Contents

2020 survey by the numbers
About the survey
Geography
2016 versus 2020
Current sustainability programs
Q&A: The early stage isn’t too early for ESG
The LP perspective
Contrasting views: ESG
Contrasting views: Impact
Perceptions
Impact measurement
Social and political landscape
Staying informed

Credits & contact

PitchBook Data, Inc.
John Gabbert Founder, CEO
Adley Bowden Vice President, Market Development & Analysis

Research
Hilary Wiek, CFA, CAIA
Senior Analyst, Fund Strategies & Performance
hilary.wiek@pitchbook.com

Data
Van Le Lead Data Analyst

Design
Mara Potter Graphic Designer, Design Lead

Contact PitchBook
Research
reports@pitchbook.com

Please reference the accompanying data pack for a breakdown of survey data included in this report and full question wording.

2020 survey by the numbers

<table>
<thead>
<tr>
<th>Numbers</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>650 (248, 109, 60, 233)</td>
<td>Began the survey (GPs, LPS, Both, Others)</td>
</tr>
<tr>
<td>368 (157, 63, 32, 116)</td>
<td>Completed the survey (GPs, LPS, Both, Others)</td>
</tr>
<tr>
<td>8</td>
<td>Geographic regions represented</td>
</tr>
<tr>
<td>32</td>
<td>Days the survey was open</td>
</tr>
<tr>
<td>$1,840</td>
<td>Donated to World Central Kitchen</td>
</tr>
</tbody>
</table>

Hilary Wiek, CFA, CAIA
Senior Analyst, Fund Strategies & Performance
About this survey

As PitchBook makes significant improvements to its sustainable investing data capabilities, we have also ensured we are connected to the pulse of the industry. We ran a survey from July 7, 2020, to August 7, 2020, seeking out the views of investors and their advisors about this rapidly maturing space. 368 individuals completed the survey, though we recorded at least one answer from 650 individuals, providing us even more data on a partial basis. We tailored the survey to ask specific lists to different types of organizations. Given that each path was at least 26 questions long, we were particularly pleased by the completion rate. We ran a similar survey in 2016 that garnered 48 completed responses; the growth in numbers may be partially attributable to the increase in reach PitchBook has achieved in four years, but it is also a measure of heightened interest in the sustainable investing landscape.

We were delighted with the respondent mix, as well. Of those who fully completed the survey, 157 identified as general partners (GPs), 63 as limited partners (LPs), 32 as Both (largely fund of funds investors), and 116 as something “Other” in the private market ecosystem. This last group self-identified as angel investors, consultants, advisors, banks, credit rating agencies, and more; we will often refer to them as Other or service providers in this report. While we assume there was some self-selection bias in terms of individuals interested in sustainable investing being more likely to complete the survey, 40 organizations identifying as an asset manager or both an LP and GP had neither an ESG approach nor an impact offering, and 27 LPs had no sustainable investing program, providing representation from those not currently participating in the space.

The other reason we were so happy with the numbers is that we had committed to make an impact with this survey, donating $5 for every completed survey to the World Central Kitchen. This organization has done terrific work in the past—in 2019 alone, it provided food during or following the US federal government shutdown, the refugee crisis along the border of Venezuela and Colombia, nationwide protests in Haiti, flooding in Nebraska and South Dakota, a cyclone disaster in Mozambique, tornadoes in the US Midwest, an earthquake in Albania, a tropical storm in Louisiana, and more. During the COVID-19 crisis, WCK has been working to safely distribute meals to children, seniors, and families in need. In addition, the nonprofit gathers these meals from restaurants that have suffered from the inability to fully open their doors to seated customers. Our choice of beneficiary was particularly appropriate given the geographic reach of the survey. In 2016, we did not have nearly the global reach we achieved in the 2020 edition.

While it is useful to follow trends over time, this survey saw a significant update from the prior offering. The 2016 survey focused strictly on ESG, or the environmental, social, and governance framework of investing, and the abbreviation was used in a more general sense than the industry is coming around to today. The 2020 survey offered this short explanation as an introduction:

“For the purposes of this survey, we use sustainable investing as the umbrella overarching both impact investment approaches and the incorporation of ESG (environmental, social & governance) risk factors into the investment process. We will ask about each aspect of sustainable investing in the survey, using each deliberately as defined here.”

This more specific language allowed us to identify more nuanced thoughts and practices across the sustainable investment landscape. We also updated the options for a number of questions to better capture the current environment. In addition, many questions left space for open-ended responses, which allowed us to gain further insights into the industry’s evolution.

Read on for our findings.

1: For more on sustainable investing as an umbrella over impact investing and investing with the consideration of ESG factors, please reference this analyst note from earlier in 2020.
This survey achieved much better representation from regions outside of North America than in the past. While the percentage was still heavily tilted to North America, we did have responses for every other region except the Caribbean. GPs and those identifying as Both were slightly less tilted to North America, with 59% of those responses coming from the region and 21% from Europe. LPs and Other respondents, on the other hand, were 72% from North America and 14% from Europe.

Given how sustainable investment has evolved over the past two decades, we expected Europe to lead North America in terms of implementing sustainable investing practices. This hypothesis rang true in our survey responses. 73% of European participants had fully or partially implemented sustainable investing into their processes, compared to 60% of North American respondents. Across all regions, 61% said they had implemented at least some level of a sustainable investment program.
The 2016 survey only used ESG terminology in its questions, while the 2020 survey stepped up a level to talk about sustainable investing—which incorporates both ESG and impact investing—making a number of the questions difficult to contrast. However, we can draw some comparisons to show changing attitudes.

In both 2016 and 2020, we asked all respondents about the factors driving their ESG or sustainable investing efforts, providing a long list of potential reasons and the ability to select multiple answers.

Improved long-term results was not an option provided in the 2016 question, but many respondents of all types in 2020 felt they could improve their long-term results by focusing on risks beyond those typically found in financial statements. If industry participants feel they can improve their risk-adjusted returns, they will be much more likely to stick with a sustainable investing approach rather than considering it a “nice to have” that can be set aside when other concerns arise. One LP in 2020 took exception with lumping social with environmental concerns, feeling that the natural world could not speak for itself but “humans can vote.” Another provided a concise Other response: “makes sense and makes money.”

2: We did not offer the option “portfolio companies” to LP and Other participants.
We also asked survey participants what factors are most important in developing a sustainable investing program and provided a number of activities for respondents to rank on a scale from “not at all important” to “extremely important.”

While in 2016 many of the respondents centered on the somewhat to very important responses (twos, threes, and fours), 2020 saw a marked shift toward most of these practices being seen as very important to extremely important (fours and fives).

Engaging outside experts received the least extremely important votes; even among the Other category, which houses a number of those experts, only 20% considered this activity extremely important. Only 12% of LPs thought so. It was particularly interesting that using common industry guidelines was such a relatively low priority for most: Only 13% of LPs thought this was extremely important, perhaps one explanation for why the industry has taken so long to come to a consensus on measurement and reporting. With that said, measuring the success of sustainability initiatives received extremely important or very important votes from 75% of participants—but it seems few have agreed on a unified idea for how to do so.

3: Other respondents, a category made up primarily of service providers to investment firms and LPs, were not provided the responses “Outlining a sustainable investment philosophy in a limited partnership agreement” or “Engaging with portfolio companies/asset managers to develop a corporate sustainability program.” The 2016 survey also had a slightly different list of selections, explaining the lack of data for three of the responses.
2016 vs 2020

We also asked about what respondents are most focused on in their sustainable investment efforts. In our 2016 survey, the top concerns were business integrity, environmental health and safety, and social issues. While we changed the wording for the 2020 edition, the top areas of focus remained thematically the same. This is surprising as the concepts of business ethics and integrity are somewhat amorphous and difficult to measure; we would be curious to find out how these respondents quantify and approach this particular area of focus. Interestingly, individuals who believe sustainable investing practices are “silly feel-good investments,” as one of our participants stated, might be surprised at how rooted in good business practices the practitioners are. This top response contrasts to the number-one driver of sustainable investment programs being environmental and social concerns.

In general, respondents of all types largely thought all these issues were “very important” to “extremely important” and worth considering in an investment context.

While we noticed our participant pool trended toward those interested in sustainable investing, we still had more skeptical participants give voice to the other side in our open-ended responses. One firm that identified as Both said the biggest challenge they face was “the vast and undue attention given to decarbonizing the economy when science is not necessarily accurate and validated.” A fund manager said they had “no interest in injecting social agenda into investing business.” An LP said the biggest challenge to sustainable investment programs and initiatives is “fiduciary issues.” The respondent most vehemently against sustainable investing throughout the survey asked: “Why was this survey created? Are you trying to browbeat my peers into silly and unprofitable investments?”

Source: PitchBook | Geography: Global | Respondents: LPs and GPs | Question 25
For our final discussion of attitudes, we asked about the biggest challenge for sustainable programs and initiatives. Only one selection was allowed, though several respondents indicated that many of the choices were challenges for them and the industry.

In 2016, the top answers were effective metrics to monitor performance, cost, and implementation. We expanded the list of options to this question in 2020, but the leading answer was essentially the same: most respondents were “unclear how to define and measure impact outcomes.” Next in line were “lack of robust data on ESG factors for private equity companies” and “perceptions of potential negative impact on overall returns.”

This last response is in marked contrast with the top driver behind our respondents’ move into sustainable investing: improved long-term investment results. This tells us those that believe in sustainable investing as a return enhancer may still be having difficulty convincing others of the potential benefit. In 2020, the Department of Labor stepped into this conflict by proposing a rule that would require pensions and 401(k) plans to justify all ESG investment strategies from a fiduciary perspective.4,5 Interestingly, 95% of the comments to the DoL proposal opposed the rules,6 as the investment industry seems to be converging around the idea that ignoring the non-financial but material risks that ESG is meant to capture may be acting contrary to a fiduciary standard.

The top three 2020 responses were in largely the same order no matter the type of respondent. Cost, the number-two response from 2016, was the fourth-place answer overall in 2020.

The fourth-place answer for LPs was a new option for the 2020 survey: “product offerings do not align with the type of sustainability sought.” We know it is difficult for an LP with a particular impact mission to find an asset manager that can provide the right exposures. PitchBook is creating a second level of labels for impact funds to help facilitate easier connections—LPs seeking to fund investments in themes such as education, clean water, or affordable housing will be able to search PitchBook for funds working toward measurable impact in those areas.

On the flip side, some GPs and funds of funds expressed concern surrounding creating product that will attract enough investors. Many areas in the sustainability landscape still have a fairly narrow audience—sometimes due to the geography in which LPs want to create an impact and sometimes due to themes that do not lend themselves to scalable investment opportunities.

---

Current sustainability programs

All participants were asked questions to prompt an assessment of their sustainable investing journey. We have to assume the respondents do not represent the investment community at large, given that those who took the survey were overwhelmingly likely to have some level of preexisting interest in the topic. The survey was not marketed to any specific affinity groups, so this bias came through self-selection. Of the respondents who reported they had no sustainable investment plans, however, 36 made it to the end of the survey, providing us with some representation of views other than whole-hearted support.

The asset managers were furthest along in implementing sustainable investing initiatives; 55% had integrated this work into their process while another 11% had a dedicated sustainable investment team. Many asset managers started their sustainable efforts with someone in charge of keeping an eye on ESG factors, then progressed to folding such thinking into the full process so all investors are responsible for considering the risks. The latter approach will likely lead to more consistent consideration of both financial and ESG risks.

Asset owners were given a slightly different set of possible responses, as noted in the chart legend, but the results show them to be slightly behind in the actual implementation of sustainable investment principles. Only 29% had integrated sustainability throughout their portfolio (most LPs will start with an allocation of a portion of their portfolio to ESG or impact investment funds rather than mandating all managers focus on sustainable investment all at once), though another 27% had implemented at least a partial integration into their total portfolio. Service providers were the furthest behind; half of the Other respondents either have done no sustainable investment work or are still exploring a path.

While the GP and LP results for the next question show that many of the respondents to this survey have been working on sustainable investment efforts for two or more years, service provider respondents were barbelled. 28% have no initiatives and 26% have been active in the space for more than five years.

Source: PitchBook | Geography: Global | Respondents: All Questions 10, 11, and 12
Despite a massive amount of interest in this subject—think of all the webinars and conference sessions in recent years—sustainable investing efforts are still fairly immature at many organizations. With that said, as we’ll show in a later section, a tumultuous 2020 does not appear to have derailed many plans to continue with sustainable investment.

Our prior survey in 2016 did not separate out the Other respondent category, or those entities that didn’t fit cleanly into the LP, GP, or Both options. This group consisted primarily of service providers in areas including consulting, executive search, investment banking, education, media, law firms, placement agents, and OCIO. While there were exceptions, most of the respondents provide advice and services to LPs, GPs, or both. Their views on the sustainability topic are thus extremely important, as they often influence investors’ thought processes. A robust 116 respondents that identified as Other completed the whole survey.

One question asked only to the Other respondents centered around the demand they see for sustainable investments from their GP or LP clients. Almost half said that less than 25% of prospective or current clients are expressing interest, while only 9% said that more than 75% of their clients are showing interest in sustainable investing.

This question may provide a more comprehensive view on the broader sustainable investment landscape, as consultants and other service providers are working with investors of all stripes, not just ones interested in completing a sustainable investment survey.
Q&A: Early stage isn’t too early for ESG

500 Startups & PitchBook convened to discuss a more in-depth, focused perspective on issues pertaining to ESG across the startup realm, conversing about how ESG concerns can apply earlier to companies’ lifecycles than some may presume, and best practices on the part of both investors and founders.

What are the biggest misconceptions about how and why ESG concerns should be incorporated into early-stage investing?

One common misconception is that it’s too early for young companies to integrate environmental, social, and corporate governance (ESG) policies. It’s arguably tougher for VC firms to help fledgling companies implement ESG measures when they are still fine-tuning their business models, and even more so when they have a small stake in the company and therefore not as much sway. But it’s never too soon to raise awareness by asking startups in their formative stages to think hard about the long-term impact of their actions as they outline their mission. The bigger a company gets, the costlier it is to make changes.

Today’s ESG principles are becoming tomorrow’s laws. Regulations and young companies are at greater risk than more developed companies with greater resources. One such example is governance of personal data. If a two-person startup wants to do business in the modern economy, size does not exempt it from safeguarding customers from data and cybersecurity breaches. Europe’s General Data Protection Regulation (GDPR) on personal data applies regardless of a company’s scale or location, with sanctions of up to €20 million or 4% of annual revenue, whichever is higher, and bans on further data processing.7

The California Consumer Protection Act (CCPA) is the state of California’s version of GDPR data privacy laws for companies falling into certain parameters. For example, for startups generating revenues of $25 million or over, if 50% of revenues are generated out of California or the business is processing the data from 50,000 or more California residents, the company will have to comply with CCPA rules or risk fines.

When it comes to early-stage companies, ESG provides an opportunity to attract talent and consumers, enhance regulatory compliance, and develop greater market access. The sooner companies start, the greater the ability to capture these opportunities and mitigate risk. In our view, it’s never too early for VCs to encourage young companies to engage in sustainable practices, but it requires commitment and farsightedness. Imagine if today’s unicorns had applied ESG at the onset; we might be living in a more inclusive and sustainable world today.

What are the most significant challenges that early-stage investors (for example, 500 Startups) face when implementing ESG factors into their investment theses and processes?

ESG and impact investing have, at times, been used interchangeably, but these two concepts are different. ESG focuses on the operations of a company, while impact focuses on achieving specific impact goals. If an investor partakes in “ESG investing,” it refers to investing in a company that has the policies and

Q&A: The early stage isn’t too early for ESG

practices in place that establish good labor practices, improve diversity and inclusion, protect user data, and mitigate environmental damage. “Impact investing” involves investing in a company that produces products or services to achieve specific goals that benefit the world (typically societal or environmental benefits), thus narrowing the types of companies that receive investment.

Integrating ESG criteria into investment theses and processes doesn’t change the type of markets, geographies, and sectors we invest in at 500 Startups. Rather, ESG enables us to mitigate risks and identify value creation opportunities that may have been overlooked. For 500, ESG is perfectly aligned with our strategy. Diversification across sectors, geographies, and founders has been central to our investment thesis and approach since we were founded in 2010. We believe this can lead to greater access to differentiated deal flow, capital, partners, and coinvestors.

The value of ESG in guidelines, talent retention, recruiting, and more is gradually being established, although it’s still in the early days. What evidence do you find compelling for prioritizing ESG?

It is a well-known fact that the VC industry suffers from a lack of diversity. Women and people of color are woefully underrepresented as founders and funders. As enablers of wealth and job creation, many of us in the VC community are able to take a systematic approach to tackle societal issues from the ground up. At the very beginning of a company’s journey, we can start to encourage the actions that are necessary for the future wellbeing of our world.

We have the tools at our disposal. Institutional investors have been increasingly integrating ESG policies into their decision-making process to limit the adverse effect of their investments on climate change and labor practices, or to foster inclusive economic growth. The VC investment community can do the same.

How can current ESG guidelines and considerations be improved? Put another way, what should ESG approaches evolve into next?

ESG policies and practices don’t always translate easily to emerging markets contexts. More than half of our portfolio comes from outside the US and spans over 77 countries. Seven of our 19 unicorns also come from outside of the US. Establishing diverse employment practices means something entirely different in Malaysia compared to the US. However, as VC investing and entrepreneurship expand globally, adapting ESG guidelines to local contexts has become increasingly important. Working with companies that are disrupting markets and creating new business models means we must work with them in real time to anticipate the potential for ESG impact.

500 Startups’ responses are intended solely for general informational or educational purposes and represent the current views and thinking of 500 Startups, which is subject to change. Under no circumstances should any content in such responses be construed as investment, legal, tax or accounting advice by 500 Startups, or an offer to sell or solicitation of interest to purchase any securities advised by 500 Startups. Prospective investors considering an investment into any 500 Startups fund should not consider or construe this content as fund marketing material.

8: Based on internal estimates as of June 30, 2020 and has not been independently verified.
9: Based on internal estimates as of June 30, 2020 and has not been independently verified.
The LP perspective

LPs consider ESG risk factors and/or impact at the following levels:

- 59% at their own organization
- 44% at the GP or asset manager level
- 44% at the fund level
- 60% at the portfolio company level
- 15% do not consider such factors at any level.

Several questions were posed just to LPs to determine how they are approaching sustainable investment in their work. The majority of these asset owners said they are focusing on ESG at the portfolio company level, expecting that those companies are managing the material non-financial risks that could torpedo an investment. Slightly fewer respondents said they are focused on such risks at their own organizations, evidently operating under the same expectations to which they are holding their underlying investments.

Given the audience PitchBook reaches, it is not terribly surprising that the most frequent answer was private equity when asked about the asset classes in which LPs were focusing sustainable investments. Private debt was next, with public equity and real estate ranking a close third and fourth. Of the eight Other responses, six noted that they currently have no parts of their portfolio focused on sustainable investing.

Many people in the investment ecosystem have struggled with the dichotomy of how to balance financial returns with sustainable investing principles. In 2016, we asked a binary question: Would you rather have no ESG and top performance or a strong ESG program and slightly lower performance? 44% of participants said they’d accept lower performance for a strong ESG program, while 56% felt profits were more important.

In 2020, when asked to place themselves on a scale from one to nine of performance versus sustainability, the average response came out at 4.37—still closer to financial returns, but a five would have meant that they balance profit and sustainability equally. Only 3% of responses said sustainability is the only important factor, but at the other end, only 13% said that performance is the only important factor. LPs are of course not monolithic. For some, GPs could differentiate themselves by a small shift toward sustainable investing but remaining focused on profit motives. For others, sustainable investing is a necessary factor, and its absence could exclude a manager from consideration altogether.
Contrasting views: ESG

Asset managers' incorporation of ESG risk-factor frameworks

Service providers' evaluation of investment managers' ESG risk-factor frameworks

Proportion of LPs and Both that plan to increase attention to ESG risk factors in the next year

With the questions associated with these charts, we hoped to contrast what asset managers are doing versus what allocators and their gatekeepers\(^\text{10}\) are looking for. The vast majority of asset manager respondents say they are incorporating ESG risk factors into their work. An even greater proportion of LPs—95%—are already evaluating or are increasing their attention to such work, which suggests that asset managers should begin to consider ESG factors if they haven’t already. The service provider community appears furthest behind in incorporating ESG thinking into their work. Of those that felt the question was relevant to their work, 24% have not yet implemented an approach to evaluate the ESG risk-factor work done by asset managers.

Source: PitchBook | Geography: Global
Respondents: GPs and Both
Question 2

Source: PitchBook | Geography: Global
Respondents: Other
Question 4

Source: PitchBook | Geography: Global
Respondents: LPs and Both
Question 21

\(^{10}\): Many LP consultants are charged with performing initial diligence on asset managers and providing short lists of names to LPs from which to select, which is why they are often called gatekeepers.
Contrasting views: ESG

Proportion of GPs that require portfolio companies to focus on financially material ESG factors

We also asked a follow-up question to asset managers to go a level deeper into their incorporation of ESG factors. Many have heard of the term “greenwashing,” which refers to when a fund manager claims to “do” ESG, but in reality, these efforts are surface-level at best, not truly assessing and managing the material risks that ESG factors entail. One significant way a GP could ensure the consideration of ESG factors throughout its portfolio would be to require portfolio companies to have these risks in mind, as well. But our survey respondents indicated that only 25% are carrying the ESG effort through to portfolio companies, where the risks can not only be assessed, but addressed.

Both GPs and those who evaluate them seem to agree that ESG risk factors are worthy of consideration when managing portfolio companies. This contrasts to the prior question where 75% of GPs said they do not require their portfolio companies to consider such risks. It seems GPs may still be working on this area—if they think it is important, they will presumably move toward implementing a strategy to address the issue.

Importance of ESG risk factors to portfolio company improvements

Importance of asset managers considering financially material ESG risk factors

Source: PitchBook | Geography: Global | Respondents: GPs and Both

Question 55

Source: PitchBook | Geography: Global | Respondents: GPs and Both

Question 32

Source: PitchBook | Geography: Global | Respondents: LPs, Both, Other

Question 33
Contrasting views: Impact

Proportion of LPs, GPs, and service providers that offer, allocate to, or evaluate impact investment strategies

Turning to how different constituents are incorporating impact, or not, 42% of our fund managers consider all their strategies to be impact offerings. 25% of LPs have all their investments in impact strategies and 27% of the other service providers focus all their work on impact investing. This seems unlikely to be representative of the broader industry, but it does illustrate that the survey reached an audience with a strong commitment to investing for the double bottom line. Only about a quarter of respondents from each type said they have no work involved with impact investing. The remainder either had some portion of their work focused on impact or were working on something in the space.

When it comes to measuring the impact of portfolio companies, asset managers felt it was more important than LPs and their advisors. Elsewhere in the survey, respondents of all types indicated that one of the biggest challenges to implementing a sustainable investment program is measurement, so while many think it is important, fund managers and asset owners are still struggling with how to do so.

Importance of measuring social and/or environmental impact of portfolio companies by participant type

Source: PitchBook | Geography: Global | Respondents: All Questions 5, 6, and 7

Source: PitchBook | Geography: Global | Respondents: All Questions 35 and 36
Perceptions

Perception of whether clients, managers, and asset owners have been expressing increased interest in sustainable investment in the last three years

GPs have definitely been hearing about sustainable investing from inquiring LPs—69% said interest has been increasing or has stayed at a consistently high level. When asked if they had noticed GPs improving in this space, asset owners showed that they believe progress has been made. Service providers, which often see a broader spectrum of the industry than just the LPs or GPs that are dedicated to sustainable investing, as many of this survey’s respondents are, have seen less progress in the industry over the past three years.

Measuring how prevalent the conversations are around sustainable investing, 40% of asset managers said over half of clients and prospects were bringing it up, while only 9% said that none of their interactions broached the subject. LPs were asked a somewhat different question: what percent of their current line-up of fund managers are incorporating sustainable investment principles in their strategy. 52% indicated that 25% or less (including none) of their investment managers provided sustainable investment work. Only 18% of LPs had over 75% of their asset managers managing for impact or taking ESG risk factors into account.

Proportion of LPs asking about sustainability versus the proportion of holdings with an existing approach

Source: PitchBook | Geography: Global | Respondents: All
Questions 16, 17, 18, and 19

Note: For LPs and Both, we gave the option “we do not utilize external fund managers,” which is incorporated here in the “none” response bucket.
One of the biggest complaints of the impact investing space, confirmed elsewhere in this survey, has been measurement and reporting; it seems that for every practitioner, there are nearly as many methods for providing the social or environmental results of a company or portfolio. When we asked participants how they deal with this challenge, it appears most have chosen to create some custom method to track their impact investments. Service providers were somewhat more inclined to adopt a standard industry framework, but two thirds of those that endorsed some methodology (half said they do not support any custom or standard framework) still utilize something custom. Several LPs and GPs said they use a combination of a standard framework and something custom.

We received dozens of responses when we asked participants to explain their measurement methodologies, few of which had substantially similar answers from other respondents. Many were often specific to the mission of the mandate. A representative sample of these open-ended responses can be seen above.

A number of participants did mention the UN Sustainable Development Goals (SDGs), SASB standards, and the GIIN’s IRIS+ framework, but each seemed to use them in their own specific way, usually in combination with another framework.
The COVID-19 pandemic came up a few different ways in this survey. When asked if their focus on sustainability has changed in 2020, only 6% of GPs and LPs felt it had “decreased temporarily due to the COVID-19 crisis.” The GFC caused many industry participants to put sustainable investing initiatives on the back burner, but it appears that COVID-19 has potentially increased the urgency for some to consider the social construct around their investments.

Other service providers were more likely to say that the industry’s focus may have declined because of COVID-19. On balance, given the likely bias in our survey toward firms and organizations highly committed to sustainable investing, this group’s views might paint a more accurate view of the total investor landscape.

A number of respondents said in open comments that COVID-19 had led to an increased focus on sustainable investing. One participant that identified as an angel investor said that their focus on sustainability had increased in 2020 “due to COVID-19—now care more where future funds allocated.” An individual that identified as an impact technology service provider said that they’d seen the industry’s focus on sustainability increase because of COVID-19: “Clearly the old business practices are unsustainable. Covid simply brought it to light.” One GP indicated that its focus on sustainability had increased in 2020 because “Covid has made risk factors come more into focus.” One consultant said that “the pandemic has made some investors more purposeful.”

As the survey went out after the 2020 Black Lives Matter protests had begun, some respondents indicated that an increased attention to sustainability was occurring for reasons related to racial inequity: “noticeable disparities in COVID-19-related deaths by race and poverty data” and “the politics, COVID-19 and the BLM movement” were the cause of increased focus on sustainability in 2020. One fund manager said that “Covid and the Black Lives Matter movement have shown that impact investing is more important and urgent than ever.” Diversity was also called out by several as another reason for increased focus on sustainable investing in 2020.

A few other pandemic-related responses came out of the survey. When asked “What specific sustainable investing problems remain unsolved for you?” one fund manager said “Post-COVID-19 investor expected returns.” It will definitely be a more difficult fundraising environment if returns during this crisis suffer as much as they did during the years of the GFC. In the highly opportunistic category, one fund manager indicated that more LPs are putting money toward pandemic solutions—and this fund manager had “pandemicimpactfund.com” as their email domain name. According to the PitchBook Platform, the Pandemic Impact Fund launched in July 2020.
All respondents were asked how they stay abreast of developments in ESG and sustainable investing. Multiple answers were permitted. We found that webinars and conferences provided the most popular way for those interested in sustainable investing to gain knowledge and pass information. While sustainable investing is gaining more attention, experienced practitioners are some of the best sources of information, and they are most accessible at live events. Other top responses were white papers and/or case studies and sustainable investing organizations, such as PRI or GIIN. Much further behind were outside consultants or professional investing organizations such as the CFA Institute, CAIA Association, or CFP Board, all of which have initiatives to help educate investors in sustainable investing topics.

Most commonly, respondents answered “none” when asked which sustainability-related groups they belong to, endorse, or participate in. One European fund manager indicated that due their small size, cost was a barrier to signing on to certain principles, though they align their investments with the tenets of some.

Participation or endorsement of sustainability-related programs or groups

- American Investment Capital Guidelines for Responsible Investing: 4%
- Task Force on Climate-related Financial Disclosures (TCFD): 9%
- Institutional Limited Partners Association (ILPA) ESG Policies and Reporting: 10%
- International Finance Corporation (IFC) Performance Standards: 12%
- Other: 13%
- Global Reporting Initiative: 15%
- International Finance Corporation (IFC) Impact Principles: 15%
- Principles for Responsible Investment (PRI): 30%
- None: 48%