PitchBook

2025

Sustainable Investment Survey

Contents

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Introduction

Now the watchword is "greenhushing"—investing sustainably but not talking about it too widely—a practice we asked our respondents about this year.

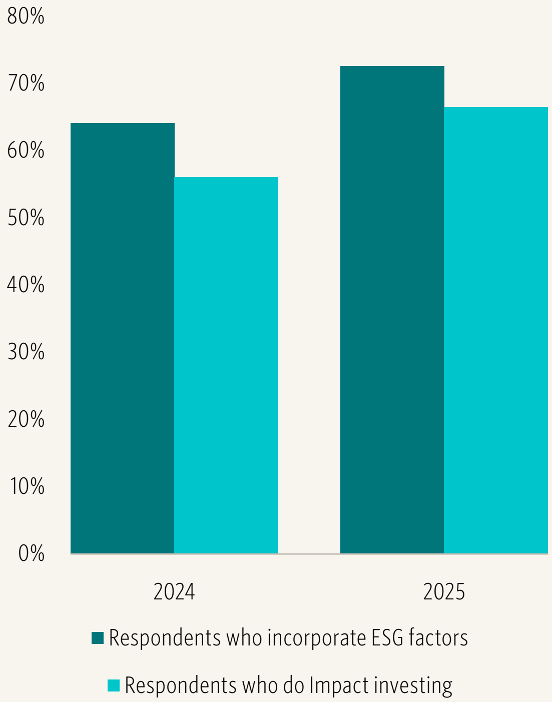
This year's primary headline is that interest in taking a survey about sustainable investing is well off from the five sustainable investment surveys we have run since 2020. In 2024, 1,158 people answered at least one question, with 527 completing the lengthy survey. This year, 267 people answered at least one question, while just 127 finished the survey. We did not reduce the length of time the survey was open for responses, nor did we change our promotional methods for reaching potential survey respondents.

Why has interest fallen so much? Given this was an anonymous survey and we are limited to the data from those who took it, we can only hypothesize. One potential factor is the wide-ranging negativity aimed at sustainable investing from the largest source of our survey respondents, the US, which may have had an impact on the global appetite to discuss this topic. Lawsuits, attempts to incorporate anti-ESG sentiments into state laws, and a plethora of executive orders have discouraged open discourse on sustainable investment subjects in the US, turning them into taboos in some circles and driving some away from the conversation. This is a stark reversal from the peak in ESG interest just a few years ago, when fund managers so wanted to gain the attention of ESG investors that many were accused of "greenwashing." Now the watchword is "greenhushing"—investing sustainably but not talking about it too widely—a practice we asked our respondents about this year.

Another trend that may have impacted our response rates is the "new car effect": When someone is looking for a new car or has just purchased one, it is typical for them to have a higher awareness of the cars on the road and be inquisitive about the features that will be most important to their selection—or that will confirm the selection they made. In 2020, many investors were still exploring what they wanted to do in the sustainable investment space. They were in a discovery phase as they tried to determine how or if they would integrate sustainable principles into their investment programs and were more receptive to research efforts on this topic; engagement with our research on sustainable investing was gratifyingly high.

It now seems that most investors have made up their minds: Those who planned to incorporate ESG into their investment processes have now done so, and those who were exploring Impact investing have either built their programs or decided against it. Much like how a new car soon feels ordinary and other cars fade from notice once a decision is made, sustainable investment research—and even calls to join related surveys—has slipped out of focus for many. Investors are

Survey respondents who practice sustainable investing



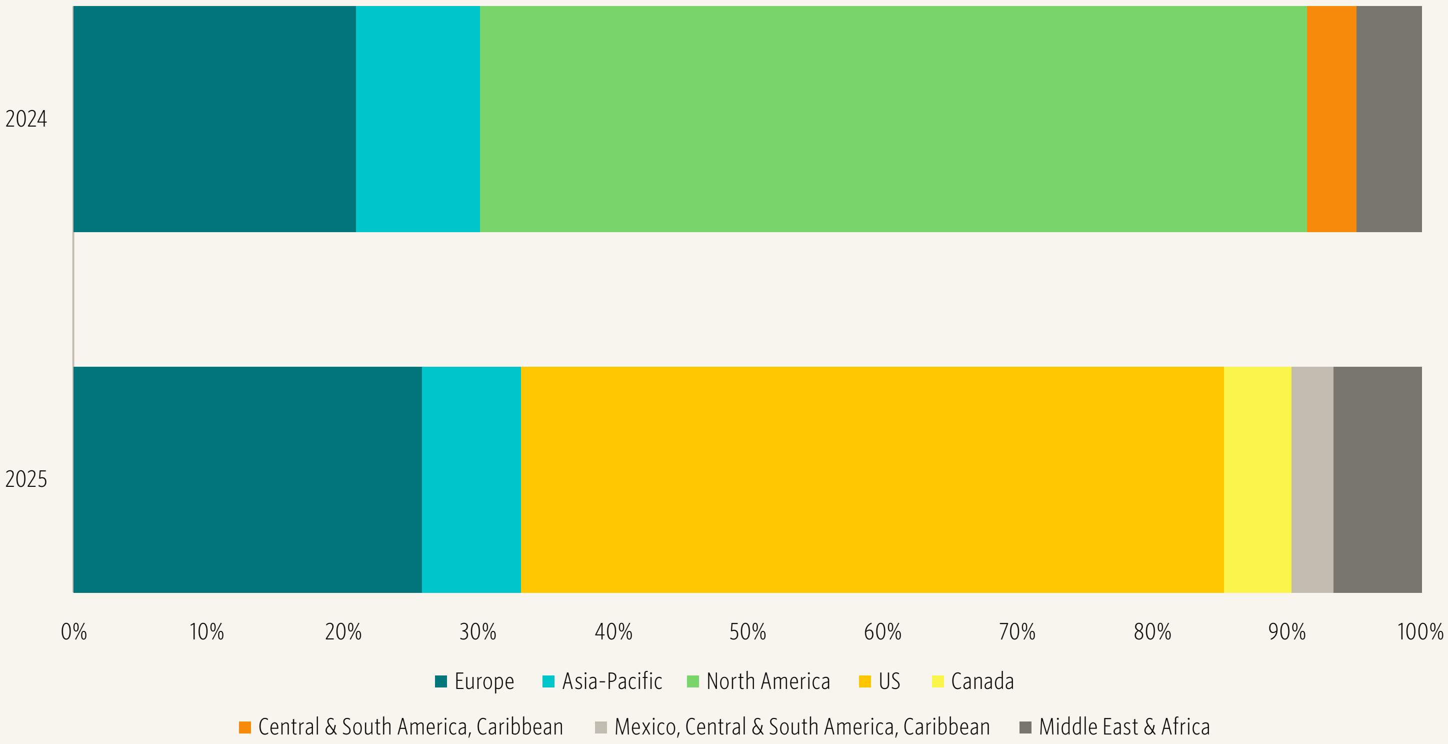
Source: PitchBook • Geography: Global • Questions 5 and 16 now concentrating on executing their chosen strategies rather than exploring different models. This reduced appetite for new information and research on how others are implementing their programs may also explain why fewer people were willing to complete our survey.

A third potential cause is a recent sociological phenomenon and pet peeve: The world is surveyed out. We get surveys for every hamburger we buy, every call we are on, and every service we are provided. Who has time for yet another survey? In previous years, when sustainable investing was one of the topics du jour, more respondents were willing to take the time to share their thoughts, however newly developed or loosely held they were. At our peak in 2022, that allowed us to attract 552 individuals who were willing to complete the survey in its entirety. Since then, many of those who once wanted their voices heard have likely come to feel they have said enough, while those who engaged in the debate simply because it was a hot topic have since shifted their attention elsewhere.

While respondent numbers dropped, what did increase was the share who are sustainable investment practitioners, both those with a focus on ESG and those investing for the double bottom line of profits and positive social or environmental impact. As a consequence of the declining numbers, this report will be shorter than in prior years, as the observations would not feel as meaningful if we were to slice the responses too finely.

The regional mix of respondents changed slightly, though the 2024 and 2025 figures are not directly comparable due to a change in categorization. In an attempt to give Canadians their own voice apart from the US, we separated North America into the US and Canada and grouped Mexico with the Central & South America and Caribbean region. Even without completely comparable numbers, the drop in responses was evident in every region; it was not just a US phenomenon. As a percentage of responses, however, Europe increased its share, as did the Middle East & Africa.

Share of survey respondents by region



Source: PitchBook • Geography: Global • Question 3

Note: In our 2025 survey, we separated the previous North America category into the US and Canada and moved Mexico to the Central & South America and Caribbean category.

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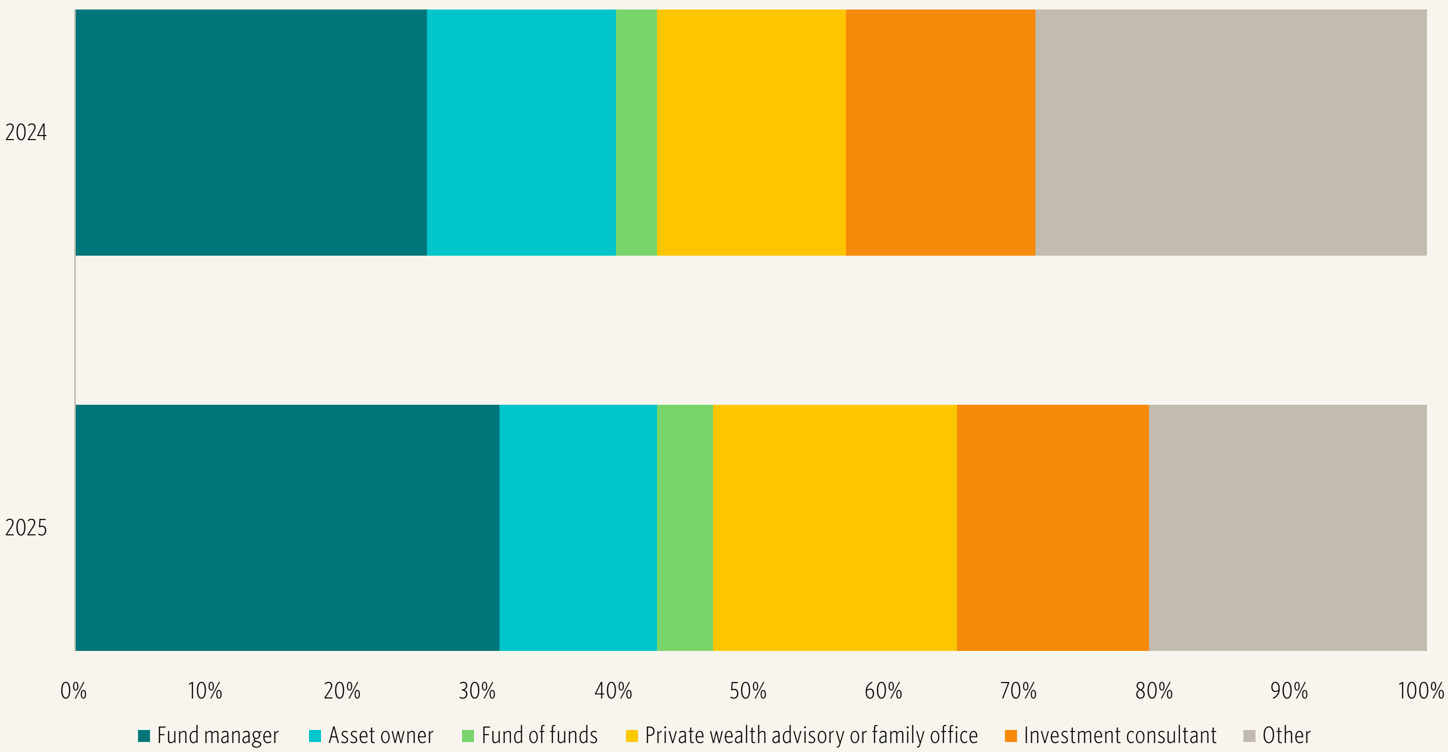
Share of survey respondents by type



Source: PitchBook • Geography: Global • Question 2

The private wealth and family office community grew in share of the survey audience,[1] and fund managers also represented an increased percentage of the total respondents compared with last year. The "Other" category dropped most meaningfully, potentially because we made a change to the introduction of the survey that may have discouraged those not responsible for investment assets—largely educators, service providers, and companies in past years—from going forward with the survey. 390 people clicked into the survey, but only 267 answered at least one question.

1: To simplify the language in this report, we will refer to the private wealth and family office grouping as just "private wealth" for the remainder of the report.

PitchBook's contributions to the conversation

Since the release of our last Sustainable Investment Survey report in September 2024, our team has published several pieces of research on sustainable investment topics. Our most recent, Climate PE Funds: Heating Up or Cooling Down? came out in July of this year, featuring a new dataset of PE funds that either specialize in climate investing or invest in the theme alongside other sectors. In April, we reprised one of our 2024 hits with the 2025 edition of The State of Sustainable Investing in the Private Markets. We also published a new market map for sustainable investors in Infrastructure Funds Fuel the Energy Transition.

PitchBook clients also have access to the timely bottom-up research conducted by our Industry and Technology research team. Some of our analysts' coverage areas overlap with sustainable investment topics, such as agricultural technology (agtech), foodtech, health, climate tech, and mobility tech research. In a surprising development, particularly for those who think of sustainable investing as mainly about environmental or diversity, equity & inclusion (DEI) issues, some Impact investors in Europe are now viewing defense as an investment theme with meaningful social outcomes. In 2025, we published reports on PE investment in aerospace & defense and VC investment in defense tech. Finally, we publish annual reports on female founders in the US and European VC ecosystems called the All In reports.

On the PitchBook Platform, one of our signature datasets for Impact investors is the list of nearly 5,000 funds that appear to offer exposure to impactful investment opportunities. The vast majority of these funds are also tagged for the types of impact they offer, with the tags based on the Global Impact Investing Network's 17 IRIS+ categories of impact.[2] Soon to be added to the search capabilities of our platform are our lists of Sustainable Finance Disclosure Regulation (SFDR) 8 and 9 funds. In addition, we have created tools within our ESG and Impact analyst workspace that help investors with several sustainable investment workflows. We have added the list of the Institutional Limited Partners Association's Driving Inclusion in Alternatives signatories to help our clients find investors with mandates targeting diversity.[3] For GPs, we have created lists of B-Corp companies and have sorted tens of thousands of companies into the 17 IRIS+ categories of impact. Every year, we also add the list of investors that are heralded in the ImpactAssets 50 Impact Fund Manager Showcase to help our clients discover verified Impact investors.[4]

Finally, we revamped the sustainable investment survey to ensure we were asking relevant questions that would reveal the most topical views and practices of investment professionals throughout the private market ecosystem.

We were pleased to once again donate $5 for every completed survey to World Central Kitchen (WCK), an organization operating globally with the belief that food is a universal human right. This organization has done phenomenal work since its inception in 2010, providing meals to those affected by natural disasters and other emergencies throughout the world. In 2025, WCK responded to the need for meals in the aftermath of an earthquake in Afghanistan and wildfires in northwestern Spain, just two of the dozens of climate-related disasters the nongovernmental organization has responded to since establishing its Climate Disaster Fund in 2021. WCK also continues to provide support to Ukraine, which it has been serving since the early days of the Russia-Ukraine war.

2: "IRIS+ Thematic Taxonomy," Global Impact Investing Network, December 2024.
3: "Driving Inclusion in Alternatives Signatories," Institutional Limited Partners Association, July 2025.
4: "Leading the Field: The ImpactAssets 50," ImpactAssets, n.d., accessed September 8, 2025.

Is it time to sound the death knell for ESG?

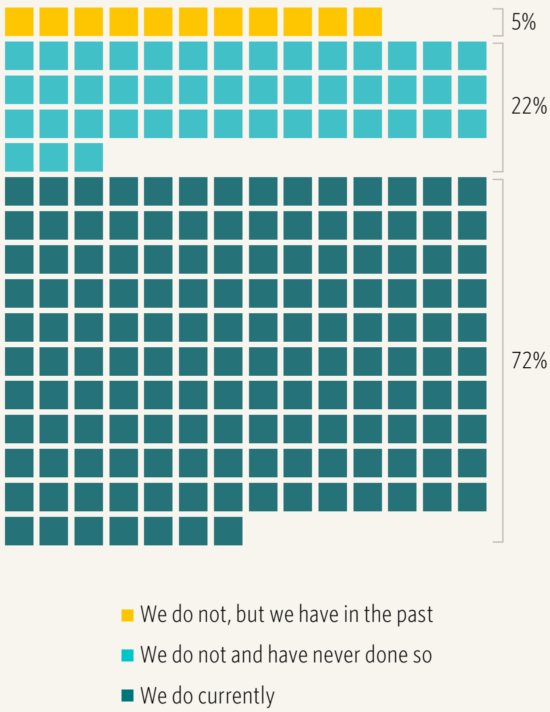
While the flood of anti-ESG and anti-DEI US executive orders at the start of 2025 stunned many in the sustainable investing ecosystem, backlash to ESG had been growing for several years. Since the origins of this survey in 2020, the number of people vocally opposed to ESG has increased among the responses. We received one very negative response in 2020, five in 2021, and 25 in 2022. In 2025, however, the number of individuals who were highly negative about the topic area shrank drastically. This may be because this group now feels sufficiently heard. The new US administration under President Donald Trump has made a concerted effort to reverse much of the progress made on sustainable investing and diversity-related investment practices in the US, the very topics about which some past survey respondents have voiced displeasure. Perhaps believing the subject to be closed, the naysayers appeared to be largely uninterested in taking a survey on sustainable investing this year. In fact, the two most negative responses we received were from people outside the US:

- One PE fund manager from the Middle East & Africa said "ESG is communism" in disguise, "as is the rest of 'stakeholder capitalism.'"
- A private wealth firm based in Asia-Pacific expressed that "ESG is a globalist scam and should be completely abolished. We would never entertain working with this woke disease."

But has sustainable investing shut down, or has it just gone underground?

While there is some evidence that the negative environment has had an impact on the practices of some firms, proof of a large-scale abandonment of ESG has yet to emerge in our survey.

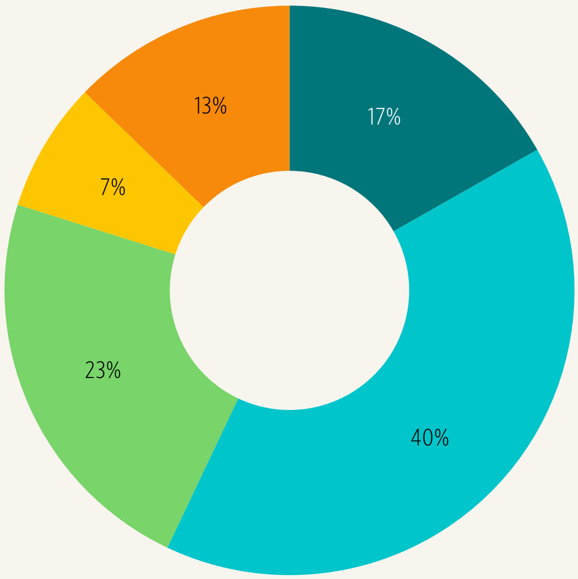
Do you incorporate environmental, social, or governance factors into the process of evaluating and/or managing investments?



Source: PitchBook • Geography: Global • Question 5

Only 11 of 203 respondents said that they used to incorporate ESG into their investment decisions but do not any longer, so while there is some evidence that the negative environment has had an impact on the practices of some firms, proof of a large-scale abandonment of ESG has yet to emerge in our survey. Four of the 11

How has your organization's messaging around ESG changed in the past year?



Source: PitchBook • Geography: Global • Question 6

respondents were investment consultants, and five represented private wealth. More tellingly, 72% of the 203 respondents said that they are sticking with their ESG practices.

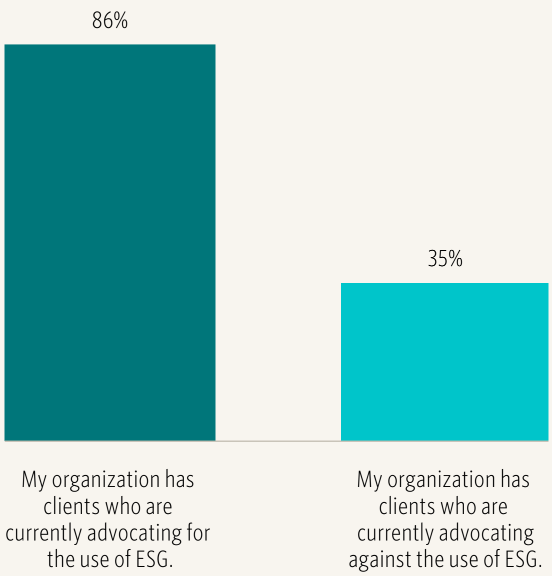
How they talk about those practices may be changing, however. While 57% of ESG practitioners said that they have not changed their public ESG messaging, nearly one-third of these respondents said that they are evaluating how they may change their ESG messaging in the current environment.

Only a few years ago, one of the biggest concerns in the sustainable investment world was greenwashing. In 2025, our responses showed a significant vein of greenhushing, or continuing to incorporate ESG into investment thinking while talking about it less in public. Given that not all audiences are shunning ESG, it has been tricky for industry participants to navigate what to say to whom. Only 7% of the ESG practitioners have pulled back on their ESG messaging overall, but 23% of the ESG practitioners are varying their message, gauging how to discuss, or if they should discuss, ESG with different audiences. When we asked for examples about how ESG messaging is changing, we received the following statements:

- **US-based asset owner:** "We have limited references to ESG, emissions, decarbonization, etc. in favor of sustainable investing or, simply, sustainability."
- **US-based VC firm:** "We have changed messaging from things like 'investing in what is good for the planet' to 'investment in [environmentally] beneficial ventures not only still has appetite but is increasingly profitable as innovation cuts costs.'"
- **US-based PE and natural resources fund manager:** "Some of our clients are very anti-ESG. We don't say much about ESG to such clients."
- **US-based investment consultant:** "Less in the US, same level outside the US, shifted from 'ESG' to 'sustainable' and more descriptive or accurate terms."
- **US-based private wealth firm:** "Based upon political affiliations of recipient. Unfortunately, sustainability has been labeled 'woke.'"
- **Europe-based private wealth firm:** "We do not communicate our ESG considerations to a large share of our American customers anymore."

Understanding that many still believe in the value of layering ESG into the process of evaluating an investment opportunity, 13% of our ESG practitioners said that they are increasing their public messaging on the topic. One European investment consultant indicated that European Sustainability Reporting Standards (ESRS) and SFDR have led investors to demand more information on sustainability.[5] Others feel that the current moment calls for more resolute and ambitious programs, as stated by a US-based investment consultant: "We are doubling down on our commitment to social and environmental justice and thorough governance to all our constituents, and our asset owner colleagues feel the same. The current challenging environment in the US requires those who can to double or even triple down." One European private wealth firm was more commercially driven in their motivations to increase their ESG messaging, saying, "We actively seek to gain business by offering US-based investors an alternative to onshore political issues."

Which of the following statements are true for your organization?



Source: PitchBook • Geography: Global • Question 9
Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

Of the respondents who do not do anything with ESG—either ever or anymore—30% are still hearing from some clients or prospects that they want ESG to be part of the investment process.

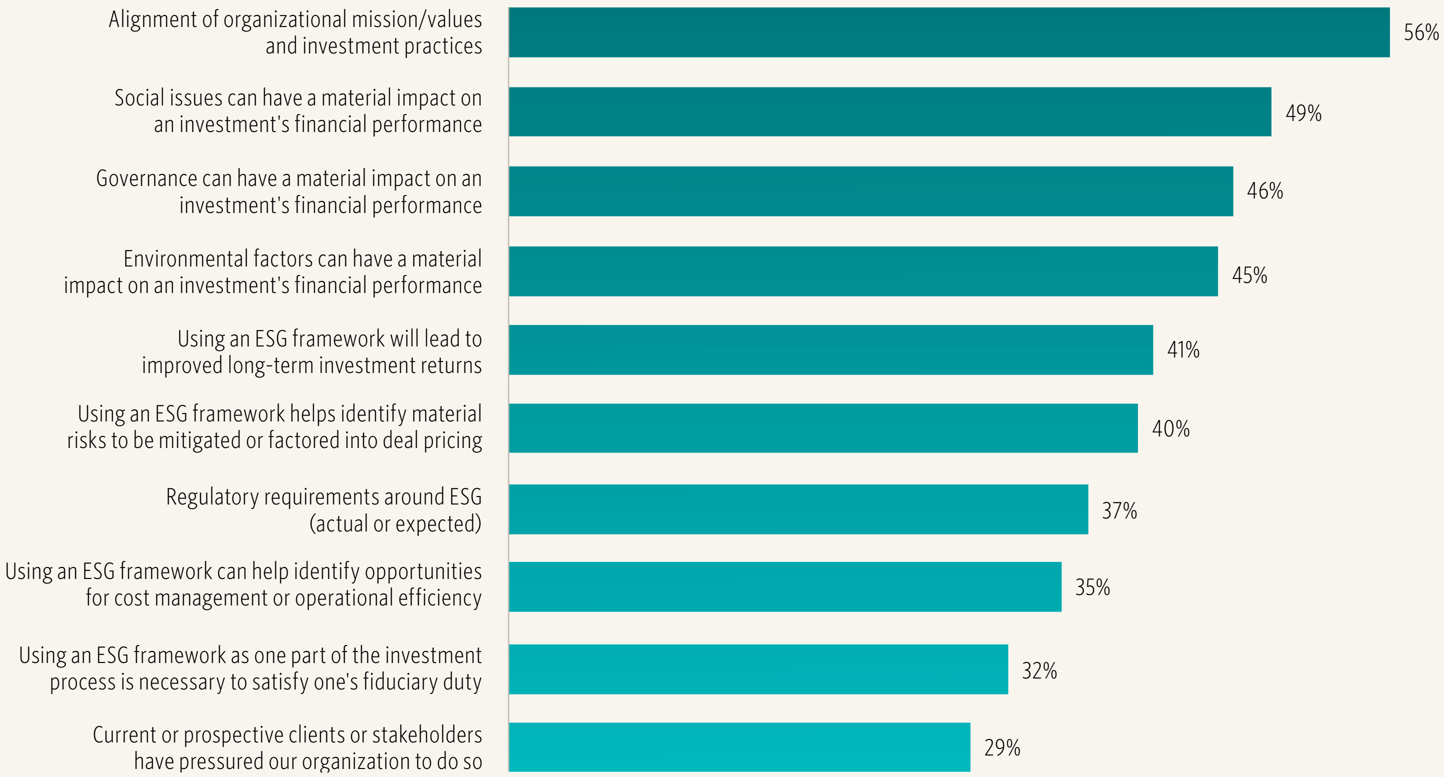
The messaging question highlighted a specific difficulty for those with clients. 86% of our respondents have clients advocating for the use of ESG, 35% have clients who are advocating against the use of ESG, and 21% have clients on both sides of the question. Fund managers, funds of funds (FoFs), investment consultants, and private wealth firms were all plagued by bifurcated client views, as were respondents from every region. Of the respondents who do not do anything with ESG—either ever or anymore—30% are still hearing from some clients or prospects that they want ESG to be part of the investment process. These days, anyone with clients is having to navigate this divide.

Thus, the evidence does not support the idea that sustainable investing is over—but the terminology is changing, and some of those still talking about it may be picking their audiences carefully. Looking ahead, we do not expect ESG practices to be eradicated from any geography, but the next few years are unlikely to see a noticeable rise in vocal ESG advocates in the US. Fears about litigation and loss of goodwill with some clients and other stakeholders will continue to suppress discussion of ESG topics and make it more difficult to address challenges such as measurement and benchmarking. While not all will engage in greenhushing, its effects will be impactful in the aggregate, as open and candid discourse is helpful to making progress toward methodology alignment. Elsewhere, the investment world will continue to move forward, with Europe leading on regulation and convergence toward best practices. GPs, LPs, and other industry participants with stakeholders of varying views will likely continue tailoring their language to the appropriate audience and seeking out like-minded partners.

5: "European Sustainability Reporting Standards (ESRS)," United Nations Environment Programme – Finance Initiative, n.d., accessed September 2, 2025.

Why do sustainable investors persist?

Which of the following contributed to the decision to utilize ESG in your investment processes?



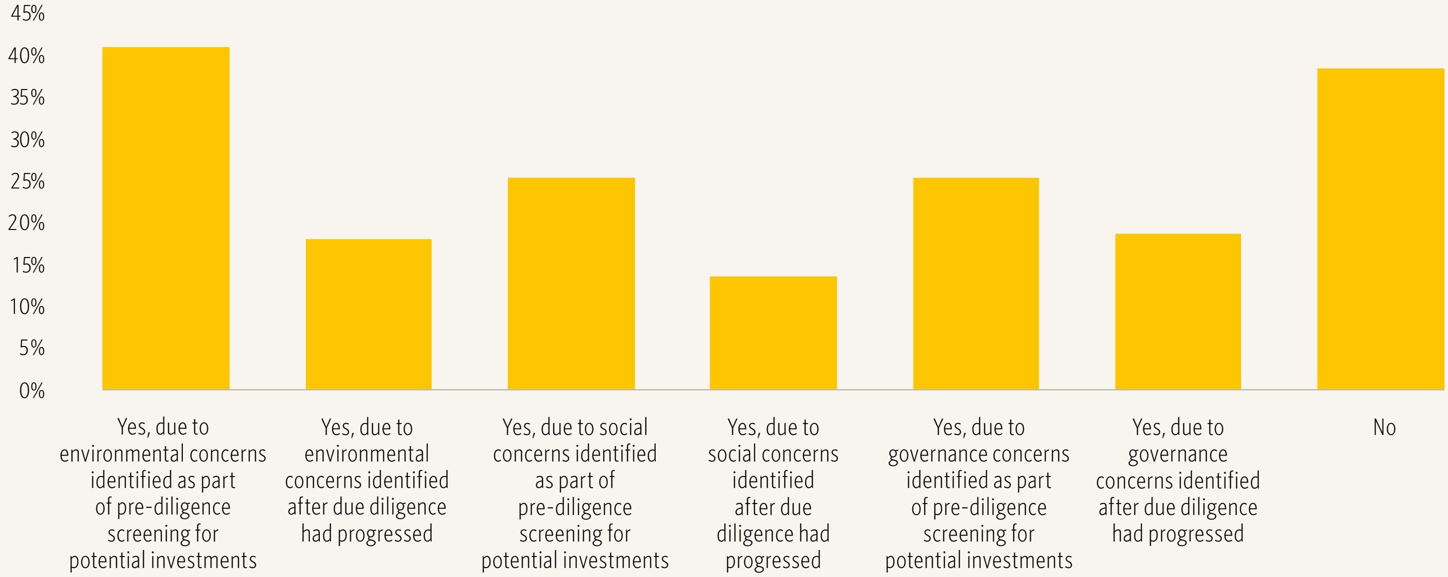
Source: PitchBook • Geography: Global • Question 8

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

Among the survey respondents who are current practitioners of ESG, the number one reason selected for why they incorporate ESG into their investment processes is that they want to align their organization's mission or values with their investment practices. This may provide fodder for the anti-ESG groups who feel ESG is driven by values and not pecuniary interests, but it also explains why negative attitudes toward ESG have not swayed many of these practitioners from their perspective. However, it is important to note that over 40% of our respondents indicated that risk mitigation, properly valuing investment opportunities, and financial returns were other key reasons they incorporate ESG into their processes. While values may be part of the equation, many feel that it is incumbent upon them to incorporate ESG to improve investment outcomes, which should theoretically make their stakeholders happy.

At what point of the pre-investment process does ESG come into play for investors? Just as we found in our survey last year, investors are more likely to decline an investment for ESG reasons in the initial screening rather than after further discovery. In pre-diligence, environmental reasons are the most common, but when diligence deepens, governance is more often the cause for declining to make an investment. This finding is not entirely surprising, as many of the major environmental risks faced by a

In the past five years, have you declined to make or recommend an investment due to environmental, social, or governance concerns?



Source: PitchBook • Geography: Global • Question 10

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

This finding [...] underscores a persistent frustration for the sustainable investment movement: The definition of ESG is interpreted very differently among investors, and in some cases misunderstood entirely, particularly by those opposed to it.

company or an asset are apparent in the pre-diligence process: The industry and geographies in which a company operates create much of its risk exposure, and incident information is often publicly available via government databases and news articles. In contrast, governance issues may require more laborious sifting through documentation, interviews with employees, and review of nonpublic information such as reporting hotlines.

39% of our respondents could not think of a time when they had declined an investment for ESG reasons, but all respondents, regardless of whether they identify as ESG investors or not, were asked this question. Interestingly, just as we saw last year, a portion of individuals who claim to have never incorporated ESG into their investment process said that they have declined to make an investment for environmental, social, or governance reasons. One might assume that governance would be the rationale selected by the nonpractitioners, as investors of all stripes typically agree that governance is highly important, but six of our nonpractitioners cited environmental and/or social reasons for jettisoning an opportunity before investing.

This finding—that self-identified ESG nonpractitioners sometimes cite environmental, social, or governance factors as reasons to reject an investment opportunity—underscores a persistent frustration for the sustainable investment movement: The definition of ESG is interpreted very differently among investors, and in some cases misunderstood entirely, particularly by those opposed to it.

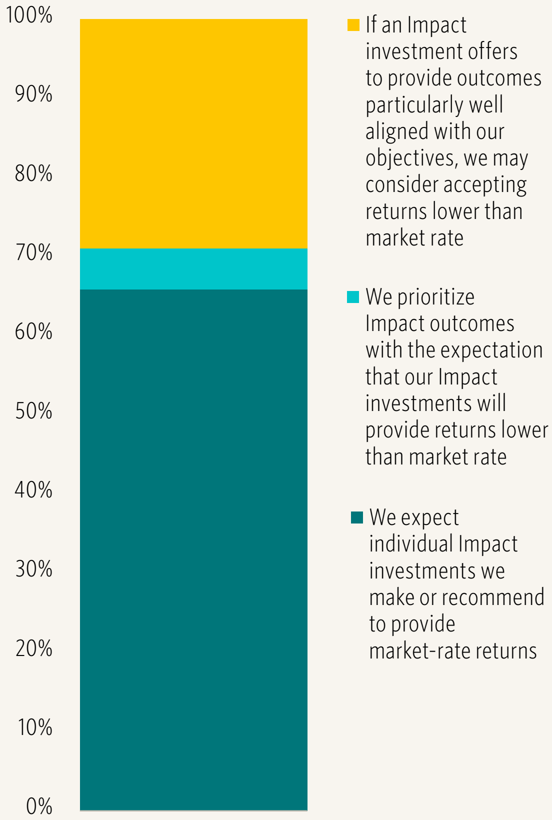
What specific issues led our respondents to decline to make a particular investment? One US-based asset owner provided a lengthy case study about a fintech investment offering innovative lending solutions to underserved populations. Key issue areas were data privacy and security concerns; regulatory compliance deficiencies, indicating weak internal controls; risk management; and a lack of independent oversight on the board. Some would see these issues as part of normal due diligence, which could be eye-opening to our respondent who thinks "ESG is communism" in disguise. For most practitioners, ESG is a framework to consider factors outside of current financial statements that could impact the outcome of an investment. It can provide key areas to probe to ensure that all risks have been evaluated prior to investment. These areas may have nothing to do with what many anti-ESG individuals imagine sustainable investing to be.

Here are some other examples from our respondents of why they declined to make an investment because of ESG concerns:

- **European asset owner:** "Lack of factors used and lack of understanding/awareness on the part of the GP/asset manager."
- **European PE fund manager:** "Potential corruption across supply chain."
- **US PE fund manager:** "The potential investment had a business segment that was a collection agency in the subprime auto space. We felt that such agencies have a mixed track record [of] treating customers, especially those with less financial freedom."
- **US VC fund manager:** "Pure crypto plays have been ruled out by our VC funds. Too much carbon, not enough native value."
- **US private wealth firm:** "We had opportunities to invest in several infrastructure projects in third-world countries where it didn't make sense because of social instability and increased governance that we would have to deal with."

When it comes to Impact investing, the motivations of investors are often misunderstood, particularly around financial returns. Some fund managers still shy away from defining themselves as Impact investors because they worry that potential funders think Impact means that social or environmental impact comes first, and returns will thus be subpar. In fact, many Impact fund managers believe they have found impactful niches that are poised for growth and profits commensurate with investment opportunities outside the Impact space.

Please indicate how you prioritize Impact outcomes versus market-rate performance as you assess a potential investment opportunity.



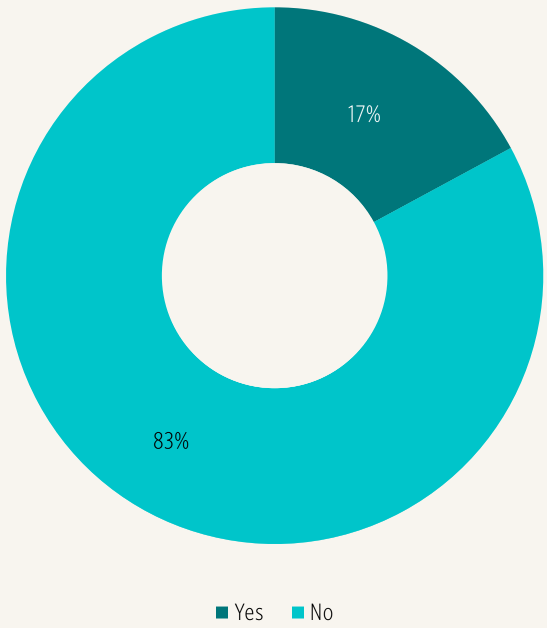
Source: PitchBook • Geography: Global • Question 21

Of the Impact investors who responded to our question about prioritizing returns and Impact outcomes, 66% said that market-rate returns are their top priority. Only 5% said that they prioritize Impact outcomes with the expectation that their Impact investments will provide subpar returns. The remainder said that an investment opportunity that is particularly well aligned with their Impact objectives might be considered even if financial returns are expected to be concessionary. The bottom line is that the majority of Impact investors do not feel that returns must suffer as a consequence of seeking impactful outcomes—or, to borrow a common phrase, you can absolutely do well by doing good.

Impact investors' attitudes around financial expectations for their investments have stayed consistent over the past few years. 83% of our Impact practitioners said that they have not changed their priorities around market-rate returns versus concessionary Impact returns in the past three years. Those who have were typically leaning even harder into returns over impact. One US-based PE manager said, "There might be a handful of concessionary-return investors, but there is no 'concessionary-return market.'" Several others echoed this shift to a greater focus on financial returns.

In part, this may be because returns have been subdued over the past few years. Many foundations and endowments have a return goal of inflation plus 5%, so when expected market returns were much higher than the objective, it may have been more comfortable to accept something less than market returns. As the markets have felt the effects of inflationary pressures, higher interest rates, and other headwinds, achieving overall plan objectives has become less certain, so it has become more difficult to accept the idea of concessionary returns.

Have your priorities around market-rate returns versus concessionary Impact returns shifted in the past three years?



Source: PitchBook • Geography: Global • Question 21.5

61% of our Impact investors said that they measure the environmental or social outcomes of their investments, while 19% do not measure them, and 20% sometimes do.

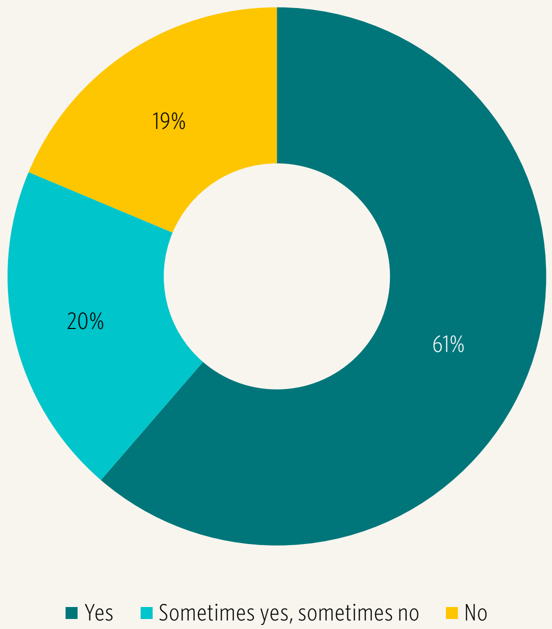
Others had a different view. One US VC said, "We realized even more [that] we need more people to make a difference by sacrificing some returns for the good of the planet." So, in a continuing trend in the sustainable investment space, there will never be complete agreement on much of anything, but it should be noted that complete agreement on everything in the investment world would have us all buying or selling the same investments, which would hardly make for functioning markets. Just as there is room for growth and value philosophies of investing, there is room for investors who engage in Impact investing for the returns and others who do it for the impact.

Impact investors even take different approaches to measuring the impact an investment is making. 61% of our Impact investors said that they measure the environmental or social outcomes of their investments, while 19% do not measure them, and 20% sometimes do. The respondents least likely to be measuring outcomes were those in the private wealth channel. There may be practical reasons for the differences in approach. For example, the private wealth segment is often less equipped to absorb and process the data coming from a formal Impact program than a major institutional investor and its GPs may be. Institutional investors are more likely to have a variety of stakeholders requesting detailed and evidence-based responses to sustainability-related questions, necessitating more measurement and benchmarking. They also may be of a sufficient size to pressure GPs into providing what they desire, unlike many in the private wealth channel. Smaller investors may accept their lack of influence and be content knowing that some degree of impact has been generated.

Why do some Impact investors take a measurement approach? One European asset owner summed it up nicely: “Best practice. Seek to both ‘prove’ and ‘improve’ the impact generated.” One US VC simply said, “We are an Impact investment fund.” Measurement is thus table stakes for this investor. Another European VC indicated that their impact measurement was demand driven: “We measure jobs created and taxes paid as we invest sovereign funds.” Finally, one US PE firm said, “Simply, if you are investing to make an impact, you want to make sure you are having an impact.”

If this is all so obvious, why do some Impact investors not measure outcomes or do it only some of the time? The main reason we were provided is that it is really difficult to do, especially when the investor is further from the ultimate outcomes. One US-based private wealth firm said, “We rely on the providers to supply pertinent information as well as their track record and experience.” Another respondent with a similar profile said, “Depends on the investment. Double bottom line is always preferred but not always available.” Investment consultants also seem to be at the mercy of what the asset managers can provide, as stated by one US-based firm: “It is difficult where there are so many different impact metrics that need to be captured and reported on, and not all managers report on their impact, so there are a lot of gaps.” Even one PE/natural resources fund manager indicated that measurement was tough, saying, “[It is] very, very difficult to quantify some environmental and nearly all social outcomes within the time frame of a given investment.” The approach of many respondents not measuring outcomes was succinctly summarized by one US-based VC: “It can be hard to measure, but we have a qualitative idea at least.”

Does your organization measure the environmental or social outcomes of the Impact investments it makes or recommends?



Source: PitchBook • Geography: Global • Question 17

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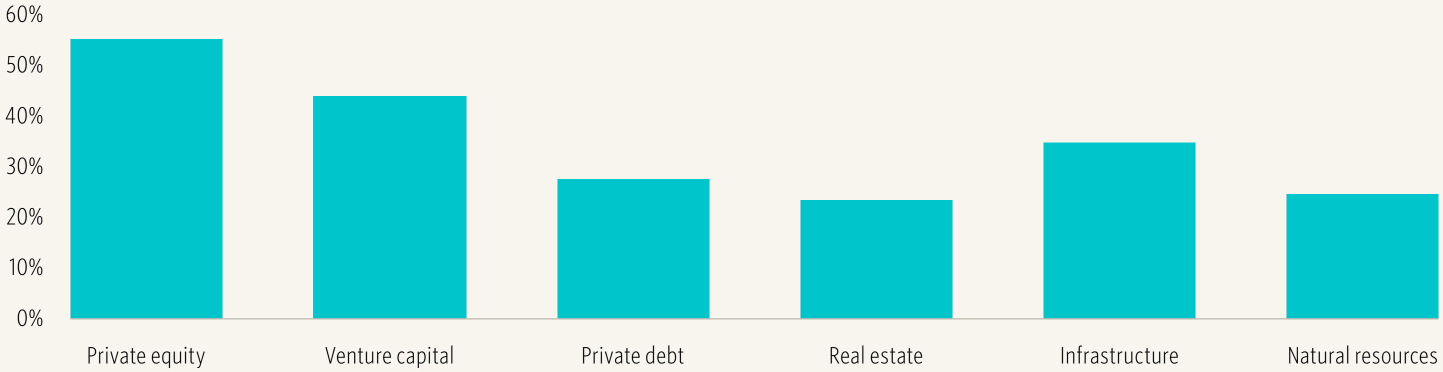
Where sustainable investment capital is flowing

In what strategies has your organization offered, awarded, or recommended mandates that utilize ESG factors?



Source: PitchBook • Geography: Global • Question 13

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

Outside of equities, some ESG-aligned investors have found the application of ESG principles to be fruitful in strategies in private debt, infrastructure, real estate, and even natural resources.

Even five years ago, ESG was perceived as mainly a public market practice, but it is now seen by many as applicable to all investment strategies. Our ESG practitioner respondents have supported strategies across the private markets. Over half of these respondents, or 55%, have offered or allocated to PE, while 44% have done so with VC. Interestingly, in our first survey, there was still a perception that VC invested too early in a company's life to be bothered with ESG practices, but that has changed. Starting in 2020, industry groups such as ESG4VC and Reframe Venture have worked to assist VCs with integrating ESG into their investment processes and growing their portfolio companies responsibly. Outside of equities, some ESG-aligned investors have found the application of ESG principles to be fruitful in strategies in private debt, infrastructure, real estate, and even natural resources.

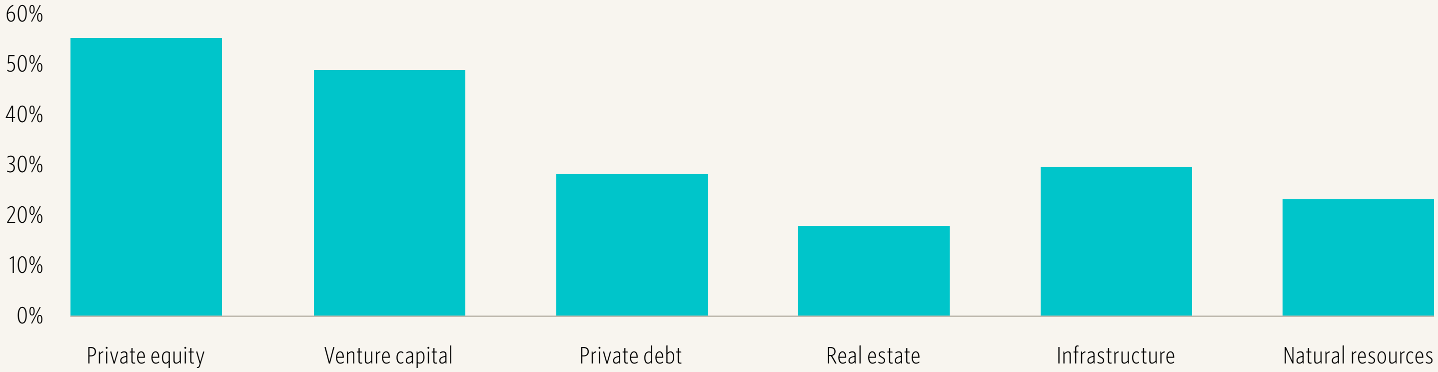
For some strategies, fund managers tend to be more motivated by the risk mitigation element of ESG, which can offer downside protection in areas such as private credit or real estate by helping to identify material risks that may affect repayment ability or the preservation of property value. For other strategies, GPs are often more focused on the upside potential associated with the pursuit of ESG-related opportunities, such as VC investment in climate technology startups or infrastructure investment in renewable energy assets. While ESG programs often involve analysis of both risks and opportunities, different strategies may see the benefits of these programs disproportionately weighted to one or the other.

Select ESG funds in various strategies closed since 2023

Strategy	Fund	Fund size
Private equity	Generation IM Sustainable Private Equity Fund II	$800 million
Venture capital	Khosla Ventures VIII	$1.6 billion
Private debt	Tikehau Special Opportunities III	€1.2 billion
Infrastructure	Net Zero Power Fund	$3 billion
Natural resources	Atgro	€300 million
Real estate	Goodstone Living Partners I	£500 million

Source: PitchBook • Geography: Global

In what strategies has your organization offered, awarded, or recommended mandates that seek positive social or environmental impact?



Source: PitchBook • Geography: Global • Question 19
Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

LPs, FoFs, and private wealth investors that make allocations to Impact often do not do so with their whole portfolio. 66% of Impact practitioner respondents said that less than half of their assets were in Impact funds.

Impact investors similarly invest across private market strategies. PE was the most common for our respondents, though nearly half utilized VC for their Impact work. Real estate was the least common, which could speak to the mix of investors the survey attracted—only 22% of our GP respondents offered real estate fund offerings—or it could reflect a lack of Impact options in real estate. PitchBook has tagged just over 150 real estate funds with an impactful mandate that have closed since 1997. Only six of these funds were larger than $1 billion, so the opportunity to put money to work in impactful real estate has been more limited than other Impact areas such as infrastructure, which has seen over 400 funds close since 1996, 192 of which were greater than $1 billion.

Historically, one of the core areas of Impact real estate has been affordable housing, which can require concessionary returns due to rent restrictions. That may have created a perception that Impact real estate equates to concessionary returns, which, as we have shown earlier in this report, are unacceptable to many Impact investors. This may have led to fewer funds being raised for Impact real estate strategies. What may be less recognized is that Impact real estate also includes investors that incorporate environmental sustainability considerations into their property development, redevelopment, or management decisions, adding significant value in the process. These investors continue to struggle with perceptions of concessionary returns as "Impact real estate" conjures the image of affordable housing for many.

It should be noted that LPs, FoFs, and private wealth investors that make allocations to Impact often do not do so with their whole portfolio. 66% of Impact practitioner respondents said that less than half of their assets were in Impact

Select Impact funds in various strategies closed since 2023

Strategy	Fund	Fund size
Private equity	BlueEarth Climate Growth Fund I	$308 million
Venture capital	Women's and Children's Health Technology Fund	$90 million
Private debt	WaterEquity Global Access Fund IV	$150 million
Infrastructure	Clean Growth Fund VI	$252 million
Natural resources	Conservation Resource Partners Fund VII	$100 million
Real estate	Rose Affordable Housing Preservation Fund VI	$660 million

Source: PitchBook • Geography: Global

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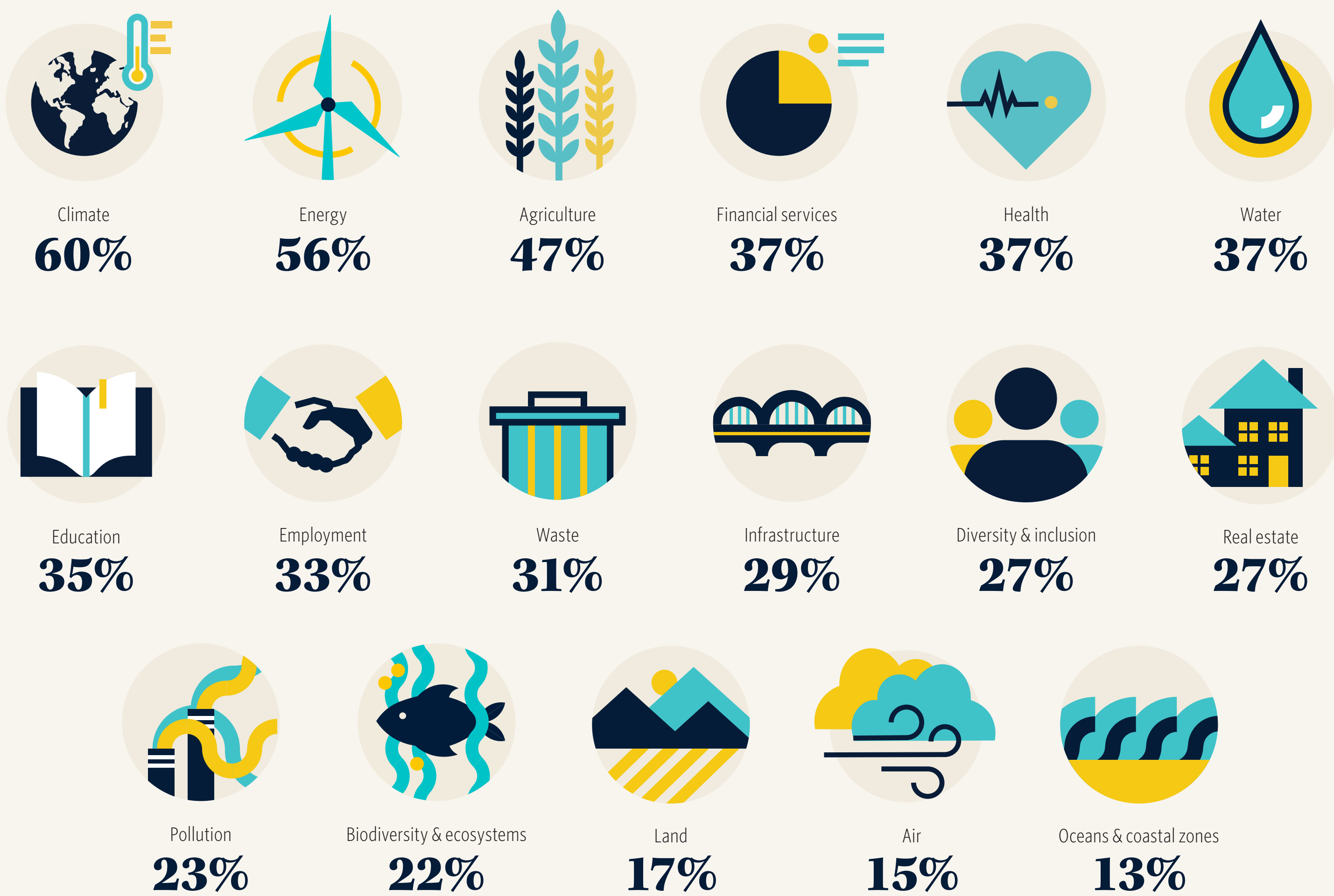
Which categories of Impact investing are a focus for your organization?



Source: PitchBook • Geography: Global • Question 18

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

funds. This is likely due to practical reasons: Not every portion of an asset allocation has suitable investments in an allocator's chosen areas of Impact. This is particularly the case for returns-first Impact investors that cannot find market-rate returns in every asset class, which are necessary to maintain and grow a pool of capital that can continue to serve the purposes of the investor, be it charitable or otherwise.

We asked a couple of questions to determine where respondents are focusing their sustainable investment efforts. The first queried our Impact investors about their focus areas, utilizing the IRIS+ categories as a framework. Climate and Energy were the top areas of focus, an unsurprising outcome given that some very large funds are targeting climate change and the energy transition and these have been the top focus areas in each of our prior surveys. Returning to the top three was Agriculture, which enjoyed the third spot two and three years ago. In sustainable investing, agriculture often sits at the nexus of environmental and social impact, tying together themes of food security as well as environmentally friendly and resilient agricultural practices. Agriculture may have become more topical in recent years as extreme weather events

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Energy security has become a more urgent priority as geopolitical threats have highlighted the risks of relying on imported oil and gas.

have increasingly posed a threat to crop yields.[6] Furthermore, global supply chains have been at greater risk of disruption due to geopolitical conflict and instability, putting a greater focus on food sourcing. Rounding out the top categories, Water, Financial Services, and Health were each chosen as a focus by 37% of our respondents, and Education was chosen by 35%. For more on some of these themes, PitchBook clients can read about agtech, water tech, and medical technology in reports from our colleagues in the PitchBook Institutional Research Group.

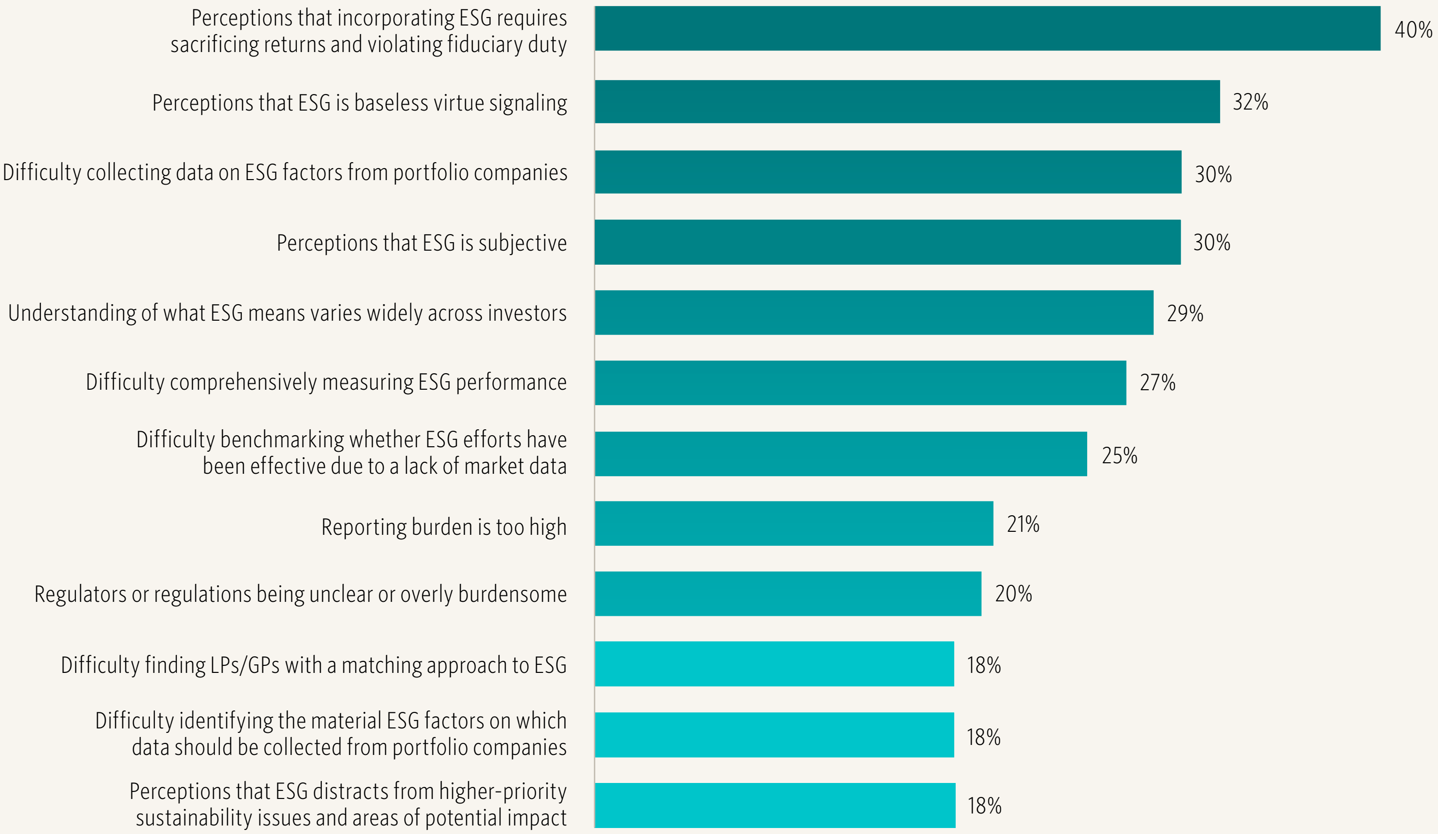
This year, we added a new open-ended question asking what sustainable-investing-related sectors, themes, and/or strategies currently offer the greatest financial return potential, and which are currently receiving more capital than is merited. Energy was mentioned as the greatest opportunity through statements such as “renewable energy, including hydrogen,” “alternative fuels, alternative energy,” and “energy infrastructure.” This will likely come as little surprise to readers following the energy space. Growth in global energy demand is accelerating,[7] bolstered by the electrification and the tremendous power requirements of AI and datacenters. Furthermore, energy security has become a more urgent priority as geopolitical threats have highlighted the risks of relying on imported oil and gas. All of this has drawn more eyes—and more capital—to private funds investing in renewables, which have increasingly been able to compete with conventional energy on a cost basis. Aligning with our Impact investors, other responses brought up health, agriculture, and general infrastructure as areas of promising returns in sustainable investing.

Areas cited as potentially overfunded included battery tech, cleantech, decarbonization, and hybrid electric cars. Air, pollution, and carbon dioxide reduction also received mentions, expanding on the decarbonization trend. Some of these investment areas, such as hybrid electric cars, are likely considered overfunded not because their technologies are ineffective or controversial but because they operate in saturated markets, rely too heavily on government subsidies, or face other difficulties that respondents believe will affect their economics. However, some investment areas may have been mentioned more often as areas to avoid because they are viewed as distractions from more effective approaches to environmental sustainability and climate change mitigation. Carbon capture was cited in this context, with critics pointing to its high costs, inefficiency, and energy intensity, as well as its potential to reduce the urgency of cutting emissions and phasing out fossil fuels. Carbon offsets and credits have also been denounced by some for that last reason, with additional concerns about integrity, such as lack of transparency, overcounting, and impermanence, providing more fodder for critics.

6: “Climate Change Cuts Global Crop Yields, Even When Farmers Adapt,” Stanford Doerr School of Sustainability, Josie Garthwaite, June 18, 2025.
7: “Growth in Global Energy Demand Surged in 2024 to Almost Twice Its Recent Average,” International Energy Agency, March 24, 2025.

Challenges remain, and progress is mixed

Top challenges for ESG in the private markets



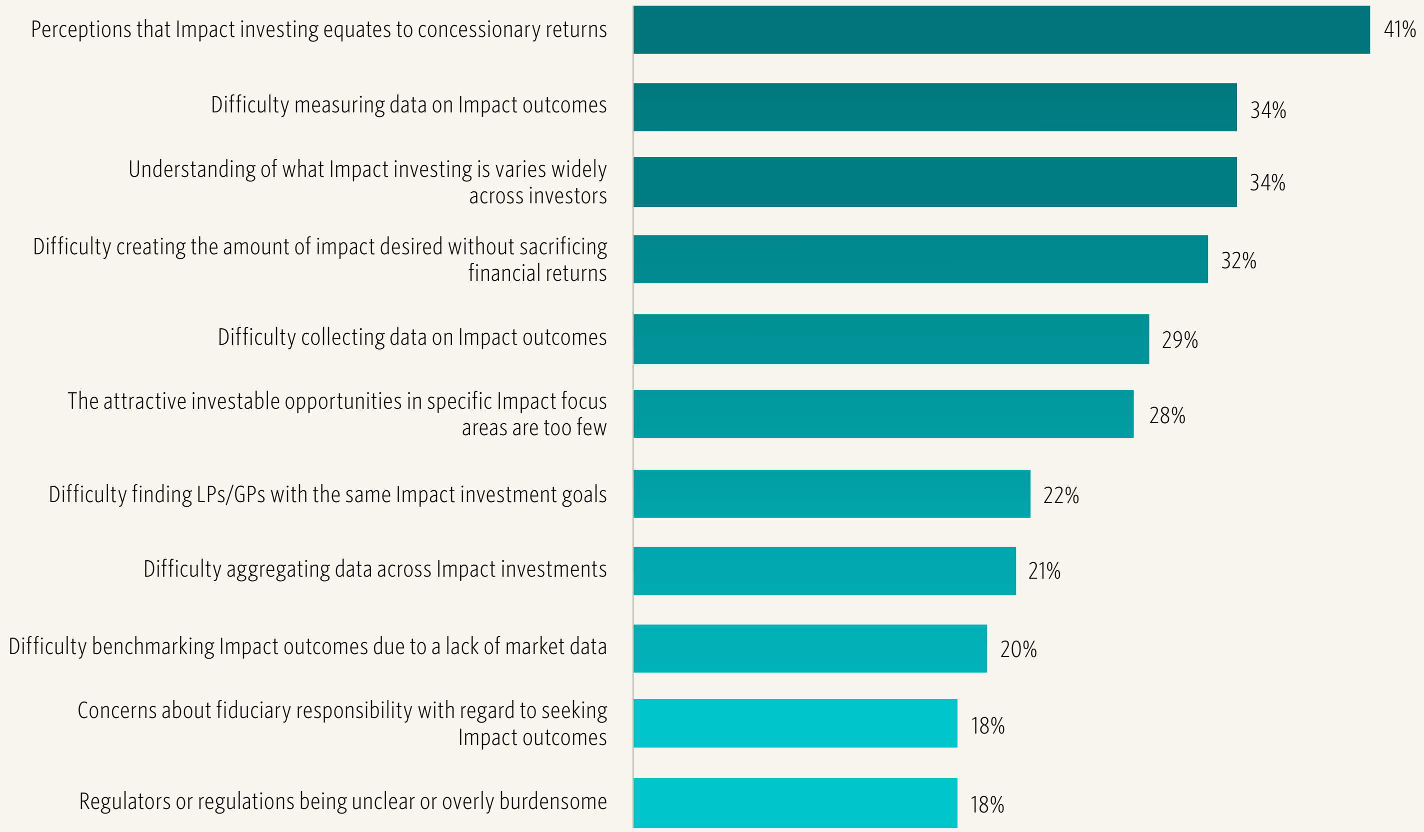
Source: PitchBook • Geography: Global • Question 12

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

The perception that sustainable investment practices are bad for returns persists and remains a challenge.

Every year, we ask respondents to identify the biggest challenges for ESG and Impact investing in the private markets. Respondents in prior years pointed strongly to measurement and benchmarking as top challenges in both milieus. The top challenges for both ESG and Impact this year, though, were about perceptions and returns: perceptions that incorporating ESG requires sacrificing returns and violating fiduciary duty and perceptions that Impact investing equates to concessionary returns. As discussed in the "Why do sustainable investors persist?" section of this report, the majority of Impact investors have the expectation that market-rate returns are absolutely possible. Many of our ESG practitioners also strongly believe that better risk-adjusted returns will result from layering in a focus on environmental, social, and governance risks and opportunities. Nonetheless, the perception that sustainable investment practices are bad for returns persists and remains a challenge. In an effort to address this perception, PitchBook analysts have examined performance data from funds from PRI signatories and Impact funds, and the results indicated that neither status was predictive of either better or worse performance.

Top challenges for Impact investing in the private markets



Source: PitchBook • Geography: Global • Question 23

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

Among both ESG and Impact challenges, a lack of agreement on the true definition of sustainable investing was selected second most often. The options "Perceptions that ESG is baseless virtue signaling" and "Understanding of what Impact investing is varies widely across investors" were selected by nearly one-third of our respondents in both areas. All of the confusion surrounding the definitions of ESG and Impact, their typical execution, and their relationship to returns is not for a lack of extensive efforts to bring the industry to a shared understanding. Over the past few years, many industry organizations, publications, academics, and others in the private markets have shared copious guidance on this very topic. However, in the US particularly, conflicting information has continued to circulate, largely due to sustainable investing becoming a recurrent issue on the political battleground. In Europe, more progress has been made on this front, but US-originated misinformation around ESG and Impact continues to bleed across borders.

Unlike in prior years, data and measurement were selected only the third most often as challenges for ESG and Impact. Since this survey started five years ago, more tools have been created, more standardization has occurred, and more service providers are in the market to help investors with reporting and benchmarking. Data is still a challenge for many, though.

While the response numbers may be low, it is important to point out that different respondent types suffer from different challenges.

The top challenge for ESG in the private markets by group

Group(s)	Top challenge
GPs, Asia-Pacific	Perceptions that incorporating ESG requires sacrificing returns and violating fiduciary duty
LPs	Understanding of what ESG means varies widely across investors
Funds of funds	Difficulty benchmarking whether ESG efforts have been effective due to a lack of market data
Private wealth, US, Canada, rest of world	Perceptions that ESG is baseless virtue signaling
Investment consultants	Difficulty collecting data on ESG factors from portfolio companies
Europe	Reporting burden is too high

Source: PitchBook • Geography: Global • Question 12

The top challenge for Impact investing in the private markets by group

Group(s)	Top challenge
GPs, US	Perceptions that Impact investing equates to concessionary returns
LPs, Europe	Difficulty measuring data on Impact outcomes
Funds of funds, Canada, Asia-Pacific	Understanding of what Impact investing is varies widely across investors
Private wealth, rest of world	Difficulty creating the amount of impact desired without sacrificing financial returns
Investment consultants	Difficulty collecting data on Impact outcomes

Source: PitchBook • Geography: Global • Question 23

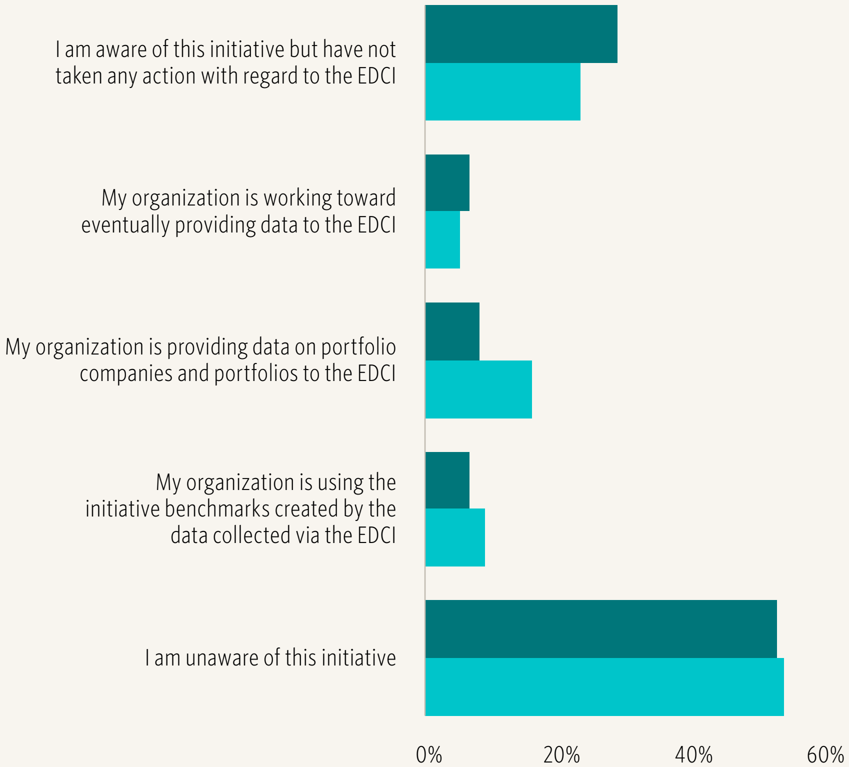
Fewer than 20% of respondents felt that benchmarking was a top challenge for ESG or Impact, though four of five FoF investors felt this was an ESG challenge.

Regulations being overly burdensome or too unclear were not seen as major challenges by either the ESG or Impact practitioners overall, with fewer than 20% making those selections. However, this was one of the top challenges selected by Europeans. Given the launch or passage of numerous European sustainability-related reporting, disclosure, and due diligence regulations over the past five years, including the SFDR, Corporate Sustainability Reporting Directive (CSRD), and Corporate Sustainability Due Diligence Directive (CSDDD), this may not come as a shock to many. The European Commission has acknowledged that the reporting burden associated with these regulations may be too high, proposing the European Green Deal Omnibus package in February 2025 in response. The package would reduce the burden of existing rules and ease reporting requirements. Some portions of the package, such as reporting delays under CSRD and CSDDD, have already been approved, while other proposals are still under review, with final changes anticipated later this year. Fewer than 20% of respondents felt that benchmarking was a top challenge for ESG or Impact, though three of five FoF investors felt this was an ESG challenge. It is unclear whether this is because people have given up on benchmarking sustainable outcomes or if they have found solutions such as the ESG Data Convergence Initiative (EDCI).[8]

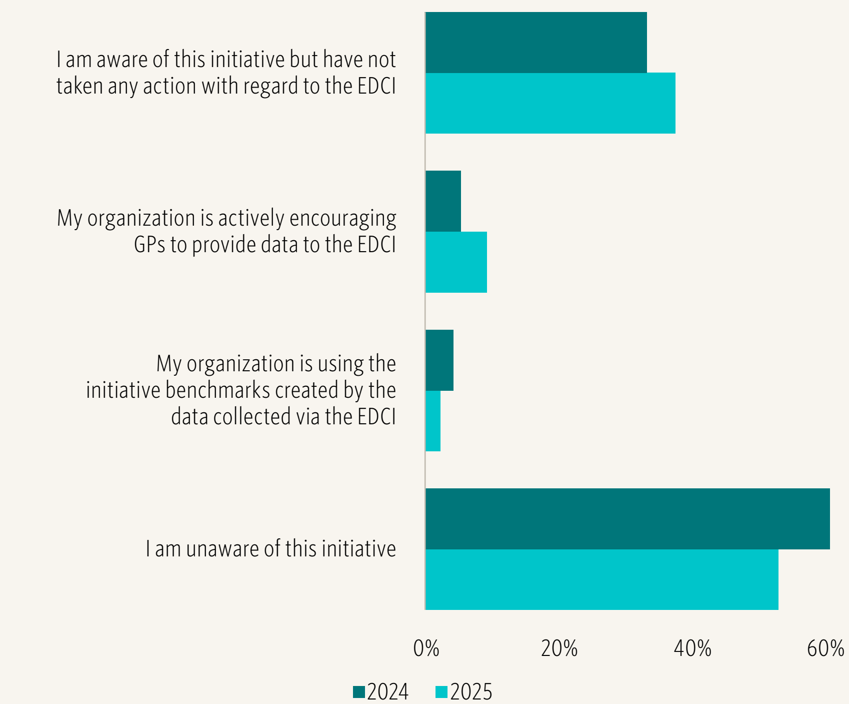
8: "ESG Data Convergence Initiative," ESG Data Convergence Initiative, n.d., accessed September 8, 2025.

What is your familiarity with the ESG Data Convergence Initiative (EDCI)?

GPs only



Non-GPs only



Source: PitchBook • Geography: Global • Questions 11 and 11.5
Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

On this last point, this year we asked again about people's awareness and practices around the EDCI. Almost three years ago, we learned of a nascent effort being made by some industry participants who agreed that 1) we cannot wait until the perfect ESG framework is designed, as it may never happen; 2) having everyone come up with their own company-specific data points means that nothing is aggregable; and 3) having data points that sound the same but are defined differently make them incomparable. The EDCI brought LPs and GPs together to define a small number of material environmental, social, and governance metrics that GPs could agree to measure in the same manner. This group then set up a reporting mechanism so that a third party could collect the data and provide anonymized benchmarks. If a GP's companies all measured something such as net-new hires and work-related accidents the same way, then they and their LPs could have an idea of whether those figures were comparatively good or bad for their industry.

Based on our survey responses from the past two years, awareness of this initiative is still low but is improving among the non-GP community. More LPs are encouraging GPs to provide data to the EDCI, and, perhaps not coincidentally, a higher percentage of GPs are providing data that can help with ESG benchmarking. We encourage those who back the principles of this initiative to explore being participants, as it may help the industry make progress on what has been a long-standing challenge: ESG measurement and benchmarking. However, in a conversation we had with an industry participant, they shared that there are GPs supportive of the idea of the EDCI but who are reluctant to provide the data to a third party. Some are sharing this information with their LPs instead, so convergence on these metrics has been helpful to industry participants, though the robustness of the anonymized benchmarks will suffer from this workaround.

The influence of current events

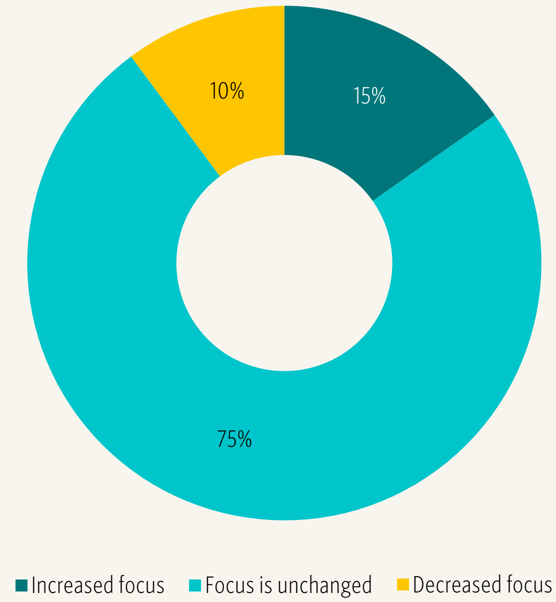
50% of our respondents are incorporating DEI considerations into their investment decisions; another 6% used to do so but have discontinued those efforts.

This year began with much fretting by sustainable investors with any connection to the US, as discussed in our analyst note [The State of Sustainable Investing in the Private Markets]. DEI efforts were one of the very first targets of the Trump administration's tsunami of executive orders, leaving many wondering about the reach of these orders into the private sector and their exposure to the risk of the federal government knocking on their doors. 50% of our respondents are incorporating DEI considerations into their investment decisions; another 6% used to do so but have discontinued those efforts.

We did, however, ask those who currently or used to incorporate DEI into their investment process how current economic and geopolitical events have impacted their focus on DEI in the past year. Only 10% said that they were backing away; these respondents included a handful of fund managers, asset owners, an FoF, and one private wealth firm. The vast majority are either maintaining (75%) or increasing (15%) their focus on DEI. When we asked respondents to provide their thoughts on their current positions, we received some interesting—and some predictable—answers. Two respondents provided very short explanations for why they have decreased their focus on DEI: a Latin American allocator cited the "current US administration," and a US fund manager said "regulatory concerns."

One US allocator increasing their focus on DEI said, "Diversity is under attack by political forces." Many not changing their DEI focus have had to make the decision to do so consciously this year. A US allocator used some of the new language we discussed in our State of Sustainable Investing piece earlier this year: "We champion Diversity, Equity, and Inclusion (DE&I) through a foundation of merit, excellence, and intelligence." This language is used on both sides of the DEI debate: Some who champion merit, excellence, and intelligence feel that DEI is the best way to arrive at a diverse workforce or collection of investments, but others have used this language to justify nondiverse outcomes. A US fund manager said, "We never violated our fiduciary duty [by incorporating] DEI to make an investment that wasn't appropriate for the portfolio. When we see opportunities pushing DEI before returns, we move on." This quote reflects the defensive posture of many in 2025, where they must assure external parties that fiduciary duty is still top of mind and that DEI practices can still be consistent with that.

How have current economic and geopolitical events impacted your organization's focus on diversity, equity & inclusion in the past year?



Source: PitchBook • Geography: Global • Question 24.5

A European VC indicated that their geography made the question moot: "We are in Europe and sticking to our strategy." A European PE manager rather pointedly said, "Economic and geopolitical events have not changed our fundamental beliefs." One US investment consultant feels they must straddle the line: "Clients who care, care; clients who don't, don't. But we still aim to service those who care about DEI the best we can."

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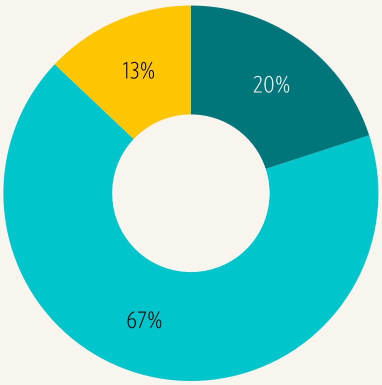
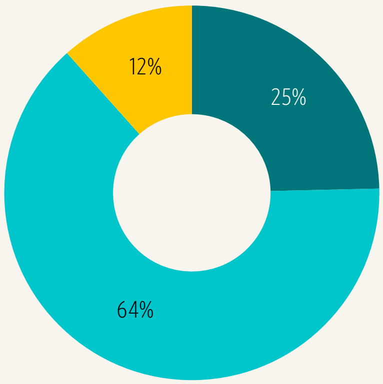
How have current economic and geopolitical events impacted your focus on ESG in the past year?



How have current economic and geopolitical events impacted your organization's focus on Impact investing in the past year?



Increased focus · Focus is unchanged · Decreased focus

Source: PitchBook • Geography: Global • Questions 25 and 25.5

We also asked ESG and Impact investors about how current events are affecting their focus areas, and the results were basically the same: Folks who are involved in those spaces are largely keeping their focus unchanged. A small handful are backing away, but more are leaning in. For those decreasing their focus on ESG, the current US administration was called out again, but one US VC manager also mentioned that their "LPs are less interested." One US PE manager said "regulatory, litigation, access to capital, and reputational concerns with ESG pushback in [the] US" have caused them to pull back from ESG.

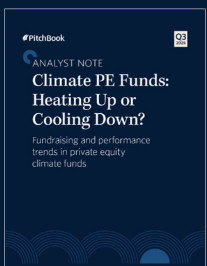
For those increasing focus on ESG in the face of immense negativity, some spotlighted the positive attributes of ESG that naysayers often do not take the time to understand. A European fund manager said, "ESG is considered more and more as a value creation tool and less so as a compliance item," while a US VC said that their increased attention is focused on supply chain issues.

For Impact investors, those backing away echoed similar thoughts, though one European VC indicated that they "are now looking at return potential of companies first, then impact potential, but we won't invest without impact." Reasons provided this year and in previous surveys for increasing focus on Impact are often reactions to world events. This year's responses included "Gaza," "regulations and tariffs," and a new reason from a European VC: "We invest in defense and deterrence." Proximity to conflicts has shifted attitudes about defense and deterrence investments and their relation to Impact investing. While these areas may seem incongruous—and certainly some have argued that they are—some believe that defense is a necessary component of a system that helps to establish security and stability, building blocks upon which the achievement of other sustainability-related goals depend. Ultimately, the question is philosophical: If positive impact is the aim, can investment in an industry that may cause substantial environmental or social harm to one group be justified if it protects another? Like many of the other trade-off-related questions in Impact investing, the answer depends on who you ask and what their priorities are.

The bottom line, and the hope for many discouraged by US headlines, is that most of those who have committed to DEI, ESG, and/or Impact investing remain committed. The difficulty of finding like-minded investors has risen, however, as the messaging surrounding sustainable investing may be less public and more coded.

Additional research

Sustainable investing

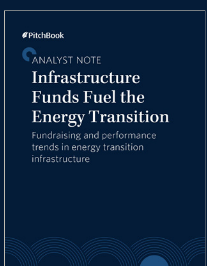


Q3 2025 Analyst Note: Climate PE Funds: Heating Up or Cooling Down?

Download the report here

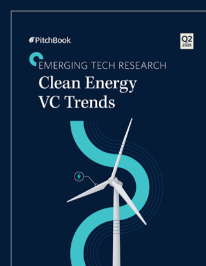
Q2 2025 Analyst Note: The State of Sustainable Investing in the Private Markets

Download the report here



Q4 2024 Analyst Note: Infrastructure Funds Fuel the Energy Transition

Download the report here



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