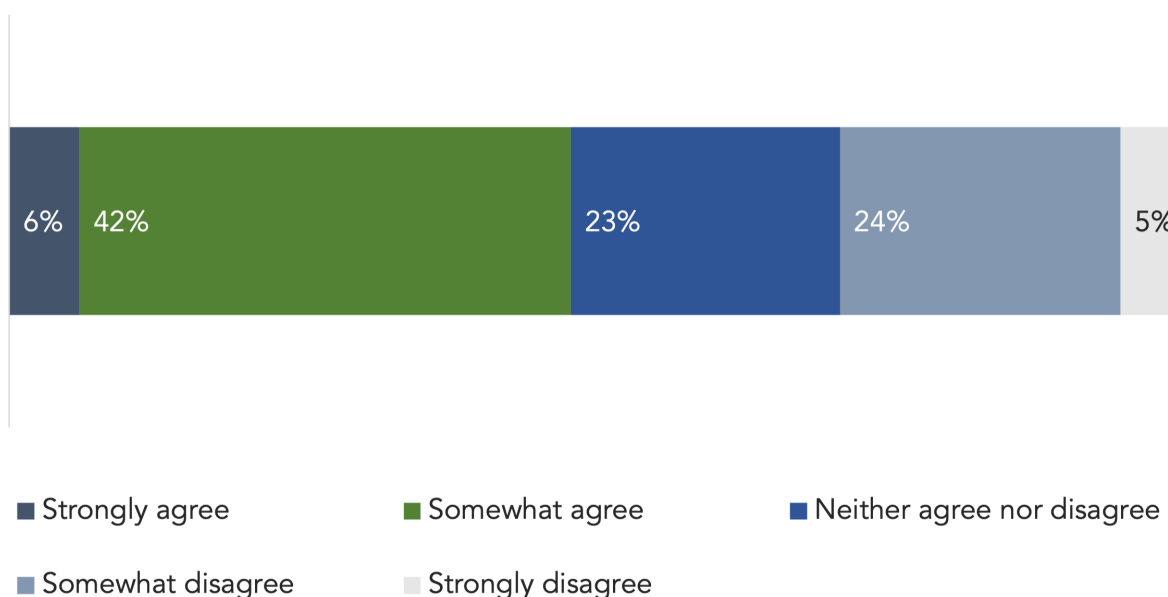


The shifting ESG agenda

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To what extent do you agree that
GPs are taking the risks of climate change seriously enough
in their own investment policies and practices?



Our A-Z of ESG report asks what constitutes an effective policy for private debt managers in today's world.

When we surveyed fund leaders earlier in 2022, there was overwhelming agreement that a stronger environmental, social and governance vision and culture creates value for a business. The ESG agenda has, as one respondent put it, moved from a “nice-to-have to a need-to-have”, with LP pressure the main driver, according to the *Private Funds Leaders Survey 2022*.

Those responses are mirrored in our latest *LP Perspectives* survey, where 69 percent of investors believe adopting a strong ESG policy will lead to better long-term returns in their private markets portfolios.

The big caveat, of course, is what exactly constitutes a strong ESG policy. Opinions differ widely. Just 1 percent of LPs in our latest *Perspectives* survey described diversity, equity and inclusion performance at GPs as “excellent” and only 10 percent strongly agreed that GPs are taking the risks of climate change seriously enough in their own investment policies and practices.

For this month's A-Z of ESG report, we canvassed the opinions of leading fund managers and investors to ask just what are the elements of an effective ESG policy? Just what should an ESG agenda comprise? What are the focus points for fund managers and investors? And where exactly can lenders align with private equity sponsors to create a meaningful approach to responsible investing?

Some tough decisions were involved in selecting a single topic for each letter of the alphabet. Whether it's A for alignment or active ownership, B for biodiversity or best-in-class, C for carbon reporting or climate change, one thing is absolutely clear: ESG is about much more than just three letters. Or at least, it should be.

(Past performance is no guarantee of future results.)