

## Faculti Summary

<https://faculti.net/esg-disclosures-in-the-private-equity-industry/>

Here are five key points from the video:

1. **Focus on Private Equity and Sustainability**: The study addresses the gap in understanding how private equity firms engage with sustainability and Environmental, Social, and Governance (ESG) investing, particularly given the significant amount of capital allocated to private firms compared to publicly listed companies.
2. **Research Questions**: The researchers aim to investigate two main questions: (1) whether private equity firms discuss sustainability strategies and how this has evolved over time, and (2) whether these discussions correlate with actual improvements in the sustainability performance of the companies they acquire.
3. **Challenges in Research**: The lack of standardized disclosures from private equity firms poses a significant challenge for researchers, as these firms are not required to make the same level of financial or non-financial disclosures as public companies. This "observability challenge" necessitates the use of voluntary disclosures, particularly from firms' websites, to gather data on ESG activities.
4. **Findings on ESG Disclosures**: The research finds that on average, private equity firms that disclose more about their ESG strategies tend to have portfolio companies that improve their sustainability outcomes post-acquisition, such as reducing emissions and enhancing governance metrics, indicating a positive correlation between disclosures and actual practices.
5. **The Role of Limited Partners**: The research suggests that private equity firms disclose ESG strategies to attract funding from limited partners (LPs) who are increasingly concerned with sustainability. The long-term relationships between PE firms and LPs drive accountability, compelling firms to follow through with their stated ESG commitments to maintain credibility and secure future investments.

These points highlight the study's examination of the nexus between private equity, sustainability, and the role of investor expectations in shaping firm behaviors.