LGT Capital Partners Ltd.
Schuetzenstrasse 6, CH-8808 Pfaeffikon
Tel. +41 55 415 96 00 · www.lgtcp.com

Media release

ESG integration increases with stronger focus on climate change and human rights, along with further progress on D&I

A clear majority (85%) of investors in alternative investments are integrating ESG criteria into their investment decisions, an increase of 10 percentage points over the last three years, according to new research from LGT Capital Partners. Climate change and human rights are seen as the most pressing issues among investors, while Diversity & Inclusion (D&I) has seen the largest increase in attention. Support for the UN Sustainable Development Goals (SDGs) remains strong.

Pfaeffikon, 27 July 2022. LGT Capital Partners' research surveyed 230 investors in alternatives (including pension funds, endowments and insurers) across 28 countries to assess how they are integrating ESG into their investment activities. This includes how investors are prioritizing environmental, social and governance criteria, their use of the UN SDGs, and the progress being made in the key areas of climate action and D&I.

LGT Capital Partners' new survey, The changing landscape of ESG and sustainable investing, finds that:

- Although environmental considerations have been a primary focus for investors for years, we do see a significant further increase in importance with 66% of respondents identifying this as the area that gets the most attention in their investment activities, an increase of 15 percentage points over the last three years.
- A majority (52%) now have policies in place to address climate change in their investment decision-making, with a further 36% planning to implement policies in the next two years. Europe is ahead of other markets on issues relating to climate change, with 63% of investors having policies already in place, compared to just 23% of investors in North America.
- 29% of respondents are now members of a net-zero initiative or have formally committed to reaching net-zero emissions in their portfolios, while 34% plan to enact policies in the next two years.
- Within the "S" in ESG, for the first time, human rights have been named by 23% as the most important social concern (versus 20% in 2019), whereas controversial weapons was the most important concern in 2019 with 22% (2022: 19%).
- The largest gain in attention has been identified as D&I, which is up 5 percentage points from 2019, the largest rise of all concerns in the "S" category in ESG.
- 37% of respondents have increased their efforts in D&I over the last year and almost half (48%) have formal policies in place. Notably, North America leads the way with 73% of respondents having D&I policies in place, compared to 45% in Europe and just 24% in Asia.
- 55% of investors believe that incorporating ESG considerations into investment decision-making positively affects risk-adjusted returns, an increase of 11% versus 2019.
- 73% of investors believe ESG is relevant when appointing alternative investment managers compared to 54% in 2019. While in 2019 47% were prepared to exclude managers based on ESG concerns, 54% are willing to do so in 2022.
- An overwhelming majority (92%) of investors believe that the UN SDGs help address pressing environmental and social issues. 80% of respondents also believe that the SDGs help create new investment opportunities.

- An increasing number of investors also assess the impact of investments on the SDGs: in Australia & New Zealand (2022: 32% vs 2019: 7%), Europe (2022: 25% vs 2019: 10%), and Asia (2022: 23% vs 2019: 8%) the efforts doubled or tripled, whereas in the US it remained stable at 7%.

Commenting on the survey findings, Tycho Sneyers, a Managing Partner at LGT Capital Partners and a Board Member at UN PRI, said:

"Investors are increasingly incorporating ESG considerations into their investment decision-making, and the trend towards a stronger focus on outcome orientation continues, particularly in relation to climate change and human rights. Diversity and inclusion is increasingly high on investors' agendas, albeit at different stages of implementation in different regions. We also continue to see the SDGs play an important role in guiding investment decisions and in impact measurement."

Methodology

The LGT Capital Partners' Investor Survey is based on the views of 230 participants from 28 countries who invest in private equity, real estate, private debt, infrastructure and hedge funds. The survey seeks to assess their views on the role of ESG in decision-making, top ESG issues, motivations for ESG integration and priorities for the future. Participants were comprised of senior decision-makers (portfolio managers, heads of asset class, CIOs, CEOs) from a broad spectrum of institutions.

The full survey, The changing landscape of ESG and sustainable investing, can be found here.

LGT Capital Partners

LGT Capital Partners has a long-held commitment to incorporating ESG considerations into its investment programs and its business overall. Since 2003, many of its portfolios have had a responsible investment clause written into its governing documents, authorizing the firm to exclude investments that are substantially exposed to arms-related activities, violations of human rights, irresponsible treatment of the natural environment or other non-ethical conduct of business. In 2009, LGT Capital Partners launched its dedicated sustainable bond and equity offerings. In 2008, the firm was one of the early signatories to the UN PRI. Furthermore, since 2018, Tycho Sneyers, a Managing Partner at LGT Capital Partners, has served on the PRI's board of directors. In 2021 LGT Capital Partners joined the Net Zero Asset Managers initiative supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

LGT Capital Partners is a leading alternative investment specialist with over USD 85 billion in assets under management and more than 600 institutional clients in 42 countries. An international team of over 650 professionals is responsible for managing a wide range of investment programs focusing on private markets, liquid alternatives and multi-asset class solutions. Headquartered in Pfaeffikon (SZ), Switzerland, the firm has offices in New York, Raleigh, Dublin, London, Paris, Vaduz, Frankfurt am Main, Luxembourg, Dubai, Beijing, Hong Kong, Tokyo and Sydney.

Contact

Media Relations
+41 55 415 96 00
lgt.cp@lgtcp.com