



Introduction to
**EDF's ESG Management Tool
for Private Equity**

April 2013

Overview

WHAT we did

- **Developed a framework** to accelerate adoption of ESG management to improve environmental, social and financial results in private equity
 - **Defined the building blocks** of a successful ESG management program for private equity firms
 - **Provided an ability to assess, analyze and improve** ESG management at private equity firms of all sizes.
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WHY we did it

- Need for **systematic guidance** for General Partners (GPs) to assess and improve their approach
- Growing interest from Limited Partners (LPs) but **no uniform system** to analyze capacity for ESG management

OUR ULTIMATE GOAL

Leverage the Tool to make measuring and managing ESG performance **a standard practice for value creation** across the private equity sector.

The Tool's development process

PARTNERED WITH LEADING FIRMS

EDF's experience partnering with prominent private equity firms including [Kohlberg Kravis Roberts & Co. \(KKR\)](#), [The Carlyle Group](#) and [Oak Hill Capital Partners](#) provided valuable insights into building an ESG management program. These partnerships have resulted in \$650M in operating cost savings and a reduction of 1.2M metric tons of CO₂ emissions at more than 30 portfolio companies.

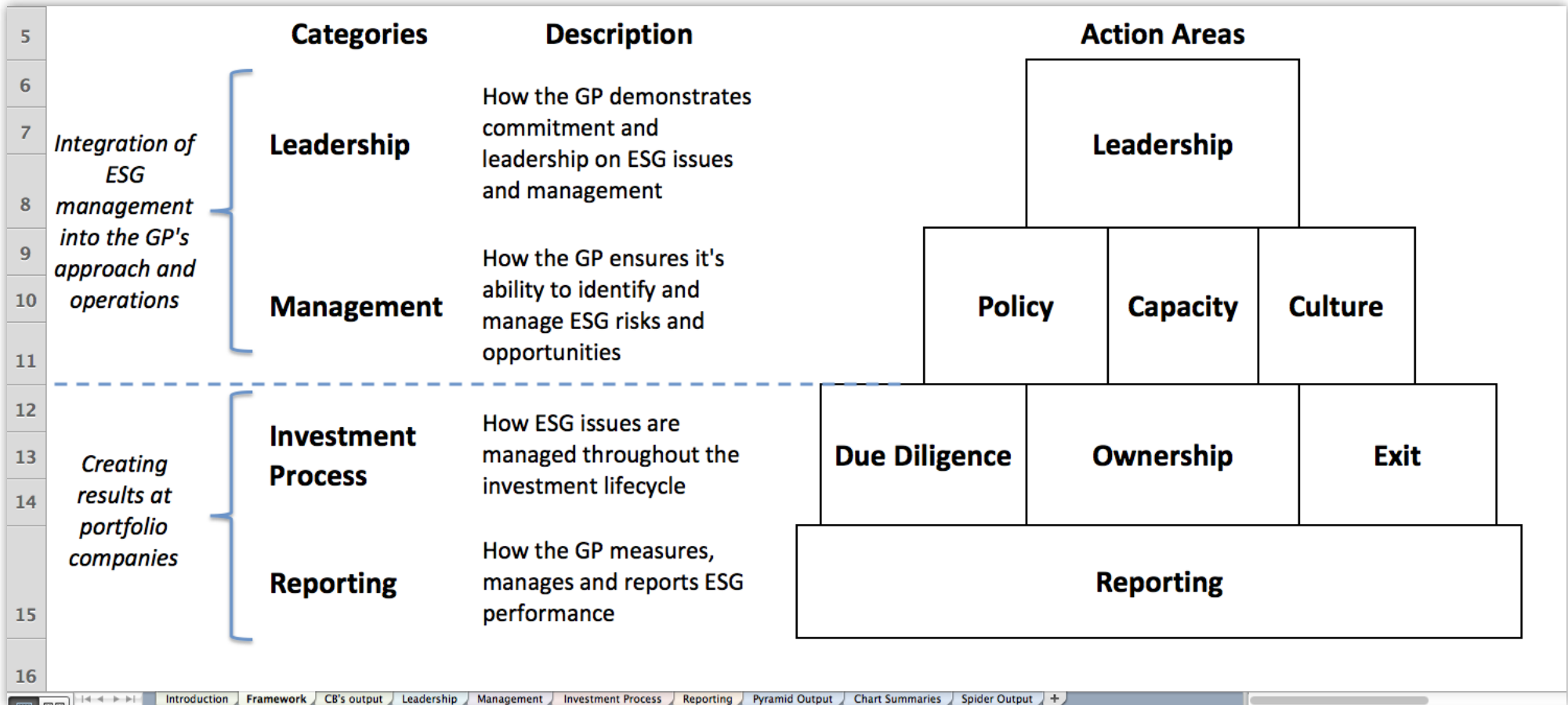
ANALYZED EMERGING RESEARCH

Publications by the [British Venture Capital Association](#), [BSR](#), [Doughty Hanson](#), [Irbaris](#), [Malk Sustainability Partners](#), [PwC](#), [Private Equity International](#), the [United Nations Principles for Responsible Investment](#) and [World Wildlife Fund](#) helped inform the Tool's best practices.

CONDUCTED PEER REVIEW PROCESS

The Tool was improved by incorporating feedback from a broad range of stakeholders, including [Actis](#), [Blackstone](#), [Bloomberg](#), [BSR](#), [The Carlyle Group](#), [Doughty Hanson](#), [KKR](#), [Oak Hill Capital](#), [PwC](#), [TPG](#) and 5 large global LPs.

The Tool's framework



How the Tool works

Users assess 22 best practices like this one

Users can add relevant notes or web links to support their selection

23	Best Practice	Description	Initial	Developing	Leading	User Assessment of GP	User Notes & Links
	Training	Training on ESG risks and opportunities for GP staff	All GP staff receive training on the firm's policies and initiatives related to ESG	Relevant GP staff receive training on how to identify and manage ESG risks and opportunities in the specific sectors they invest in	GP investment and operations staff receive training on macro ESG issues and the connection between those issues and their investment thesis	Please Select	
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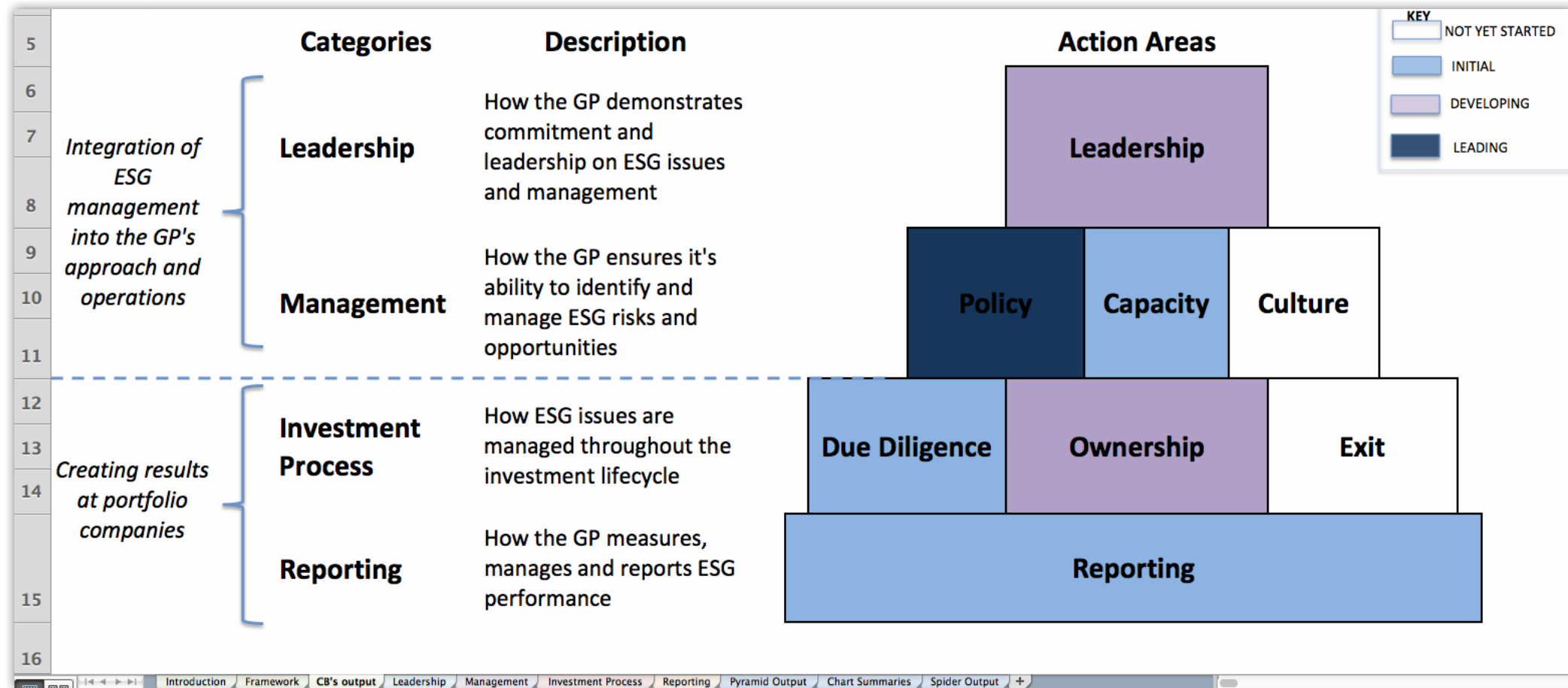
Introduction Framework Leadership **Management** Investment Process Reporting Pyramid Output Chart Summaries Spider Output +

- ✓ Please Select
- Not Yet Started
- Initial
- Developing
- Leading

Users assess and select the stage (Initial, Developing, Leading) that best reflects the GP's current management practices

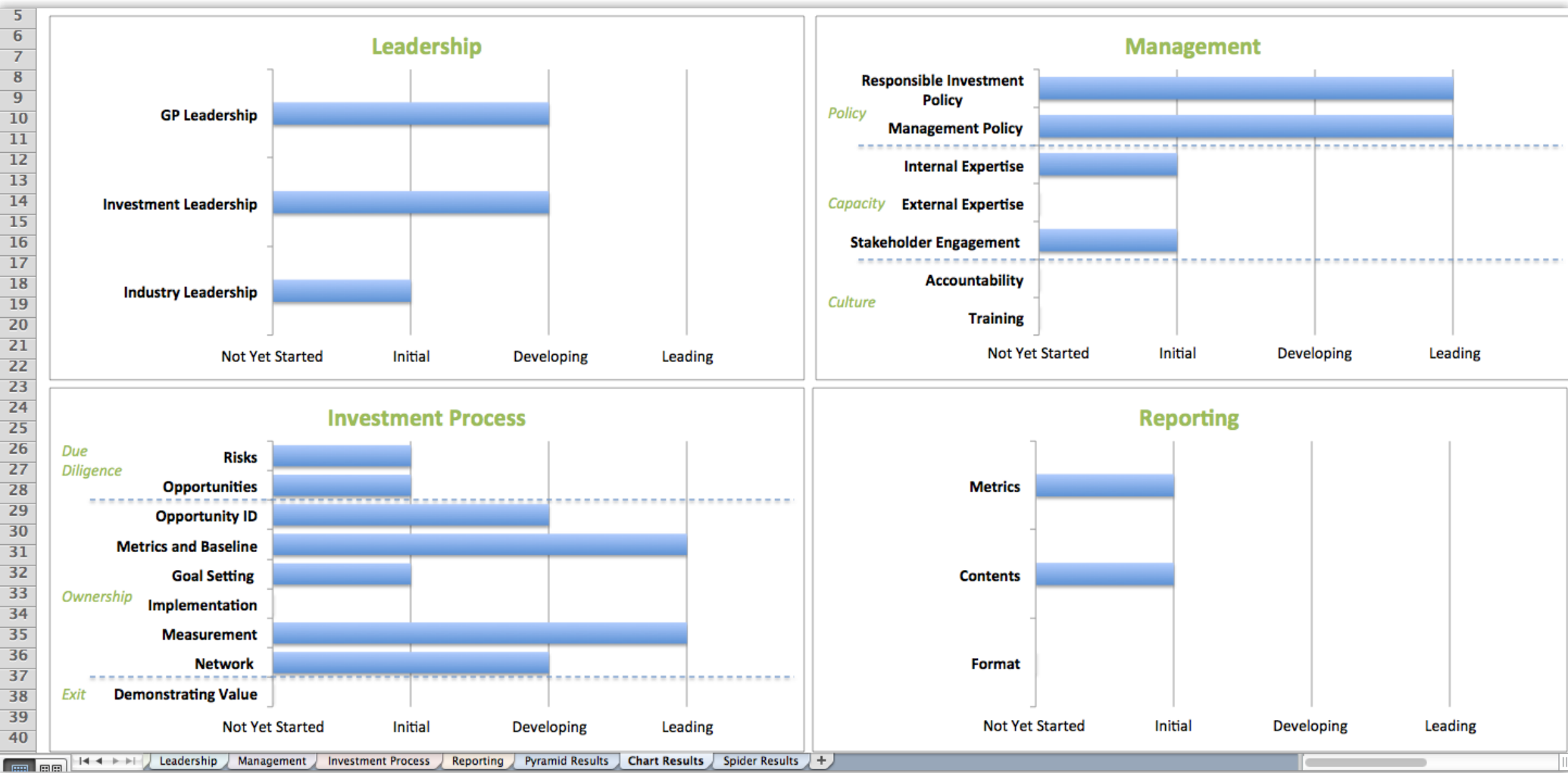
Sample result 1

A quick snapshot



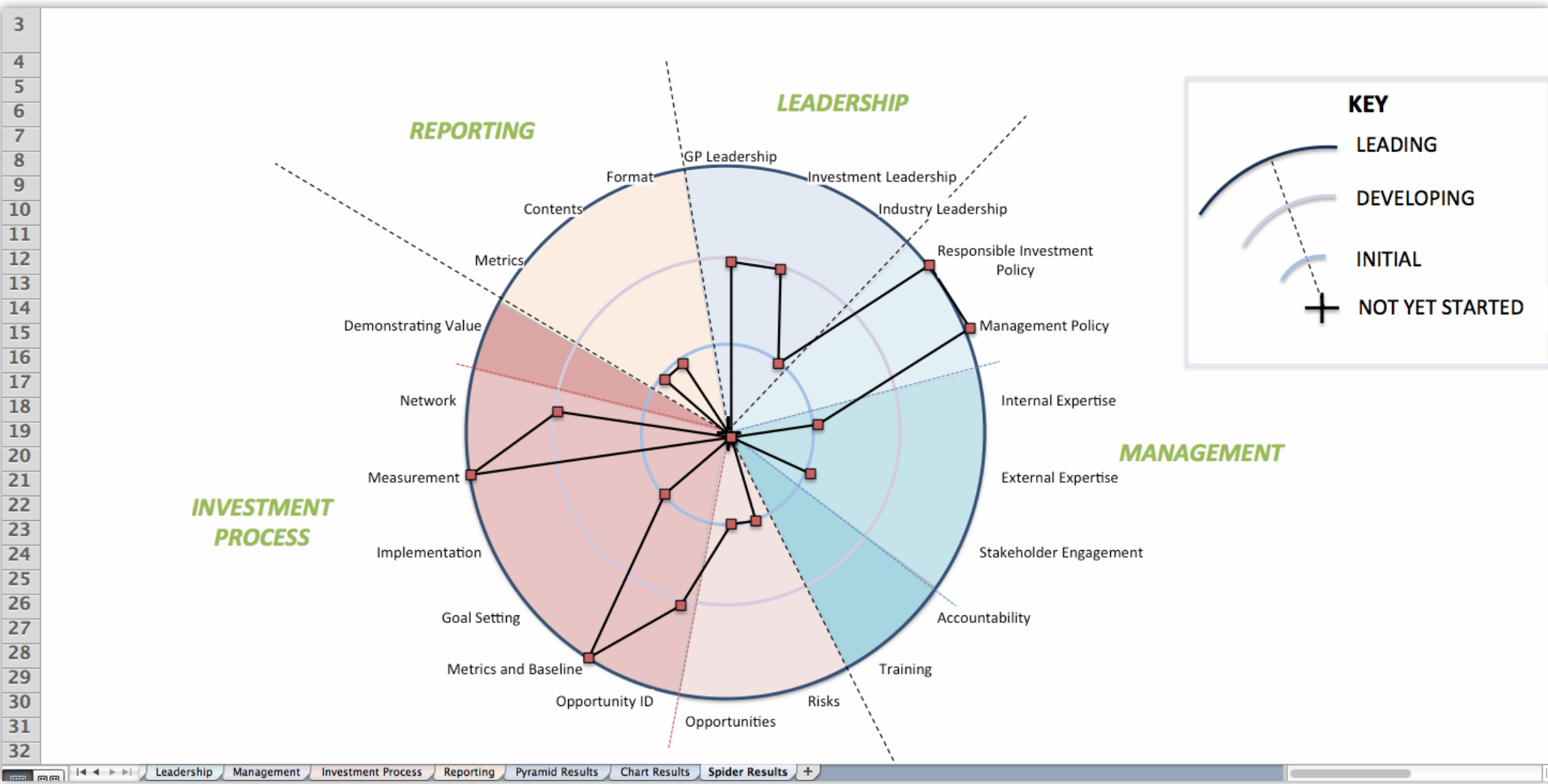
Sample result 2

A more detailed picture



Sample result 3

Overall picture



Who will use the Tool

GPs

To assess their current approach against best practices for ESG management for private equity and develop plans for improvement

LPs

To inform conversations with GPs, assess ESG performance and compare practices across firms

Investment and strategic consultants

To provide analysis for their clients

Media and research teams

To evaluate the industry's performance and develop reports and/or stories about ESG management trends in private equity

Comments on the Tool to date

“ Reviewing the Tool helped expand our thinking about ESG management and best practices. EDF’s new Tool provides clear and helpful guidance on the building blocks necessary for a successful ESG program.”

J. Taylor Crandall, Managing Partner, Oak Hill Capital Partners

“ EDF’s ESG Management Tool is remarkably comprehensive in analyzing each element of our business and will provide valuable insights into developing our roadmap for continuous improvement.”

Middle Market U.S. PE firm

“ LPs want to know if the GP is doing their job when it comes to ESG, no more no less, and this tool gets right to that.”

Large Global LP

“ EDF’s leadership is a catalyst for the private equity sector to improve ESG performance and it’s exciting to see them leveraging their knowledge and experience to provide this Tool for firms of all sizes to create stronger environmental, social and financial results.”

Bryan Corbett, Principal, The Carlyle Group

About the project team

PROJECT TEAM

EDF

Environmental Defense Fund, a leading national nonprofit organization, creates transformational solutions to the most serious environmental problems by linking science, economics, law and innovative private-sector partnerships.

IRBARIS

Irbaris is a specialist advisory business that brings together a highly experienced, multi-disciplinary team of business advisers with deep international expertise in carbon, climate change and wider sustainability issues, as well as clean technologies.

PROJECT SPONSORS

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The opinions expressed in all project materials are those of the authors and do not necessarily reflect the views of the sponsors.

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