

## **ESG integration continues to improve among alternatives managers, finds new report**

Pfaeffikon/Zurich, 27 June 2018 – **European alternatives managers continue to lead the way in ESG according to new research from LGT Capital Partners, a leading alternative investment manager.**

LGT Capital Partners' sixth annual ESG report assesses some 294 managers globally, grading them on how successfully they have integrated environmental, social and governance (ESG) considerations into their investment activities.

Key findings from the 2018 report are:

- The majority (58%) of private equity firms are rated as either 'Excellent' or 'Good' in terms of ESG integration, compared to just 27% in 2014, indicating that this has been made a priority by private equity managers.
- Europe continues to lead the way in ESG integration, particularly in private equity where 75% of managers were ranked as 'Excellent' or 'Good'. While still some way behind, the US has shown improvement in the last year with the number of private equity managers ranked at least 'Fair' for ESG integration increasing by 5%.
- Mega and large private equity managers continue to show the most strength in terms of ESG, with 86% of mega and 58% of large managers ranking as 'Excellent' or 'Good'. However, size should not be considered a barrier to ESG integration, with 52% of small managers also ranking as 'Excellent' or 'Good'.
- In the hedge fund space, 82% of managers are now ranked as 'Fair' or above with respect to ESG integration, a significant improvement on the 54% recorded in LGT's 2014 report. Europe leads the way, with 23% of managers ranked as 'Good' and none of those surveyed ranked 'Poor'; however, hedge funds in the US and Asia continue to lag behind significantly having only taken basic steps towards ESG integration.

LGT Capital Partners' analysis is based on assessment of managers across four key criteria: commitment to ESG through the development of specific policies or adherence to broader industry standards (such as UN PRI); the extent to which ESG is formally integrated into investment processes; ownership philosophy and the extent to which managers are active in defining the ESG practices of investee companies; and their reporting on ESG (at both portfolio company and aggregate fund levels). Managers are then assigned an overall rating on a scale of one to four, where one indicates ESG excellence and four indicates little or no institutionalized commitments to ESG practices.



Commenting on the ESG Report 2018 findings, Tycho Sneyers, Managing Partner at LGT Capital Partners and board member at UN PRI said:

“ESG has become an highly important issue for investors in recent years, with many institutional asset owners placing it at the heart of their investment activities, forcing their managers to do likewise. Our findings show that alternatives managers are responding to these requirements, particularly in private equity where the majority of providers now rank highly for their approach to ESG. This is not the end of the story however; further work is needed. Managers will have to continue to develop and enhance their approaches to ESG in order to meet the needs of investors.”

Ends

### **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 first signatories of the UN PRI, since 2018 LGT Capital Partners further engages with PRI as a member of its Board. LGT Capital Partners is also a signatory to the Montreal Carbon Pledge.

LGT Capital Partners is a leading alternative investment specialist with over USD 60 billion in assets under management and more than 500 institutional clients in 37 countries. An international team of over 450 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, Dublin, London, Paris, Vaduz, Dubai, Beijing, Hong Kong, Tokyo and Sydney.

**For more information on LGT Capital Partners or to receive a copy of the ESG Report 2018, please contact:**

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