

2022

Sustainability Report

novata



Letter from Novata's Chief Sustainability Officer

As a Delaware Public Benefit Corporation ("PBC"), Novata's mission and commitment to a beneficial public purpose are set forth in our charter, requiring our corporate decisions to balance the interests of all our stakeholders.

This is Novata's first annual sustainability report. It describes the public benefit we have created, along with how we seek to provide public benefits in the future. The report lays out our progress towards the mission and goals stated in our PBC documents, our challenges, and future opportunities.

Novata's mission is to empower private markets to achieve a more sustainable and inclusive form of capitalism. We make it easy for private markets to collect, analyze, and report the metrics that matter. We focus on the private markets because they account for the majority of the world's economic

activity. Although estimates vary, the order of magnitude is clear: there are over 300 million private companies in existence as of July 2023, relative to around 50,000 public ones.

“
Thousands of
companies depend on
Novata to shed light
on some of their most
important data.”

Yet, there are very few disclosure requirements for the private markets. As a result, the main vector of capital flows is often opaque when it comes to stakeholders seeking to assess a company's material, non-financial dynamics. In order to address

the global effects of climate change, assess workers' conditions, and evaluate progress on corporate governance—to pick just a few critical issues—it is imperative that companies and investors be empowered to collect, analyze, contextualize and report ESG data in the private markets.

To facilitate the efficient collection of ESG data, Novata has developed state-of-the-art software that makes it easy for companies, and their owners, to calculate material ESG data. To enable analysis and the contextualization of the data, Novata has built a powerful suite of analytical tools and provides the broadest set of ESG benchmarks in the private markets. To enable reporting, Novata makes it easy to create ESG reports and provides a suite of services to support our clients in conveying key insights to stakeholders, ranging from regulators to customers.

We are still early on our journey, but our pace is accelerating rapidly. Today, less than two years after our launch as a company, and just over one year from our commercial product release, thousands of companies depend on Novata to shed light on some of their most important data.

Thank you for reading our first annual sustainability report. We welcome your feedback and partnership in the coming months to support the work we are leading on disclosure, education, and incentivizing a race to the top in the private markets.

Sincerely,



Lorraine Wilson
Chief Sustainability Officer
Novata

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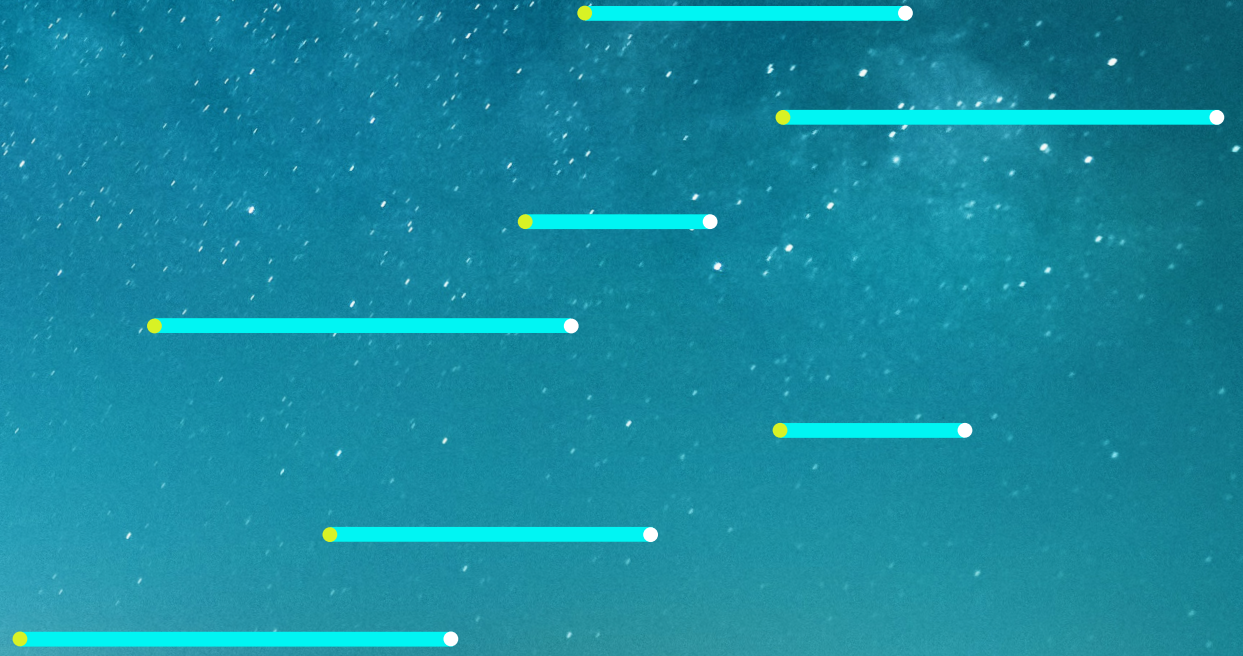
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01

Company Profile

Operations

Industry Recognition



Company Profile

As set forth in its Certificate of Incorporation, Novata’s public benefit purpose is to provide enhanced transparency of the environmental, social and governance (ESG) attributes of private companies through the creation of a contributory database for General Partners and their portfolio companies.

Novata’s public benefit purpose commits the company to provide access to reliable high-quality, standardized ESG data that

can be used for benchmarking analyses, and to make improvements in ESG programs at private companies. Together, Novata’s data management, analytics, and benchmarking capabilities enable private companies and their owners to manage their impact on society. Novata believes that clear, consistent and robust measurement of company ESG performance is a prerequisite for creating an economy that works for everyone.

Novata’s 2021 \$21m Series A funding round represented one of the largest initial financings for a public benefit corporation. Novata works together with its consortium of philanthropic and for-profit leaders focused on social justice, financial performance tracking, and private markets. Our collective visions have driven our mission to empower private markets to achieve a more sustainable and inclusive capitalism.

CONSORTIUM

As of December 31, 2022, Novata’s consortium of major [investors](#) included:

 Ford Foundation

 S&P Global

 Hamilton Lane

 OMIDYAR NETWORK

 NOVATA FOUNDERS

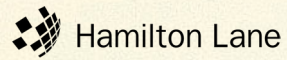
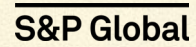
In addition, several of Novata’s general partner advisors—The Vistria Group, Clearlake Capital Group and Kohlberg & Co.—made investments in support of Novata.

S&P Global (NYSE: SPGI), Hamilton Lane (NASDAQ: HLNE)

\$32M
Series B

SERIES B

Novata closed a Series B funding round of approximately \$32m in 2023, with funds received from:



S&P Global (NYSE: SPGI), Hamilton Lane (NASDAQ: HLNE), Microsoft (NASDAQ: MSFT)

Operations

Novata is a privately held company with headquarters in New York City.



Industry Recognition



SPOTLIGHT



WOMEN'S AWARENESS INITIATIVE

In 2022, Novata became a signatory of the [Women's Awareness Initiative \(WAI\)](#), which aims to increase gender diversity in the asset management industry.

Novata has built relationships throughout the ESG ecosystem, with a focus on advancing progress on the metrics that matter.



NETWORK
20/20

The [Network 20/20](#) "Global Innovators Award for Governance and Institutions" recognizes organizations that promote solid and sound governance and institutions, through innovative use of technology, training, or other means. This award is a testament to Novata's commitment to empower private markets to achieve a more sustainable and inclusive form of capitalism.



PRIVATE EQUITY WIRE
US AWARDS 2022

Best ESG Solution Provider - **Novata**

Novata received the [Private Equity Wire](#) "2022 Best ESG Solution Provider." The awards from this organization recognize excellence among private equity fund managers and service providers in the US across a wide range of categories.

**-THE-
DRAWDOWN**

Additionally, Novata received [The Drawdown's](#) 2023 "Technology: ESG" award in the Service Category.

02

Introduction to Policies, Goals, & Strategies

Our Corporate Values

B Corp Certification

Our Use of ESG Standards



Our Corporate Values

We strive to embed integrity, togetherness, agility, and longevity in the way we work with each other, our clients, and our ecosystem of partners. We believe that the

incorporation of these values allows for mindful growth and progress, keeping our mission at the forefront of all we do.

INTEGRITY

We abide by the highest ethical standards of professionalism and human decency.

TOGETHERNESS

We are the sum of all our parts: every individual is celebrated for being who they are.

AGILITY

We foster the courage to change and work cohesively to implement shifts.

LONGEVITY

We are built to last in our purpose to serve the long-term mission of creating a more inclusive form of capitalism where value and success are more than just commercial.



B Corp Certification



Novata selected the B Corp standard, a performance based standard, as the right marker for demonstrating our commitment to a more inclusive form of capitalism.

B Lab, the organization which manages the standard, is the nonprofit network transforming the global economy to benefit all people, communities, and the planet. Novata submitted its B Impact Assessment in February 2023.

After a rigorous verification process, Novata received a validated score of 102.9 and became a Certified B Corp. This designation means Novata has reached the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose. The details of the assessment will be made publicly available on B Lab’s website later this year.

Our Use of ESG Standards

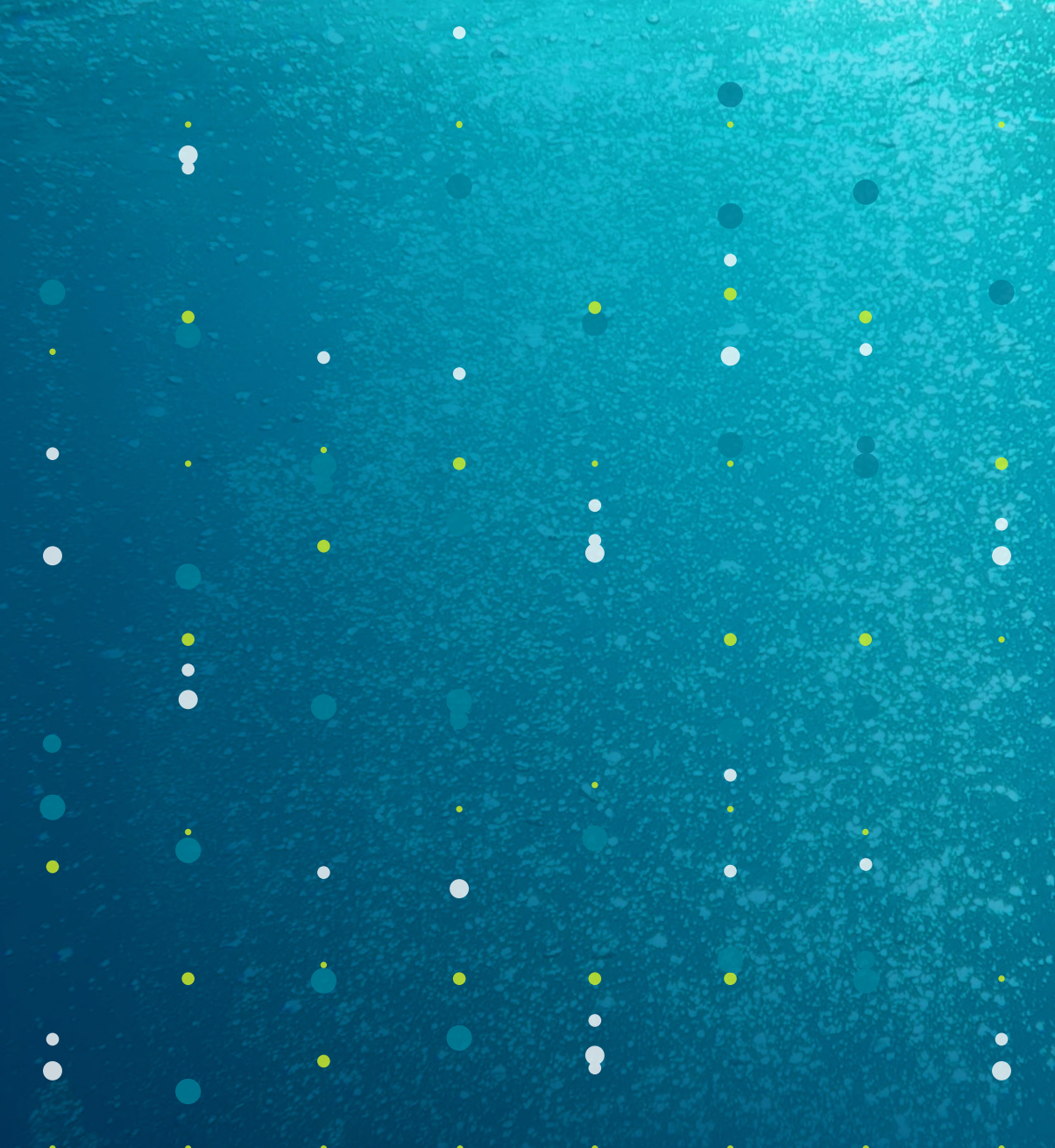
Novata builds on the efforts of leading standard and framework organizations in the ESG reporting ecosystem, such as the International Sustainability Standards Board (ISSB). Guided by the leadership of these organizations, companies have made major strides in voluntary reporting

on ESG-related issues. In Section 04 of this report “Performance & Progress: Efforts to Enhance Transparency and Quality of ESG Reporting and Data Standards” we outline the additional ESG standards that informed our metric library.

03

Case Studies & Stories

Service Overview for Private Equity Firms & Portfolio Companies



OVERVIEW

Novata's software platform [launched commercially](#) on April 4, 2022. Novata segments users into two main categories: data requesters and data providers. Novata also has formed strategic partnerships with a variety of leading industry providers and works closely with our General Partner Advisory Committee.

DATA REQUESTERS

Data requesters own the commercial contract and pay an annual subscription to utilize Novata's platform. Contracts are typically structured as a base annual fee with an incremental fee for each data provider. In addition to the main use case, private equity, additional use cases include: private credit, venture capital and limited partners.

DATA PROVIDERS

Novata's data providers leverage the platform in order to complete ESG framework report requests from Novata's primary customer, data requesters. The data requester can analyze and export ESG data collected from the data providers.

General Partner Advisory Committee



Partners



CASE STUDY A

Mid-Market Buyout & Growth Equity Firm

A mid-market buyout and growth equity firm collected data across their technology and healthcare-focused portfolio. This firm has previously collected ESG metrics ad-hoc. This was their first annual report.

Data Collection

FRAMEWORKS USED

- Novata Advanced Framework consists of ILPA ESG DCI metrics + additional metrics across Environmental, Social, and Governance
- 2–3 qualitative metrics were added to the platform

REQUESTS

Same framework requested across entire portfolio

Fulfillment Rates



COMPANY RESPONSE RATE

- 94% completed report



METRIC FULFILLMENT RATE

- 72% completed responses
- 28% elected not to report

CASE STUDY B

Private Credit Firm

A private credit (non-control) firm collected data from their diversified portfolio across both the US and Europe.

Data Collection

FRAMEWORKS USED

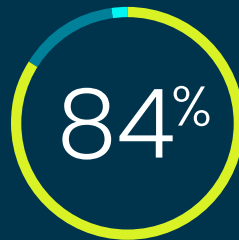
- 32 metrics across ESG, Policy, Process, and Performance areas
- 3 custom metrics used
- Frameworks differed slightly between US and EU funds

Fulfillment Rates



BORROWER ENGAGEMENT

- 94% completed report



METRIC FULFILLMENT RATE

- 98% report completion
- 84% metrics reported
- 14% elected not to report



Novata helped us learn more about ESG metrics. The data collection can be very useful in **comparing where you are as a business** within a smaller group of like businesses.

Borrower Quote

04

Performance & Progress

Efforts to Enhance Transparency & Quality of ESG Reporting & Data Standards



PRODUCT USABILITY

Novata’s ESG data collection platform is both intuitive and informative. Novata’s aim is to support clients in using ESG data collected to establish goals and make year-over-year improvements.

ESG PRODUCT OVERVIEW

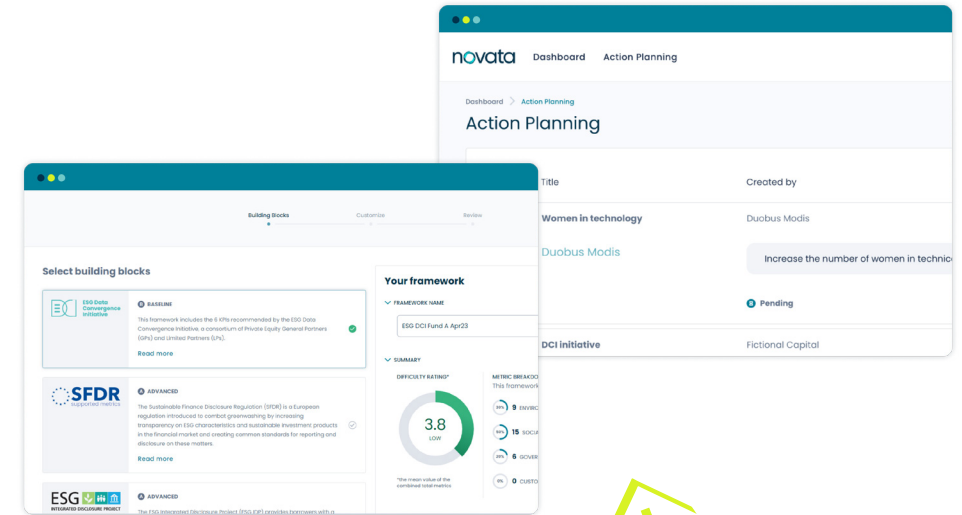
Novata equips clients with the ability to track, report, benchmark, and analyze key metrics to demonstrate progress towards achieving ESG goals in a transparent, data-informed manner.

Novata offers a range of ESG metrics which are sourced from leading standards, industry initiatives, and regulatory reporting requirements, including:

- ESG Integrated Disclosure Project (IDP)
- Sustainability Accounting Standards Board (SASB)
- United Nations Sustainable Development Goals (SDGs)
- ESG Data Convergence Initiative (EDCI)
- Sustainable Finance Disclosure Regulation (SFDR)

CUSTOM METRICS

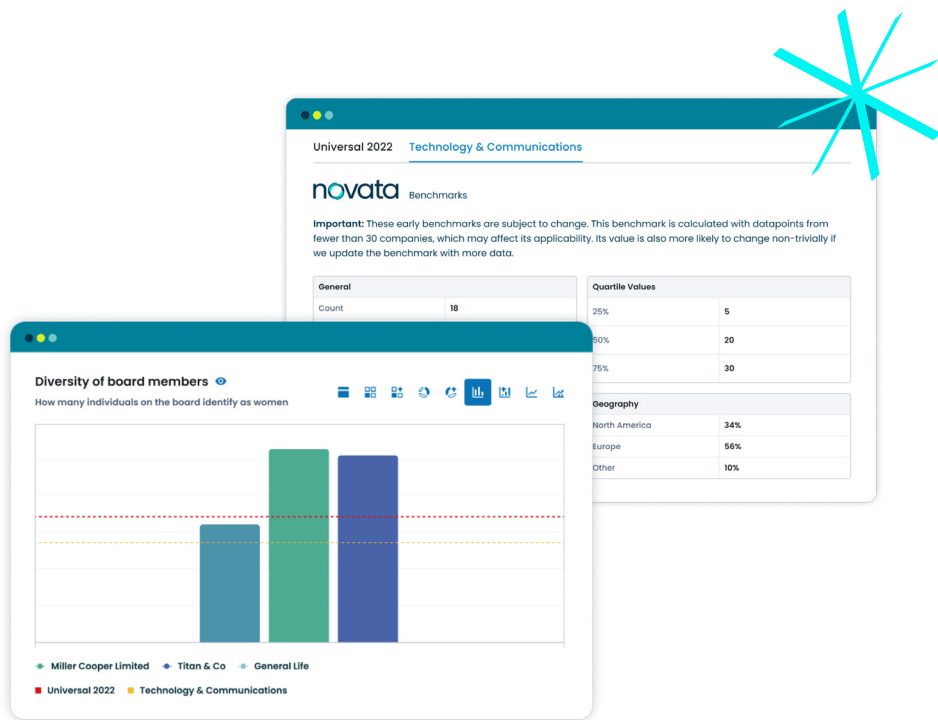
In addition to the standardized metrics described above, Novata has added a program to streamline and standardize metrics that are sourced from its customers. Custom metrics are added to the platform in consultation with both Customer Success and Methodology Specialists. Subject to customer consent, metrics that gain strong adoption are then updated, further defined, and standardized. Once standardized, metrics are eligible to be included in Novata’s benchmarking and analytics offering. This program allows for peer learning and addresses the fragmentation plaguing the private markets.



Novata’s Metric Library

AS OF ⁵	BASIC GUIDANCE Definition Only	ENHANCED GUIDANCE Definition & Expanded Guidance	FULL GUIDANCE Definition, Action-Oriented Guidance, & Video	TOTAL # OF LIBRARY METRICS
DEC 31, 2022	338	117	42	497
MAY 31, 2023	288	224	79	591

⁵Metric counts as of these dates are best estimates.



BUILDING BLOCKS

The platform allows users to filter on single, or multiple frameworks, enabling the construction of a holistic and comprehensive ESG data set. To help quickly build reporting frameworks, Novata provides a series of predefined templates called “Building Blocks.” In 2022, Novata engaged with the Secretariat and participants of two industry reporting initiatives, the ESG Data Convergence Initiative (EDCI) and ESG Integrated Disclosure Project (IDP), to elevate efforts in the private markets to drive convergence towards common ESG metrics. Novata’s team created educational collateral and Building Blocks to support these reporting initiatives.

Recognizing that venture investors are still in the early stages of establishing ESG strategies and reporting, Novata worked closely with a US-based venture ESG industry group, ESG4VC, to establish a venture capital Building Block with tailored metrics.

ANALYTICS AND BENCHMARKING

Once ESG data is collected from data providers, data requesters can utilize the analytics module. The analytics module allows for year-over-year comparison. Novata’s analytics module also includes Novata Benchmarks, built from aggregated and anonymized data provided by contributors to the Novata platform. Novata’s Benchmarking offering includes 50 universal benchmarks and more than 200 sector benchmarks for the 2022 reporting period—the library will grow organically driven by contributor engagement on the metrics that matter.

Novata’s action planning module allows data requesters to set specific, time-bound action requests for its data providers. Data providers can accept or decline the actions and provide their rationale.

CUSTOMER SUCCESS OUTCOMES

Novata’s internal metabase, managed by the Product team, reveals how data providers utilized the reporting platform in 2022. These serve as early indicators of product usefulness and a strong baseline for continuous improvement.

05

Stakeholder Engagement

Efforts to Educate the Market on the Importance of ESG Measurement





Broader Education & Outreach

As a public benefit company, Novata is focused on educating a broad set of stakeholders beyond its paying customer base. As such, Novata’s educational campaigns emphasize the importance of environmental, social, and governance considerations and focus on empowering

audiences to build sustainable and inclusive business practices. Even prior to Novata’s commercial launch, the company provided thought leadership free of charge via its external website. All of Novata’s educational efforts target a range of audiences and include both paid and unpaid content.

229

viewers of Novata’s
3 live webinars in 2022

1,000+

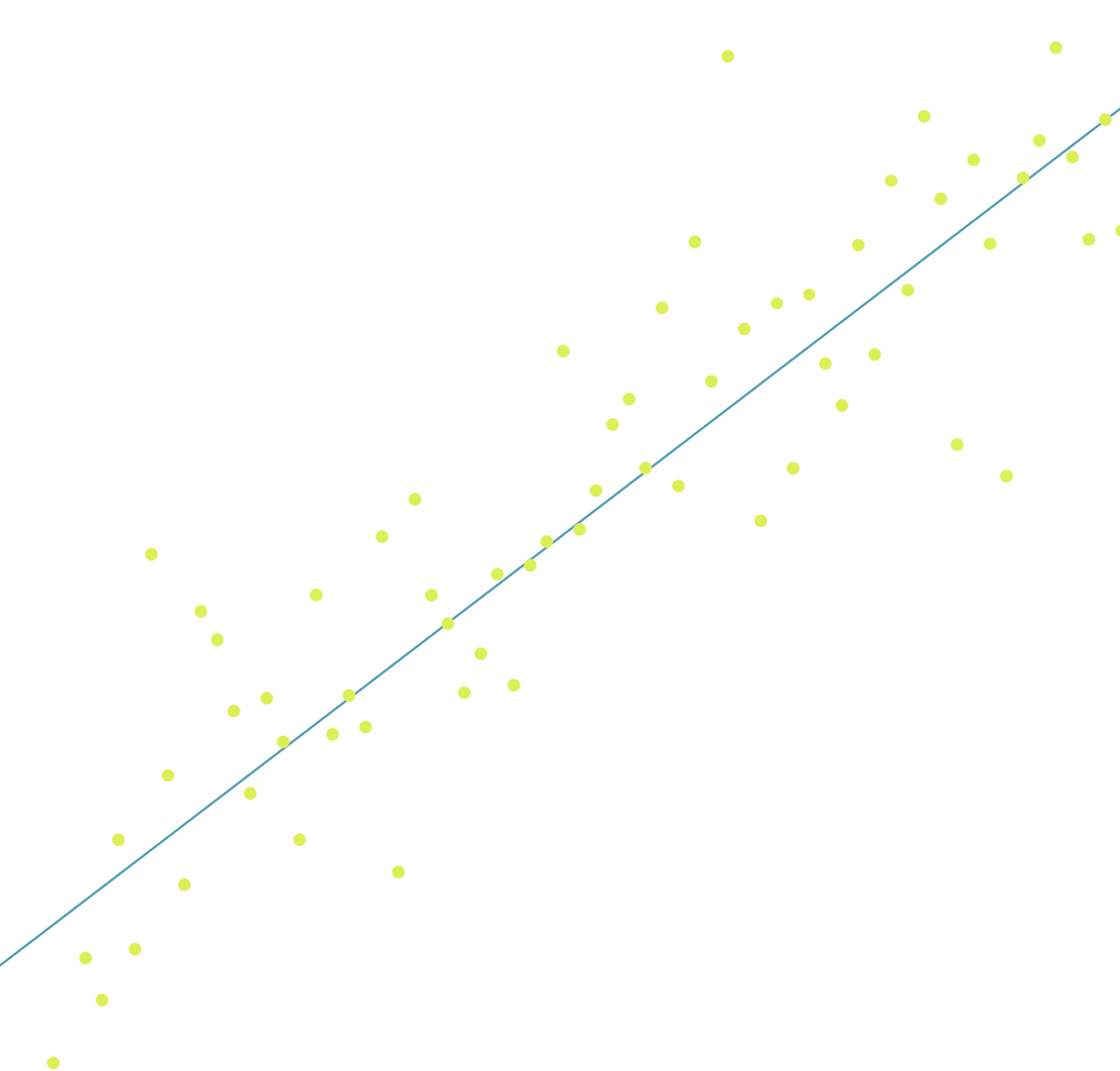
website content
downloads in 2022

4,200+

LinkedIn followers
in 2022

3,600+

LinkedIn reactions
in 2022



Customer Pre-Engagement Process

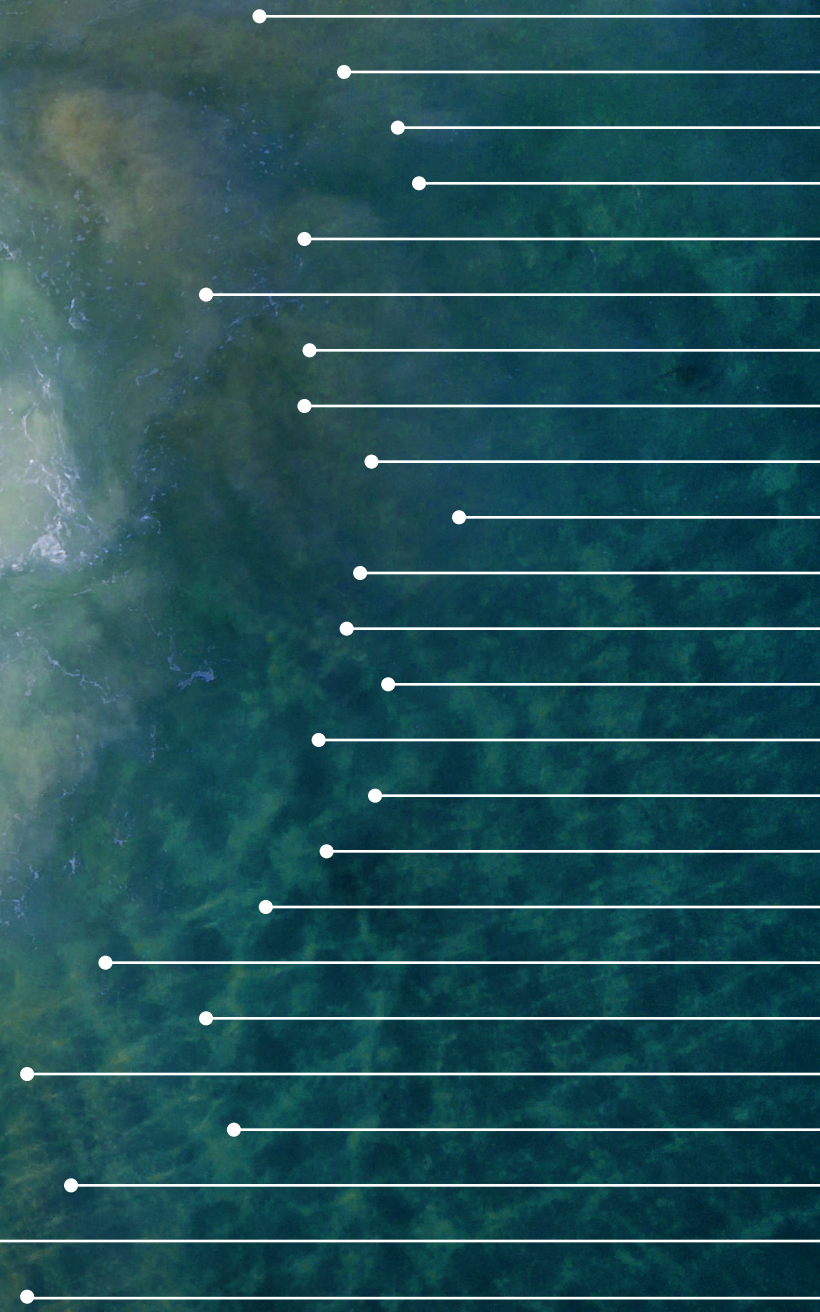
Prior to engaging in the platform, clients have introductory sessions with dedicated Customer Success Managers and Onboarding Associates to set expectations, assess current ESG reporting maturity, and incentivize internal action on ESG topics.

The client onboarding process includes:

- Discussion of the client's broader ESG strategy, including existing practices and commitments, aspirations, and reporting requirements.

- Mapping existing reporting framework to the Novata metric library, or guiding customers through initial metric selection.
- Overview of best practices for any custom metrics.
- Resources and sample communications for internal and external use for engagement, data collection, and time period for analysis.

06 Challenges & Risks



Challenges & Risks

Feedback over the past year has shown that Novata needs to develop a “mid-point” offering for customers who need more than just technology to address their ESG challenges. Our original model was to send these clients to big consulting firms for support, however, they often experienced “sticker shock” when quoted a price for consulting engagements. There are a range of services that we know our customers

need, depending on where they are in their ESG journeys: from strategy development to outsourced data collection, from data analysis and reporting to portfolio engagement around action planning. In response to this feedback, we have launched professional services that help customers make the most of our technology platform. Novata Services was announced in June 2023.

07

Potential for Future Impact





Potential for Future Impact

Novata is the first ESG platform to focus heavily on the data provider experience, driving high metric fill rates and short turnaround windows. Looking forward to next year, we plan to enhance the user experience, further expand carbon accounting and refinement capabilities, add to the metric library, and expand access to benchmarking.

Expanded benchmarking was announced on June 12, 2023. Benchmarks let clients contextualize their data and performance—so they can set a new standard for how their company manages risk, builds resilient portfolios, and communicates value.

We are proud to have advanced progress on the above environmental, social, and governance goals both as an organization and through clients' use of our platform. As we look to the future, we plan to engage with our stakeholders to continue striving for positive corporate and societal impacts and integrating sustainable business practices across all areas of our work.

In addition to expanding our own platform capabilities, we will continue to evolve our [ecosystem of ESG partners](#).

“

Novata is the first ESG platform to focus heavily on the data provider experience, driving **high metric fill rates and short turnaround windows.**”

Thank You

Thank you for reviewing Novata's 2022 Sustainability Report.

To learn more about Novata, visit novata.com/mission.

novata

