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Media release

Capital Dynamics Reveals Results of Responsible Investment and ESG Survey

Implementation of RI/ESG Policies Serve as Building Blocks for Value Creation in Private Equity

Capital Dynamics, a global private asset manager, today announces findings from its recent survey of private equity general partners (GPs) on responsible investing (RI) principles and the consideration of environmental, social and governance (ESG) factors in the private equity industry.

Overall, the report indicates a market shift towards proactively adopting RI/ESG as a means of increasing returns, with over three quarters of respondents planning on incorporating it into their value creation strategy, suggesting that RI/ESG has moved beyond an administrative necessity to become a favored method of achieving higher returns.

Key report findings

- The majority of private equity managers formalized RI/ESG policies in response to increasing investor requirements; commitment to RI/ESG is equally driven by its importance within investment risk management
- For over a quarter of respondents, higher returns was one of the top drivers of implementing an RI/ESG policy
- More than a third of participants measured and experienced a positive impact on EBITDA due to the implementation of RI/ESG policies
- The survey revealed over three quarters of respondents will increasingly consider ESG factors as a value creation tool
- The majority of private equity managers plan to enhance the level of their RI/ESG implementation in the areas of value creation, data collection from portfolio companies and reporting to investors

Angela Willetts, Co-Head of Private Equity Investment Management, comments:

“The survey results show a strong industry-wide acknowledgement of the value ESG and RI can play in an investment strategy. When applied strategically, rather than as a token marketing gesture, they can produce tangible results that are directly reflected in returns for investors. Many GPs are already experiencing a positive impact on EBITDA as a result of adopting ESG/RI principles and we are not surprised by this result – what was a trend for some is now becoming a priority for many.”

The survey reflects opinions of senior management and RI/ESG practices from 109 general partners of private equity funds across the globe, with 45% from Europe, 37% from North America and 18% Asia-Pacific and the rest of the world. Respondents represent various investment strategies and a wide range of recent flagship fund sizes, as well as different firm sizes.

Capital Dynamics believes that adopting RI principles leads to enhanced long-term financial returns and a closer alignment of objectives between institutional investors, other stakeholders and society at large. This is also the reason why the company integrates ESG into its investment analysis, investment decisions and post-investment processes and was an early signatory of the Principles for Responsible Investment (‘UNPRI’) in 2008. Capital Dynamics has been and continues to be actively engaged in initiatives to improve RI standards. For example, the Firm is engaged in several limited partner (‘LP’) initiatives to establish broadly accepted RI standards (e.g. the ESG Disclosure Framework for Private Equity) and was actively involved in creating the British Private Equity and Venture Capital Association’s (BVCA) RI guidelines.

The complete results of Capital Dynamics’ survey can be requested from info@capdyn.com.

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About Capital Dynamics

Capital Dynamics (the “Firm”) is an independent, global asset manager, investing in private equity as well as clean energy and infrastructure. We are client-focused, tailoring solutions to meet investor requirements. The Firm manages investments through a broad range of products and opportunities including separate account solutions, investment funds and structured private equity products. Capital Dynamics currently has over USD 27 billion in assets under management/advisement¹.

Our investment history dates back to 1988. Our senior investment professionals average over 20 years of investing experience across the private equity spectrum². We believe our experience and culture of innovation give us superior insight and help us deliver returns for our clients. We invest locally while operating globally from our London, New York, Zug, Tokyo, Hong Kong, San Francisco, Munich, Birmingham, Seoul and Scottsdale offices.

¹Capital Dynamics comprises Capital Dynamics Holding AG and its affiliates; assets under management/advisement, as of September 30, 2016 include assets under discretionary management, advisement (non-discretionary), and administration across all Capital Dynamics affiliates. ²Average years of experience held by Capital Dynamics’ Managing Directors and Directors in Investment Management.

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