

Media release

Alternative investment managers: commitment to ESG remains on a high level

Alternative investment managers continue to demonstrate commitment to environmental, social and governance (ESG) standards. According to LGT Capital Partners' new ESG Report 2024, 73% of the assessed private equity managers have robust ESG processes in place, an improvement of 46% over the last decade. The report draws on over 10 years of proprietary data, indicating the progress of over 300 General Partners (GPs) and 1,800 portfolio companies.

Pfaffikon, 20 August 2024. LGT Capital Partners has today published the 12th edition of its annual ESG Report. Over this period, significant progress has been observed in the ESG and DEI efforts of the alternative investment managers examined.

In 2014, just over a quarter (27%) of private equity managers had robust ESG management processes in place – indicated by LGT Capital Partners' ratings of “excellent” or “good”. Today, almost three quarters (73%) of the assessed private equity managers have robust ESG management processes, with 37% scoring “excellent” and 36% “good” on the same methodology.

Over the past twelve months alone, a total of 33 private equity managers have significantly improved their ESG efforts, resulting in a higher rating for their firm.

However, this year, LGT Capital Partners has noted a stagnation in percentage changes as compared to recent years. It can likely be attributed to the challenges of improving further on already advanced baselines and the increasing complexity of ESG. This said, we have seen managers taking concrete measures to move from «pledges to actions» – the theme of this year's report – focusing on delivering measurable results.

In the ESG Report 2024, LGT Capital Partners assessed the ESG practices of 380 alternative investment managers, of which more than 300 are private equity managers. Key findings from the report include:

- **Europe maintains its lead, with Asia and the US progressing more slowly:** In Europe, half of the private equity managers assessed (51%) are now rated “excellent” (up from 42% in 2023), and 87% are rated either “excellent” or “good” (up from 82% last year), based on LGT Capital Partners' scores.
The percentage of Asian private equity managers rated “excellent” on their ESG practices has increased from 29% to 34% since 2023. However, the number of managers rated either “excellent” or “good” slightly declined to 76% (down from 79% in 2023).
Meanwhile, the result from US-based private equity managers is developing from a lower basis: This year, 53% of the assessed GPs are positioned in the top two rating levels, compared to 49% in 2023. The “excellent” rating was achieved by 16% (up from 13% last year).
- **Greenhouse gas (GHG) emission monitoring has increased globally:** 56% of private equity managers are tracking emissions in 2024, compared to 48% in 2023, though there is still room for improvement.

- **Diversity, equity and inclusion (DEI) awareness continues to grow:** The awareness for DEI is still growing and initiatives across asset classes have progressed. Private equity managers, for example, have become increasingly mindful of the importance of formalized DEI practices. In 2024, three quarters (74%) of the assessed private equity managers have their own DEI policy in place, while 69% make use of such information in their investment decisions. This is especially remarkable when looking at a two-year comparison, when those numbers stood at 60% and 51%, respectively. Hedge fund managers show a similar trend, with most managers having a DEI policy in place and some best-in-class examples on how to foster DEI emerging.
- **Climate remains top priority:** LGT Capital Partners expanded its climate-action investment framework for listed companies to include forward-looking information, distinguishing between companies with set targets or transition plans and those without. For example, according to LGT Capital Partners' assessment, on a global basis 42% of companies are taking actions to decarbonize, while another 35% are even further ahead and already aligning with net zero. Unsurprisingly, there are no companies at net zero yet.

Tycho Sneyers, Managing Partner at LGT Capital Partners and Member of the Board of the Principles for Responsible Investment (PRI) commented:

“ESG practices significantly enhance commercial value by aligning portfolio companies with industry transitions toward net-zero, securing advantages through proactive regulatory compliance, and improving operational efficiency, talent acquisition and customer engagement, thereby increasing market share and competitive positioning.

At LGT Capital Partners, we recognize that driving ESG through actions in the real world requires intensive engagement and that creating truly sustainable investment portfolios is a long-term project with no decisive endpoint. We are convinced that incremental improvement, year-on-year, delivers real outcomes over time.”

LGT Capital Partners

LGT Capital Partners is a leading global specialist in alternative investing with over USD 100 billion in assets under management and more than 700 institutional clients in 44 countries. An international team of 850 professionals is responsible for managing a wide range of investment programs focusing on private markets, multi-alternatives and diversifying strategies, as well as sustainable and impact strategies. Headquartered in Pfaeffikon (SZ), Switzerland, the firm has offices in San Francisco, New York, Dublin, London, Paris, The Hague, Luxembourg, Frankfurt am Main, Vaduz, Dubai, Beijing, Hong Kong SAR, Tokyo and Sydney.

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