



Sustainability in Private Markets

As Progress Continues, AI Poses New Risks and Opportunities

October 2026



EXECUTIVE SUMMARY

Private markets continue to advance sustainable value creation, while artificial intelligence is presenting new governance challenges



Private markets continue to drive measurable progress on sustainability

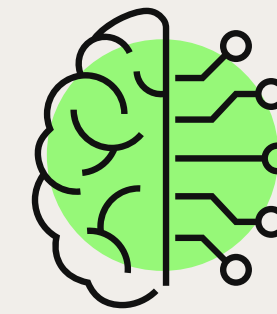
Private investors are continuing to advance sustainability, with meaningful progress (often ahead of public peers) across both environmental indicators such as decarbonization strategies and social indicators like employee surveys



Sustainability initiatives are translating into tangible commercial value

GPs estimate that sustainable value initiatives increase portfolio company EBITDA by 5% to 7% on average over the hold period

This is generated through levers that have either a climate impact (e.g., energy efficiency) or an employee impact (e.g., safety)



The rapid growth of AI is creating new governance challenges and opportunities

The EDCI's new cybersecurity metric reveals that cyber testing remains uneven across private markets, even as threats become more material

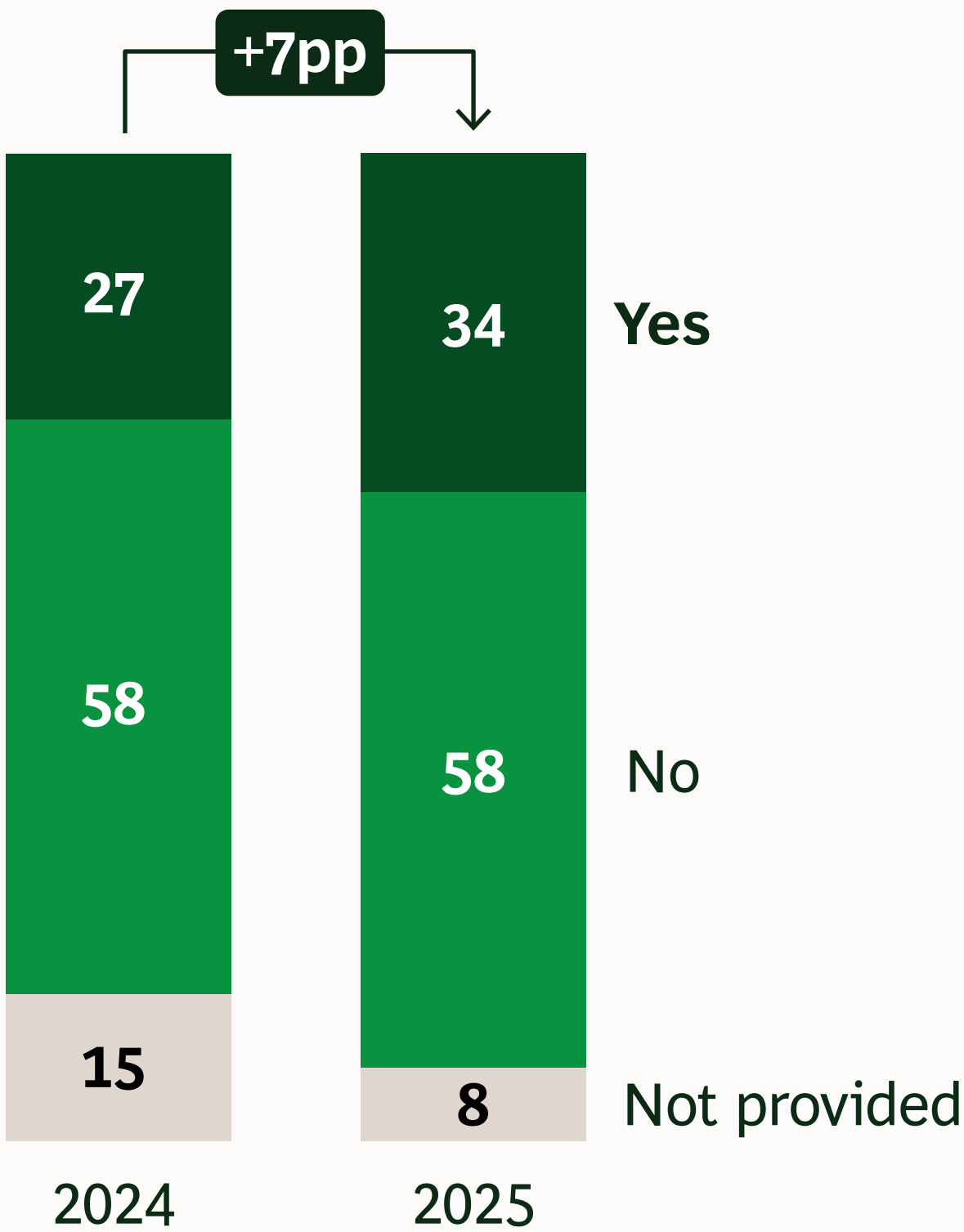
Meanwhile, GPs can more actively support companies in establishing AI governance programs that can effectively protect and enable value



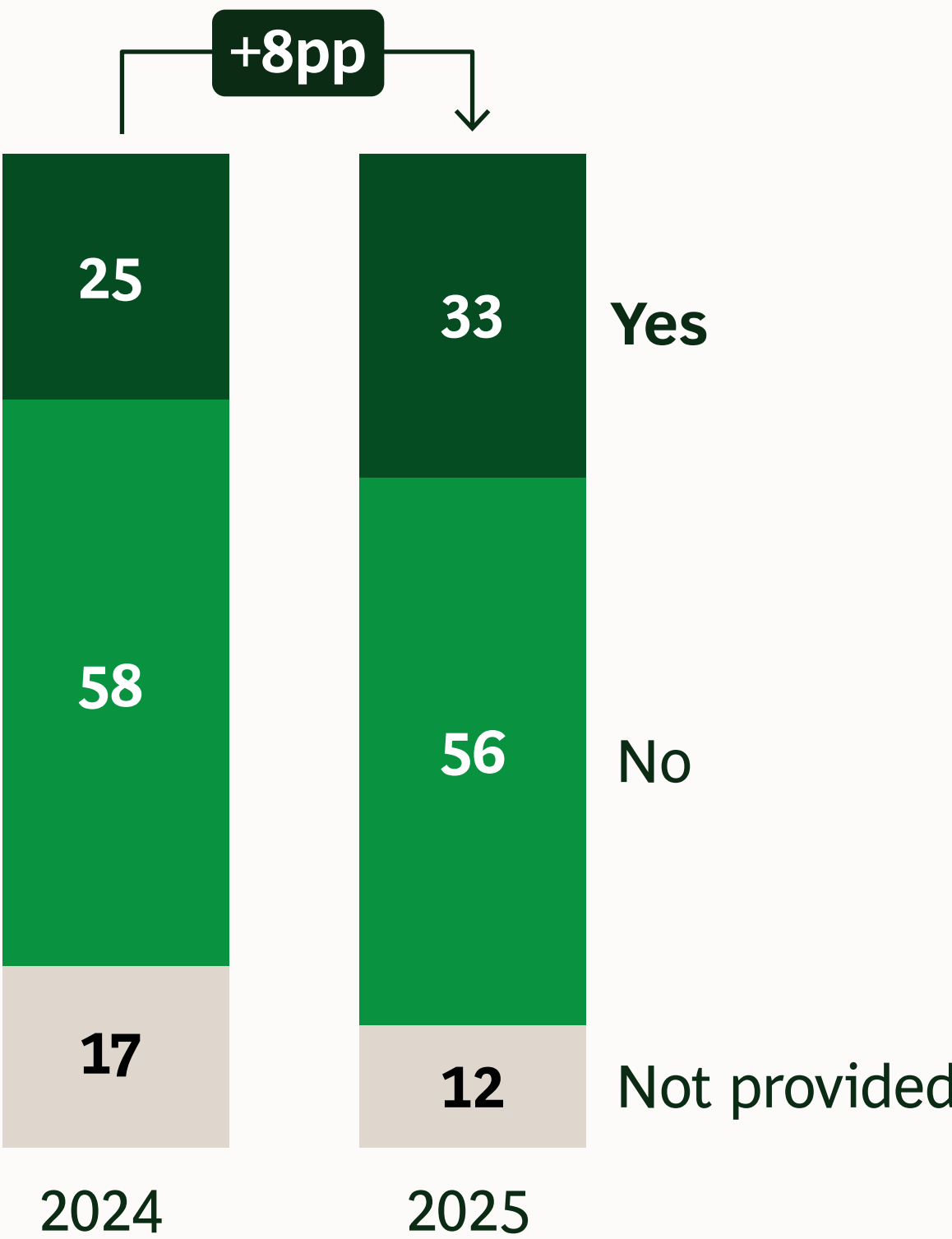
Private markets continue to drive
measurable progress on sustainability

Companies have made progress setting decarbonization strategies and short-term targets but less on long-term commitments

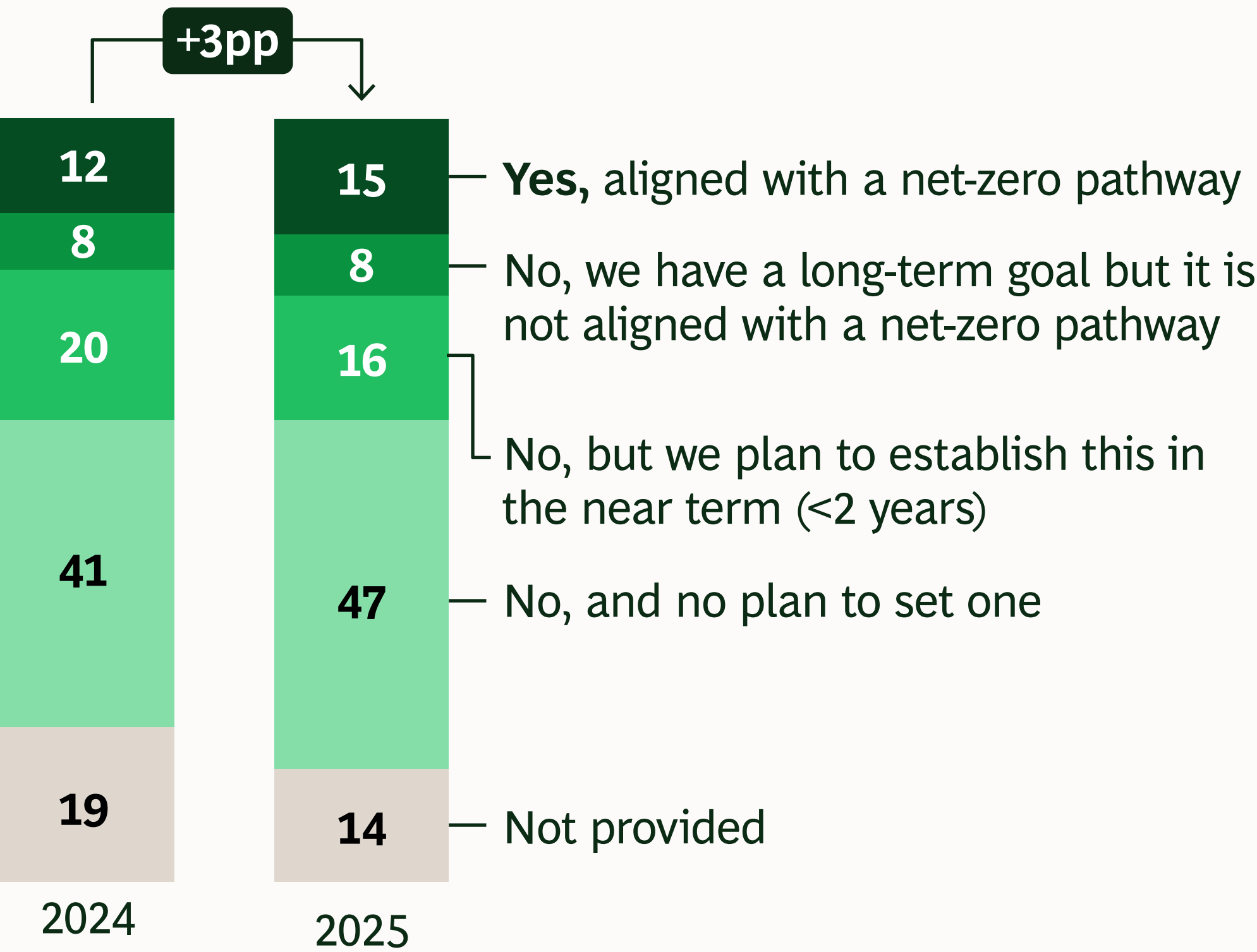
Decarbonization strategy or plan in place (%)¹



Short-term emissions reduction target in place (%)²



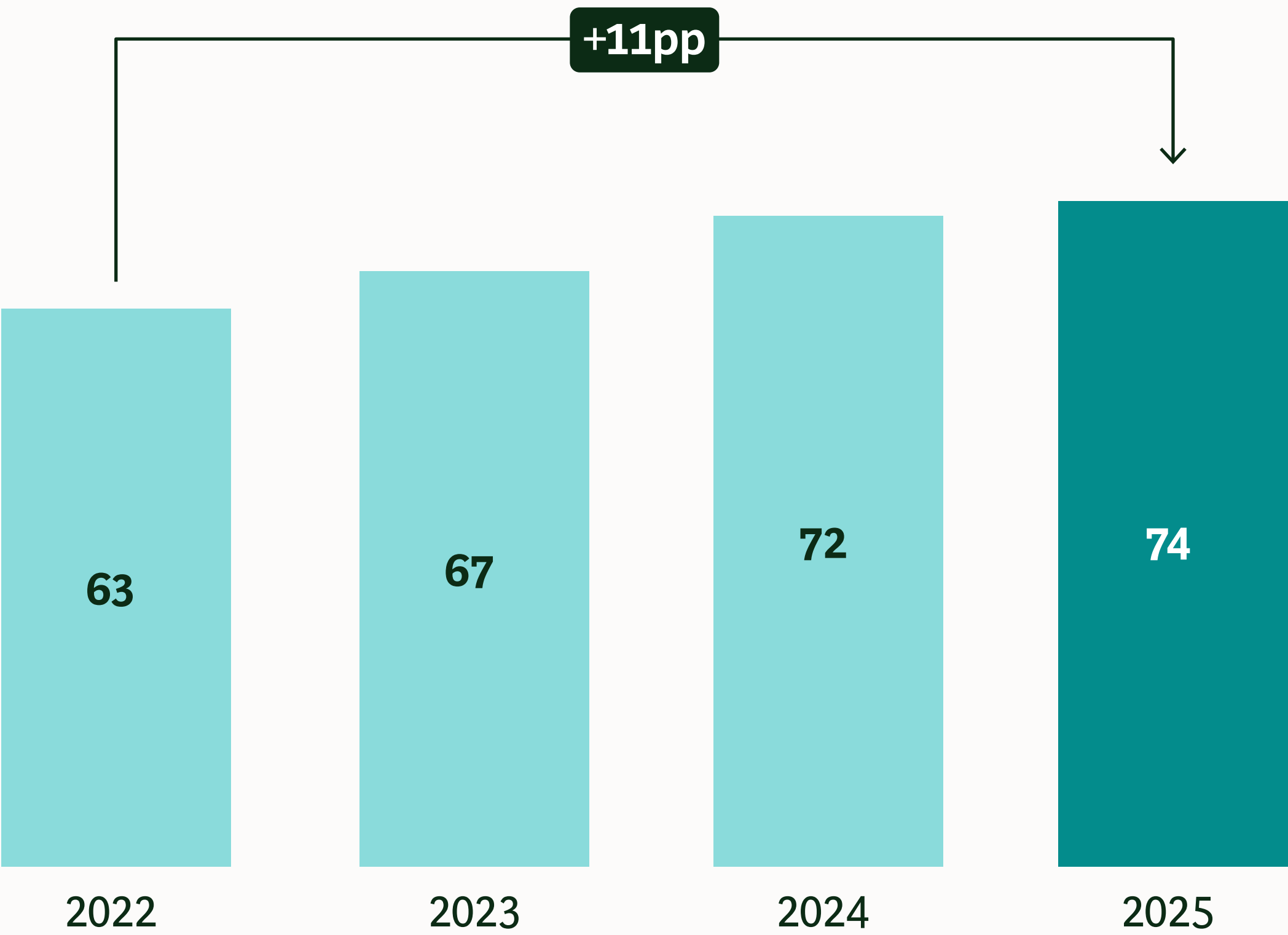
Long-term path to net zero (%)



Sources: EDCI private company benchmark, September 2026; BCG analysis.
Note: Includes companies with data for both 2024 and 2025 (N=5,490); totals shown may not add up to 100% due to rounding
¹Includes companies that have decarbonization strategies with and without board oversight. ²Includes both Paris-aligned and non-Paris-aligned targets.

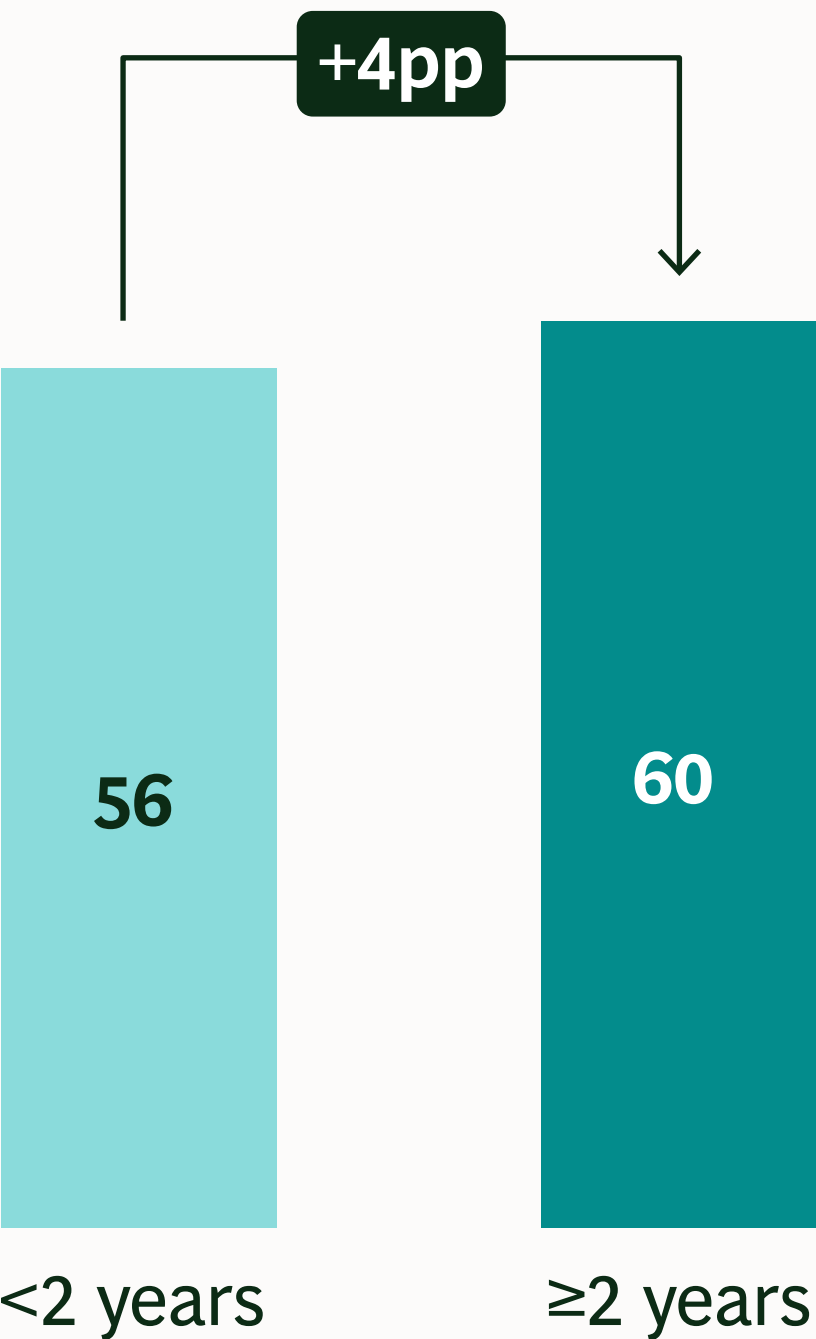
Social metrics, too, have seen progress, including employee survey coverage and more diverse perspectives among company leadership

Percentage of companies with employee survey coverage, 2022–2025 (%)

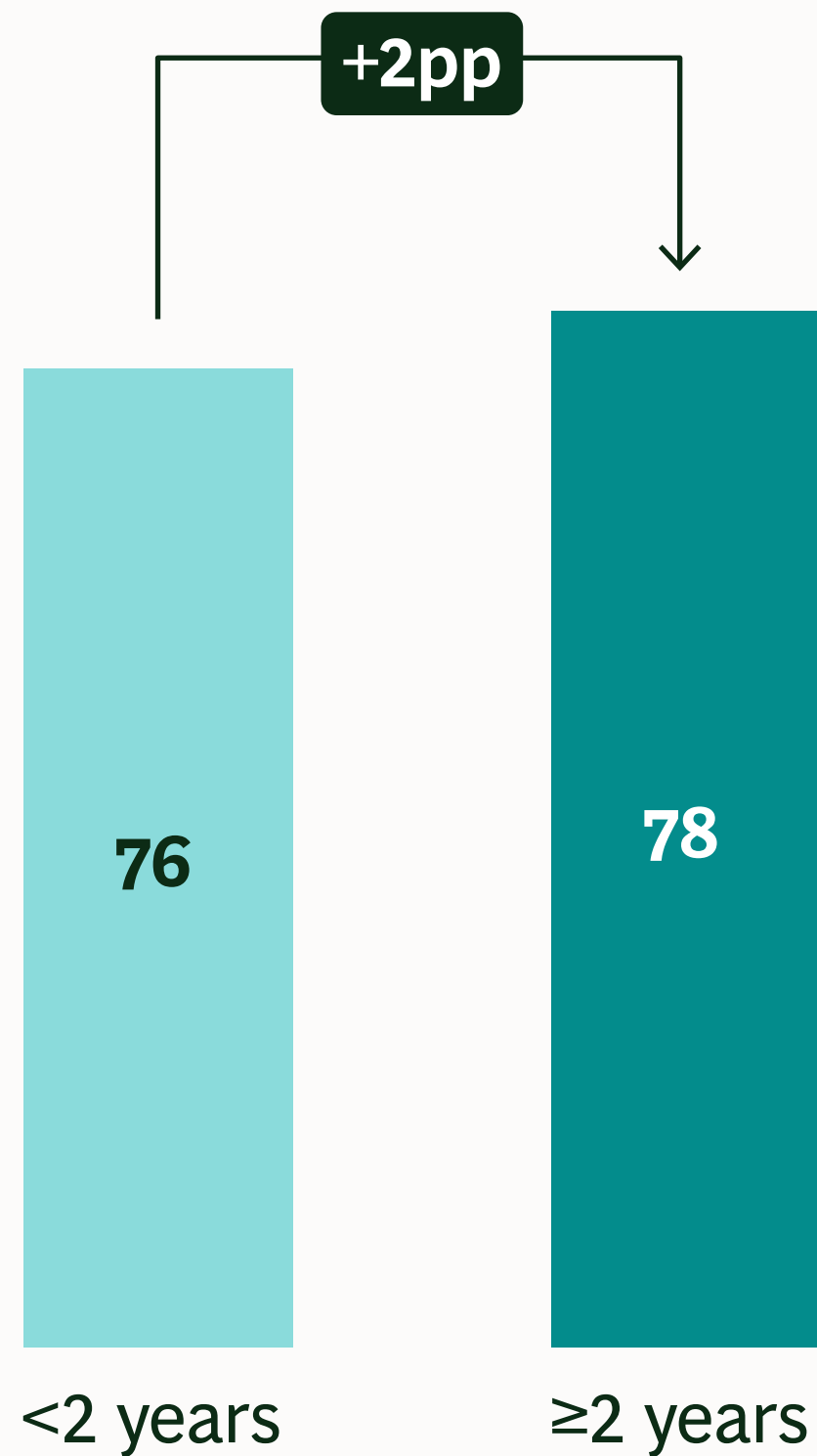


Women on boards and in C-suite

% of private companies with at least 1 woman on board



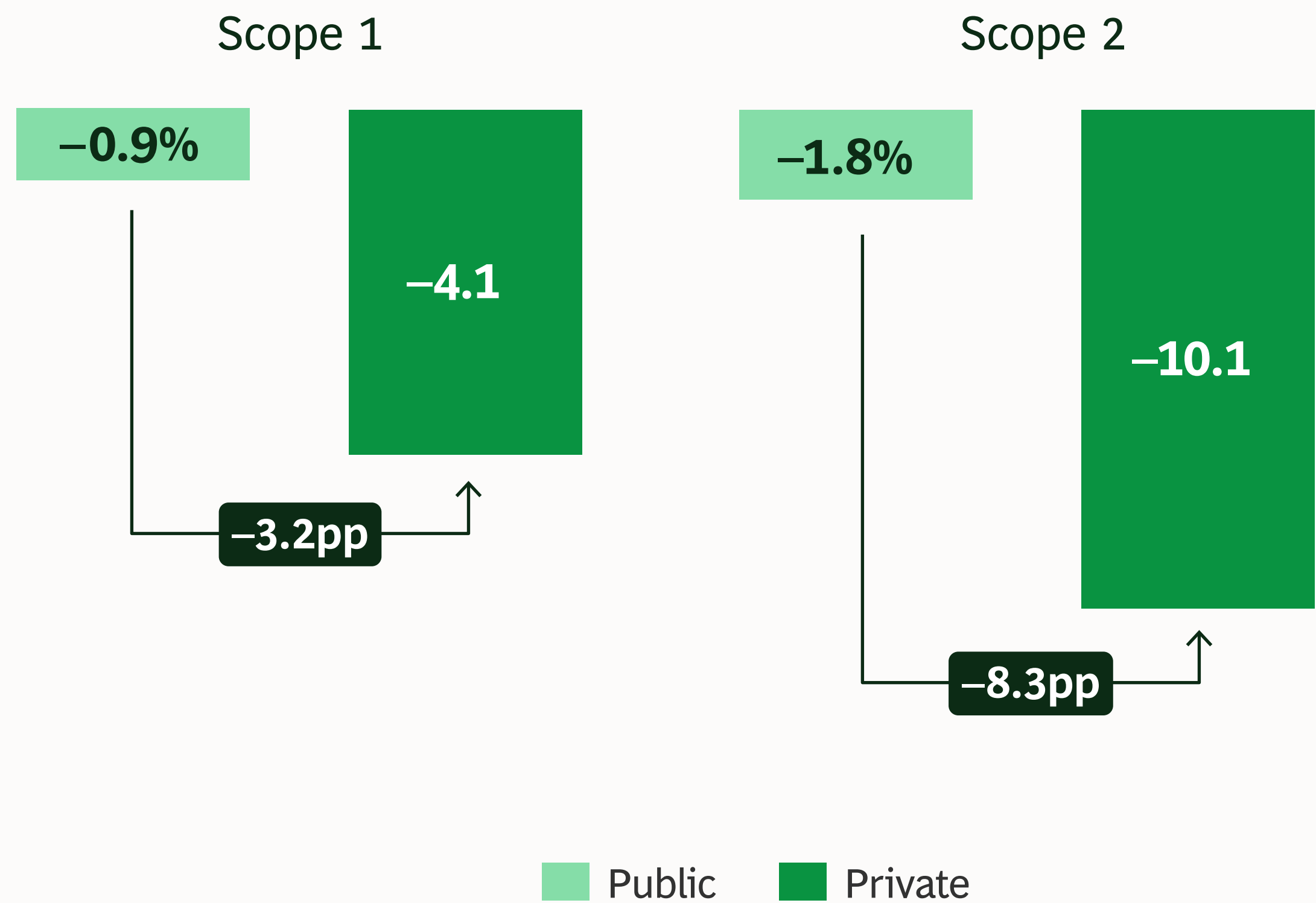
% of private companies with at least 1 woman in the C-Suite



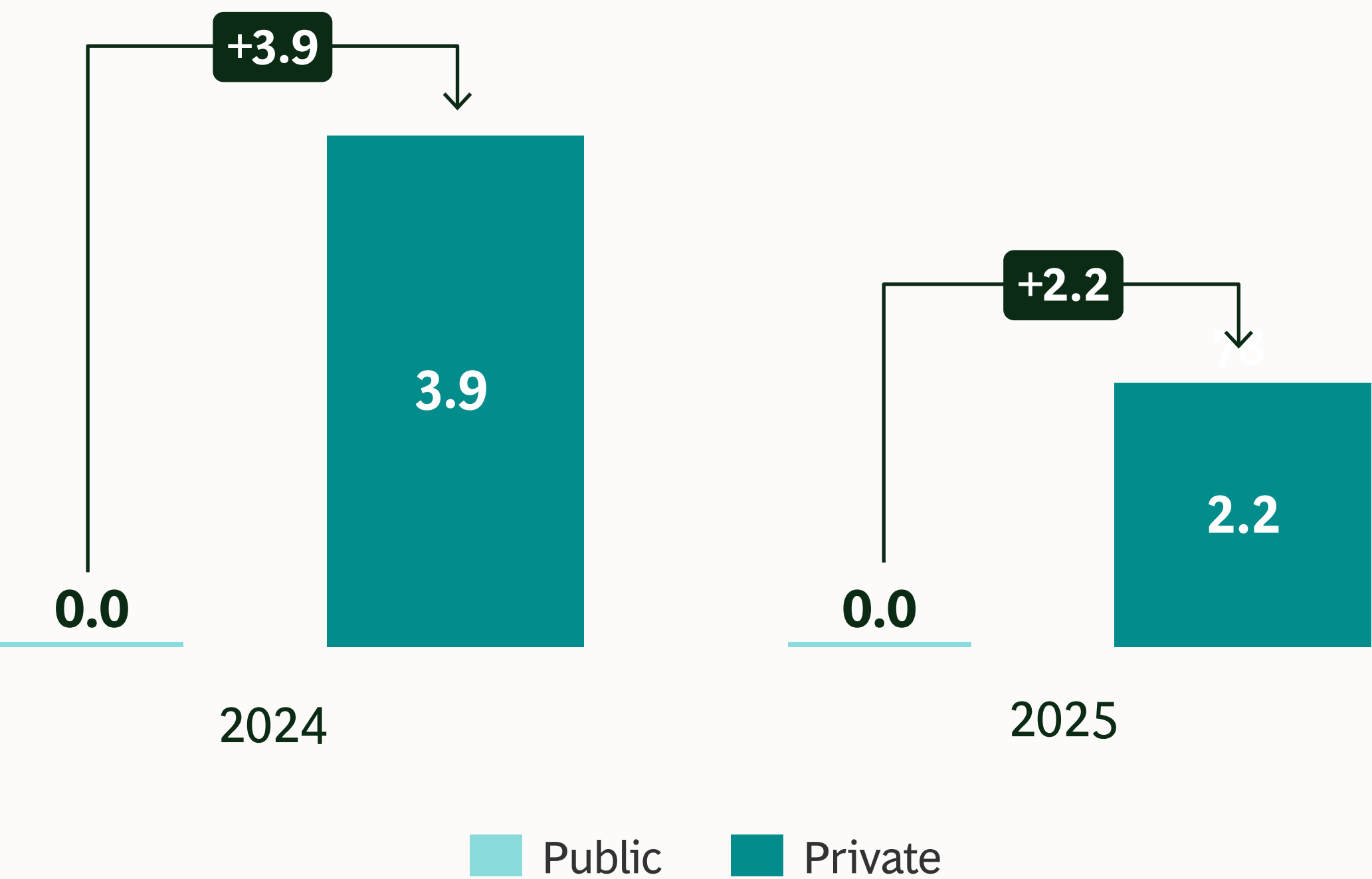
Sources: EDCI private company benchmark, September 2026; BCG analysis.

Private companies continue to outpace their public peers on decarbonization and job creation, despite economic headwinds

Median change in Scope 1 and Scope 2 emissions intensity, 2024 vs. 2025



Median total net new hires per 100 FTEs, private¹ vs. public,² 2024 vs. 2025



Sources: EDCI private company benchmark, September 2026; LSEG (Refinitiv) public company ESG database, 2026; BCG analysis.

¹Analysis includes buyout companies only. ²Analysis of net new hires for private and public markets includes impact from M&A transactions, as there is no breakout of inorganic new hires in the public market data.



Sustainability initiatives are translating
into tangible commercial value

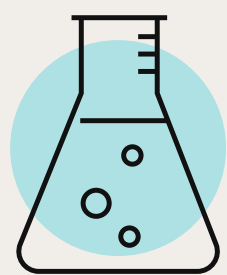
GPs report that sustainability value creation is driving higher revenues and lower costs across a range of levers over the hold period

Category	Lever	Description	Impact magnitude (estimated by GPs)
Revenue growth	Green growth	Revenue growth from sustainability focused products and services targeting new market segments	1.4pp higher revenues
	Customer sustainability positioning	Improved revenue retention and growth through the delivery of value for customers for whom sustainability is a meaningful procurement criteria	
	Employee productivity benefits	Productivity gains through improvement of the employee value proposition and enabling stronger employee attraction, engagement, and retention	1.4pp higher revenues
Cost reduction	Employee productivity benefits	Lower operating costs through reduced energy and materials use and more efficient processes	1.7pp lower costs
	Ownership model	Lower operating costs through reductions in injury-related expenses including the need to hire and train replacements	1.5pp lower costs

Sources: EDCI annual member survey 2026 (N=220), data as of April 22, 2026.

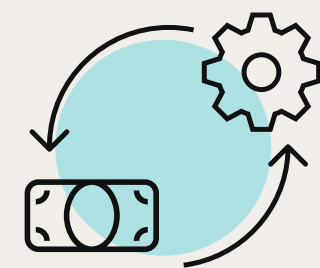
Companies are unlocking new sources of growth by entering and scaling up new green market segments

Examples of effective green growth strategies



Low-Carbon Chemicals

- A chemicals company launched a low-carbon product line with certified emissions verification
- Doing so secured major customer and distribution deals, creating a new, scalable revenue stream



Green Construction Business Line

- A construction company built a green business spanning materials, design, construction, and operations, from 3D-printed low-carbon concrete to eco-district design
- The business line's revenue grew from €6B to €13B in five years



Integrated Green Energy Business

- An energy company combined biomethane and renewable technologies into integrated local energy systems
- Doing so scaled a lower-carbon business while reducing emissions and strengthening energy security

Green revenue can support valuation uplift



Companies with green revenues above 10% tend to achieve higher market valuations, according to BCG analysis

Enhanced sustainability performance provides significant opportunities to drive revenue growth

Customer sustainability positioning

20%

Year-over-year growth in sustainability-related customer requests
Reported by an EDCI member

EDCI members note that their portfolio company customers are increasingly embedding sustainability requirements into purchasing processes, making sustainability performance key to protecting and growing revenue

For example

Sustainable product certification as a differentiator

A packaging manufacturer embedded sustainable product certification into its commercial strategy, growing certified revenue from 30% to 70% of sales and boosting revenue above \$1 billion as customers increasingly valued validated sustainability credentials

Employee productivity benefits

7pp

Higher revenue growth with satisfied employees
EDCI member companies in top third of employee satisfaction vs. bottom third

EDCI members report that companies are using employee engagement, flexibility, upskilling, and retention levers to strengthen workforce continuity, motivation, and productivity

For example

Building employee engagement

A personal care company facing low employee satisfaction launched targeted people initiatives, increasing the Employee Net Promotor Score, a measure of satisfaction, by more than 30 percentage points in one year and supporting a six-figure annual productivity benefit with low ongoing costs

Private companies have found meaningful cost reduction opportunities from environmental initiatives and improved employee outcomes

Environmental cost savings

7pp

Higher renewable-energy share

Among EDCI PortCos that have been held for 4+ years, relative to those that are newly acquired

EDCI members report that companies are creating commercial value from opportunities across energy, materials, waste, and circularity, using integrated programs that quantify impact

Employee cost savings

3pp

Lower employee turnover with satisfied employees

EDCI member companies in top third of employee satisfaction vs. bottom third

EDCI members report that companies are using safety, engagement, upskilling, inclusion, and retention levers to reduce hiring, training, replacement, injury, absenteeism, and insurance costs

For example

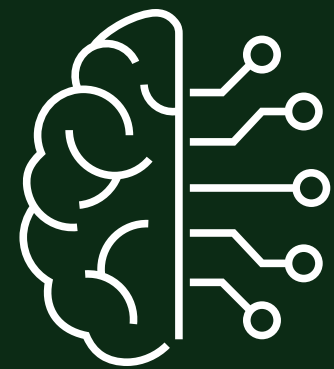
Scaling operational efficiency

A manufacturer combined greater use of recycled inputs with energy-efficiency and production improvements, including greater scrap utilization, to unlock around \$60 million in annual run-rate EBITDA savings

For example

Retention-led cost savings

A waste collection company made retention an executive priority, combining turnover targets, frontline manager training, stronger recruiting, and employee-experience initiatives to cut turnover by 10 points and avoid around \$2 million a year in replacement costs



AI's rapid growth is creating both new governance challenges and opportunities

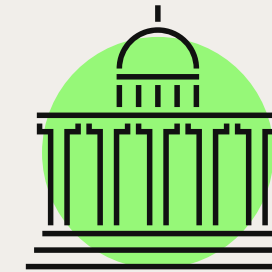
AI is transforming value creation for private companies but also amplifying cyber risks and creating new governance challenges



AI is making cybersecurity risks more frequent and material...

A survey of 300 CISOs highlights that AI-enabled cyber risk is now pervasive and material

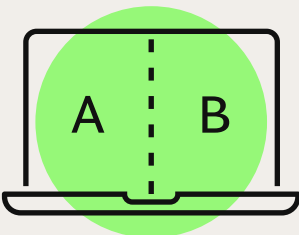
- 89% of organizations experienced AI-enabled attacks in the past 12 months, including 35% that led to significant operational or financial impact
- 80% to 90% of CISOs rank AI-powered malware, exploits, and fraud as urgent risks
- Organizations report an average of 25 leaks of sensitive data from GenAI tool usage
- Cybersecurity spending is up 11% on average in 2026 (with 83% of firms increasing spend), outpacing forecasts



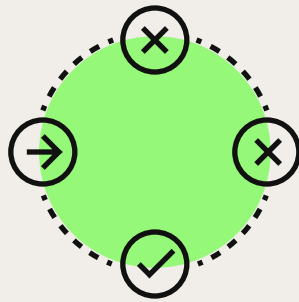
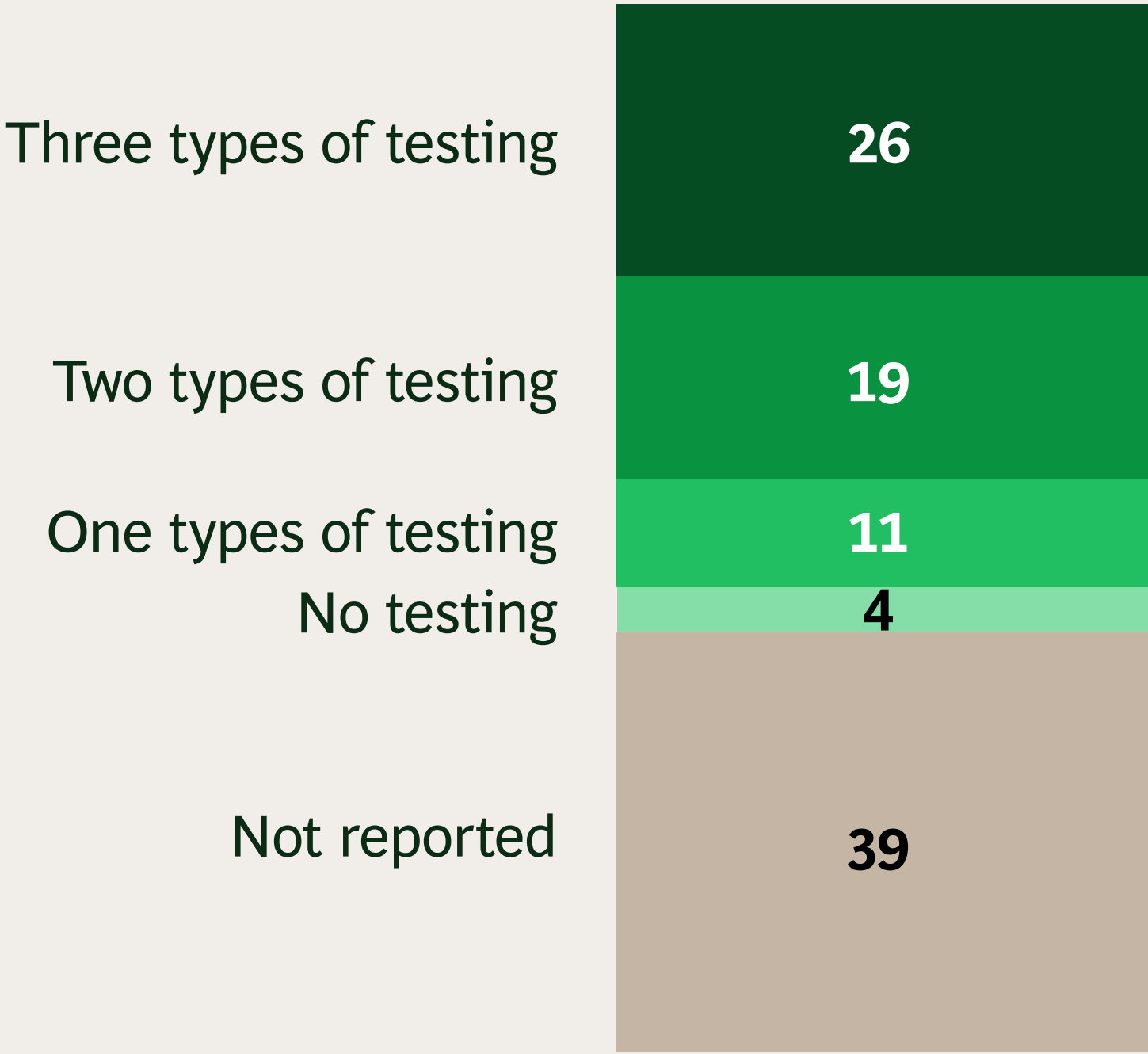
...while unmanaged AI governance risks can rapidly erode value

- **Lack of integration into strategy**
Under-investment in or over-reliance on AI, and fragmented use cases
- **Information security risks**
Exposure of confidential data, unauthorized access, data leakage, weak controls
- **Risk and compliance concerns**
IP ownership, copyright, privacy, regulation, bias, explainability, auditability, contractual obligations
- **Operational challenges**
Hallucinations, unreliable output, data quality, model drift, poor human oversight, failure to embed AI effectively into workflows

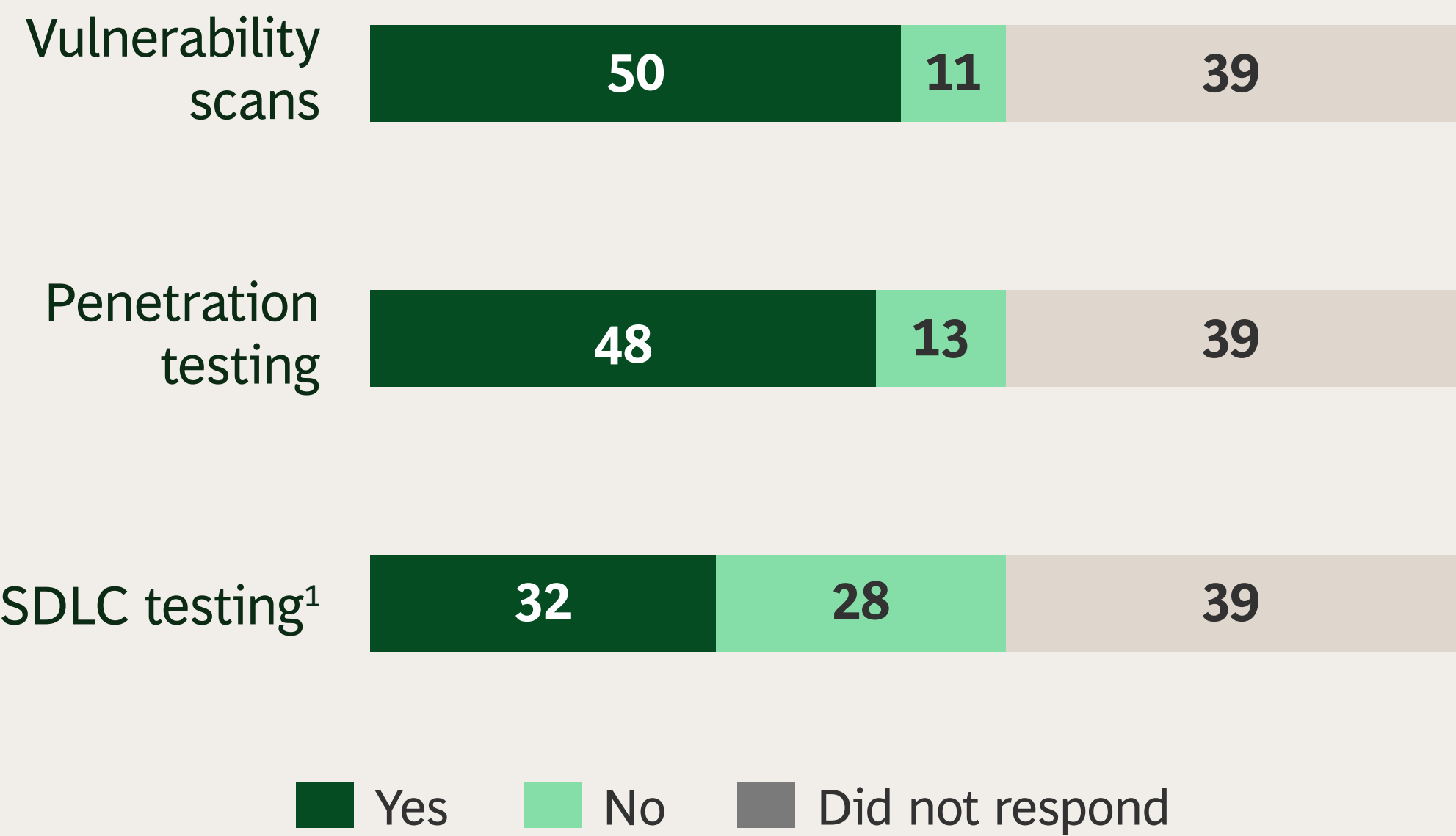
Half of EDCI companies are performing vulnerability scans and penetration testing, while 26% of companies conduct all 3 critical tests



Percentage with testing activities



Percentage testing each type



Sources: EDCI private company benchmark, September 2026; BCG analysis.
¹Software Development Life Cycle Testing.

Private equity investors should treat cybersecurity as a highly material portfolio value-protection priority

We recommend that GPs establish a minimum cyber resilience baseline across portfolio companies, tailored by sector, size, and risk profile

This baseline should include recurring cyber testing, evaluation of threats, and tracking of core KPIs

Portfolio company best practices include...

Prioritizing controls by material risks and effort • Prioritize value-threatening risks (including data leakage, social engineering, third-party exposure, and ransomware) while ensuring a minimum baseline • Address operational-system and third-party software dependency risk for operationally sensitive companies	Modernizing defense and response capabilities • Strengthen core capabilities across the cycle, including proactive awareness, testing, and response • Deploy AI selectively to accelerate detection, with humans in the loop • Develop threat intelligence and effectively prioritize and translate it into practical action	Direct cybersecurity spending toward value at risk • Prioritize investment in the data, systems, and business processes whose compromise or disruption would create the greatest value impact • Establish a tiered vendor management program based on vendor risk exposure and potential business impact
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Sources: BCG & GLG CISO Survey 4.0 (March 2026, Total N=302); Reframing Cybersecurity as Business Discipline, BCG.com, 2025; Cybersecurity at the Speed of AI Requires Synchronicity, BCG.com, 2026; A Synchronized Approach to Digital Risk, BCG.com, 2025; Why Cybersecurity Is a Board-Level Topic, BCG.com, 2025; BCG analysis.

Just half of EDCI GPs assess AI risks, and fewer provide risk guidance—even though engagement is correlated with faster revenue growth

50%

of GPs are currently assessing AI risks at their portfolio companies, with a further 30% planning to do so

46%

of GPs are currently providing their portfolio companies with risk management or guidance on the use of AI

+6pp

higher revenue growth in portfolio companies whose GPs are actively monitoring risks

AI Governance needs to become a core part of the PE value creation playbook, from diligence through ownership

AI governance is a new value creation muscle...

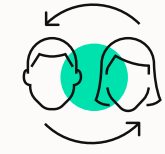
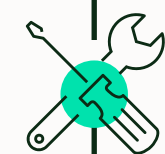
- Proactively assess AI risks and governance capabilities during due diligence
- Partner with portfolio companies to ensure that they have robust AI governance programs

...enabling GPs to engage portfolio companies on the building blocks that scale AI safely and accelerate value creation



1 AI Strategy and Policy

AI principles, risk appetite, approved use cases, escalation thresholds



2

Governance

Ownership, decision rights, review forums, roles and responsibilities, accountability, KPIs to track effectiveness and efficiency

3

Processes and controls

Approval, proactive testing, monitoring, human oversight, incident response

4

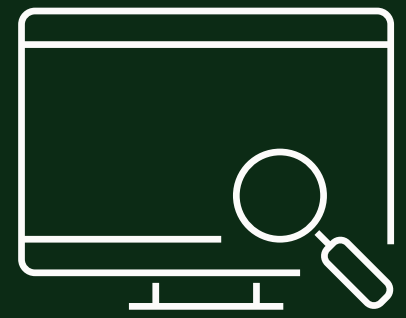
Technology and tools

Secure architecture, data controls, vendor standards, life cycle management, defense monitoring/alerting

5

Culture and capabilities

Training, responsibilities, adoption guardrails



The EDCI and our research

EDCI is operating at scale with ~10,000 portfolio companies, an emissions footprint and workforce comparable to those of large countries

Emissions of
entire UK¹

330 million

tons of CO₂e annually



Workforce of
Australia

14 million

FTEs²



Sources: Department for Energy Security and Net Zero, 2025 UK Greenhouse Gas Emissions: Provisional Figures, published April 2, 2026; Australian Bureau of Statistics, Labour Force, Australia, May 2025; BCG analysis.

¹UK territorial greenhouse gas emissions were provisionally estimated at 367 MtCO₂e in 2025. ²Australia's total employed workforce was approximately 14.7 million as of May 2025 (Australian Bureau of Statistics, Labour Force Survey, May 2025). The EDCI's 14 million FTE figure measures full-time equivalent roles, where part-time workers are counted fractionally based on hours worked, making it broadly comparable to Australia's total employed headcount.

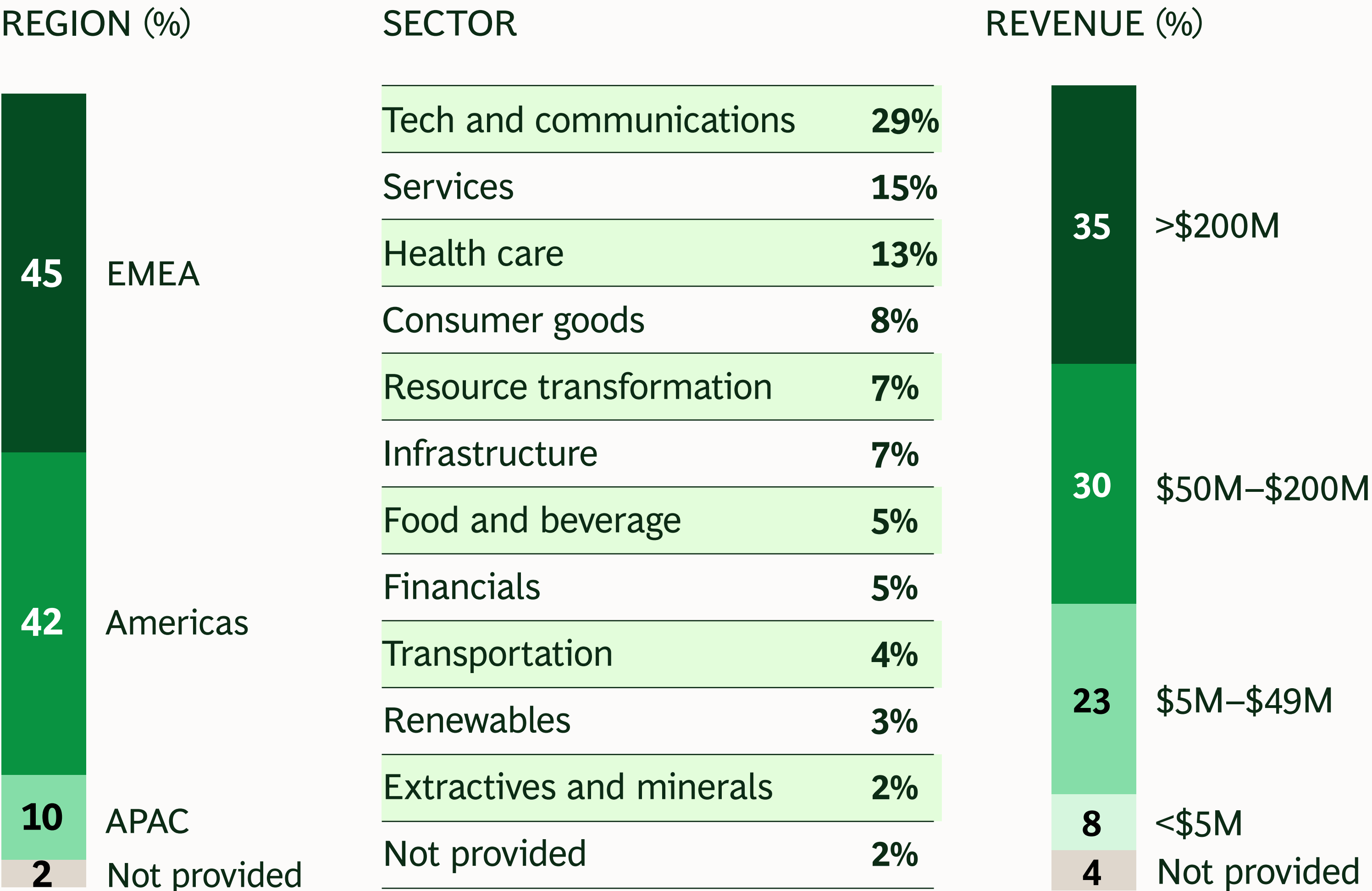
Methodology

To create the EDCI benchmark, participating GPs gathered sustainability metrics from their portfolio companies and shared them with BCG in its role as the initiative’s administrator. BCG’s Expand Research benchmarking team then reviewed and validated the data before aggregating it centrally into the final benchmark. The exhibit shows the distribution of the almost 10,000 participating portfolio companies by region, sector, and size.

The dataset for the publicly traded companies referenced in the report was drawn from nearly 10,700 public companies, with a comparable mix of regions, industries, and company sizes, sourced from Refinitiv.

If you are interested in learning more, please visit www.esgdc.org for information about the initiative, including membership benefits and how to participate.

Portfolio companies by region, sector, and size



Sources: EDCI private market benchmark data, September 2026; BCG analysis.
Note: EMEA = Europe, Middle East, and Africa. APAC = Asia-Pacific.