

# BIG DATA & ALGORITHMIC FINANCE



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I am a 4th year Ph. D. Candidate in Finance at HEC Paris. My primary research interests are in corporate finance and financial intermediation in private markets. Prior to academia I have worked as a quantitative researcher at a hedge fund.

## **ESG INCIDENTS AND FUNDRAISING IN PRIVATE EQUITY**

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We analyse how ESG incidents affect the capital raising ability of Private Equity (PE) firms. Using a sample of global buyout investments, we find that experiencing an environmental and social (E&S) incident in its portfolio companies negatively affects the PE firm's ability to raise capital both at the extensive and intensive margin. Affected PE firms are less likely to raise a subsequent fund and the subsequent funds are smaller. The relative size of subsequent funds are 7.6 % smaller for PE firms experiencing higher-than-median number of E&S incidents, compared to those with no incidents. The effect is stronger for less reputable PE firms. The decrease in capital commitment is likely driven by departure of limited partners with whom the PE firm had a past relationship. After an incident, PE firms do more ESG screening by making new investments in firms that are less likely to experience an incident.

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