



Houlihan
Lokey

Sustainability Software Sector Update

October 2025

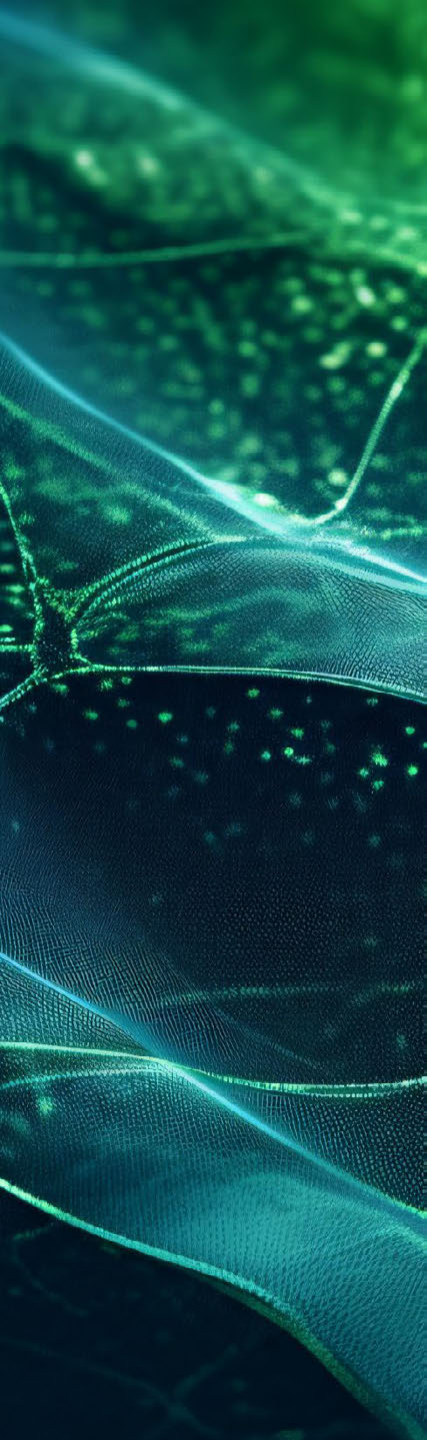


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Executive Summary

01 Houlihan Lokey in Sustainability Software

- Houlihan Lokey has a dedicated, global team specializing in the sustainability software ecosystem, combining sector expertise, global coverage, and local execution capabilities.
- We have a strong track record of advising industry champions across many subsegments in the space and maintain a continuous dialogue with strategic players and financial investors focusing on sustainability.

02 Defining the Sustainability Software Ecosystem

- The ESG landscape is evolving, with a growing number of challenges demanding increasingly specialized solutions.
- We are actively covering eight subsegments in sustainability software, ranging from ESG reporting and monitoring to sustainable supply chains, GHG accounting and offsetting, ESG data and analytics, ESG macro risk management, clean and renewable energy, resource efficiency and circularity, and sustainable finance and insurance.

03 Developments in the Sustainability Software Market

- Regulatory pressure has long driven ESG growth, solidifying its place on the global agenda. Amid short-term easing of political and regulatory tailwinds, private market forces sustain momentum. Lagging software adoption, rapid innovation, and clear operational value create continuous strong drivers for sustainability tech.
- M&A activity remains strong, fueled by direct sponsor involvement and acquisitive sponsor-backed platforms. A strong asset pipeline supports momentum. Elevated regulatory risk prompts caution and flight to quality in early-stage assets.

04 Market Map and Selection of Potential M&A Targets

- Fragmented market with 300+ players at all maturity stages, backed by everything from founders, early-stage VCs, large-cap PEs, and listed strategics.
- Viewing strategically merged and backed assets, along with listed assets, as less attainable still leaves a substantial number of acquirable buyout targets and investable assets.

05 Current Valuation Levels in the Market

- Public sustainability software valuations have declined, notably in more regulatory-driven segments, such as reporting and GHG accounting. Market immaturity and small index sizes heighten sensitivity to short-term and regional fluctuations. Broader, functionally related peer groups help establish fair market values, guiding and proxying institutional valuations.
- Private valuations also show a recent downtick from peak levels across our broader proprietary dataset.





Houlihan Lokey in Sustainability Software

01

About Our Firm

Trusted advisor to more top decision-makers than any other independent global investment bank

	\$14.45B Market Cap ⁽¹⁾	\$2.5B Revenue ⁽²⁾	2,667 Employees ⁽³⁾	347 Managing Directors ⁽³⁾	16 Countries	33 Locations Worldwide
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CORPORATE FINANCE

2024 M&A Advisory Rankings
All Global Transactions

Advisor	Deals
1 Houlihan Lokey	415
2 Rothschild & Co	406
3 Goldman Sachs & Co	371
4 JP Morgan	342
5 Morgan Stanley	309

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Solutions Group

(1) As of September 30, 2025.
(2) LTM ended June 30, 2025.
(3) As of June 30, 2025.
Sources: LSEG (formerly Refinitiv), Mergermarket.

FINANCIAL RESTRUCTURING

2024 Global Distressed Debt &
Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	88
2 PJT Partners Inc	59
3 Rothschild & Co	48
4 Lazard	44
5 Perella Weinberg Partners LP	40

Source: LSEG (formerly Refinitiv).

No. 1
Global Restructuring Advisor

1,800+
Transactions Completed Valued at
More Than \$3.8 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

2000–2024 Global M&A
Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,243
2 Duff & Phelps, A Kroll Business	1,045
3 JP Morgan	1,020
4 UBS	792
5 Morgan Stanley	698

Source: LSEG (formerly Refinitiv).
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion
Advisor Over the Past 25 Years

2,000+
Annual Valuation Engagements

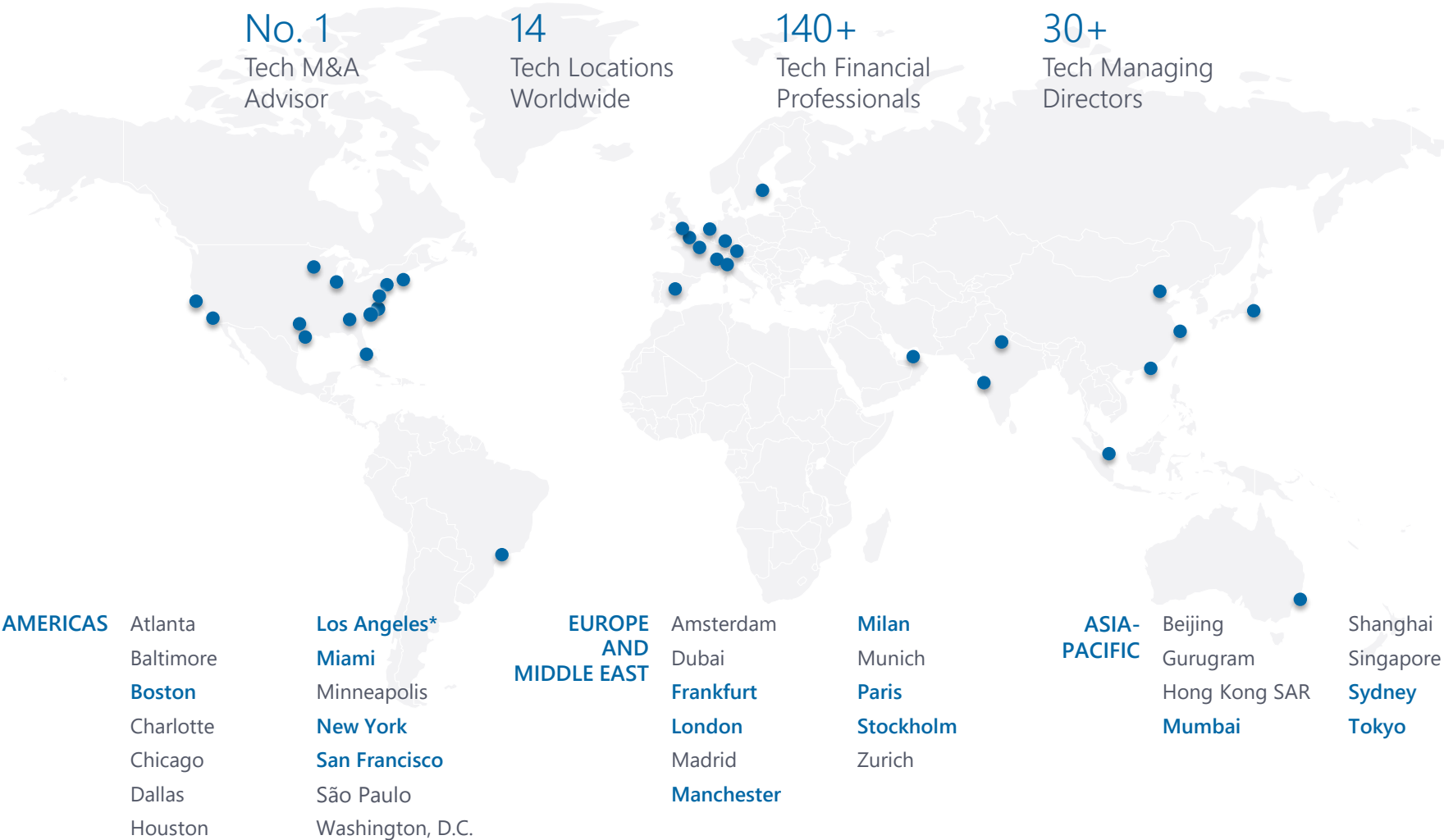


Learn more about how
our advisors can serve
your needs:

- Corporate Finance →
- Financial Restructuring →
- Financial and Valuation Advisory →
- Our Industry Coverage →



Unparalleled Global Reach With One P&L Across All Local Technology Teams



Local Technology Teams
*HQ

No. 1 Global Tech Team

2024 M&A Advisory Rankings
All Global Technology Transactions

	Advisor	Deals
1	Houlihan Lokey	101
2	Goldman Sachs	98
3	JP Morgan	93
4	Morgan Stanley	81
5	Rothschild	65

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

101 Tech Deals in CY24

14% Tech % of Revenues*

140+ Team Members

Mergermarket
BRITISH PRIVATE EQUITY
AWARDS 2025
Winner

Mergermarket
BRITISH PRIVATE EQUITY
AWARDS 2024
Winner

TMT M&A AWARDS 2022
Winner

i Technology Industry Coverage

*Tech % of Houlihan Lokey revenues based on LTM ended 30 June 2025.



Global Platform Covering the Sustainability Ecosystem

Leading Sustainability Platform for End-to-End Transaction Support



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Sustainability Advisory Services



Collective Deal Experience



Specialized Team Spearheading Sustainability Software

Highly Specialized Sustainability Software Team With Global Reach



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Thought-Leading Market Coverage

Adjacent: GRC Software Sector Coverage Report 1H 2025



Adjacent: Supply Chain Software Sector Coverage Report Winter 2024–2025



Participation in Industry-Leading Conferences

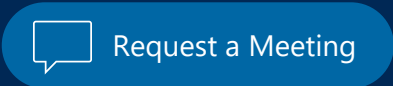


Collective Deal Experience



Contact Us

Please reach out to us to schedule a call to discuss the Sustainability Software Market Update or to explore how we can serve your business needs.



Overview of Our Software Transactions in the Ecosystem

Sustainability Software

 SupplyShift has been acquired by Sphera Sellside Advisor Sustainable SCM	 Enhesa, a portfolio company of CGE Partners, has received a minority investment from Bregal Sagemount Management Sellside Advisor EHS	 FoodLogiQ, LLC has been acquired by ESHA Intermediate, LLC, a portfolio company of Riverside Sellside Advisor EQHS	 Apax Partners LLP has acquired Alcumus Holdings Limited, a portfolio company of Inflexion Private Equity Limited Buyside Advisor EHS	 SpecPage has been acquired by Revalize, a portfolio company of TA Associates Sellside Advisor* EQHS
 Bridgepoint has acquired Achilles, a portfolio company of Hg Financing Advisor* Sustainable SCRM	 Jedox has received a Series C growth equity investment of €20,000,000 from Iris Capital and eCAPITAL Financial Advisor ESG Reporting	 FoodChain ID, a portfolio company of Paine Schwartz Partners, has been acquired by Berkshire Partners Sellside Advisor EQHS	 CGE Partners LLP has acquired Enhesa Group, N.V. Buyside Advisor EHS	 Enviance, Inc., a portfolio company of Battery, has been acquired by Cority Sellside Advisor EQHS

Supply Chain and GRC Software

 Global Risk Management Solutions has been acquired by Achilles Information Sellside Advisor SCRM	 Advent eModal has been acquired by CargoSprint, a portfolio company of Lone View Capital Sellside Advisor SCM	 Brycer has received strategic investment from TA Associates Sellside Advisor GRC	 PROtect, a portfolio company of Spire Capital, has been acquired by Sterling Investment Partners Sellside Advisor GRC
 Inflexion has acquired the Governance, Risk & Compliance software and services assets ("GRC") of Marlowe Buyside & Financing Advisor GRC and EHS	 Onventis, a portfolio company of Main Capital Partners, has been acquired by Keensight Capital Sellside Advisor GRC	 Hg Capital LLP has acquired Ideagen plc Buyside Advisor EQHS/GRC	 SambaSafety, a portfolio company of ABRY Partners, has been acquired by Stone Point Capital Sellside Advisor GRC
 IDIQ has sold a majority stake to Corsair Capital Sellside Advisor* GRC	 LEA Partners has sold Bellin to Coupac Sellside Advisor* OoCFO/SCM	 Verafin has completed a recapitalization with Spectrum Equity and Information Venture Partners Fairness Opinion GRC	 eVision has been acquired by Wolters Kluwer Legal & Regulatory Sellside Advisor GRC

Tombstones included herein represent transactions closed from 2018 forward.

*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

Notes: Target flag to the left, acquirer flag to the right. SCM (Supply chain management). EHS (Environment, Health, and Safety). EQHS (Environment, quality, health and safety). SCRM (Supply chain risk management). GRC (Governance, risk, and compliance). OoCFO (Office of the CFO)

Dedicated Team for Circular Business Models

Dedicated Circular Business Models Team With Global Coverage



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Sustainability Advisory Services

Thought-Leading Market Coverage

Circular Tech Quarterly Reports (Quarterly)



Circular Tech Market Insights Report (Annual)



Participation in Industry-Leading Conferences



Collective Deal Experience



Contact Us

Please reach out to us to schedule a call to discuss the Circular Business Models Market Update or to explore how we can serve your business needs.

Request a Meeting

Overview of Transactions in Circular Business

Circular Business

 TowerBrook   AirWay TXO Systems Ltd., a portfolio company of TowerBrook Delta, has acquired a majority stake in AirWay Technologies, Inc. Buy-side Advisor  Network Infra. Services 	 DEUTSCHE PRIVATE EQUITY TKD Solutions has received a majority investment from Deutsche Private Equity Sell-side Advisor  Device Lifecycle Management 	 TOWERBROOK  TEQPORT TXO Systems, Ltd., a portfolio company of Towerbrook, has acquired TEQPORT Services GmbH Buy-side Advisor  Waste Re- and Upcycling 	 AMBIENTA  the rent company Ambienta SGR S.p.A has acquired The Rent Company B.V. Buy-side & Financing Advisor  School Supplies on Subscription 	 TRILL IMPACT  renewtech Kimbrer Computer, a portfolio company of Trill Impact, has acquired Renewtech Buy-side Advisor  IT Lifecycle Management 	 Norvestor  NORDIC CAPITAL Foxway Group AB, a portfolio company of Norvestor and majority owned by management and founders, has entered into a partnership with Nordic Capital Delta GP SARL Sell-side Advisor  Upcycled IT Equipment on Subscription 	 Meridiam  for people and the planet Okamac has been acquired by Meridiam SAS Sell-side Advisor  IT Reconditioning Specialist 	 Anthesis  palatine Carlyle Investment Management, LLC, has acquired Anthesis Global Limited, a portfolio company of Palatine Founder Partner IV LP Buy-side Advisor  Sustainability Consultancy 	 TOWERBROOK TXO Systems, Ltd. has been acquired by TowerBrook Delta Sell-side Advisor  TMT Hardware Asset Management 	
 KIMBRER COMPUTER  Your professional hardware partner Trill Impact has acquired Kimbrer Computer Buy-side Advisor  IT Equipment Upcycling 	 BRIGHTSTAR  Foxway Global Resale, Ltd., a portfolio company of Bright Star Capital Partners, has been acquired by Foxway Sell-side Advisor  IT Equipment Upcycling 	 CIRCULARITY CAPITAL  CODEx Bike Club Limited has received growth financing from Circularity Capital LLP & Codex Capital Partners Limited Financial Advisor  Affordable Bikes on Subscription 	 MKCL Flex IT has acquired MKCL Buy-side Advisor  IT Demopooling and Remarketing of Surplus Equipment 	 doc  Foxway Group has acquired Dansk Computer Center (DCC) IT Equipment Upcycling 	 greentech Foxway has acquired Greentech Buy-side Advisor*  IT Equipment Upcycling 	 FLIP 4 Foxway has acquired Flip4 Buy-side Advisor*  Trading in Used Electronics 	 Replace Xlinc has acquired Replace Buy-side Advisor*  IT Equipment Upcycling 	 lin Xlinc has acquired Lin Education Buy-side Advisor*  IT-as-a-Service for Schools 	 Norvestor Xlinc has been acquired by Norvestor Sell-side Advisor*  IT Lifecycle Management Solutions 

Tombstones included herein represent transactions closed from 2018 forward.

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Notes: Target flag to the left, acquirer flag to the right.

Introducing ONE Houlihan Lokey London

Conference



November 18–20, 2025



London Hilton on Park Lane



Consumer | Healthcare



Business Services | Industrials



Financial Services | FinTech | Tech



Interested in participating in the 2026 ONE Houlihan Lokey Global Conference in NYC? [Contact us here.](#)

The 2025 ONE Houlihan Lokey Global Conference in New York was a tremendous success, hosting more than 4,000 attendees and 380 participating companies across three days of insightful discussions, 1x1 meetings, and compelling content.

Building on this momentum, Houlihan Lokey is proud to present the next event in its series of premier multiday conferences throughout 2025, showcasing dynamic businesses and industry leaders. This event will take place at the London Hilton on Park Lane this November, bringing together the brightest minds for unparalleled networking, relationship building, and knowledge sharing. This event will highlight key themes from across more than 160 sectors within multiple industries and services, including:

- Business Services
- Consumer
- Financial Sponsors
- Healthcare
- Tech
- Capital Solutions
- Financial Services
- FinTech
- Industrials

ONE Houlihan Lokey is designed to connect decision-makers, highlight cutting-edge insights, and enable meaningful discussions amid evolving market dynamics. Across all three days, we look forward to welcoming you for:

- **Powerful Insights:** Hear from a multitude of companies spearheading change in their respective industries.
- **Unparalleled Networking Opportunities:** Engage with thousands of attendees from across global markets.
- **Meaningful Engagement:** Targeted 1x1 meetings offer exclusive opportunities for connecting with senior capital providers.

ONE Houlihan Lokey NYC Conference Highlights

4,000+ Conference Attendees

380+ Participating Companies

100+ Panels and Presentations

80+ Sectors Represented

2,680+ 1x1 Meetings





Defining the Sustainability Software Ecosystem

02

What Is Sustainability Software?

- Purpose-built software or modules for managing and improving ESG activities, reporting, compliance, and performance.
- Generally distinct from software with a secondary or forced sustainability angle.

Applications

- Horizontal use cases include CPM systems for reporting, monitoring, accounting, and reducing material footprint.
- Vertical use cases include sector-specific applications in sustainable finance, insurance, and energy transition.

Selected Use Cases

- Monitoring
- Automated Regulatory Disclosures
- Supply Chain Sustainability Assessment
- Benchmarking
- Lifecycle Management
- Energy Optimization
- Climate Risk Modeling

Defining the Sustainability Software Ecosystem

Omnirelevance, institutional cementation, and broad civic pressure drive significant growth opportunities.

Sustainability Software Applications



Applications Within the Sustainability Software Ecosystem

Software Application	Software Use Cases	Sample Companies in the Space
ESG Reporting and Monitoring	- Track, analyze, and report different aspects of ESG performance. - Register and compile inter-company data for overview, support reporting, ensure regulatory compliance, and enable insights for enhanced ESG performance.	
Sustainable Supply Chains	- Manage ESG risks by enforcing supplier compliance with sustainability, labor, and governance standards, boosting transparency and regulatory alignment. - Promote inclusive supply chains.	
ESG Data and Analytics	- Big datasets for analytics, ratings, certifications, and benchmarks. - Analytics software for actionable insights and strategic decision-making using internal ESG data.	
ESG Macro Risk Management	- Monitor and analyze global, regional, or industry-level ESG and climate trends. - Macro data capture and scenario modeling for risk resilience and management. - Functionality primarily suitable for federal and institutional clients.	
GHG Accounting and Offsetting	- Measure, manage, reduce, and offset GHG footprint. - Track emissions across operations and supply chains, ensure climate compliance, and invest in carbon offsets for net-zero goals.	
Resource Efficiency and Circularity	- Enabling resource-efficient alternatives to, or optimization of, traditional processes. - Promoting reuse, recycling, upcycling, and minimally invasive waste disposal.	
Clean and Renewable Energy	Facilitate the development of renewable energy projects and support the energy transition.	
Sustainable Finance and Insurance	- Promoting capital flows favoring ESG. - Advance inclusive, accessible, and democratized finance and insurance solutions.	

Note: The companies listed above are non-exhaustive examples focused largely on the respective subsectors.



Developments in the Sustainability Software Market

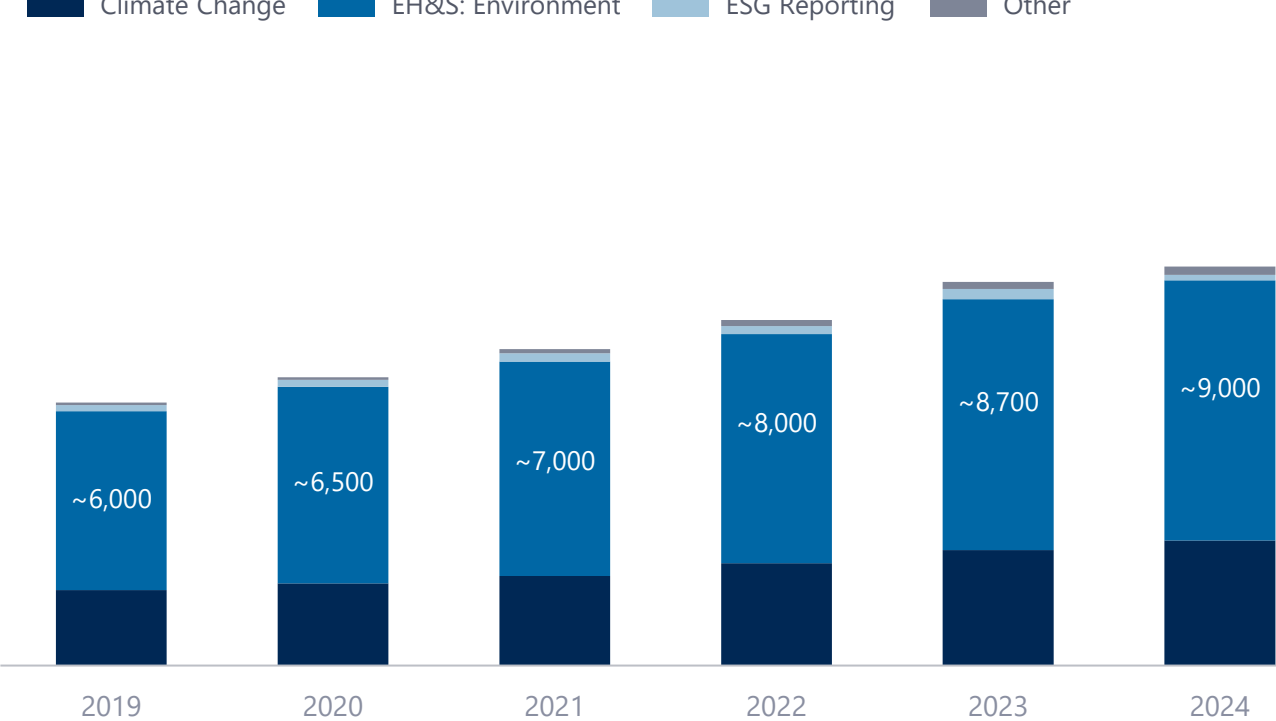
03

ESG Markets Have Historically Been Highly Secular With Growth Driven by Regulatory Pressure

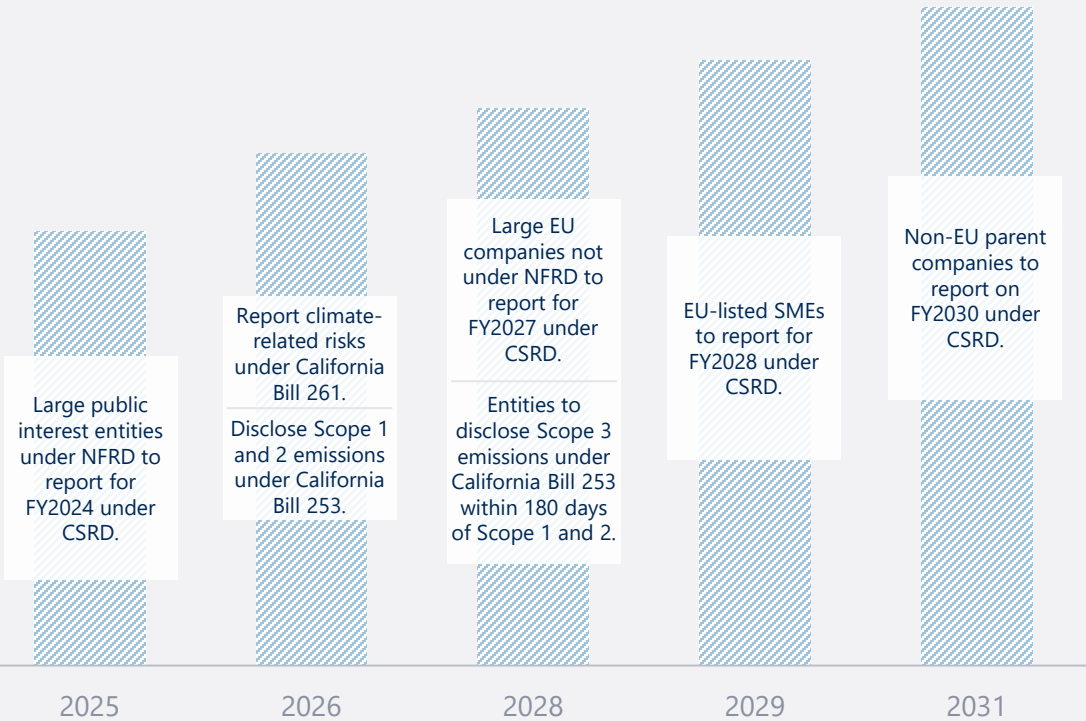
Strong institutional trends have fueled resilient growth.

Cumulative Number of Global Regulations, #

Climate Change EH&S: Environment ESG Reporting Other



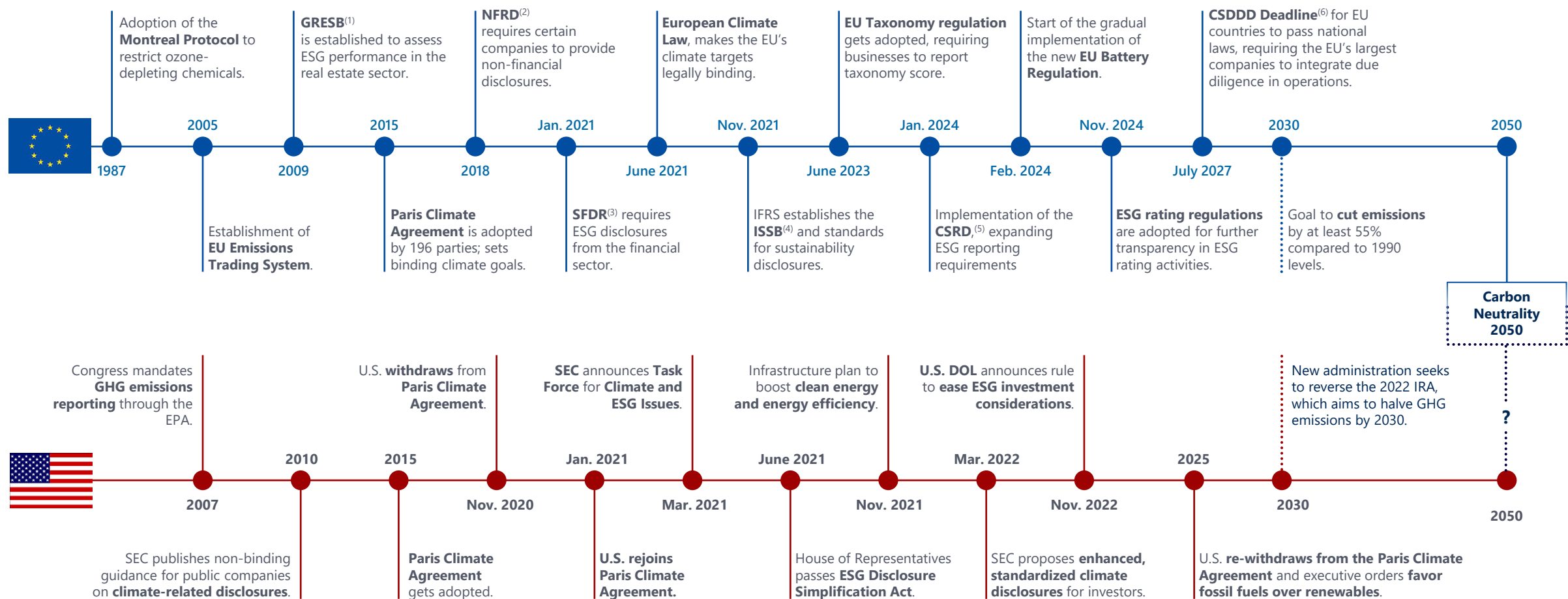
Sample of Upcoming Regulation and Deadlines



Source: C2P by Compliance & Risks.

Far-Reaching Regulation Has Solidified ESG, Providing Resilience Amid Recent Wavering

Timeline of key regulations solidifying ESG’s role on the western agenda.



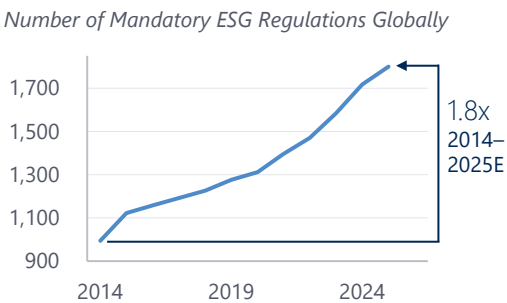
Notes: (1) Global Real Estate Sustainability Benchmark. (2) Non-Financial Reporting Directive. (3) Sustainable Finance Disclosure Regulation. (4) International Sustainability Standards Board. (5) Corporate Sustainability Reporting Directive. (6) Corporate Sustainability Due Diligence Directive.
Sources: Brookings Institution, ESG & Climate News, European Commission, United States Environmental Protection Agency, United States Securities and Exchange Commission.

Private Markets Stay the Course on ESG Despite Short-Term Political Noise

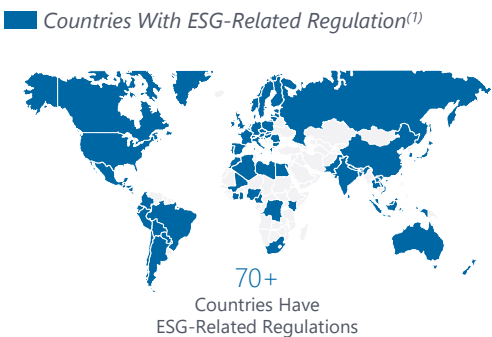
Regulatory cementation, public opinion, and market trends are driving sustained positive ESG momentum.

Regulatory Cementation Providing Resilience

Highly secular ESG markets have been driven by mandatory regulatory pressure.



Global adoption has cemented ESG’s position on the agenda.



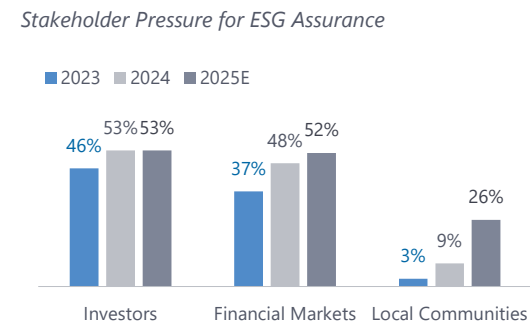
Notes: (1) Hogan Lovells, as of Sep 2025. (2) BNP Paribas, ESG Survey, April 2025. (3) KPMG, Global ESG due diligence+ study 2024, U.S. companies surveyed in 2023, and the rest of the world in Q1 2024. (4) BCG, The Valuation Boost That Comes with Green Growth, as of Sep 2025. Sources: McKinsey, 2025; Hogan Lovells, 2025; KPMG, 2025; BNP Paribas, 2025; KPMG, 2024; BCG, 2025.

Short-Term Turmoil Mitigated by Private Market Forces

The new U.S. administration and the EU proposal cause short-term ESG doubts.

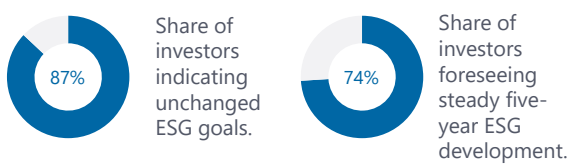
- Withdraws from the Paris agreement.
 - Attempts to reverse the 2022 IRA’s targeting of 50% GHG cuts.
- Ongoing reduction of regulatory scope.
 - Interim directive delays implementation of ESG regulations.

Private market forces counteract short-term ESG turmoil.



ESG Remains Attractive to Investors

Investor commitment to ESG remains strong.⁽²⁾

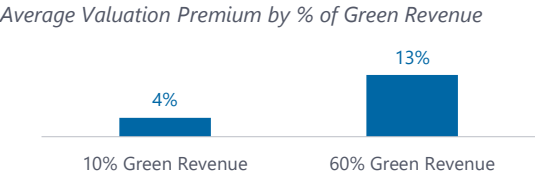


In 2024, +50% of investors were willing to pay a premium for ESG targets.⁽³⁾

Investor Premiums for High ESG Maturity Companies



Green growth commands premiums in 2025.⁽⁴⁾



Despite political headwinds, civic society remains committed to core ESG priorities.



Companies must still comply with existing ESG regulations despite the regulatory slowdown.



ESG compliance is not only right, it is also good for business.

Ongoing Lengthy EU ESG Reform Process, With Core Standards and Conduct Likely to Persist

The EU's proposed changes are unlikely to have a material impact on European ESG practices.

Impact of Proposed Omnibus Directive

Impact on Local Laws

- 

Non-EU Laws
- No direct effect on laws outside of the EU.
→ Might delay the adoption of stricter reporting requirements in countries on par with EU requirements.
- 

Local EU Laws
- Limited impact on voluntarily frontrunning member states.
→ Most EU members have national laws exceeding minimum CSRD requirements, thus no direct impact on existing laws.

Impact on the EU Directives' Minimum Levels

- 

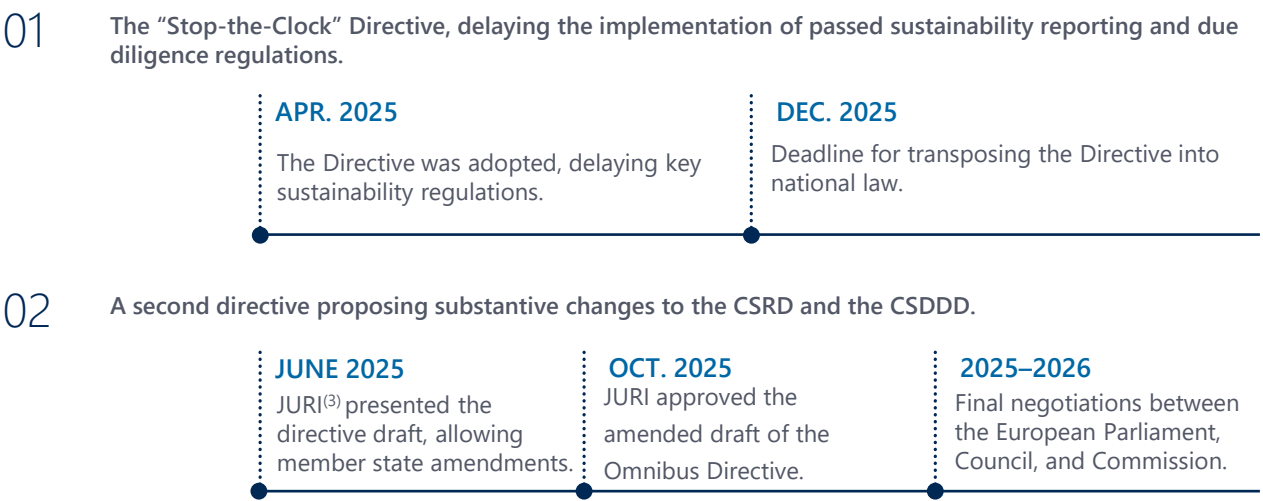
CS3D⁽¹⁾
- One-year delay to 2028.
 - Scope reduction to Tier 1 suppliers only.
 - Reduced reporting frequency to every five years.
 - Liability removed and penalties more proportionate.
- 

CSRD⁽²⁾
- Delayed reporting timelines.
 - Scope Reduction: Fewer companies.
 - Data Point Reduction: Up to 70% fewer.
 - Simplified Assessment: Focus on materiality-based disclosures.
- 

Scope 3
- Focus on materiality (only if relevant to operations).
 - Fewer details and required datapoints.

Implementation Timeline and Hurdles for the Omnibus Directive

Feb-'25 The European Commission introduced the Omnibus Package, comprising two main components:

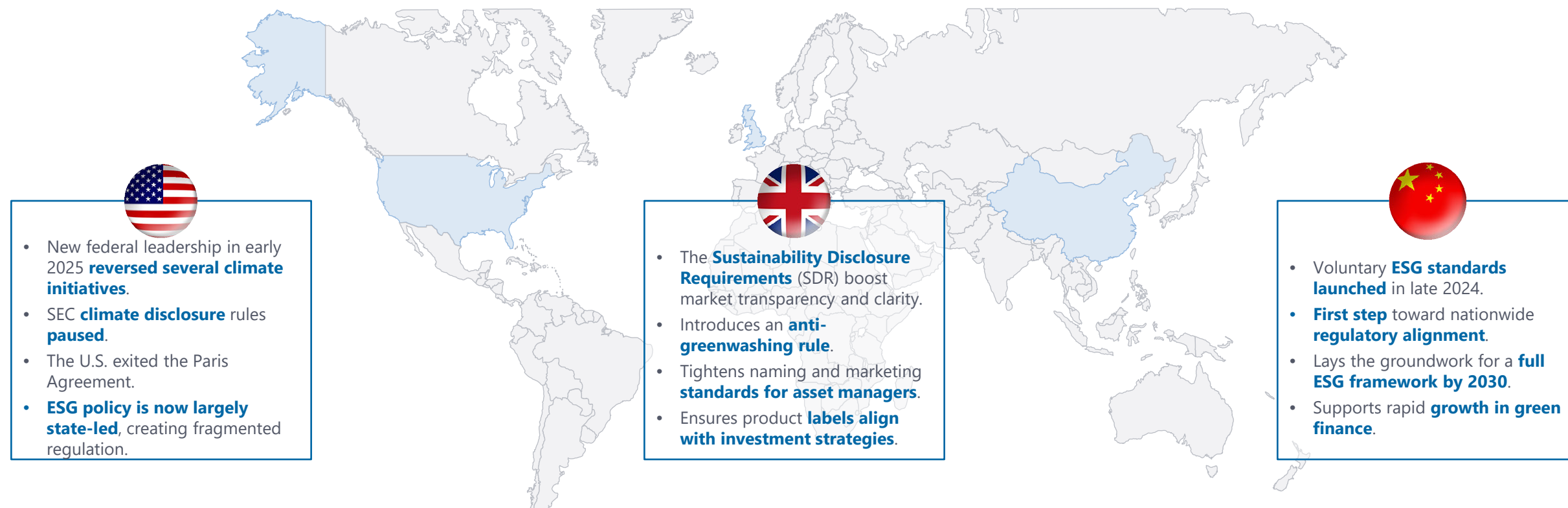


European Commission's Goal	Potential Outcome
The European Commission has outlined an explicit goal of reducing reporting burdens by: • 25% for Large Companies • 35% for SMEs	• EU members continue to impose stricter ESG regulations than required. • Company reporting rules are likely to be reduced less than the Omnibus proposal.

Notes: (1) Corporate Sustainability Due Diligence Directive. (2) Corporate Sustainability Reporting Directive. (3) European Parliament's Legal Affairs Committee.
Source: European Commission.

Global ESG Baseline Strengthens Amid U.K., China, and IFRS Alignment Despite U.S. Fragmentation

Diverging policy paths with regulatory fragmentation in the U.S. and steady alignment in the U.K., China, and IFRS.



- **Global adoption** of the IFRS Sustainability Disclosure Standards is gaining traction, with 36 jurisdictions engaged and 17 making significant progress.
- The new ISSA 5000 standard establishes a global benchmark for assurance, enhancing **consistency and stakeholder confidence**.
- **Mandated ESG reporting is driving leadership engagement, system investments, and assurance readiness**, seen as key to compliance, reputation, and long-term value.



External Reporting Remains Resilient and Internal ESG Initiatives Gain Momentum

Consistent ESG reporting is transcended by a near-universal pursuit for operational ESG value.

74% of companies claim their reporting plans remain unchanged despite regulatory ambiguity.

Despite headwinds for external disclosures, internal ESG initiatives are accelerating.

- 

Persisting Regulatory Pressure
Regulatory solidification and unlikely, costly rollbacks continue to be widely reported as mandatory.
- 

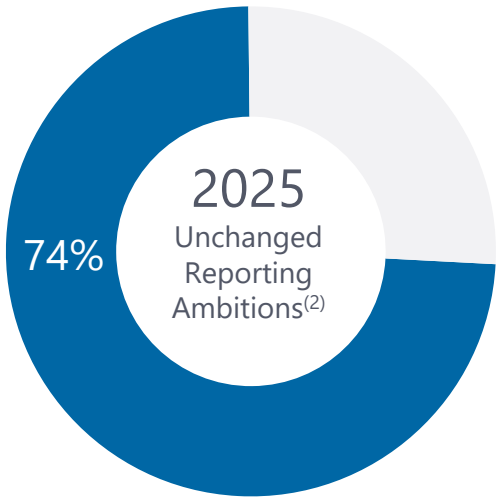
Private Market Pressure
The current reporting momentum is largely driven by the private market and is voluntary.
- 

Stakeholder Scrutiny
Investor expectations and reputational risk are strong civic drivers behind continued reporting.

Additional Key Stats

86%
Of S&P 500 companies are voluntary ESG reporters.⁽¹⁾

72%
Of non-CSR firms are monitoring GHG emissions.



- 

Continuous Climate Commitments
84% of companies are holding firm to climate commitments.
- 

Extensive ESG Execution
70% of companies have maintained or increased sustainability investments.
- 

Reaping Real Returns
74% of firms report >5% ROI from climate risk efforts, with ~50% exceeding 10%.

Additional Key Stats

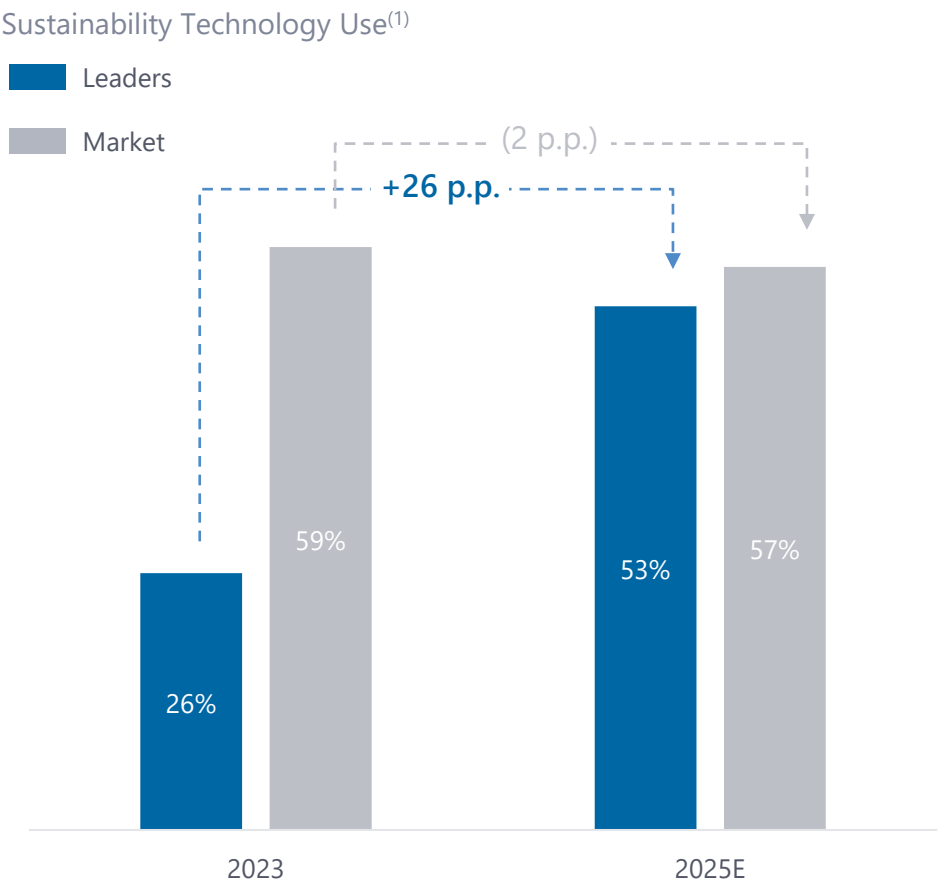
+16%
Increased share of capex budgets dedicated to sustainability.

82%
Of companies have captured economic benefits from ESG.

Note: (1) WSJ, 2024. (2) KPMG, ESG assurance maturity index, July 2025.
Sources: KPMG, 2025; WSJ, 2024; KPMG, 2025; PwC, 2025; BCG, 2025.

Sustainability Software Adoption Lags Despite Clear Adoption Rationale

Bifurcation between ESG leaders and the broader market, with remaining upside across both.



Note: (1) The market's mid to complete implementation of digital systems for analyzing and consolidating ESG data versus the leader's usage of ESG data dashboards.
Sources: KPMG, 2025; Nasdaq, 2024.

Leaders are accelerating digital adoption.

Averaging more tools and leveraging more advanced technologies like AI and cloud to strengthen ESG data management and assurance.

Despite broader tech availability, beginners and the wider market remain cautious.

Holding back on digital ESG integration and implementation amid regulatory uncertainty.

Strong Software Adoption Rationale

68%
Achieve 25%+ time savings in data validation and audit accuracy through ESG software adoption.

74%
Report that ESG software mitigates risks tied to ESG data.

78%
State that software enhances their ability to manage ESG KPI progress.

86%
Report software significantly improves ESG data collection and validation efficiency.

86%
Claim that software boosts ESG reporting quality and stakeholder engagement.



Significant AI Enablement in ESG Governance and Compliance

AI is reshaping sustainability software by boosting efficiency, identifying risks, and streamlining regulatory navigation.

01	Enhanced Risk Management	- Machine learning in ESG platforms enables the analysis of emissions data, supplier behavior, and external signals to uncover risks such as noncompliance, greenwashing, or reputational exposure. - Unlike static annual reviews, AI enables dynamic risk scoring, continuously updating ESG risk profiles using live data across operations and supply chains. - This empowers organizations to proactively manage ESG risks, reduce exposure, and strengthen resilience in a complex regulatory landscape.	AI-powered tools can analyze real-time data at scale to detect risks more effectively than traditional methods.
02	Automation of Compliance Processes	- NLP enables AI to interpret complex legal texts and extract key insights, saving time and reducing human error while also providing valuable decision support. - Automated policy creation tools can draft compliance policies or adapt existing ones to new regulations by analyzing legal texts and organizational needs. - This allows organizations to stay ahead of consistently evolving industry standards, regulations, and domestic and foreign laws, reducing exposure to potential penalties.	AI streamlines repetitive tasks like tracking regulatory updates, aligning them with internal policies, and flagging noncompliance.
03	Improved Governance Through Data Insights	- Predictive analytics can forecast the impact of strategic choices, while AI-driven dashboards offer real-time visibility into KPIs and risk metrics. - AI can streamline reporting by pulling data from multiple sources and generating regulatory reports, formatting it to meet standards, and flagging gaps, all in real time. - This empowers boards and executives to make informed decisions aligned with corporate objectives, regulations, and ethical standards, and to take the right number of risks as they grow their businesses.	AI strengthens governance by delivering deeper insights into organizational performance and decision-making.
04	Cost Reduction and Efficiency	- AI automates cumbersome and resource-intensive tasks such as risk assessments, monitoring, or incident reporting, freeing up staff to focus elsewhere. - Machine learning enables efficient analysis of large datasets to flag compliance gaps or emerging risks, enabling proactive mitigation. - Small and mid-sized firms, in particular, benefit from scalable AI solutions that level the playing field and allow them to meet ESG demands without massive budgets.	By automating manual processes, AI reduces the need for extensive human resources, cutting operational costs.

Key Statistics

62%

Of organizations report that AI has significantly helped improve the efficiency of their compliance procedures.

67%

Of organizations say they would increase investments in AI (for GRC) because of the value delivered.

50%+

Of major enterprises expect to use AI and ML to perform continuous regulatory compliance checks in 2025, up from less than 10% in 2021.

51%

Of organizations report that navigating regulatory compliance is one of their top challenges.

Sources: Deloitte, Gartner, MetricStream.



AI Is Unlocking Operational ESG Value Across Use Cases

AI has several ESG-relevant operational use cases.

Technology	Description	Sample ESG Use Cases		Sample Case Studies		
Generative AI	Generates new content (e.g., text, images, audio) by analyzing patterns in existing datasets.	Supply Chain Optimization	Sustainable Product Design	 	GM used Autodesk's generative design feature to create a lighter and stronger seat bracket, effectively streamlining production and enabling more resource-efficient vehicle manufacturing.	40% Reduced mass, lowering material use and automotive fuel consumption.
Predictive AI	Predicts outcomes using statistical techniques on historical data patterns.	Climate Risk Modeling	Energy Forecasting	 	Duke Energy, one of the largest U.S. utility companies, partnered with AWS to develop AI-powered smart grid software that forecasts future energy demand and pinpoints grid upgrade needs.	Months → Hours Completing power flow studies in hours instead of months with Predictive AI.
Agentic AI	Autonomous systems that learn contextually, make decisions, and pursue set goals.	IoT Waste Handling	Smart Buildings	 	Cammeby's retrofitted its aging New York City office tower with BrainBox AI's HVAC optimization to meet energy regulations and reduce costs, which resulted in enhanced operational ESG value.	15.8% Reduction in HVAC power usage. 16.1% Reduction in HVAC carbon equivalent.

Sources: Autodesk, Duke Energy, BrainBox AI.

AI's Governance Promise Persists Amid Oversight and Data Challenges

While AI brings benefits, it also introduces new complexities to ESG governance and compliance.



Data Quality and Availability

- AI systems rely heavily on large, clean datasets to function effectively.
- If the data is incomplete, outdated, or inconsistent, AI can churn out unreliable insights.
- A poorly trained model might misinterpret a regulation, leading to an avoidable noncompliance.



Complexity of Regulation

- Regulatory laws and compliance requirements are constantly evolving and often vague or context-specific.
- AI might struggle to keep up with real-time updates or to interpret nuanced legal language.
- In such instances, human oversight becomes critical, offsetting some of the efficiency gains that AI is meant to deliver.



Bias and Ethics

- AI systems can perpetuate biases in training data, leading to flawed risk assessments or unfair compliance decisions.
- An AI system flagging high-risk transactions based on biased historical data, such as disproportionately targeting certain regions or demographics, poses not only an ethical issue but also risks legal and regulatory consequences.



Regulatory Uncertainty

- As AI adoption grows, regulators are still catching up, creating ambiguity around accountability and transparency requirements.
- The lack of clarity may lead to costly repercussions and may even stall innovation, as companies may hesitate to invest in AI without assurance that their practices will remain compliant as regulations evolve.



Over-Reliance on AI Itself

- AI can efficiently and accurately crunch numbers and spot patterns, but it lacks the judgment required to weigh ethical trade-offs or anticipate rare, high-impact events that don't show up in the data.
- A company leaning too hard on AI might sleepwalk into a compliance failure because "the system didn't flag it."



Lack of Explainability

- Regulators and auditors often want professionals to provide clear reasoning behind decisions, but many AI models are black boxes that offer little insight into why the system flagged a specific risk or recommended a certain policy tweak.
- This can make it tough to defend AI-driven decisions in an audit or courtroom environment.



Cost and Integration

- Building and maintaining AI for ESG requires specialized talent, costly infrastructure, and constant updates.
- Smaller organizations might struggle to justify the investment. Integrating AI into legacy systems can be a headache due to compatibility issues and process overhauls, which can lead to operational disruptions if botched.

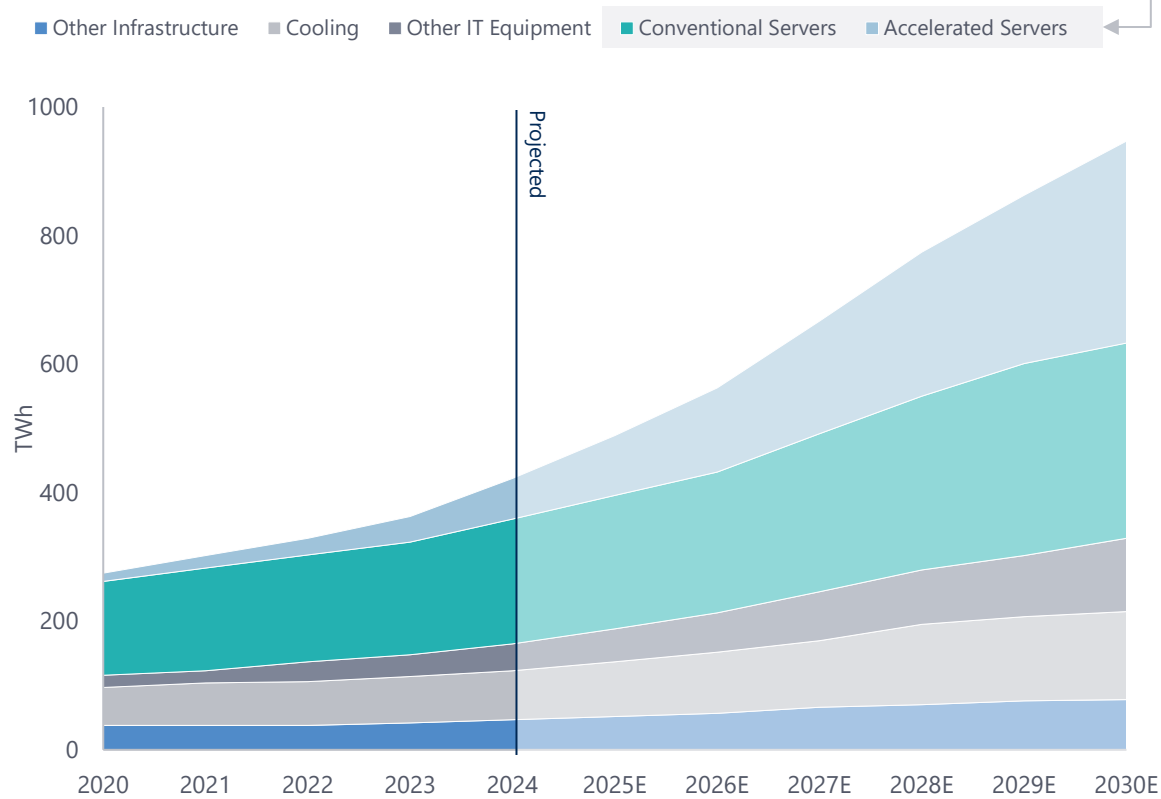


AI's governance potential remains strong, but it demands human oversight, regular audits, and sound data practices to prevent the amplification of existing vulnerabilities.

AI Energy Demand Raises Sustainability Considerations

AI energy consumption is set to grow rapidly through 2030...

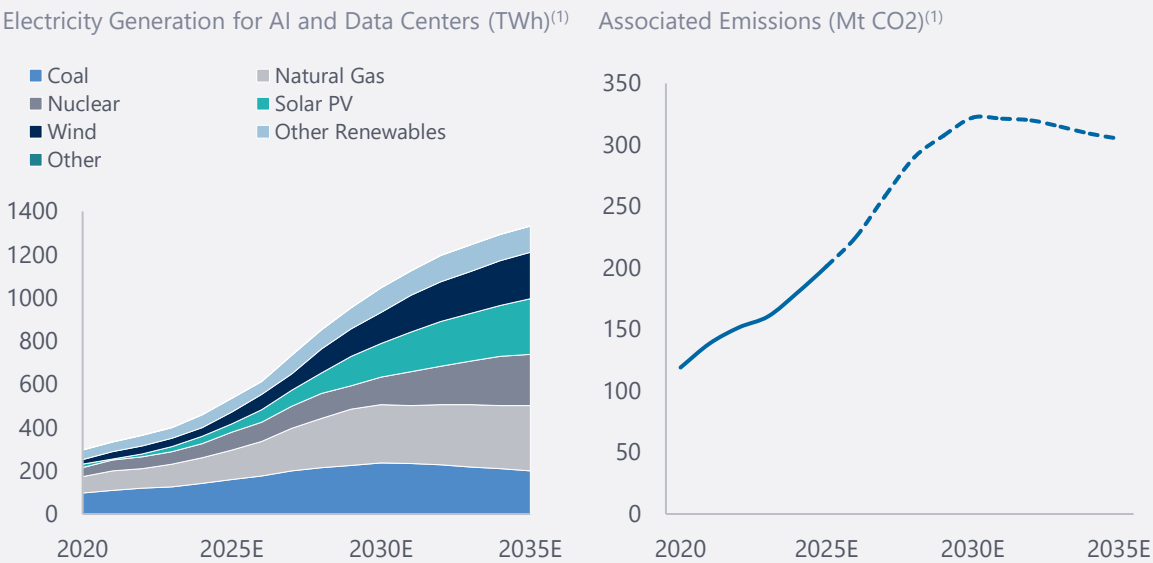
AI energy use is widely estimated through accelerated server usage, although some AI tasks run on conventional servers, while others run on accelerated ones.



Note: (1) Base case.
Sources: International Energy Agency (IEA); Bain & Company, 2025.

Mitigated by a shift to renewables and falling emission intensity.

AI's carbon footprint through 2030 will be mitigated by growth in renewable, CO2-efficient energy, with Europe ahead of the U.S. due to faster decarbonization.



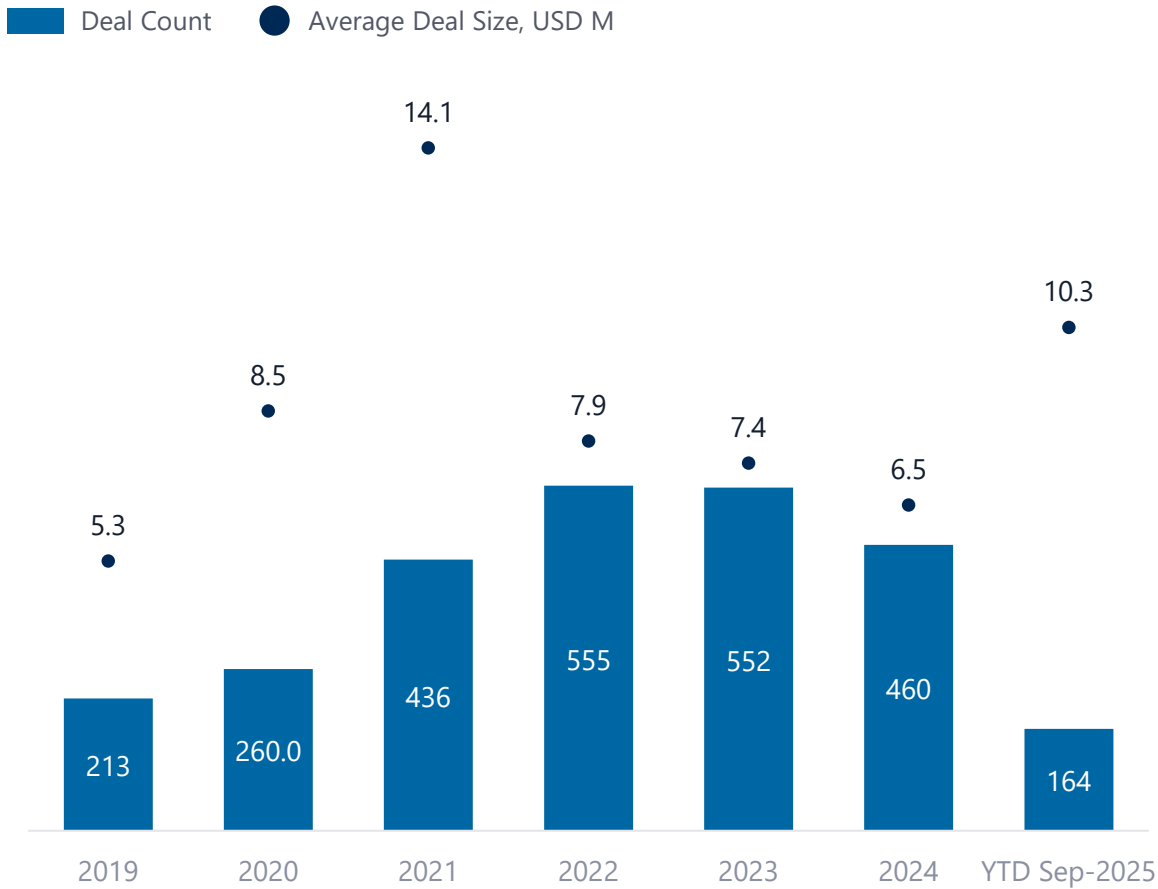
Hyperscalers hosting major AI services are increasingly sourcing 100% renewable energy.



Dampened Regulatory Tailwinds Have Sidelined Early-Stage Investors, yet Strong 2022 to 2024 Activity Paves Way for Steady Flow of Near-Term Opportunities

Flight to quality in early-stage deals, with strong scale-up buyout outlook for 2022 to 2024 vintages.

of Completed Investments and Avg. Investment Size in Sustainability Software⁽¹⁾ Most Active Investors



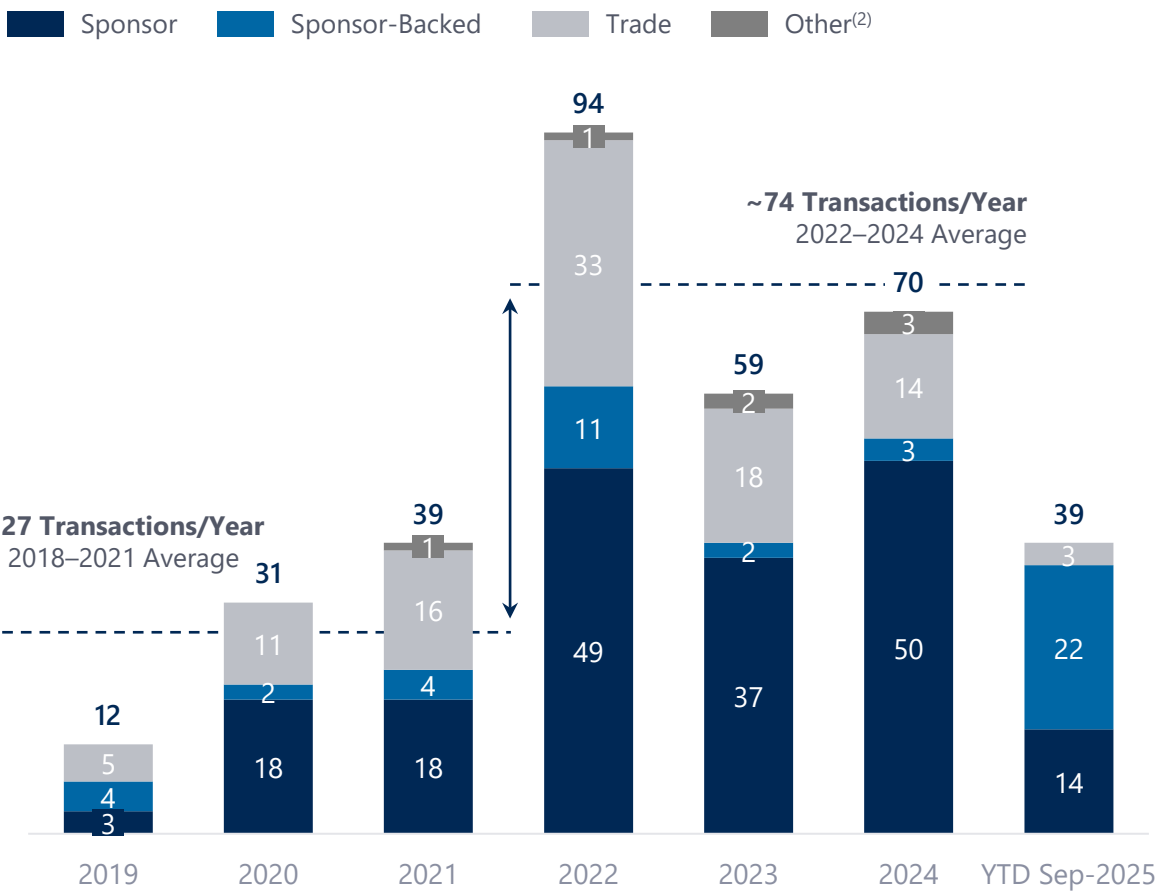
Sponsor	# Investments 2019–2025 ⁽²⁾	# Companies 2019–2025 ⁽²⁾	Sample Investments		
PLUGANDPLAY 🇺🇸	64	57	AQUOSMIC improvability	CERES TECHNOLOGY innovo	Chainparency Terrascope
techstars 🇺🇸	57	45	enurgen NOSSADATA	GOODR VALUECO	LATITUDE 40° STORMSENSOR
ANTLER 🇸🇬	20	25	AIRMO StepChange	mitigrate trace.	Pathzero YAYZY
Google for Startups 🇺🇸	26	26	ai ESG Cleartrace	APLANET CarbonSifr	cervest DIMUTO
climate capital 🇺🇸	23	21	Clarasight sightline climate	NORI SINAI	overstory StepChange
Tenity 🇨🇭	19	16	Azzera impak Analytics	deedster. Matter	Doconomy Pelt8

Notes: (1) Fundraising within the ESG Software Ecosystem, excluding mergers, acquisitions, and buyouts as of 05/09/2025. (2) Investments made between 01/01/2019 and 05/09/2025. Source: PitchBook.

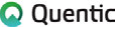
Ramped-Up Sustainability Software Transaction Activity Largely Driven by Sponsors

Newfound transaction activity levels are largely driven by direct sponsor engagement.

of Completed Transactions in Sustainability Software by Buyer Category⁽¹⁾



Most Active Acquirers

Sponsor	# Investments 2019–2025 ⁽³⁾	# Add-Ons 2019–2025 ⁽³⁾	Sample Investments
 INSIGHT PARTNERS	10	7	 OPTOSCALE  SYLVERA  PROJECT44  VERA AI  PAYLT  QUENTIC
 VISTA EQUITY PARTNERS	5	1	 ASSENT  RESILINC  BENCHMARK ESG  GNOSIS
 SOZO VENTURES	5	5	 KARGO  PROJECT44
 WAVE EQUITY PARTNERS	4	-	 CARBON CLEAN  QIO
 SI SPEEDINVEST	4	-	 APIDAY  SYLVERA  PREWAVE
 HG	4	2	 AUDITBOARD  CONTRACTS  CTAIMA  PROCESSMAP

Notes: (1) Based on dominant category as of 23/09/2025. (2) Including stand-alone management or employee buyouts, as well as individual, undisclosed acquirers. (3) Investments made between 01/01/2019 and 23/09/2025.
Sources: Mergermarket; PitchBook.

Multiple Highly Active Sponsor-Backed Sustainability Software Platforms

Sponsor platforms exhibit a strong acquisitive appetite and drive M&A activity.

Platform								
HQ								
Sponsor								
Focus	Sustainability and Resource Efficiency Management	Supply Chain Sustainability Software	Supply Chain Sustainability Software	Risk and Compliance Management (Including Sustainability)	Supply Chain Sustainability Software	Governance, Risk, and Compliance Management	Energy Market Intelligence Platform	EHS With a Large Focus on Chemical Safety
Acquired	December 2024	February 2024	July 2024	July 2023	April 2023	March 2023	September 2022	September 2022
Add-Ons								

Sources: Mergermarket; PitchBook.

Multiple Highly Active Sponsor-Backed Sustainability Software Platforms (cont.)

Sponsor platforms exhibit a strong acquisitive appetite and drive M&A activity.

Platform	Position Green [*]	POWERFACTORS	sphera	ProcessUnity	Diligent	ecovadis	cority	insightsoftware
HQ								
Sponsor	Norvestor	VISTA	Blackstone NEUBERGER BERMAN	MARLIN EQUITY PARTNERS	INSIGHT PARTNERS	astorg. CVC GENERAL ATLANTIC	THOMABRAVO	Hg
Focus	ESG Monitoring and Reporting Software and Services	Clean Energy Transition Platform	EHS&S Management	Third-Party Risk Management	GRC Software With Multiple Sustainability Features	Sustainable Supply Chain and Data Platform	EHS, OHS, and Sustainability Management	ERP Software With Integrated ESG Reporting Solutions
Acquired	April 2022	September 2021	September 2021	September 2021	August 2020	February 2020 ⁽²⁾	July 2019	June 2018
Add-Ons ⁽¹⁾	   	  	      	 	       	 	       	        

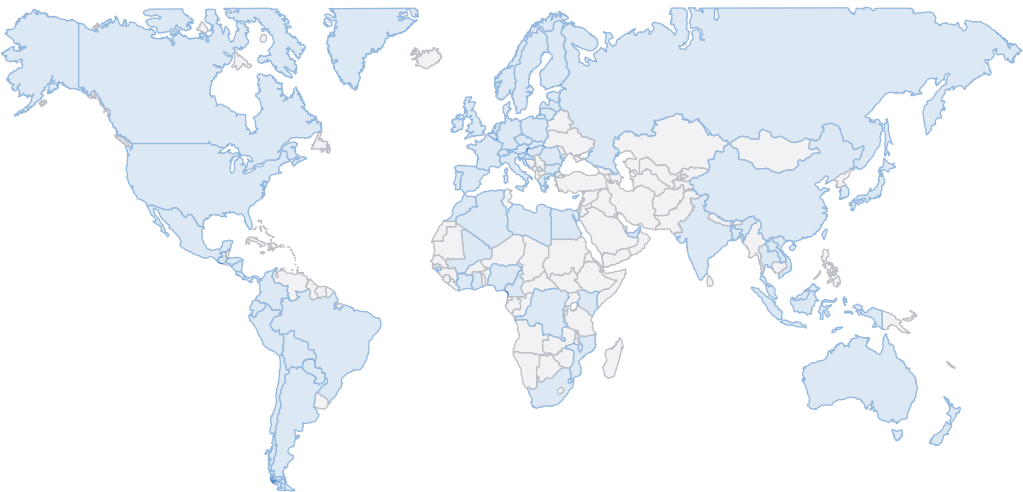
Notes: (1) Selected. (2) Astorg and General Atlantic invested in July 2022.

Sources: Mergermarket; PitchBook.

Sustainability Software Resonates With a Global and Diverse Sponsor Universe

International adoption and broad investor alignment unlock a large investor base.

■ Countries With ESG-Related Regulation



Source: Hogan Lovells, 2025.



Impact-First Investors
Investors prioritizing positive ESG impact while tolerating potential financial trade-offs.

Thematic Impact Investors
Investors with strategies that positively impact certain ESG goals while achieving financial returns.

Responsible Investors
Exclusionary investors avoiding noncompliant industries and ESG integrators considering qualitative and quantitative factors in investments.

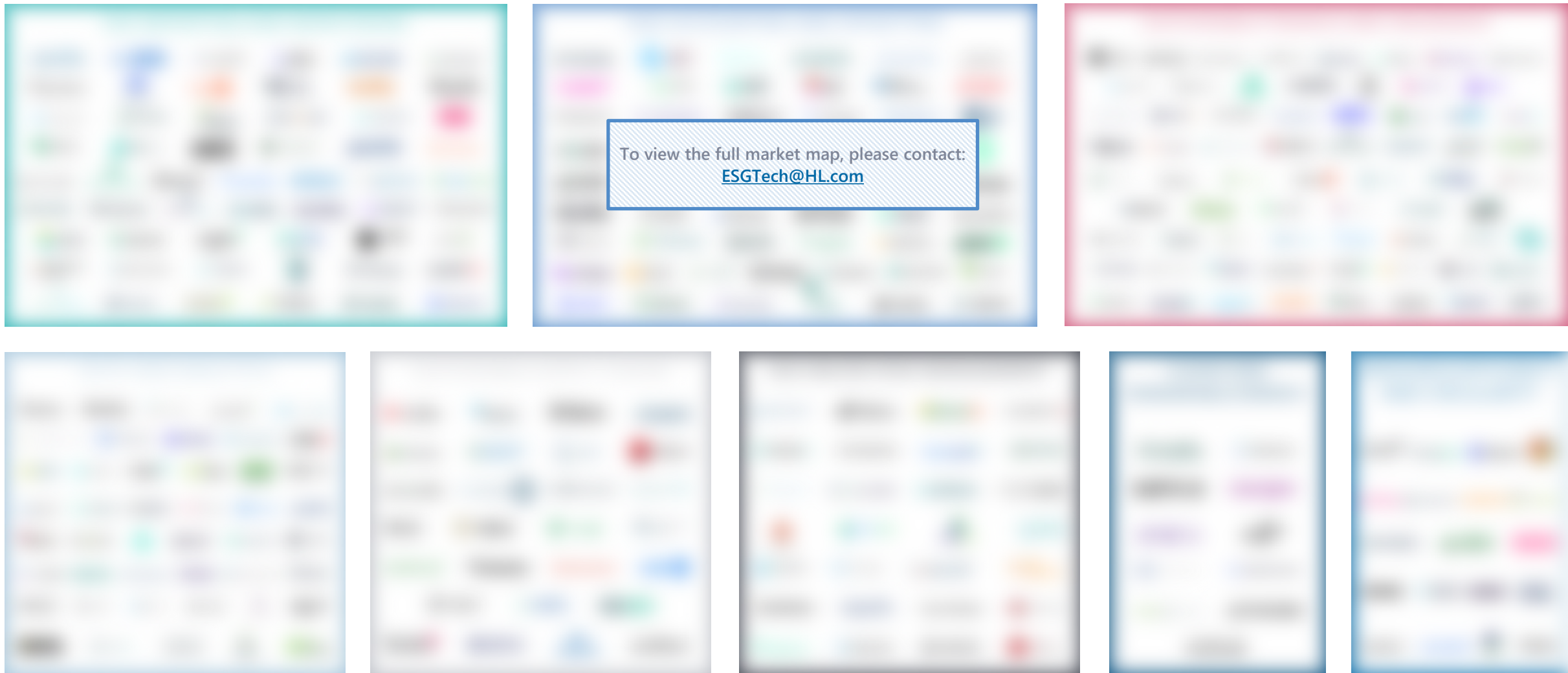
Traditional Investors
Unbound by ESG, an increasingly rare category.



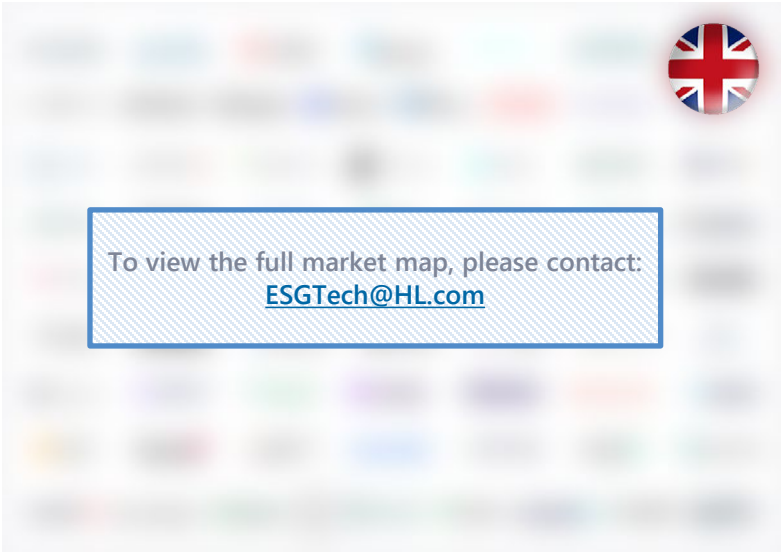
Market Map and Selection of Potential M&A Targets

04

Market Map With Featured Market Participants in the Sustainability Software Ecosystem



European Private Sustainability Software Market Map



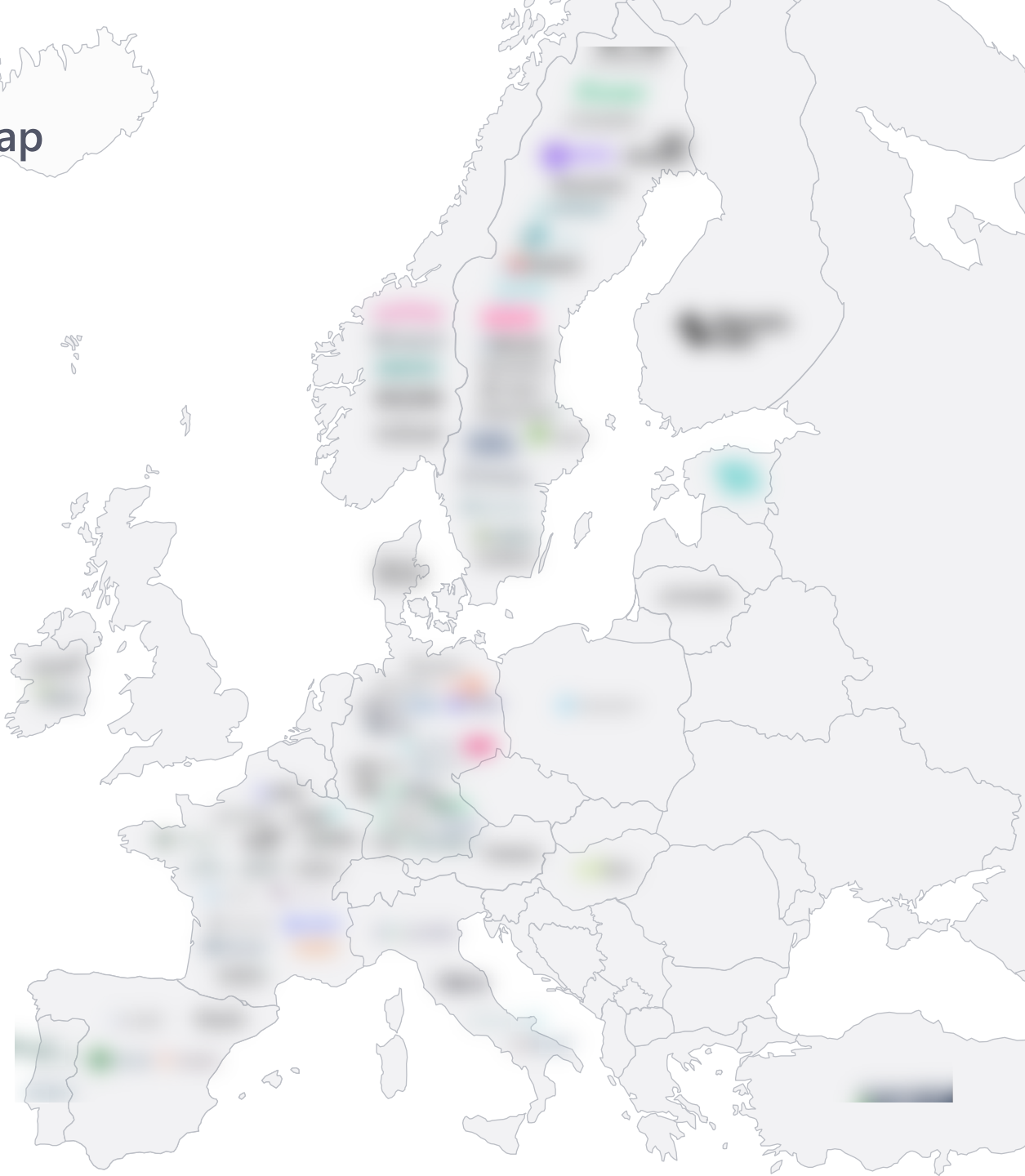
To view the full market map, please contact:
ESGTech@HL.com







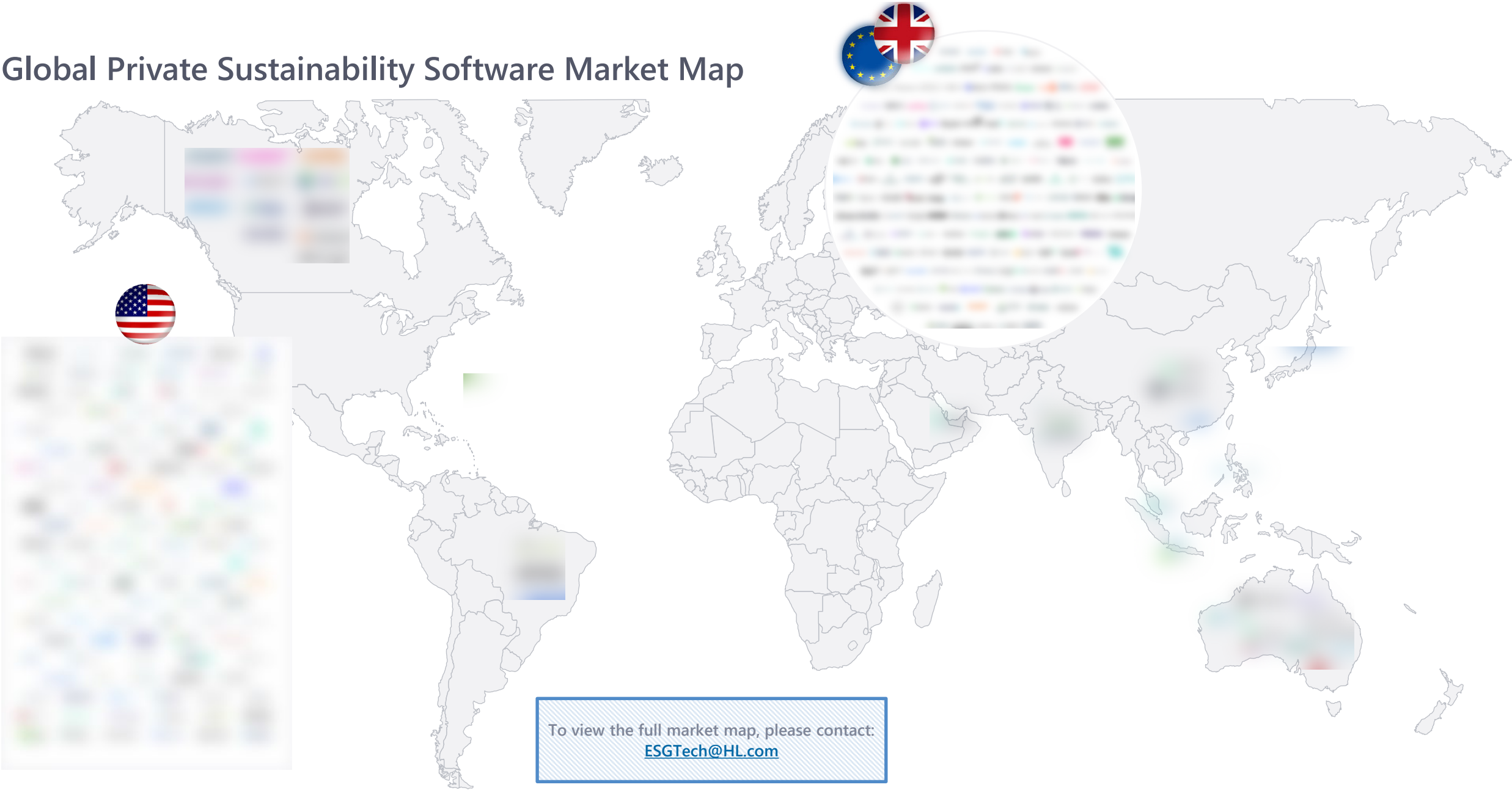




Source: PitchBook.



Global Private Sustainability Software Market Map



Source: PitchBook.



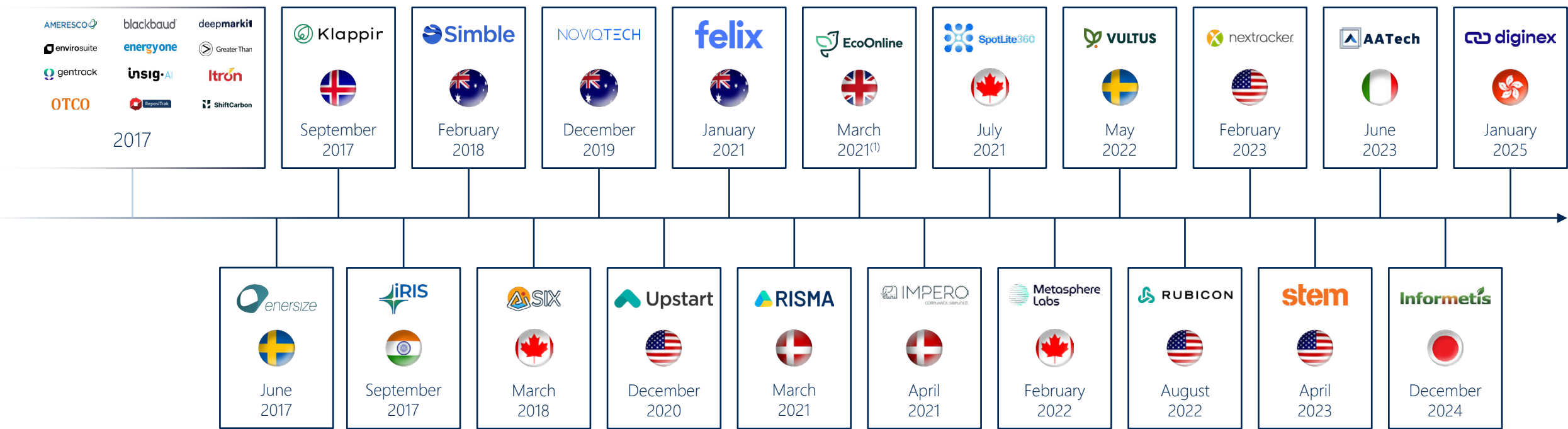


Current Valuation Levels in the Market

05

Public Sustainability Software Markets Are in Their Infancy, With Only Recent Uptick in IPOs

Limited mature public assets, with significant listings during the 2021 bull run.



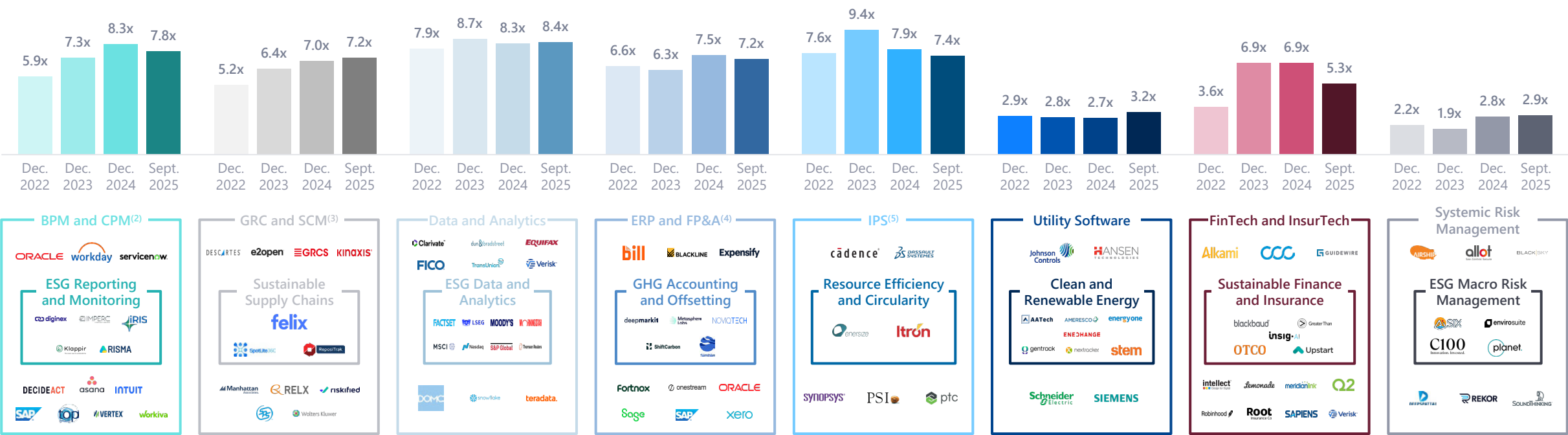
Note: (1) EcoOnline was taken private by Apax Partners, Altamir, Altaroc Partners, and Inflexion in September 2022.
Source: S&P Capital IQ.

Through the Cycle Revenue Multiples for Subsector Extended Peer Groups

Immature public markets warrant broader functional peer groups.

Subsector Peer Groups Trading Multiples

EV/NTM Revenue⁽¹⁾



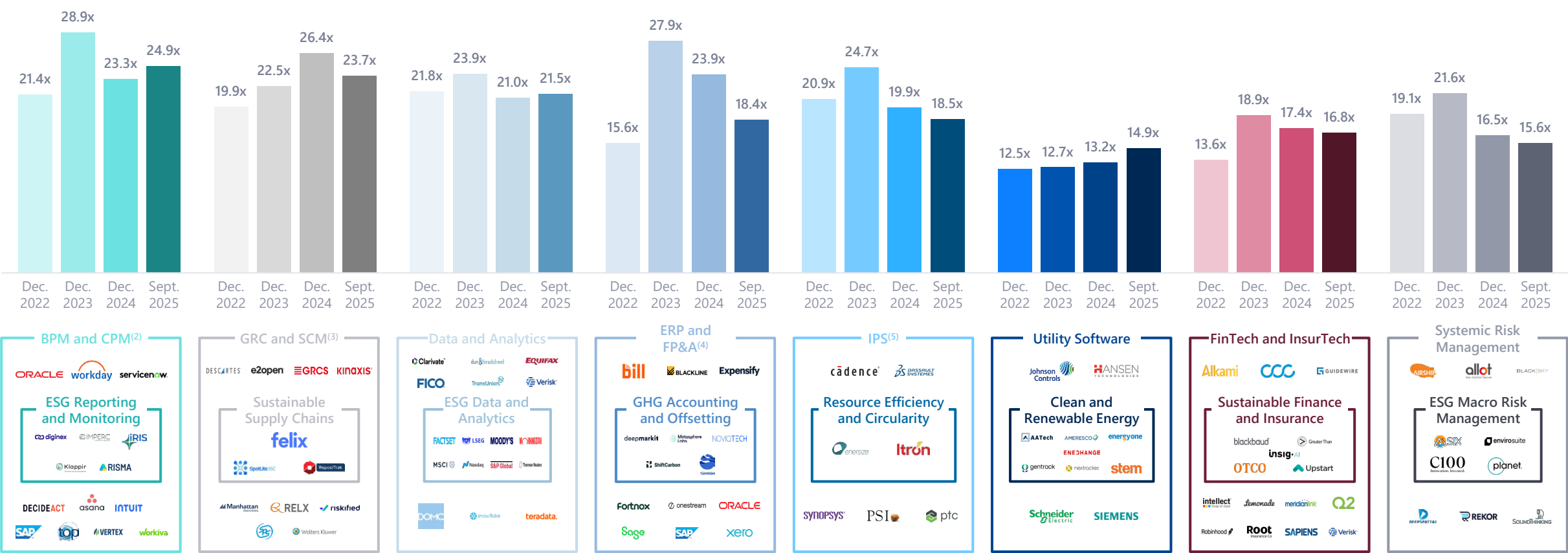
Notes: (1) Medians as per EOY. (2) Business Process Mgmt. and Corporate Performance Mgmt. (3) Governance, Risk, and Compliance and Supply Chain Mgmt. (4) Enterprise Resource Planning and Financial Planning and Analysis. (5) Industrial Process Software.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of September 22, 2025.

Through the Cycle EBITDA Multiples for Subsector Extended Peer Groups

Immature public markets warrant broader functional peer groups.

Subsector Peer Groups Trading Multiples

EV/NTM EBITDA⁽¹⁾



Notes: (1) Medians as per EOY, excluding multiples >50x. (2) Business Process Mgmt. and Corporate Performance Mgmt. (3) Governance, Risk, and Compliance and Supply Chain Mgmt. (4) Enterprise Resource Planning and Financial Planning and Analysis. (5) Industrial Process Software.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of September 22, 2025.

Precedent Transactions in Sustainability Software

Sustainability software vendors have seen valuation levels of 7.2x EV/sales and 26.2x EV/EBITDA over the past six years.

Date	Target	Target HQ	Buyer	Buyer HQ	EV (€M)	EV/Sales	EV/EBITDA
Sep-25						Confidential	
Sep-25						Confidential	
Aug-25	Matter				11	n.a.	neg. ⁽¹⁾
Aug-25			Position Green*			Confidential	
Aug-25			Position Green*			Confidential	
Jul-25					28	 5.5x	neg. ⁽²⁾
Jul-25	Emitwise®					Confidential	
Jul-25	ecolytq					Confidential	
Feb-25					94	 2.6x	neg. ⁽³⁾
Feb-25					839	 0.5x	 7.1x
Jan-25						Confidential	
Dec-24						Confidential	
Nov-24	aino		 	 	2	 1.1x	n.a.
Nov-24						Confidential	
Jul-24					2,791	 13.8x	 26.2x ⁽⁴⁾
Jul-24					2,771	 15.0x	n.a.
Jul-24	value			  	527	 4.0x	 39.2x

 Houlihan Lokey Transactions

Notes: (1) Based on FY2024; (2) Based on FY2024; (3) Based on FY2024; (4) Based on FY2024
Sources: Mergermarket, PitchBook.

Precedent Transactions in Sustainability Software (cont.)

Sustainability software vendors have seen valuation levels of 7.2x EV/sales and 26.2x EV/EBITDA over the past six years.

Date	Target	Target HQ	Buyer	Buyer HQ	EV (€M)	EV/Sales	EV/EBITDA
May-24	MARLOWE ⁽¹⁾		inflexion		Conf.	4.3x	11.5x
Feb-24	Watershed		SEQUOIA		1,649	22.7x ⁽²⁾	n.a.
Jan-24	SUPPLYSHIFT		sphera		Confidential		
Nov-23	EQS		THOMABRAVO		400	6.5x	n.m.
Aug-23	Kiona		CAREL		210	16.5x ⁽²⁾	n.m. ⁽²⁾
Mar-23	Tennaxia		MARLIN EQUITY PARTNERS		100	6.7x	33.3x
Jan-23	enhesa		Bregal Sagemount		395	8.0x	27.4x
Nov-22	project44		CMA CGM		2,765	16.3x ⁽³⁾	n.a.
Oct-22	FoodLogiQ		esha RESEARCH		Confidential		
Sep-22	EcoOnline		Apax		379	9.6x	n.a.
Sep-22	Datamaran®		AMERICAN ELECTRIC POWER FORTIVE		70	n.a.	n.a.
Jul-22	Ideagen		Hg		1,289	11.3x	32.3x
Jul-22	ecovadis		GENERAL ATLANTIC		959	18.0x	n.a.
May-22	Quentic		amcs		405	16.0x	n.a.
Mar-22	Alcumus		Apax		813	9.0x	n.a.
Jan-22	Assent		VISTA		885	20.8x ⁽⁴⁾	n.a.
Jul-21	barbour		MARLOWE		38	5.9x	n.a.

Houlihan Lokey Transactions

Notes: (1) Marlowe's GRC Software and services assets; (2) Based on FY2024; (3) Estimate based on publicly available financials from the last financial year prior to the transaction; (4) Based on 2021 ARR
Sources: Mergermarket, PitchBook.

Precedent Transactions in Sustainability Software (cont.)

Sustainability software vendors have seen valuation levels of 7.2x EV/sales and 26.2x EV/EBITDA over the past six years.

Date	Target	Target HQ	Buyer	Buyer HQ	EV (€M)	EV/Sales	EV/EBITDA
Jul-21	 CORESTREAM		MARLOWE		21	 4.4x	 12.0x
Mar-21	 Innovyze		 AUTODESK		823	 28.6x	n.a.
Dec-20	 FOODCHAIN ID		Berkshire Partners		Confidential		
Jul-20	 airsweb		 EcoOnline		31	 5.5x	n.a.
Jul-20	 enhesa		CGE		Confidential		
Jul-20	OPTIMAL+				327	 7.2x	n.a.
May-20	 eAttestations		 ENTREPRENEUR INVEST		10	 2.0x	 7.9x
Apr-19	roxit.		 VISMA		113	Confidential	
Average					669	9.9x	21.9x
Median					387	7.2x	26.2x

 Houlihan Lokey Transactions

Sources: Mergermarket, PitchBook.



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