

Preliminary Research Findings suggest that ESG can contribute to generating Alpha in Private Equity

Pantheon, a leading global private equity fund investor, today reported that early findings from its academic research collaboration suggest that there may be a positive link between management of environmental, social and governance factors and Private Equity returns.

“This initial research is encouraging and indicates that embracing ESG can result in higher performing companies across a number of key measures,” said Dushy Sivanithy, Principal and Co-Chair of Pantheon’s Responsible Investment working group.

In 2012, Pantheon partnered with Dr. Andreas Hoepner, Associate Professor at the ICMA Centre of Henley Business School and Senior Academic Fellow at the United Nations-backed Principles for Responsible Investment, to investigate the impact of good ESG management on Private Equity returns. Based on the data set, today’s preliminary findings show that:

ESG can contribute to performance;

Firms included in the research that had better performance also had below average negative ESG news profiles; and

The data suggests that ESG management has a stronger effect on company valuation and EBITDA than on revenue.

Pantheon’s research collaboration employs Pantheon’s proprietary Private Equity data set, which includes global data on approximately 9,500 portfolio companies built up over 17 years. The research focuses on the period from 2007 and the initial analysis is based on a controlled data sample of 400 firms. The negative news data was sourced from RepRisk, a leading business intelligence provider on ESG risks of both listed and non-listed companies worldwide.

These preliminary results were presented earlier this month. The final results are expected to be available in mid-2015 following robust technical and statistical tests.