



Sustainability in Private Markets

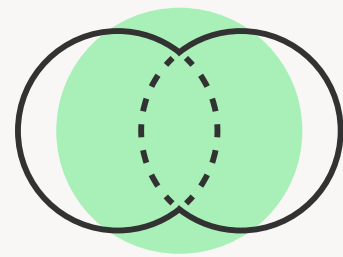
**How Staying the Course
Creates Value**

OCTOBER 2025



INTRODUCTION

Private markets continue to create value through sustainability initiatives



Increasing private market convergence on sustainability reporting

- BCG's **third annual report on sustainability in the private markets** draws on data from **9,000+ portfolio companies** and **320 general partners (GPs)** participating in the ESG Data Convergence Initiative (EDCI).
- This year's analysis of the wealth of data generated unlocks significant insights on the role of the **private markets in driving sustainable value creation.**



Private markets continue to drive progress during ownership period

- We observe that PE-held companies **continue to effectively drive progress on both the environmental and social fronts.**
- These companies are making **improvements during the ownership period** across metrics as diverse as decarbonization, renewable energy usage, and diversity.



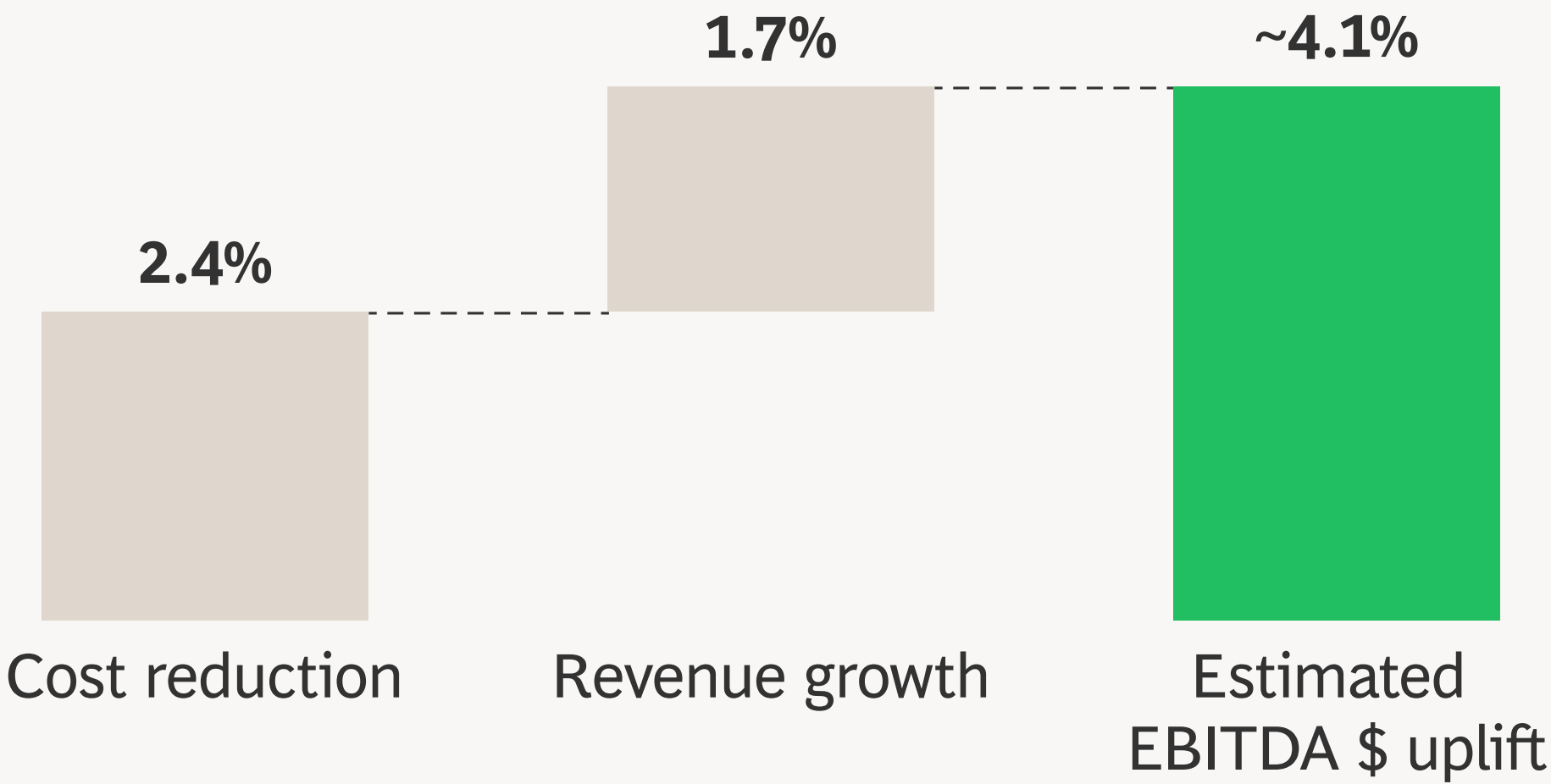
The resulting performance gains are real

- On average, EDCI member GPs observe **EBITDA increases of 4% to 7% from sustainability-linked initiatives** over the lifetime of an investment.
- Key areas of sustainability-linked value creation include **decarbonization and strengthening the employee experience, where efforts are driving cost savings, strengthening revenues, and reducing risks.**

GPs estimate that sustainability drives 4% to 7% in realized EBITDA growth over the hold period of their portfolio companies

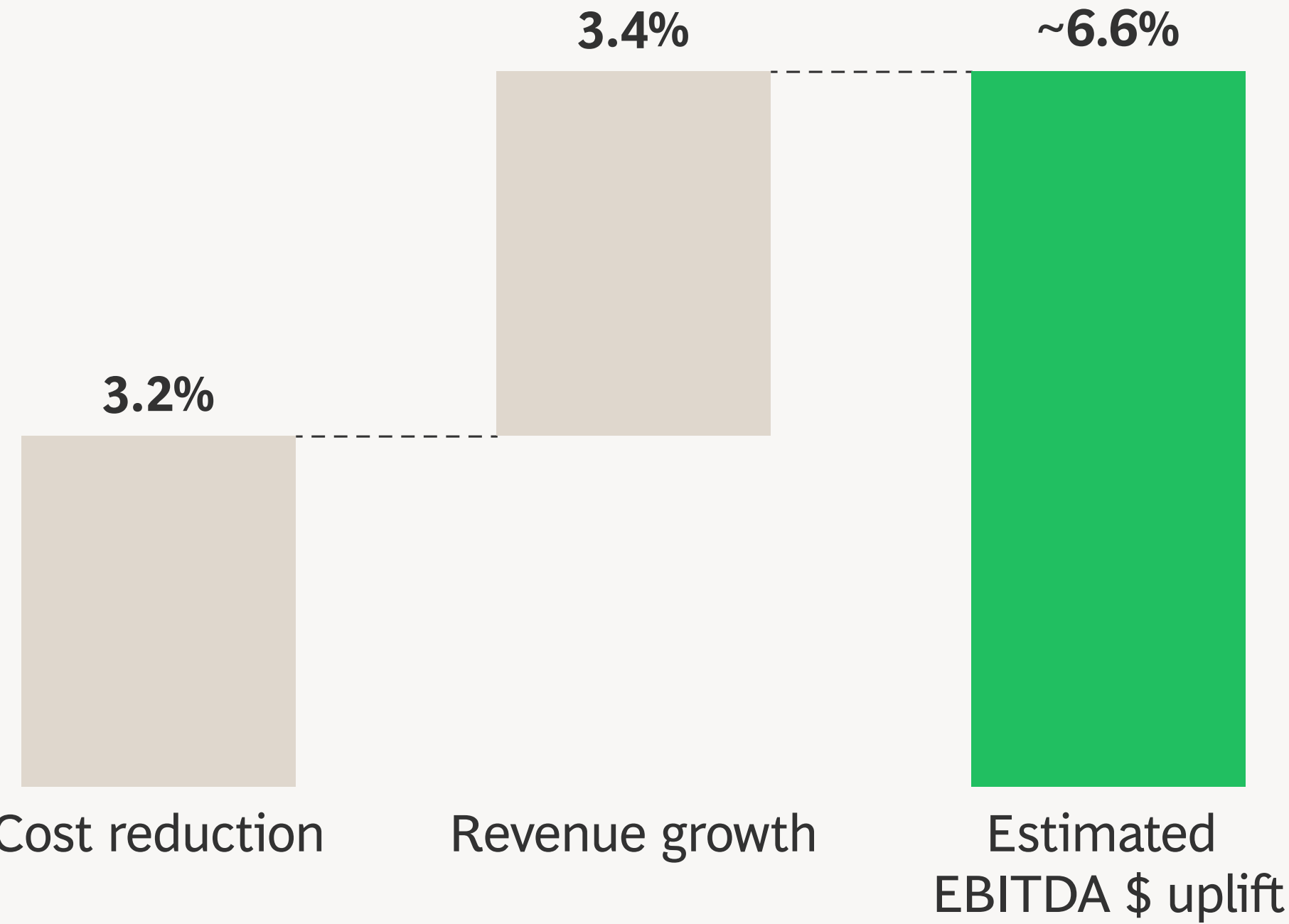
North America

AVERAGE EXPECTED WEIGHTED IMPACT OF SUSTAINABILITY EFFORTS ON FINANCIAL OUTCOMES (%)



Europe

AVERAGE EXPECTED WEIGHTED IMPACT OF SUSTAINABILITY EFFORTS ON FINANCIAL OUTCOMES (%)



Sources: EDCI 2025 annual member survey (n = 153); BCG analysis.
Note: EBITDA \$ uplift is an inferred estimate based on additive impact of revenue growth and cost reductions. Assumes revenue growth is on average margin-neutral with cost savings fully flowing through to EBITDA (will vary by portfolio company based off margin structure and actions taken).

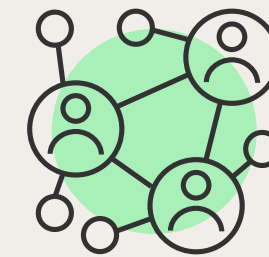
GPs that lead on sustainability can drive commercial outcomes across cost reductions, strengthened revenues, and reduced risks



Environmental outcomes

Driving emissions reductions, energy efficiency, and renewables uptake can lead to business outcomes

- **Cost savings** from energy and materials efficiencies, process upgrades, and lower energy rates
- Improved **revenue retention and growth** through increased market share, pricing, and “green growth,” especially where sustainability is a key purchasing criteria
- **Reduced exposure** to regulatory and transition risks, including compliance costs



Social outcomes

Improving employee satisfaction, safety, and retention can translate to measurable value

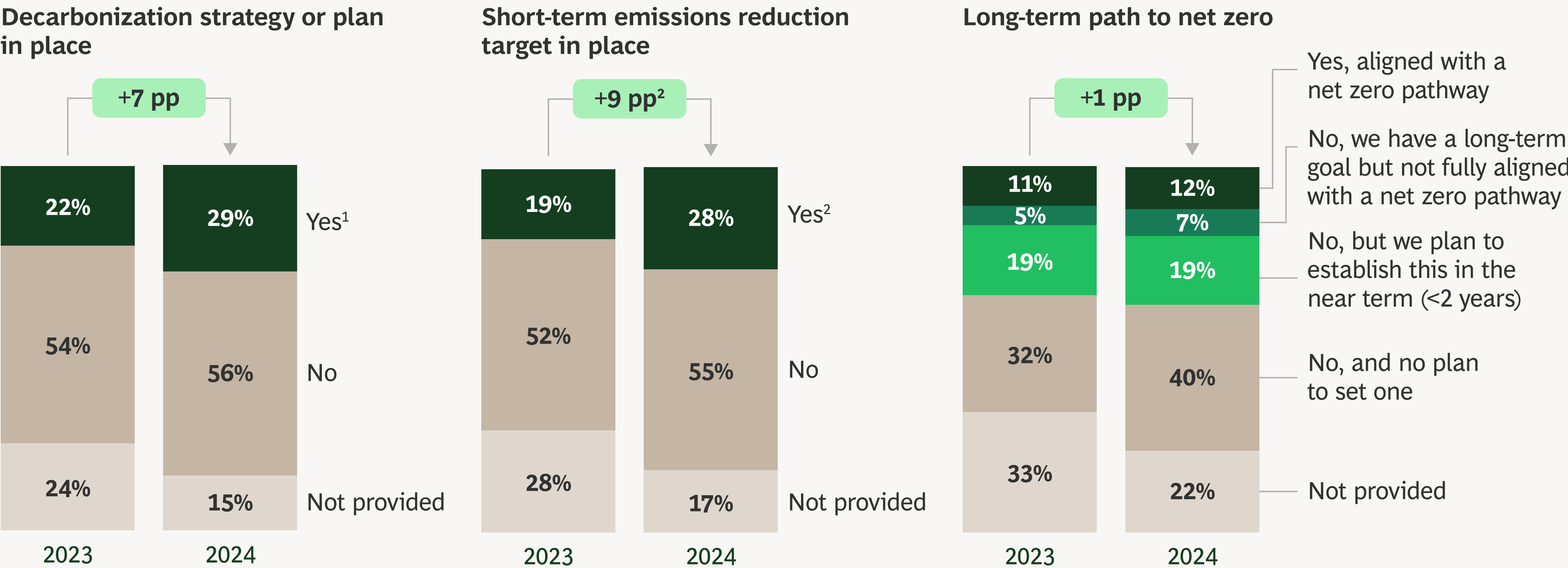
- **Reduced costs** for hiring, training, and temporary replacements
- Improved **employee productivity** and stronger performance from retained employees
- **Lower injury-related expenses**, such as insurance
- Enhanced reputation and **compliance**



Decarbonization

DECARBONIZATION

Private companies continue to make more progress in establishing decarbonization strategies than in committing to long-term net zero paths

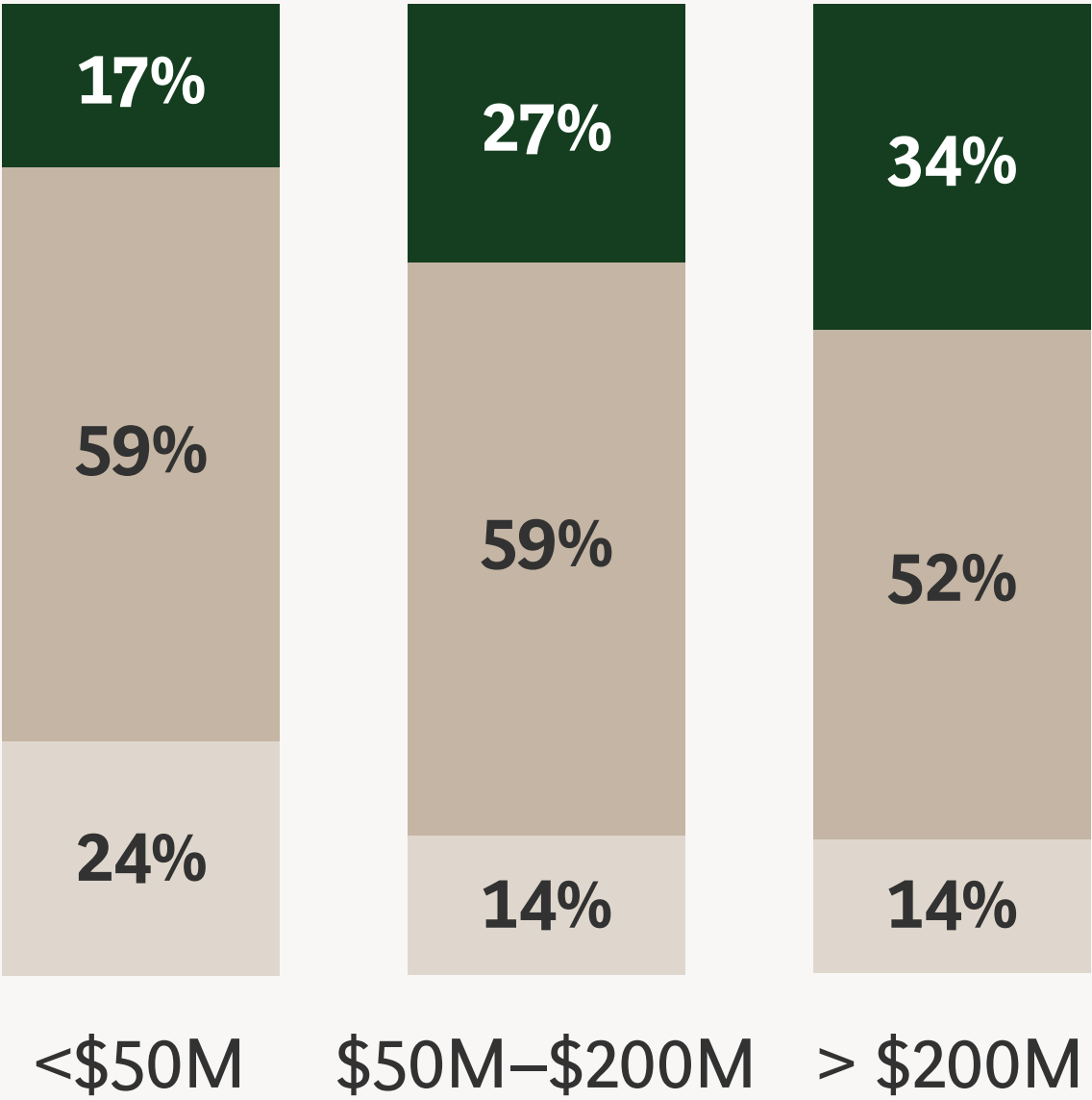


Sources: EDCI 2025 private market benchmark data, September 2025; BCG analysis.
¹Includes companies that have decarbonization strategies with and without board oversight.
²Includes both Paris-aligned and non-Paris-aligned targets.

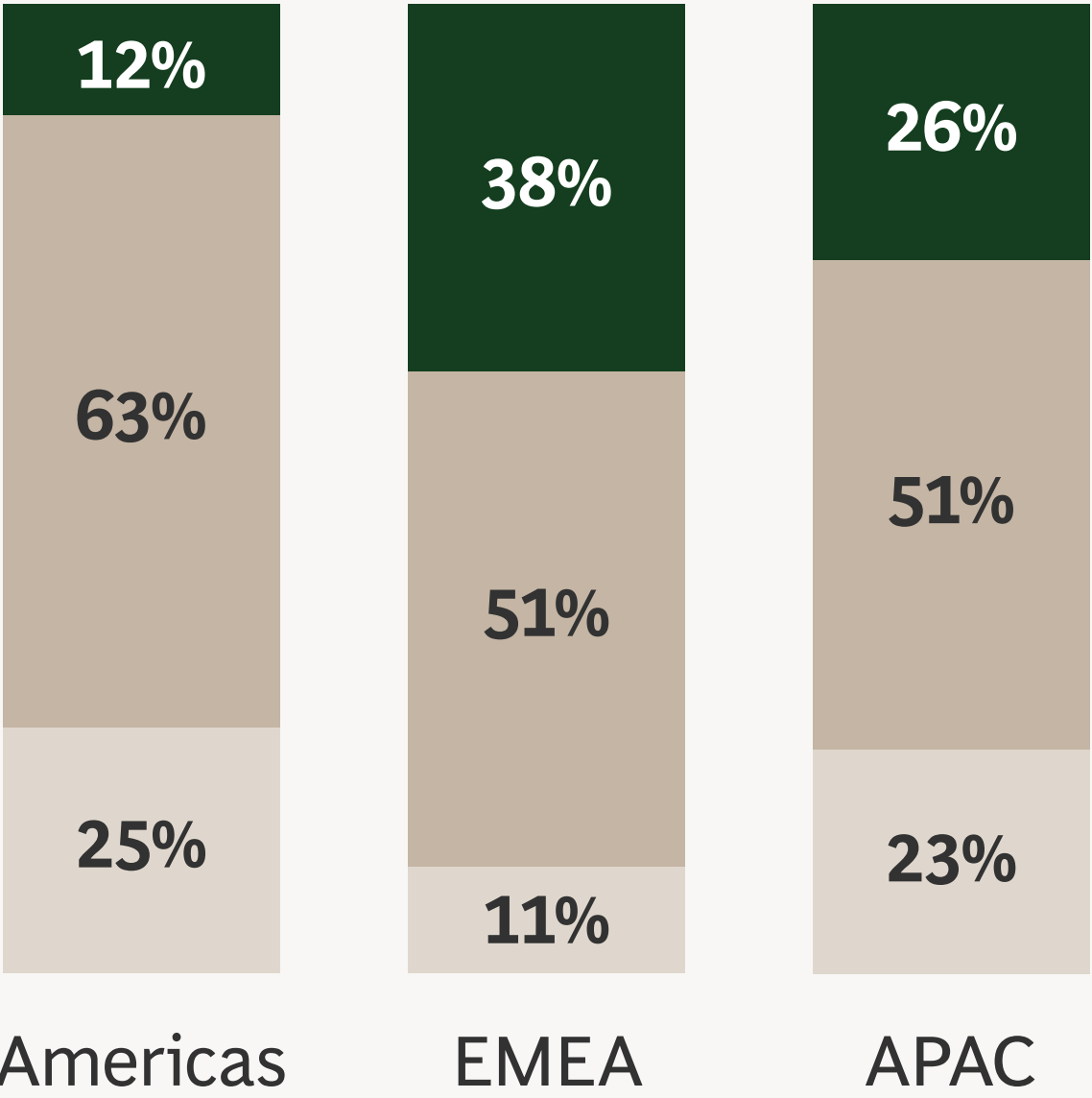
DECARBONIZATION

Larger portfolio companies, those based in Europe, and those later in ownership are more likely to have decarbonization strategies

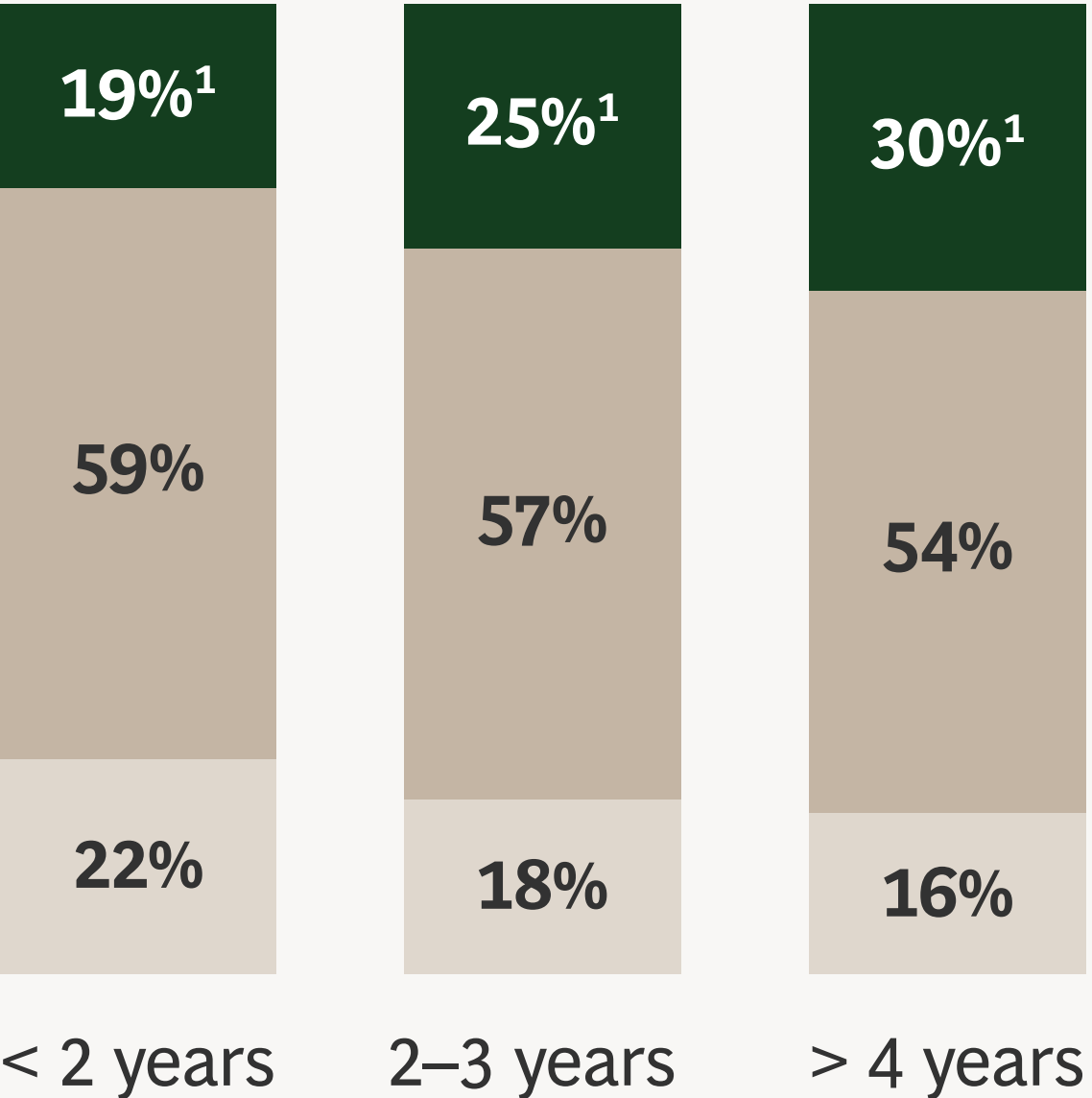
% OF PRIVATE COMPANIES WITH
DECARBONIZATION STRATEGY/PLAN
BY REVENUE, 2024¹



% OF PRIVATE COMPANIES WITH
DECARBONIZATION STRATEGY/PLAN
BY REGION, 2024¹



% OF PRIVATE COMPANIES WITH
DECARBONIZATION STRATEGY/PLAN
BY TIME IN HOLD PERIOD, 2024



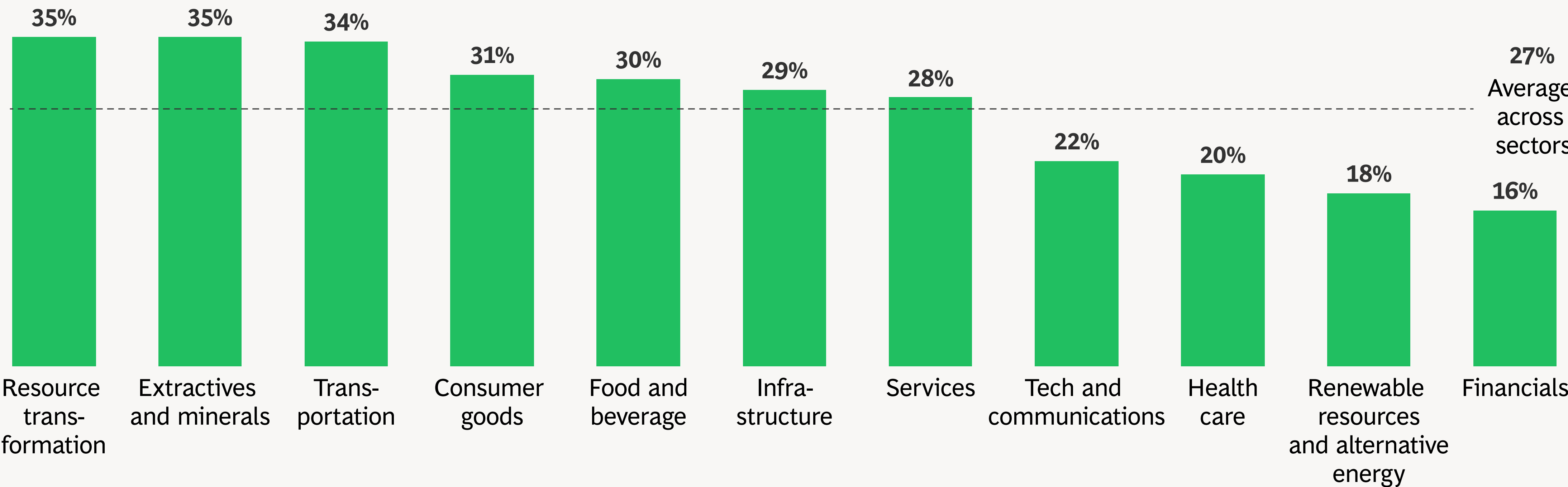
Not provided No Yes²

Sources: EDCI 2025 private market benchmark data, September 2025; BCG analysis.
Note: EMEA = Europe, Middle East, and Africa. APAC = Asia-Pacific.
¹Does not include companies that did not provide a region or size designation respectively.
²Includes companies that have decarbonization strategies with and without board oversight.

DECARBONIZATION

Sector adoption of decarbonization strategies varies, with higher adoption in sectors with more commercial pressure to decarbonize

% OF PRIVATE COMPANIES WITH A DECARBONIZATION STRATEGY IN PLACE BY SECTOR¹, 2024



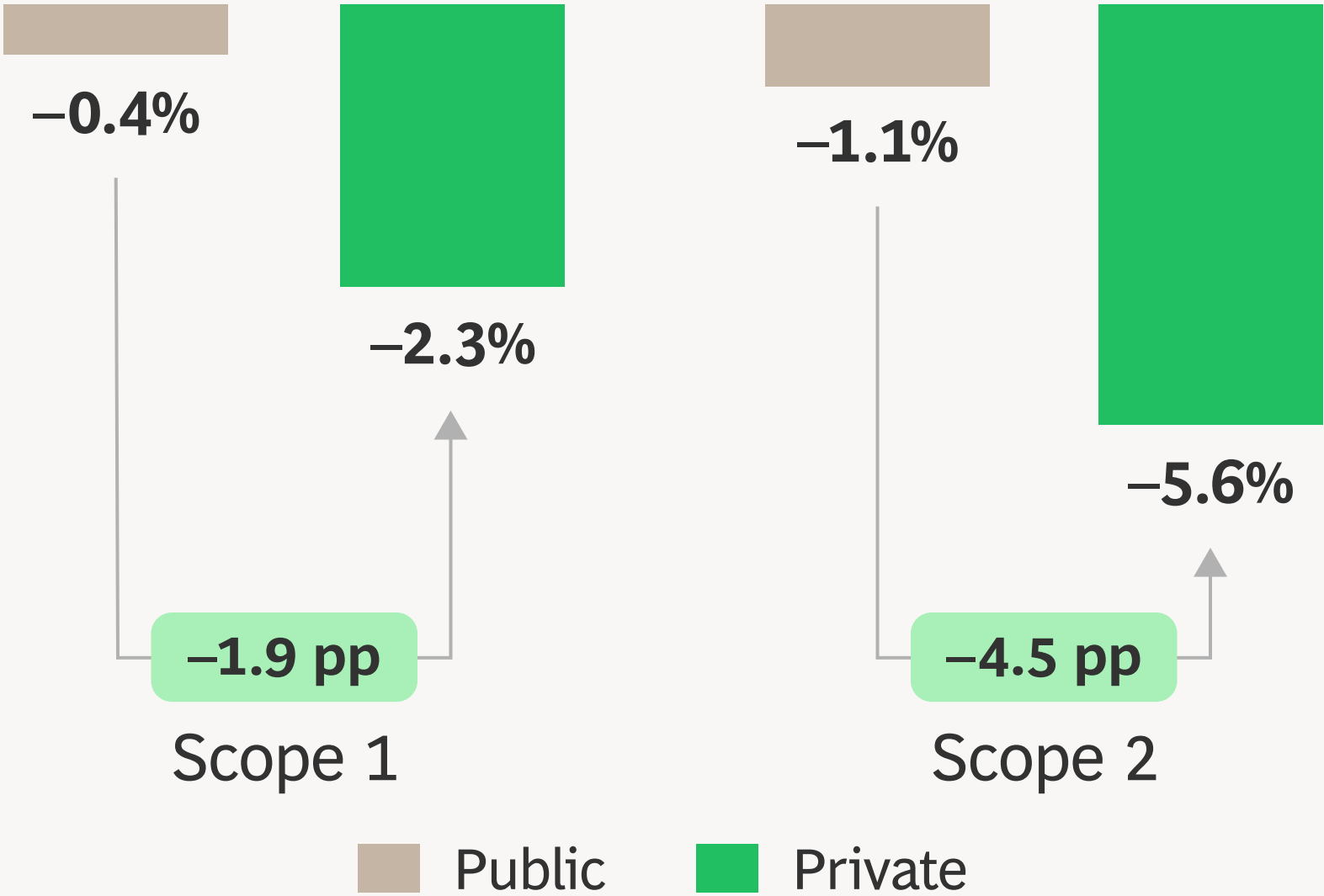
Portfolio companies in capital-intensive sectors with higher emissions, greater materiality, and regulatory scrutiny (e.g., resource transformation, extractives and minerals, transportation) are more likely to have decarbonization strategies

Sources: EDCI 2025 private market benchmark data, September 2025; BCG analysis.
¹Includes private companies that have decarbonization strategies with and without board oversight.

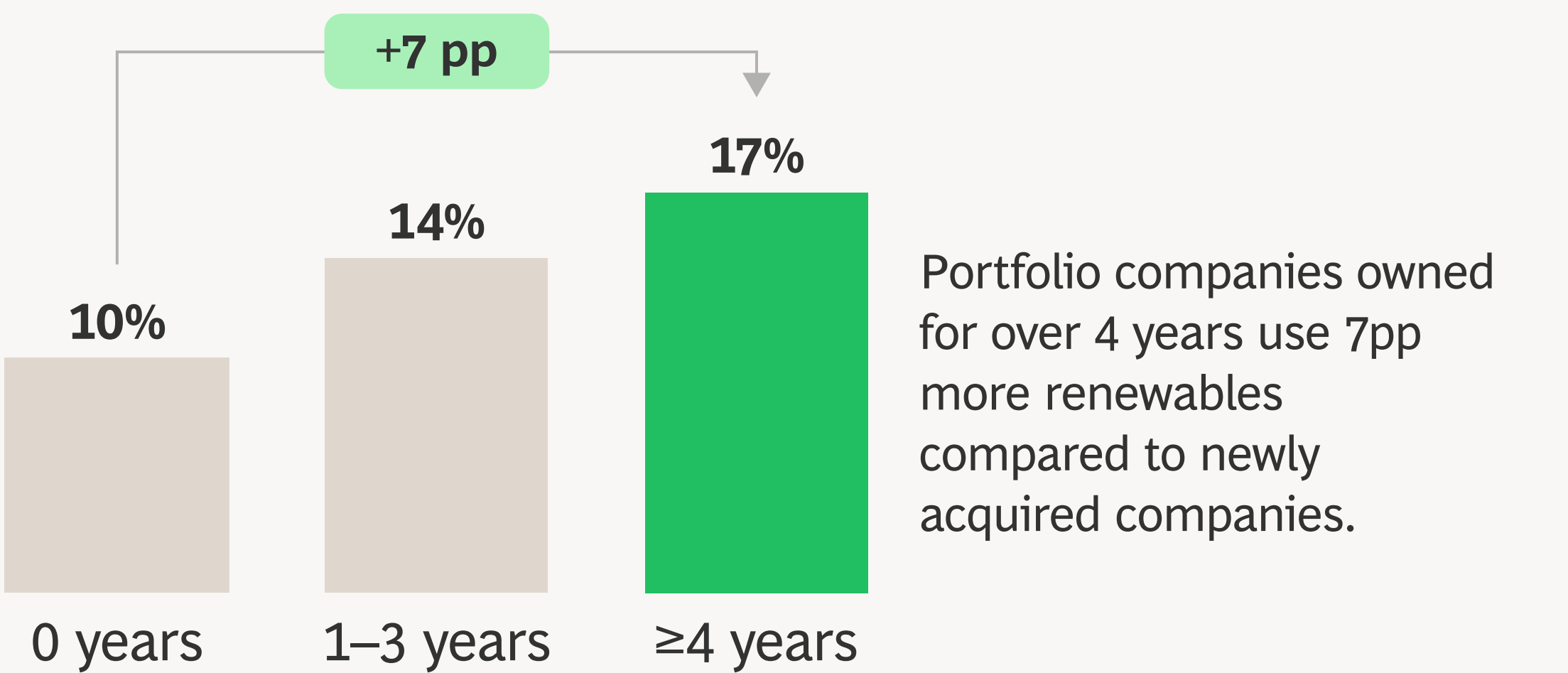
DECARBONIZATION

Private companies outpace public peers in decarbonization, due to the ability of private equity to grow renewables during ownership

MEDIAN CHANGE IN PUBLIC VS. PRIVATE SCOPE 1 AND 2 EMISSIONS INTENSITY, 2023 VS. 2024^{1,2}



MEDIAN PROPORTION OF PORTFOLIO COMPANY ENERGY USAGE FROM RENEWABLE ENERGY SOURCES, BY YEARS IN HOLD PERIOD, 2024



Private equity firms are well suited to driving climate and sustainability-enabled value creation due to **longer-term investment horizon** and **ability to constructively engage with portfolio company management**

Sources: EDCI 2025 private market benchmark data, September 2025; Refinitiv; BCG analysis.
¹Public market data pulled from Refinitiv.
²Includes all EDCI member private companies with more than \$5 million in annual revenues that reported emissions for both 2023 and 2024 using consistent methodologies.

DECARBONIZATION

Capturing value from targeted emissions reductions requires effective portfolio company engagement and four key success factors

1

Identify and prioritize high-ROI opportunities

Deploy portfolio-wide analytics such as emissions heatmaps, MACCs, and key benchmarks to help portfolio companies identify and **prioritize emissions reductions opportunities** with meaningful associated commercial value.^{1,2}

2

Embed efforts into value creation plans

Integrate emissions reduction initiatives into portfolio company strategy and **operational improvement plans**. Target cost savings, strengthened revenues, and risk reduction.

3

Support portfolio execution at scale

Provide guidance to portfolio companies on navigating **financing, policy incentives, and technical execution**, sharing playbooks with **best practices and key lessons** to accelerate implementation.

4

Set clear targets and accountability

For each portfolio company initiative, **assign overall targets** for emissions reductions and commercial impact. **Establish clear ownership and governance** mechanisms for delivery and tracking.

Sources: BCG analysis and client experience.

¹In addition to directly associated commercial value, some initiatives may offer “option value”—enabling deeper decarbonization and/or strategic flexibility in the future (e.g., upgrading electric infrastructure to enable deeper electrification of core processes in the future).

²GPs should support management to sequence initiatives in a capex-optimized manner, including prioritizing levers which will drive immediate benefits to “fund the journey” for deeper decarbonization.



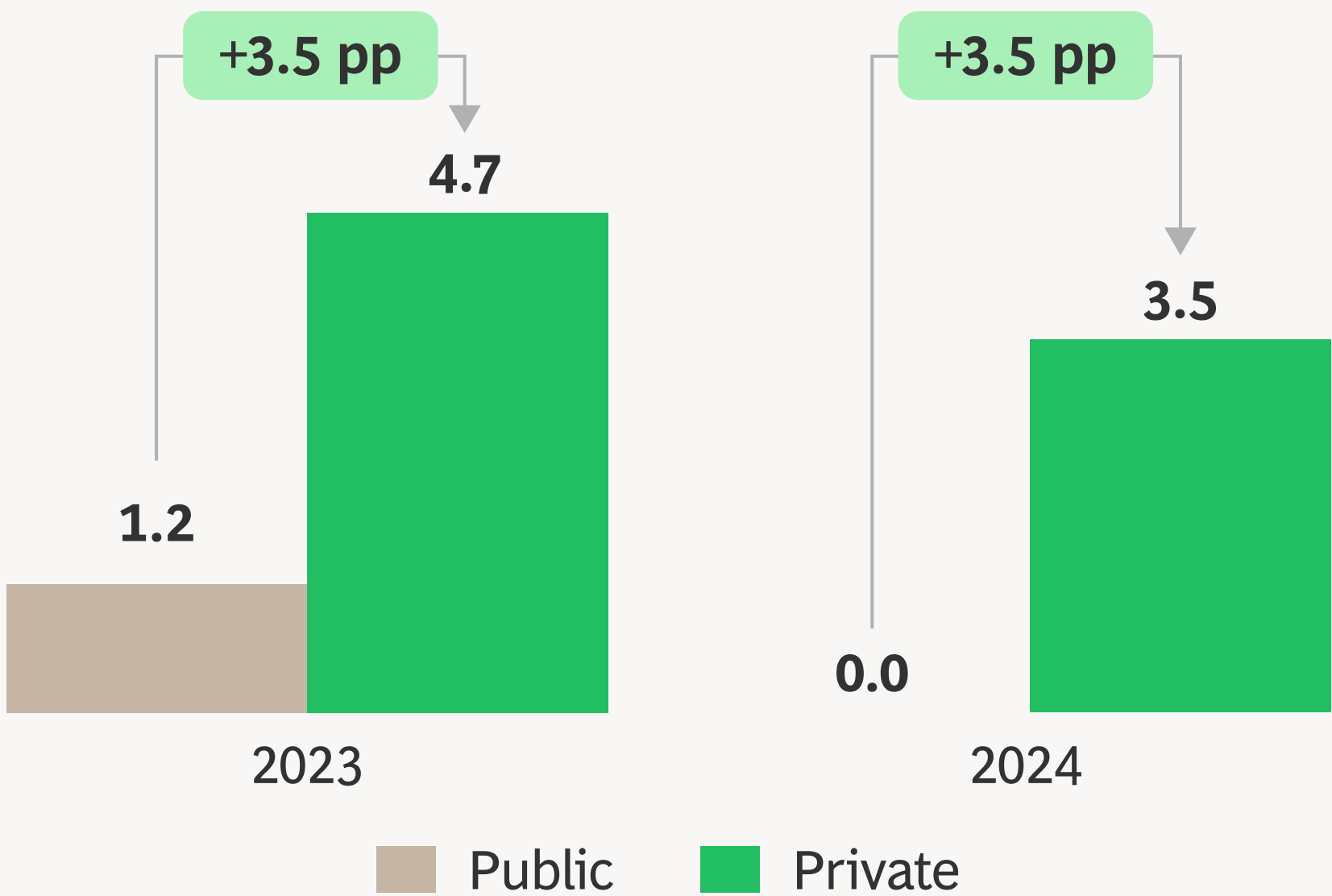
Employee
experience

EMPLOYEE EXPERIENCE

PE-owned companies have been making progress on social topics, including in overall job creation and bringing diverse perspectives to leadership

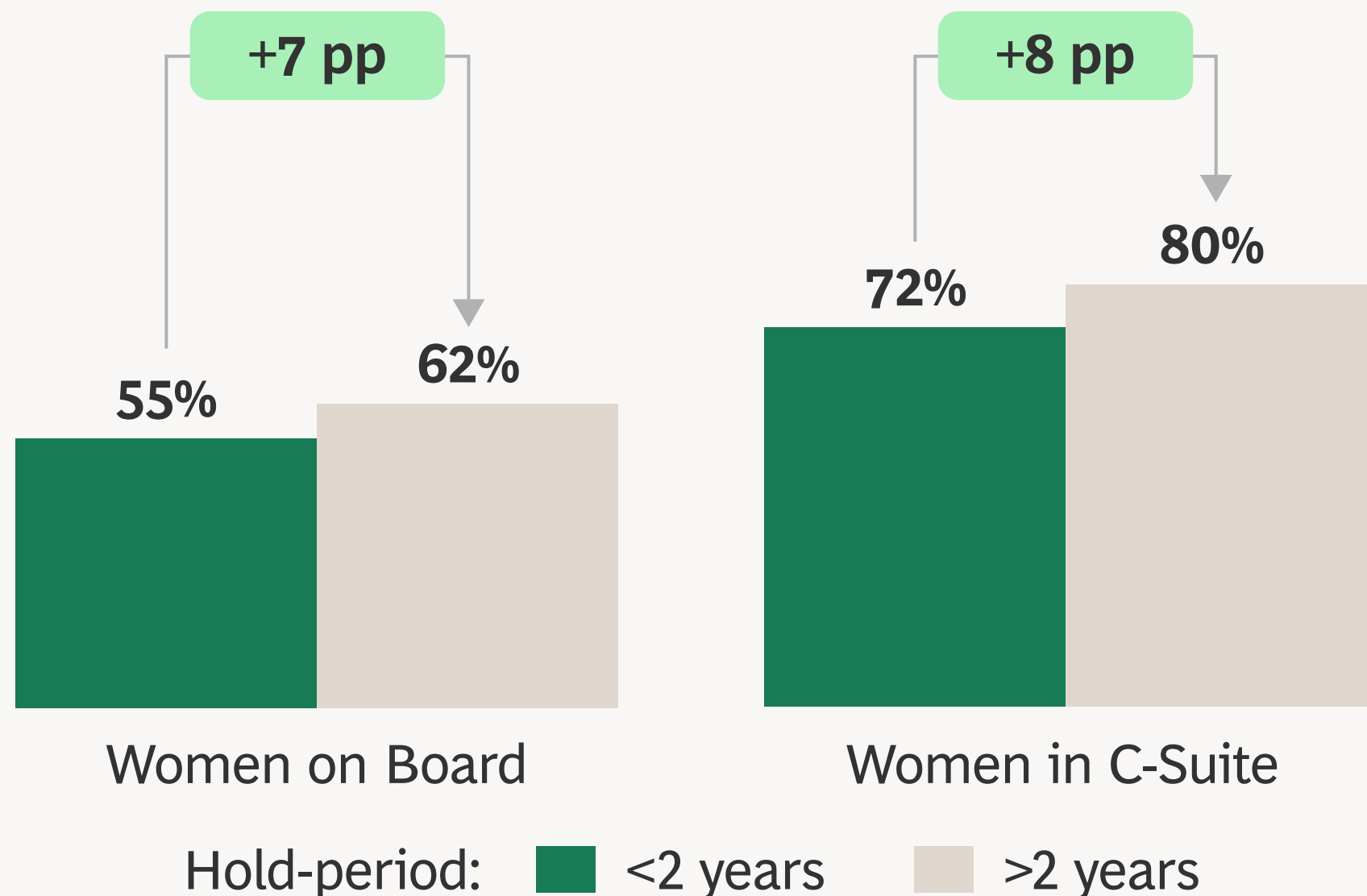
Private markets have continued to outpace public peers in job creation, despite economic headwinds...

MEDIAN TOTAL NET NEW HIRES PER 100 FTES, PRIVATE¹ VS. PUBLIC², 2023 VS. 2024



... and increased the prevalence of women in leadership roles over the hold period

% OF PRIVATE COMPANIES WITH AT LEAST 1 WOMAN ON THE BOARD OR IN THE C-SUITE³



Sources: EDCI 2025 private market benchmark data, September 2025; Refinitiv; BCG analysis.

¹Analysis includes buyout companies only.

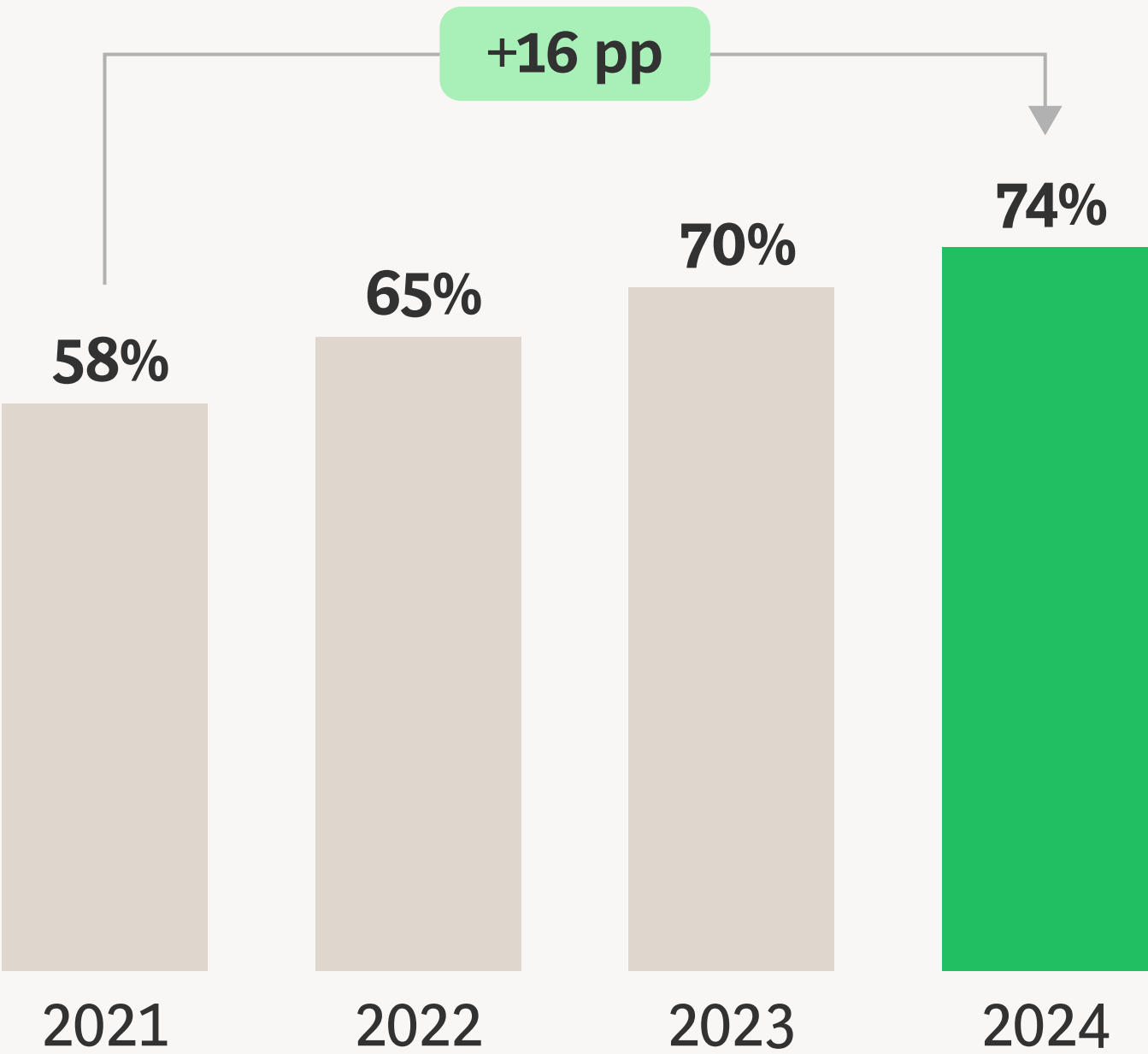
²Analysis of net new hires for private and public markets includes impact from M&A transactions as there is no breakout of inorganic new hires in the public market data.

³Private companies continue to be less likely to have at least 1 woman on the board (–31 pp) but are more likely to have at least 1 woman in the C-suite (+10 pp).

EMPLOYEE EXPERIENCE

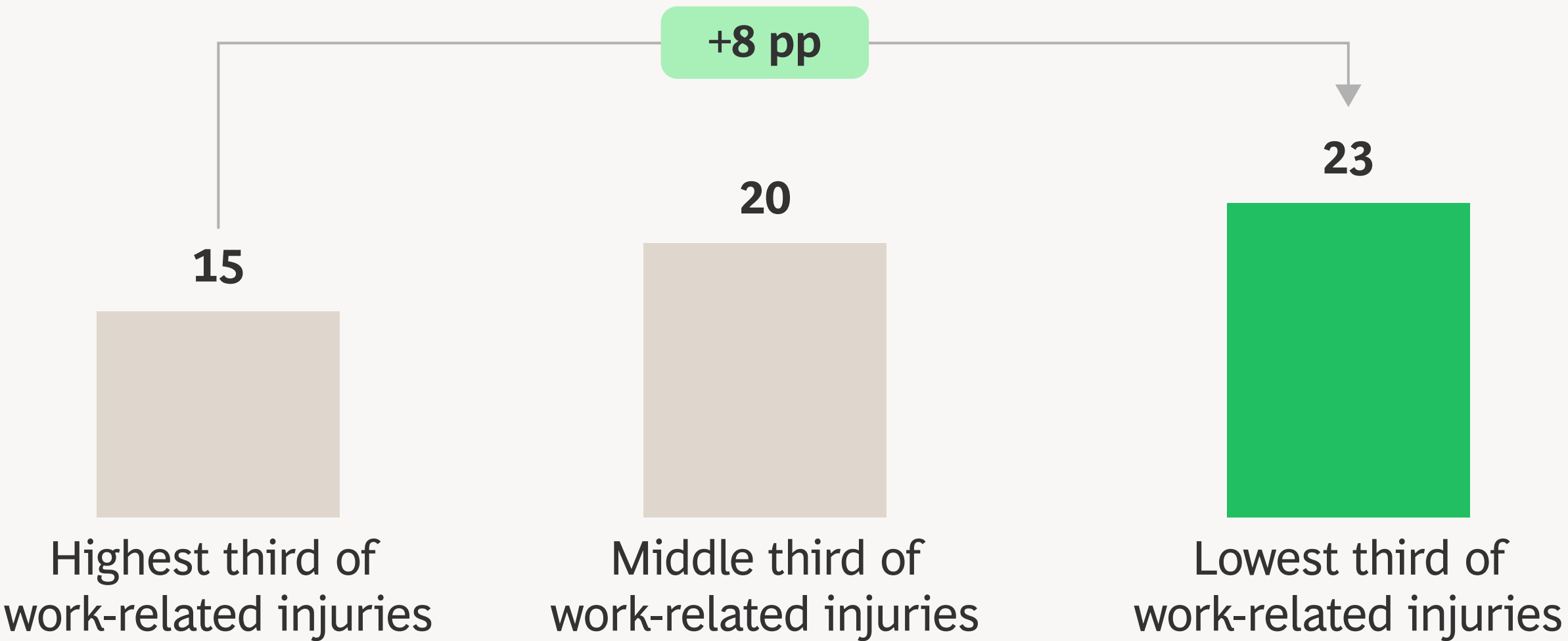
Private equity is increasingly focused on the employee value proposition, with key linkage identified between injuries and employee satisfaction

% OF COMPANIES WITH EMPLOYEE SURVEY COVERAGE BY YEAR



Employees who work for private companies with safer work environments tend to be more satisfied

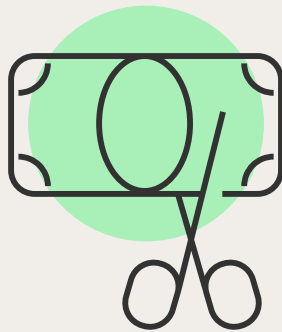

EMPLOYEE SATISFACTION (ENPS) BY WORK-RELATED INJURY (WRI) PERCENTILE FOR TOP 7 SECTORS WITH HIGHEST INJURY RATES¹, 2024



Sources: EDCI 2025 private market benchmark data, September 2025; BCG analysis.
Note: eNPS = Employee Net Promoter Score.
¹Sectors where work-related injuries are the highest and most material include Consumer Goods, Food and Beverage, Infrastructure, Resource Transformation, Transportation, Extractives and Minerals Processing, and Health Care.

EMPLOYEE EXPERIENCE

Strong employee value propositions can lead to real commercial benefits, including reduced costs and greater employee productivity

Value lever	Rationale for value creation	Supporting evidence
 <p>Reduced costs</p>	<ul style="list-style-type: none">• Reduced employee attrition can decrease costs for hiring, training, and the need for temporary replacements• Improved safety can reduce injury-related expenses such as insurance	<p>↓ 50%</p> <p>Average reduction in rate of employees looking for a new job among those with high vs. low job enjoyment¹</p>
 <p>Improved employee productivity</p>	<ul style="list-style-type: none">• Employees with increased satisfaction are more highly motivated to perform• Reduced attrition typically increases the retention of more tenured, productive employees	<p>↑ +7 pp</p> <p>Average increase in revenue growth rates among EDCI member companies in top third of employee satisfaction (eNPS) vs. bottom third²</p>

Sources: EDCI member interviews, BCG “Making Work Work;” BCG analysis.

Note: eNPS = Employee Net Promoter Score.

¹BCG “Enjoying Work Matters More Than You Realize,” 2024.

²EDCI 2025 private market benchmark data.

EMPLOYEE EXPERIENCE

BCG research shows that “enjoying work” can reduce turnover by 50%, but most companies overlook their employees’ emotional needs

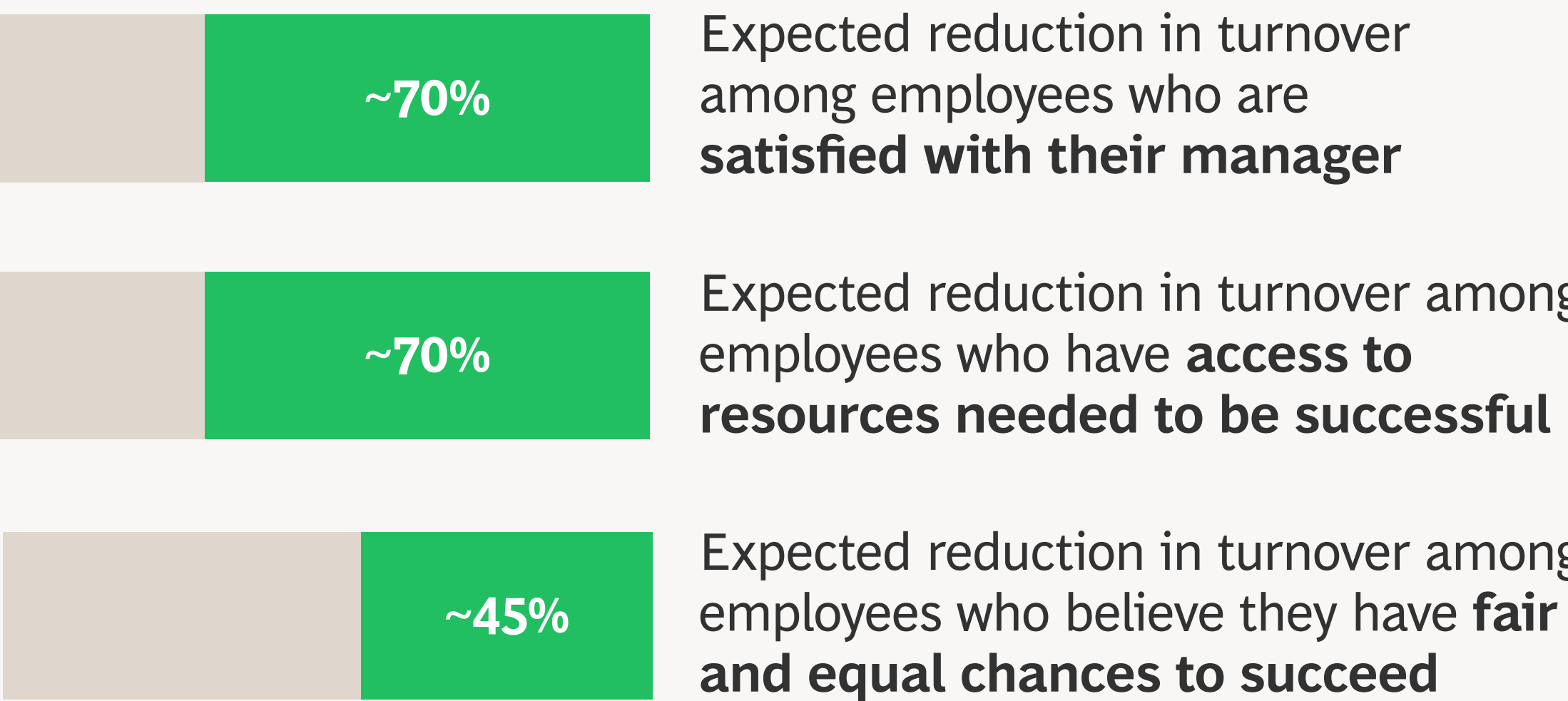
Why enjoying work matters

BCG’s research and client experience shows that compared to employees with “low job enjoyment,” those with “high job enjoyment” are . . .



Where companies should focus to reduce attrition

While most companies tend to focus more on functional needs (such as pay, flexibility, and benefits), they often underinvest in emotional needs which most influence whether existing employees will stay



Sources: BCG “[Enjoying Work Matters More Than You Realize](#),” 2024; BCG “[Deskless Workers Want to Enjoy Their Work, Too](#),” 2024; BCG client experience.

EMPLOYEE EXPERIENCE

Creating value from improving employee outcomes requires effective engagement between GPs and management teams

Opportunities for GPs to drive change in portfolios...

1

Identify where to focus across the portfolio

- Use data to benchmark employee experience (such as eNPS, turnover, and safety)
- Pinpoint companies and employee populations with greatest opportunities for improvement

2

Size the value-creation potential

- Quantify the upside from closing gaps to peers using commercial levers like avoided turnover, increased motivation, productivity improvements, and savings from fewer injuries

3

Enable repeatable action at scale

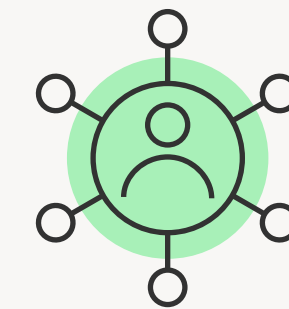
- Share best practices and playbooks for common levers (such as improved onboarding and manager development)

... and to support management in embedding key enablers for creating employee-centric organizations



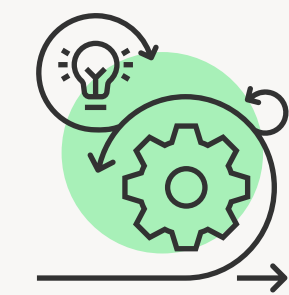
Use deep data analytics to understand the employee experience

- Leverage data and analytical tools to measure, benchmark, and track the employee experience



Personalize improvements through employee segmentation

- Tailor employee value proposition to specific pain points by role type, archetype, and/or by stage of employee lifecycle



Test and scale interventions that improve employee experience and commercial outcomes

- Efforts include increased engagement, satisfaction, and safety

Sources: EDCI member interviews; BCG experience.

Note: eNPS = Employee Net Promoter Score.

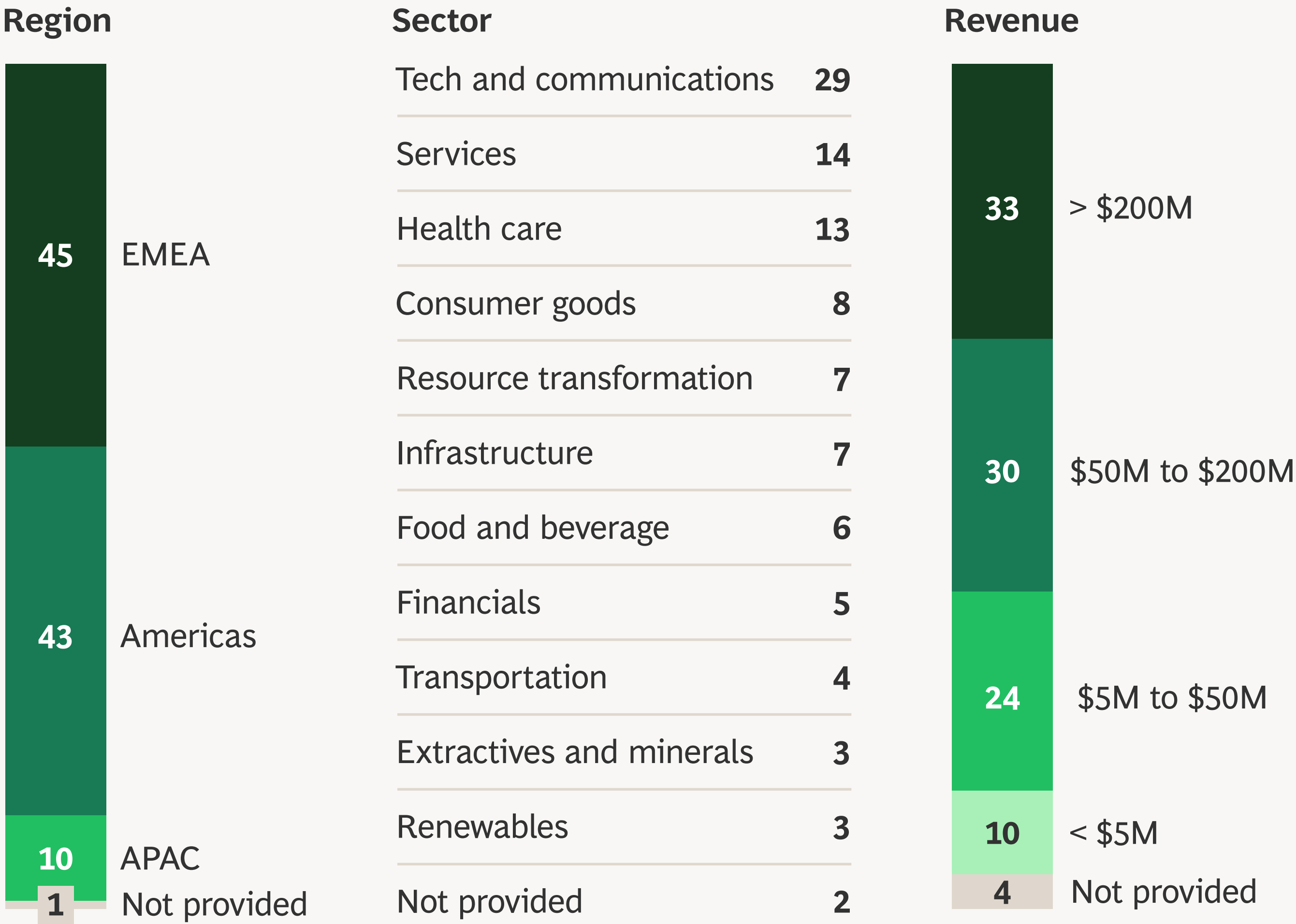
Methodology

To create the ESG Data Convergence Initiative (EDCI) benchmark, participating GPs gathered sustainability metrics from their underlying portfolio companies and shared them with BCG in its role as the benchmarking partner to the initiative. 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 more than 9,000 participating portfolio companies by region, sector, and size.

The data set for the publicly traded companies referenced in the report was drawn from more than 6,700 public companies, with a comparable mix of regions, industries, and company sizes, sourced from Refinitiv.

If you are interested in learning more, please visit the [EDCI website](#) for information about the initiative, including membership benefits and how to participate.

PORTFOLIO COMPANIES BY REGION, SECTOR, AND SIZE (%)



Sources: EDCI 2025 private market benchmark data, September 2025; BCG analysis.
Note: EMEA = Europe, Middle East, and Africa. APAC = Asia-Pacific.