

Media release

## **Alternative investment managers increase focus on ESG outcomes, with Climate Action being the top concern**

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**The last twelve months have seen a sharp rise in the proportion of private equity managers addressing climate change in their ESG policies, according to a new study by LGT Capital Partners. In its tenth annual ESG Report, LGT Capital Partners finds that almost half (47%) of private equity managers are now addressing climate change through their ESG policies, an increase of 13 percentage points over the last year. The proportion of managers assessing climate risks has also risen notably (from 32% in 2021 to 43% in 2022), while there has also been strong growth in the number of managers monitoring greenhouse gas emissions (40%, compared to 28% in 2021).**

The LGT Capital Partners study analyzes the activities of 392 managers globally (including 303 private equity managers) to assess the improvements made in ESG practices. In addition to progress being made on climate change, LGT Capital Partners also finds strong improvements being made by managers with respect to diversity and inclusion (D&I) issues. A majority of private equity managers (60%) now have a D&I policy in place (an increase of 10 percentage points over the last twelve months), while 51% of managers now consider D&I within their investment decisions.

Other key findings from **LGT Capital Partners' ESG Report 2022** include:

- Europe continues to lead the way in ESG integration, with 84% of private equity managers assessed ranked 'excellent' or 'good' for their approaches, compared to 70% in Asia and 50% of US managers. Over the last five years, however, Asia has shown the strongest improvement in ESG integration with an increase of 20 percentage points in the number of managers ranked 'excellent' or 'good'.
- 50% of European private equity managers have implemented an approach to climate change, as have 40% of managers in Asia. The US remains somewhat behind on climate change issues, with just 33% of those assessed having an approach in place.
- Of the managers that have implemented the EU Sustainable Finance Disclosure Regulation (SFDR), 23% classified their latest funds as Article 8 and 7% as Article 9.
- When asked about future plans and new fund launches, private equity managers indicated the number of SFDR Article 8 and SFDR Article 9 funds is expected to double in their next generation of funds.
- Significant progress has also been made with our hedge fund managers: 64% of the managers assessed now rated 'excellent' or 'good' for their ESG practices, versus 25% last year. 2021 marked also something of a milestone for LGT Capital Partners' own hedge fund offering, with the firm able to classify its flagship discretionary hedge fund offering as an Article 8 product under the SFDR.
- Progress has been made in the area of D&I: A majority of private equity managers (60%) now have D&I policies in place, an increase of 10 percentage points over the last year.

- Over half of private equity managers (52%) now include D&I considerations into their investment decisions. However, work remains to be done as, for example, in private equity co-investments, on average only 9% of board seats are taken up by women.
- The results of LGT Capital Partners' ESG Report 2022 reflect the significant progress that has been made over the last ten years, when only 28% of private equity managers assessed in the firm's first ever ESG Report in 2013 were ranked as 'excellent' or 'good' with respect to their approaches on ESG.

### **LGT Capital Partners acts on climate change**

As part of its continued efforts to combat climate change, LGT Capital Partners has implemented a comprehensive framework for its 18 billion US-Dollars endowment strategy (a multi-asset strategy) which includes the exclusion of all companies deriving significant revenues from thermal coal, increased allocations to climate solutions, and tilting emerging market exposure away from commodity-exporting countries to skills-based economies in Asia. The endowment strategy has committed to achieving net-zero CO<sub>2</sub> emissions in its portfolios at the latest by 2050, and reduced greenhouse gas emissions by 30% in the last year alone.

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

"Over the past twenty years, since we started analyzing ESG activities, we have seen clear and significant progress in how managers approach ESG issues. In particular, this is reflected in areas such as climate change, D&I, and the continued trend towards outcome-oriented approaches, where we see managers integrating ESG aspects into their activities. Looking forward, we strongly believe that ESG integration will continue to help address the long-term challenges people and planet are facing, and support investors to appropriately position their portfolios in the growing spectrum of ESG opportunities and risks."

### **For more information on LGT Capital Partners or to receive a copy of its ESG Report 2022, please contact:**

LGT Capital Partners  
Franziska Raff, Media Relations  
Tel: +41 55 415 93 91  
Email: [franziska.raff@lgt.com](mailto:franziska.raff@lgt.com)

JPES Partners  
Matt Rogers, Director  
Tel: +44 (0)20 7520 7624 / +44 (0)7801 818735  
Email: [matt.rogers@jpespartners.com](mailto:matt.rogers@jpespartners.com)

### **LGT Capital Partners**

LGT Capital Partners has a long-held commitment to incorporating ESG considerations into its investment programmes 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. LGT Capital Partners is also a signatory to the Montreal Carbon Pledge.

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 43 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 Pfäeffikon (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.