

LP Sustainability Maturity Model Tool

NYU Stern CSB

2023



Key themes from the LP interviews – a need for improved sustainability analysis and ongoing monitoring of performance

Key Findings from LPs

Unclear How to Use Sustainability Data

While LPs have begun collecting sustainability data from GPs and portcos, they **often do not look at the data after the initial DDQ exercise**

Lack of Standardization / Quality of Data

LPs report that they receive **inconsistent metrics from GPs** (different data shared for different portcos, different FYs, etc.)

GPs note that they receive similar, yet **non-standardized DDQs**, requiring different answers

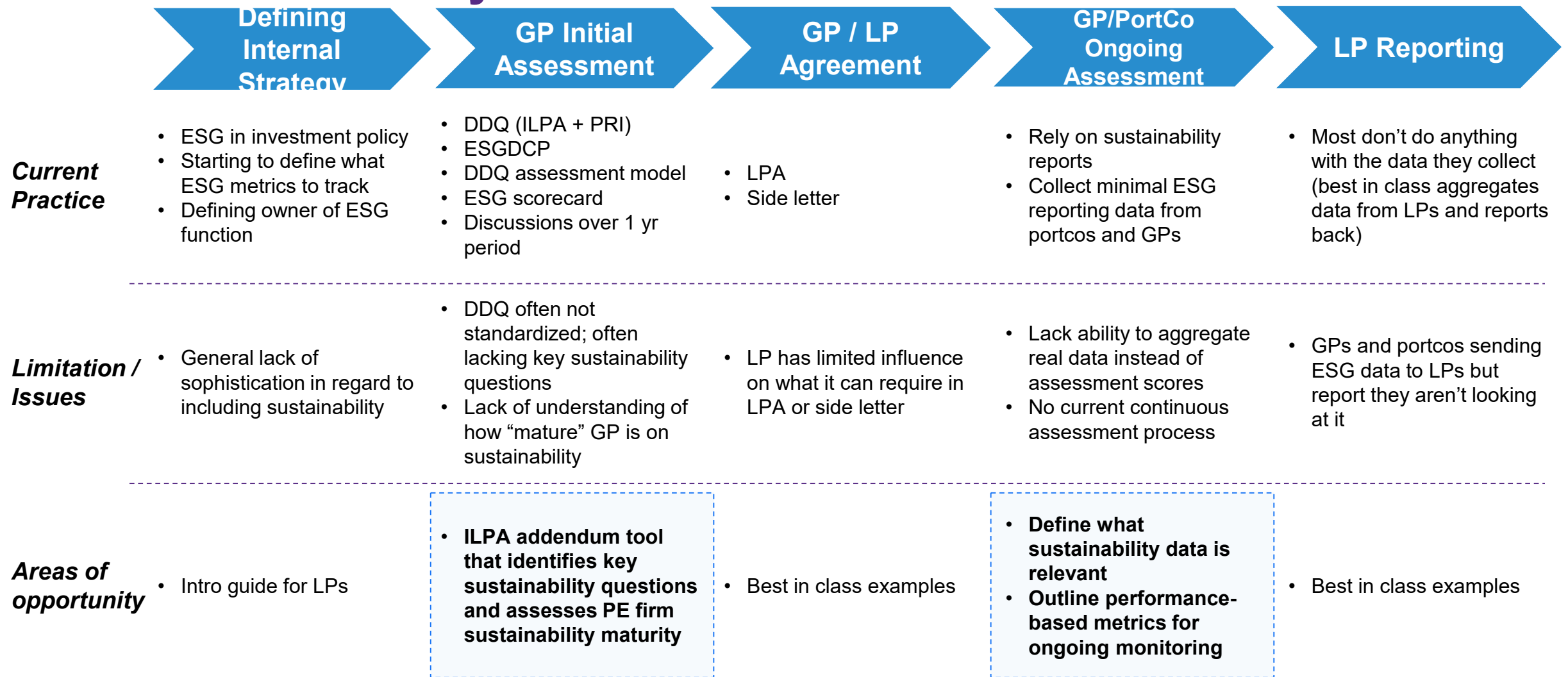
Lack of Maturity / Education

While some LPs highlighted advanced sustainability reporting practices, many are just beginning their sustainability journey and others view it as a tick-the-box exercise

Relevant LP Quotes

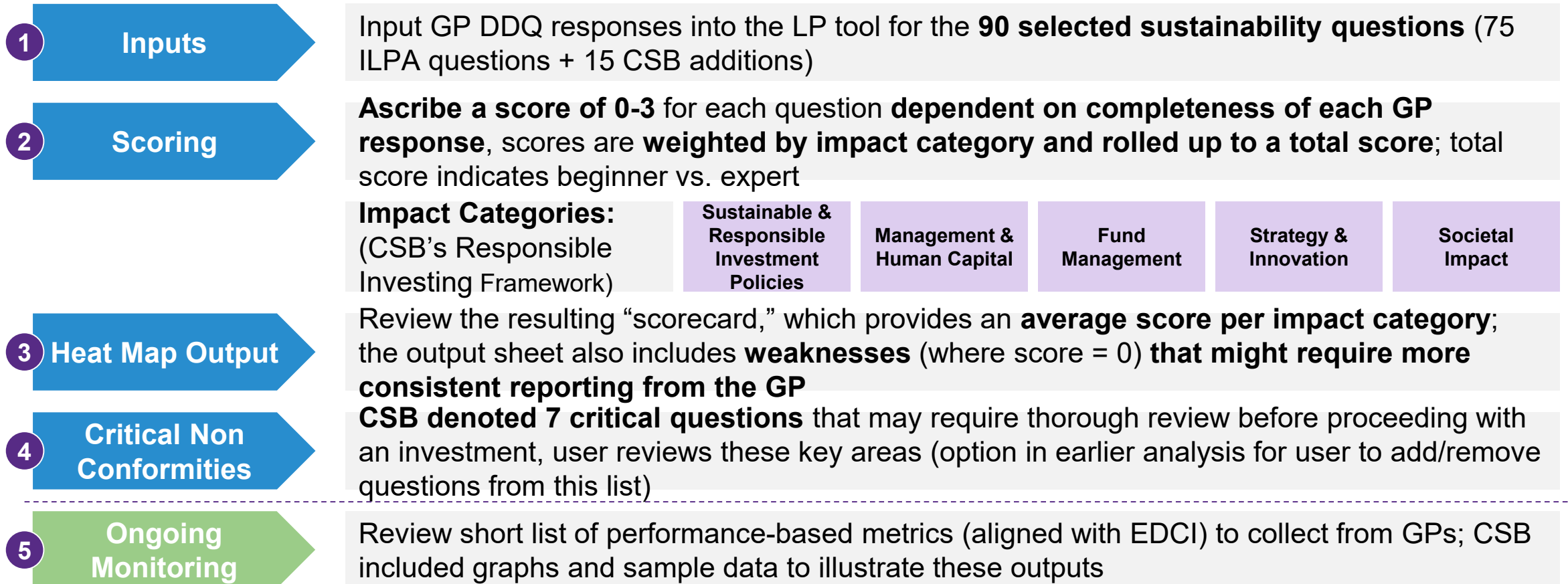
- “Establishing **consistent metrics that any GP could report on** would be helpful, in order to establish a minimum baseline and allow for aggregation”
- “Wishes there was a common scoring framework in the industry like GRESB as current scorecard is basic – would rather **aggregate real data instead of assessment scores**”
- “In regard to the DDQ, see some benefit of an academic institution denoting the most important questions and most material issues by sector”
- “It is all about **activating the sustainability data, so that it can play a larger role in exits**”
- “To the extent that **existing tools like PRI DDQ and SASB could be combined to triage where they should focus time** on specific investments, that would be helpful”
- “See issue of the same things being asked in slightly different ways in the DDQ”

NYU Stern CSB Assessed LP Processes Across the Investment Lifecycle



CSB pulled the most important sustainability questions from the ILPA DDQ as the basis for the analysis

Logic Flow of LP Tool



Heat Map Example with Category Descriptions

Average Score	Bucket
1.4 out of 3	Sustainable and Responsible Investment Policies
1.3 out of 3	Management and Human Capital
1.9 out of 3	Fund Management
1.9 out of 3	Strategy and Innovation
1.7 out of 3	Societal Impact
53.3	<-- WEIGHTED TOTAL SCORE

Scoring Definitions:
 Total score of less than 30 is defined as remedial.
 Total score between 31-50 is defined as beginner.
 Total score between 51-80 is defined as advanced.
 Total score of greater than 80 is defined as expert.

Sustainable & Responsible Investment Policies

- *A sustainable and responsible investment policy defined by firm priorities and monitored implementation*

Management & Human Capital

- *Management approach is guided by a robust responsible investment strategy and diverse and ESG-credentialed senior leaders*

Fund Management

- *Fund management practices with respect to handing dry powder, subscription lines of credit, additional fundraises, and reporting*

Strategy & Innovation

- *Describes the firm's capabilities in meeting its sustainable investment policy throughout its pre- and post-investment processes*

Societal Impact

- *How well the PE firm and its portfolio companies are contributing to positive impacts and reducing negative societal impacts*

The ongoing monitoring section of the tool denotes outcome-oriented performance metrics to be collected by the LP

Need for Ongoing Monitoring

LPs noted a need for consistent metrics that GPs could report on and a desire for real data – practitioners would like for sustainability data to play a larger role in exits.

A strong sustainability metric is performance-based and outcome-oriented while attached to specific commitments and targets. CSB used EDCI metrics as the basis for a short list of the most important sustainability metrics to be tracked across industries.

Process:

- CSB expanded each EDCI metric to include specific commitments and targets
- Included a few additional categories: Circularity, Water Use, and Sustainable Sourcing & Procurement

LPs can use the ongoing monitoring section as an educative piece to see what type of data (+ related commitments and targets) they can be tracking or as an actual data input and tracking exercise.

EDCI Metrics (Section Aligned with EDCI)

The [ESG Data Convergence Initiative](#) is the major sustainability data standardization effort within PE.

EDCI Metrics:

- **GHG Emissions** (scope 1, scope 2, scope 3)
- **Renewable Energy** (% renewable energy usage)
- **Diversity** (% women on board, % women in C-suite, % underrepresented groups on board, % LGBTQ on board)
- **Work-Related Accidents** (injuries, fatalities, days lost due to injury)
- **Net New Hires** (net new hires (organic and total), turnover)
- **Employee Engagement** (employee survey (yes/no), employee survey response rate)

Ongoing monitoring using performance-based metrics

Source	Category	Sub-category	Description	KPI 1	KPI 2	KPI 3
EDCI	GHG Emissions	Emissions by Scope	(1) Commitment to net zero based on 2030 and 2050 goals, scope 1, scope 2, and scope 3 emissions aligned with SBTi, (2) reporting to TCFD/ISSB, and (3) third-party audited (4) Data for last year at minimum, up to 3 years recommended	Scope 1, 2 and 3 emissions, numerical value with benchmark	Findings from TCFD reporting	
EDCI	Renewable Energy	Fuel Consumed	(1) Total fuel consumed, (2) percentage natural gas, (3) percentage renewable (a) Targets for 2030 and 2050 (b) base year (c) performance to time-based targets [revised SASB metric]	Total fuel consumed, numerical value with base year against target	% natural gas, fuel consumed with base year against target	% renewable, fuel consumed with base year against target
CSB	Diversity	Employee Composition	Percentage of employees by historically underrepresented group by level in current year (a) Short- and long-term targets with a defined period (b) base year (c) performance to time-based targets	% of employees historically underrepresented, by level	Performance against target and against baseline	
EDCI	Work-related Accidents	Work Safety	Total recordable incident rate (TRIR) for (a) full-time employees, (b) part-time employees, (c) contract employees, and (d) short-service employees	Total recordable incident rate, full-time employees	Total recordable incident rate, part-time employees	Total recordable incident rate, contract employees
EDCI	Net New Hires & Turnover	Turnover	Voluntary and involuntary turnover rate for (a) direct (b) contract (c) migrant employees in current year (a) Short and long-term targets with a defined period (b) base year (c) performance to time-based targets	Voluntary and involuntary turnover rate, direct employees against targets	Voluntary and involuntary turnover rate, contract employees against targets	Voluntary and involuntary turnover rate, migrant employees against targets
CSB	Circularity	Circularity	Percentage of products made from (1) recyclable materials (2) recycled material and 3) reused materials from production/end of life (a) Short and long-term targets with a defined period (b) base year (c) performance to time-based targets	% of products made from recyclable materials against target	% of products made from recycled materials against target	% of products made from reused materials from production/end of life against target
CSB	Water Use	Water Use	(1) Total water withdrawn, (2) total water consumed (3) volume of wastewater treated and released; percentage of each in regions with High or Extremely High Baseline Water Stress (a) Short and long-term targets with a defined period (b) base year (c) performance to time-based targets [revised SASB metric]	Total water consumed, numerical value against target	Volume of wastewater treated and released, numerical value against target	% of total water consumed in regions with High or Extremely High Baseline Water Stress against target
CSB	Sustainable Sourcing & Procurement	Certifications	(1) Percentage of products sourced by all suppliers that are certified to a third-party environmental and/or social standard (2) percentages by standard (a) Short- and long-term target with a defined period (b) base year (c) performance to time-based targets	% of products sourced by all suppliers that are certified to a third-party environmental and/or social standard against target	% of products sourced by all suppliers that are certified, by standard (standard 1 - user defined) against target	% of products sourced by all suppliers that are certified, by standard (standard 2 - user defined) against target

