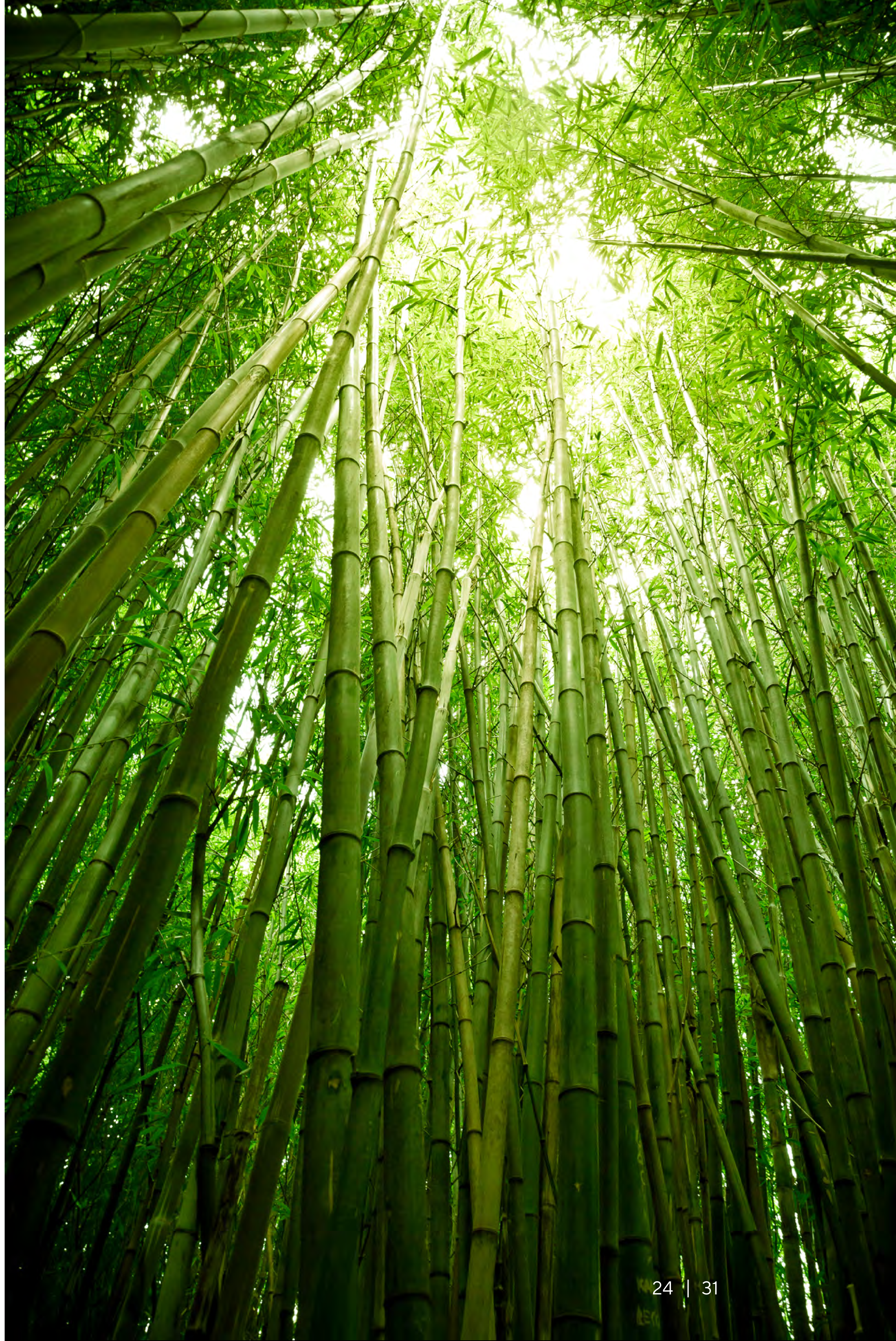
EcoVadis Select

Our Select offering has been expressly developed to enable GPs to leverage EcoVadis' expertise to accelerate value creation for their portcos. It takes our base rating service and augments it with expert support to accelerate the assessment process for each portfolio company and fast-track results. Our experts help GPs and their portcos every step of the way, from the initial orientation call and questionnaire submission to a thorough debrief with a senior analyst once the assessment is complete. Each customer has access to a dedicated EcoVadis analyst that will guide them through the priority assessment process to ensure the scorecards are ready in the shortest amount of time possible.

Enterprise Dashboard & Monitoring

As portco ratings are completed and listed in the online customer dashboard, GPs will have access to EcoVadis' powerful portfolio dashboard and management tools. This comprehensive and collaborative platform enables GPs to identify risks and opportunities, benchmark and compare portco performance, pinpoint areas for improvements, report progress to LPs and regulators, and showcase the ESG performance of their portcos to potential buyers and the broader market.

All of this is underpinned by a dedicated program team experience in helping GPs strategically tailor, manage and scale ESG initiatives throughout their portfolio.



Case Study: How Astorg is Using the EcoVadis Solution to Create Value

100%
of 2020 comapnies assessed

4
New assessment in 2021

100%
of reassessed companies increased their score

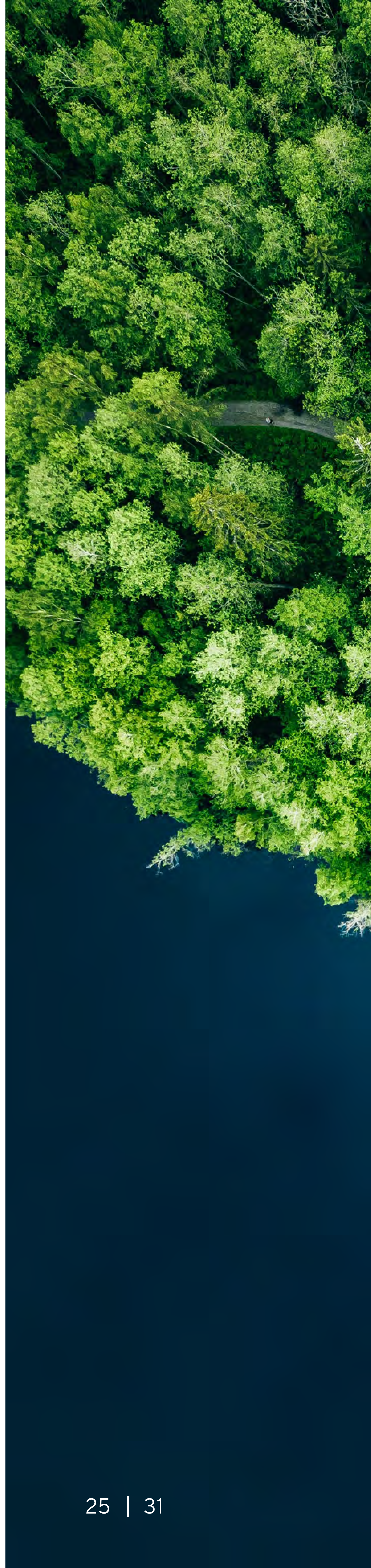
7
Companies received the EcoVadis Silver Medal

2%
Companies received the EcoVadis Bronze Medal

Astorg is an innovative private equity firm that, between its four active funds and 22 portcos, has over €13 billion in AUM. The firm has factored sustainability into its investment philosophy since its inception in 1998. However, its bold action in recent years – and particularly in the past year – has cemented its status as a sustainability and ESG leader in the PE space. In 2021, Astorg revamped its sustainability strategy to better integrate ESG into its investment decisions and place an emphasis on using sustainability to drive long-term value for its portcos. Astorg's Climate Policy is aligned with TCFD recommendations and it has joined five other PE firms – representing €133 billion in AUM – in having its emission reduction targets approved and validated by the SBTi. Specifically, Astorg aims to achieve a 50% cut in emissions by 2030 and has committed to ensuring that 30% of its investments by 2025 and 100% by 2030 will have science-based targets in place.

> Astorg always comes to mind when asking who has the best practice for ESG among GPs, especially related to climate action through tracking carbon footprint for Scope 3 [emissions]."

Interviewe

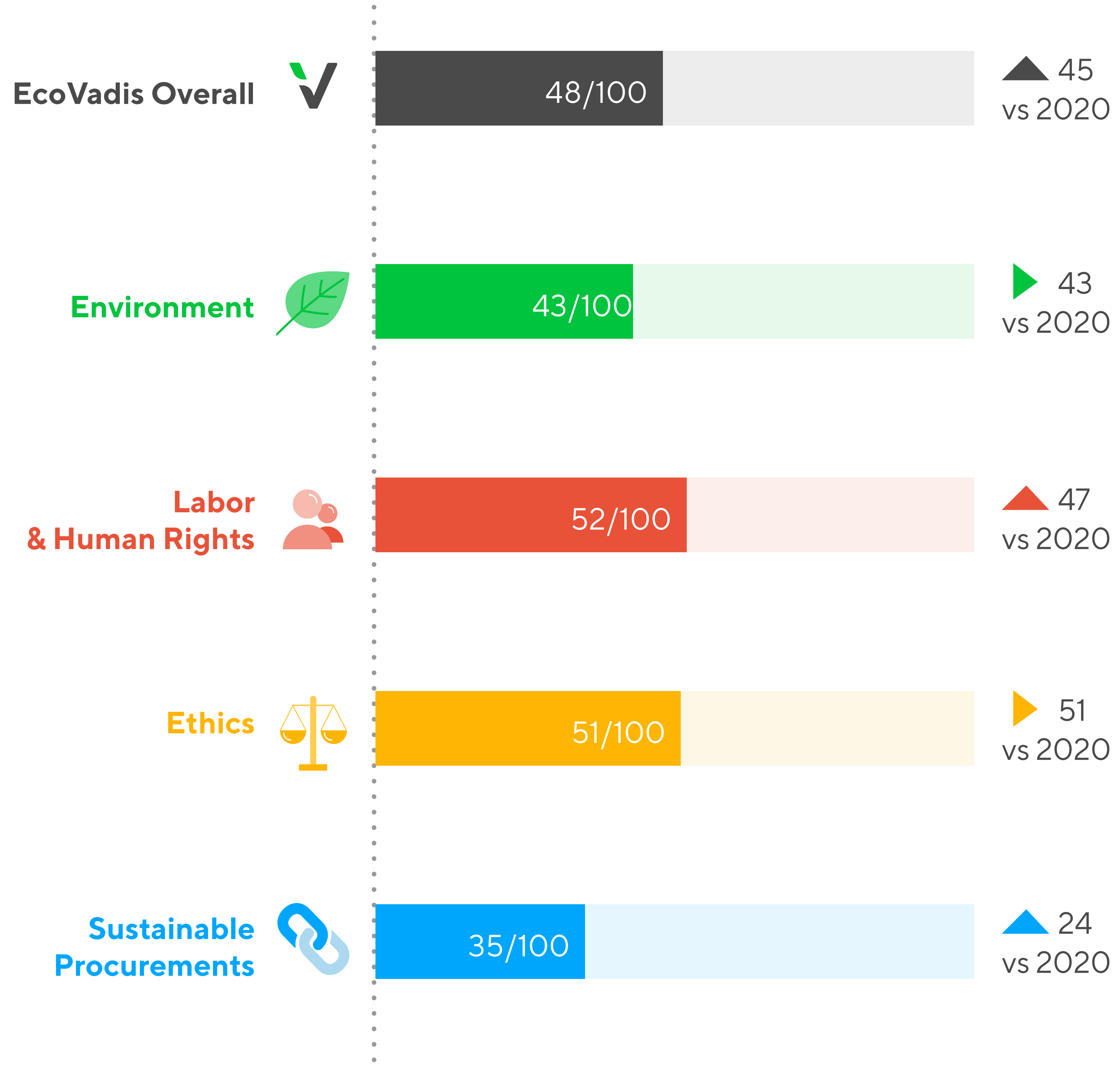


ecovadis

Astorg knew that to meet these bold targets, it needed to bolster its capabilities around measuring and reporting on ESG performance. To work toward this, Astorg began using the EcoVadis solution in 2020 to assess and measure the ESG performance of its portfolio companies. As highlighted by Astorg in its 2021 Sustainability Report, the solution enables the firm to:

- Benchmark the performance of portcos against their peers;
- Link ESG performance to the performance of both investment professionals and the management of a given company;
- Provide its portfolio companies scorecards that are easy to share and communicate with their customers;
- Hold more frequent and in-depth discussions and monitoring reviews around sustainability topics with the deal team (at least once per year);
- Utilize sustainability-linked loans.

How are Astorg's Portcos Performing on the Four EcoVadis Assessment Themes?



Conclusion

The finance landscape is undergoing a fundamental transformation. Investors, governments, consumers and employees are placing ever-increasing expectations on companies and calling upon the financial sector to use its tremendous resources to be a key agent of change in the sustainable transition. With the PE market continuing to boom, pressure for it to be a part of the solution to many of today's most pressing problems will only continue to grow. And while ESG has been on the radar of many in the PE industry for some time, its moment has unquestionably arrived. Firms that act now to integrate it into their investment decision-making and portco management – and monitor and verify progress against key metrics – are likely to reap the rewards of early and bold action.

How EcoVadis Helps: From Risk Mitigation to Performance & Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 160 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ maps your entire supplier landscape for inherent risk and identifies additional due diligence needs.

Sustainability Ratings and Monitoring

EcoVadis Ratings engages companies in benchmarking and monitoring, to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch that scans external inputs (e.g., trade unions, NGOs, watchlists, news, etc.), yield reliable ratings on a 0-to-100 scale – easy to integrate to procurement or business decisions.

Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. The Carbon Action Module engages deeper on measurement, reporting and action on reducing GHG emissions. Corrective Action Plans enable collaboration with customers/ requesters to prioritize improvements. The EcoVadis Academy provides self-guided e-learning courses that can help you build knowledge and capacity on a range of key sustainability topics.

Service, Support and Community

Enterprise offerings include program management support – change management, ‘journey mapping, global deployment, supplier/rated company onboarding, dashboarding and reporting, etc. – and training options for requesting (buyers, portfolio managers, etc.) and rated companies.

Ready to get started? Request a demo or consultation now

For your portcos:

- Help them stand out with strong, validated ESG performance

PE firms are, consequently, increasingly leveraging EcoVadis ratings to drive sustainability performance among their current and prospective portfolio companies.

EcoVadis supports PE firms in ESG value creation at Portfolio Company level, assessing ESG performance with benchmarks on 80,000 private companies, and providing transparency on expected sustainability trajectory – which is demonstrated at exit with an improved, verified EcoVadis rating. EcoVadis further supports PE firms in consolidating and verifying ESG data for the entire portfolio, enabling them to demonstrate their actions to LPs and regulators and adhere to standardized reporting requirements, such as the SFDR and UNGC.

Such continual expansion of the EcoVadis network illustrates vividly the agility of the ratings solution and its capacity to contribute meaningful intelligence in diverse use cases.

How EcoVadis Helps: From Risk Mitigation to Performance & Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 160 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ maps your entire supplier landscape for inherent risk and identifies additional due diligence needs.

Sustainability Ratings & Monitoring

EcoVadis Ratings engages companies in benchmarking and monitoring, to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch that scans external inputs (e.g. trade unions, NGOs, watchlists, news, etc.), yield reliable ratings on a 0-to-100 scale – easy to integrate to procurement or business decisions.

Engagement & Improvement Tools

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