

Private Equity Council members adopt guidelines for responsible investment

*Guidelines call for consideration of environmental, health, safety, labor
and governance issues; openness with stakeholders; respect for human rights*

WASHINGTON, DC, February 10, 2009 – The Private Equity Council today announced that its members have adopted a set of comprehensive responsible investment guidelines that they will apply prior to investing in companies and during their period of ownership. The guidelines cover environmental, health, safety, labor, governance and social issues.

The guidelines grew out of a dialogue between PEC members and a group of the world’s major institutional investors, which took place under the umbrella of the United Nations-backed Principles for Responsible Investment (PRI).

“Private equity is all about investing for growth and maximizing returns to our investors. To accomplish that today requires considering a range of environmental, governance, human capital, and social issues,” said Private Equity Council President Douglas Lowenstein. “Today’s announcement explicitly and formally affirms PEC members’ commitment to fully integrating these responsible investment guidelines into both our pre-investment and post-investment processes.”

PRI Executive Director James Gifford said: “A year ago, we reached out to the private equity sector, including the Private Equity Council, to launch a dialogue on how best to address environmental, social and governance (ESG) issues in line with the PRI Principles.

“Today’s announcement by the PEC that its members have adopted these comprehensive guidelines on responsible investment marks a major step forward in our efforts to elevate ESG issues at all companies, public and private. We are pleased that the PEC has committed to meeting with us twice annually to have a sustained dialogue on these guidelines and ESG issues,” Gifford added.

Ted Eliopoulos, Interim Chief Investment Officer of the California Public Employees Retirement Systems (CalPERS), added: “We signed onto PRI because we believe that encouraging policies and practices that help create a better society for this and future generations is an excellent way to maximize our investment returns. As a limited partner in many PEC members’ funds, we know that private equity has not only generated positive returns for our beneficiaries but has also been a positive force in building stronger, more competitive companies.

“We view these guidelines as a groundbreaking commitment by one of our major asset classes to integrate ESG into investment decision-making and ownership activities. We will monitor their implementation rigorously, and we hope the PEC’s recognition that embracing ESG issues is a key to attracting and retaining investment and will send a signal to others to follow suit,” Eliopoulous added.

Christopher J. Ailman, Chief Investment Officer of the California State Teachers Retirement System said: “Our members are teachers who understand the value in preparing our children early for successful futures. Similarly, these guidelines truly recognize the value of acting now to promote investment strategies in private equity that will be the bulwark of our members’ retirement security in decades to come.

“CalSTRS joins PEC’s membership with today’s action in underscoring the importance of environmental, social and governance issues as an essential part of good investment decisions. Historically, the market place wanted to disdain environmental, social and governance issues,” Ailman said. “That myopic view doesn’t translate into today’s complex global market. These guidelines, like our CalSTRS policies, recognize long-term issues that affect the sustainability of corporate earnings.”

The guidelines call for PEC member firms to:

1. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues. To that end, Private Equity Council members will work through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national, state, and local labor laws in the countries in which they invest; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.

6. Maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
7. Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about their activities.
9. Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

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About the Private Equity Council

The Private Equity Council, based in Washington, DC, is an advocacy, communications and research organization and resource center established to develop, analyze and distribute information about the private equity industry and its contributions to the national and global economy. PEC members are: Apax Partners; Apollo Global Management LLC; Bain Capital Partners; the Blackstone Group; the Carlyle Group; Hellman and Friedman LLC; Kohlberg Kravis Roberts & Co.; Madison Dearborn Partners; Permira; Providence Equity Partners; Silver Lake, THL Partners; and TPG Capital (formerly Texas Pacific Group).

About the Principles for Responsible Investment

For more information on the PRI visit www.unpri.org or contact Jerome Tagger, Chief Operating Officer, at +1 (347) 551-0273.