PitchBook

2023

Sustainable Investment Survey

Contents

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2023 survey by the numbers

814
Completed at least one response

419
Completed the survey

$2,095
Donated to World Central Kitchen

5/5
Ratio of geographic regions represented to geographic regions provided

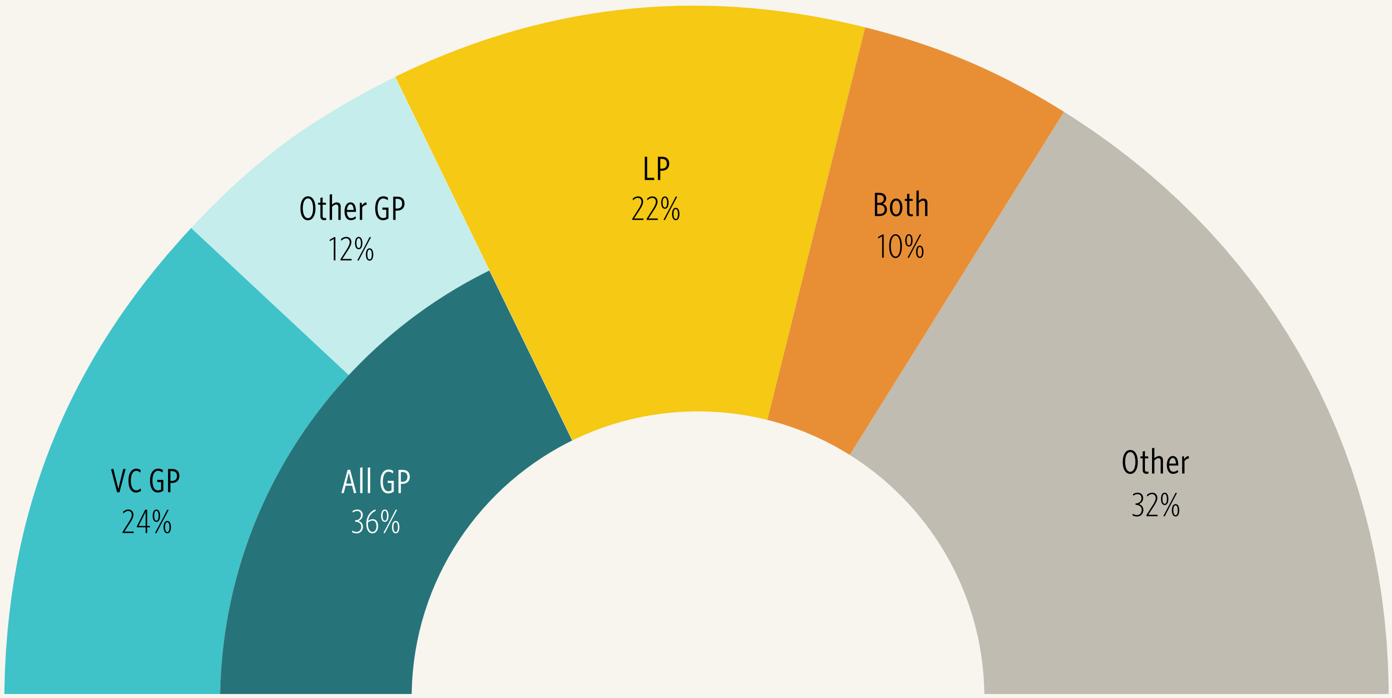
27
Days the survey was open

437:273[1]
Ratio of respondents with an implemented sustainable investment program to those with none

1: In this report, we will include any responses collected, whether the respondent completed the survey or not. Thus, some numbers will exceed 419, the number of completed surveys.

About the survey

2023 completed surveys by participant type



Source: PitchBook • **Geography:** Global • **Respondents:** All
Questions 2 and 2.5

This group of respondents represents the most balanced profile to date for this survey, showing that the interest in sustainable investment issues run far and wide.

Since the release of our last Sustainable Investment Survey report in October 2022, we have been busy with our sustainable investment research efforts. Using our proprietary Impact fund data set utilizing the Global Impact Investing Network's (GIIN) IRIS+ taxonomy, we updated our reporting on fundraising trends in private Impact fund investing.[2] As a follow-up to 2022's survey, we took some of the open-ended responses and wrote a report addressing the concerns and criticisms of ESG. In January, we published a piece on sustainable and digital infrastructure in the private markets, noting that infrastructure has not only been expanding as an area of investment, but it is increasingly looking to contribute sustainable solutions to areas like climate change and socioeconomic equality. Finally, we have brought on an emerging technology analyst focused on producing carbon & emissions tech and clean energy work for PitchBook clients.

This year's roughly 30-question survey asked global investors and the service providers who work with them to react to various topics related to sustainable investing, ESG risk factors, and Impact investing. 419 individuals completed the survey, although we recorded at least one answer from 814 individuals, providing us with even more data on a partial basis.

This group of respondents represents the most balanced profile to date for this survey, showing that the interest in sustainable investment issues runs far and wide. We recorded responses

2: For explanations and resources for the abbreviations and organizations mentioned in this report, we provided brown-tinted links to a glossary for reference.

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We updated the questions to better capture the current environment and focus on where sentiments are strongest.

from every global region and had significant numbers from each respondent type: LPs, GPs, Both, and Other. This last category self-identified as coming from consultancies, investment advisers, academia, business owners, family offices, investment banks, placement agents, accounting firms, and more not covered by the GP or LP umbrella. Those who answered "Both" were steered to that response if they were LPs and in turn had LPs, so they were largely funds of funds (FoF) in some form.

Once again, this year we asked GPs to identify whether they consider themselves to be venture capitalists (VCs), thereby allowing us to contrast how VCs were thinking about sustainable investment topics versus other respondents. 193 of our GPs identified as VCs, 109 of whom made it to the end of the survey, providing us a significant sample from which to report on VC thoughts and trends.

We also reached a broad spectrum of organizations from small to mega: 63% represented assets below $500 million, and 7% were at organizations with $25 billion or more under management or advisement. Only 5% of our GP universe were in the largest bracket, while our Other grouping was most likely to represent assets lower than $500 million, at 69%.

We realize that the sustainable investment field is a confusing collection of terms understood in many different ways. To level set for this survey, we provided the following guidance as each respondent began: "We use sustainable investing as the umbrella overarching both Impact investment approaches (seeking to make both a financial profit and a positive social or environmental impact) 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 language specification allowed us to identify more nuanced thoughts and practices across the sustainable investment landscape.

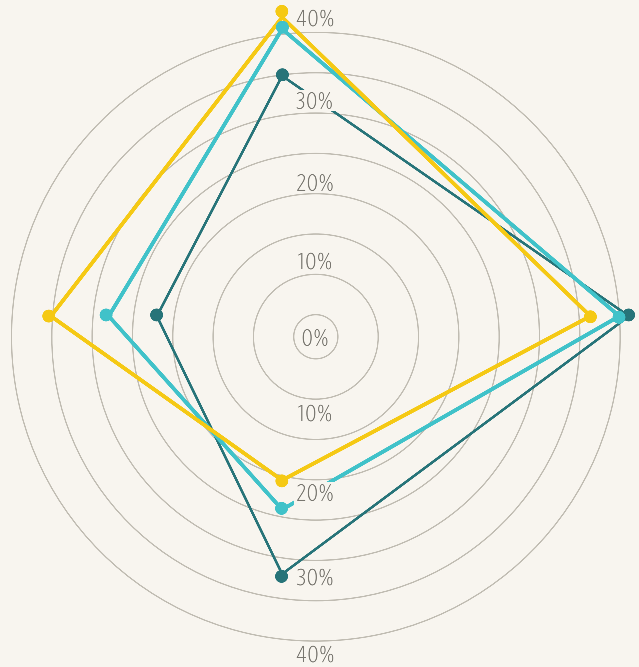
We also updated questions to better capture the current environment and focus on where sentiments are strongest. In reaction to the rapid growth we've seen in our previous surveys of responses coming in negative on the topic, we added some response options that would allow for those feelings to be better captured. Finally, many questions left space for open-ended comments, some of which we have shared to provide further insights into sentiments around sustainable investing topics.

World Central Kitchen

We were thrilled with the high response rate to our survey—not only because it bolstered our analysis, but also because we committed to donating $5 for every completed survey to World Central Kitchen (WCK). 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 2023 through May, WCK served meals to those in Syria and Turkey impacted by deadly earthquakes and to Ukrainians continuing to suffer from ongoing conflict in their homeland. In addition, WCK has responded to 25 climate-related disasters worldwide since establishing its Climate Disaster Fund in 2021.

Trends over time

How would you characterize the stage of your sustainable investment implementation?



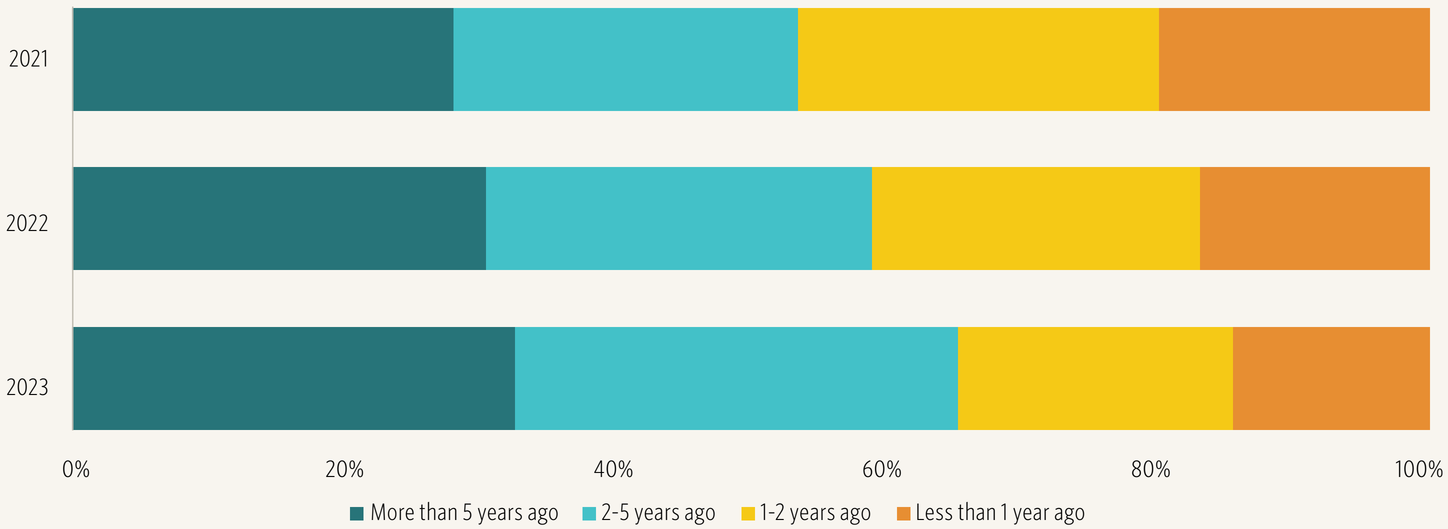
Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 4.5

It can be difficult to track trends over time in surveys, especially when responses are anonymous, as it is unclear whether shifts are due to a different respondent pool or true societal shift in opinion. Thus, while we may interpret results as trends in sentiment around sustainable investing, we are aware that some of the moves from one year to the next may just be that we have attracted more people who want to have their negative views on sustainable investing represented.

At the highest level, we have seen signs of both increased adoption of sustainable investing practices and more people who have no sustainable investment program at all. We'll go into some detail about why this may be and whether it is likely to change in the Social and political landscape and The future of sustainable investing sections, but here we will provide a few year-by-year trend charts taken from this year's survey and those of 2021 and 2022.

From 2021 to today, the proportion of respondents that have integrated sustainable investment principles throughout their portfolio has increased, growing from 30% in 2021 to 37% in 2023. On the flip side, we show that more of our respondents have no plans to incorporate sustainability into their investment work, going from 9% in 2021 to 17% in 2023. Fewer people are even considering implementing sustainable investment practices—they have either converted to full integration or have chosen to never do so. Those exploring in 2021 seem to have sorted themselves into either adopters or those who will not be pursuing sustainable investment objectives.

When did your organization start actively implementing sustainable investing initiatives?

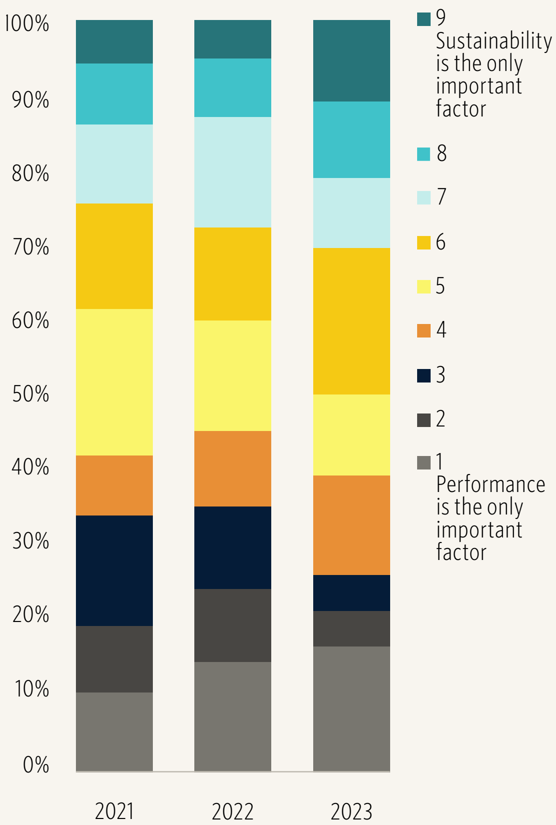


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 4.75

Next, we asked when our respondents began their sustainable investing initiatives, excluding the people who had said they had no plans in the prior question. Fewer are just getting started now than in 2021: In the current survey, only 15% began in the past year, while 20% were just starting out in 2021. The groups that began two to five years ago or more than five years ago have been growing: Added together, those have gone from 53% of the population to 66%. We are nearing the point that if a firm or organization was going to integrate sustainable investment principles, it would have already started the journey and the program is becoming more seasoned.

Our question that asks participants to indicate where they lie on the spectrum from “performance is the only important factor” to “sustainability is the only important factor” gives some indication of the polarization of sustainable investing views. While there is still clustering in the middle, with the largest contingent in 2023 being the 19% who selected a six on the scale, the endpoints have both grown in magnitude. It appears that it is not only the anti-ESG individuals who are becoming more entrenched.

Please indicate how you prioritize sustainable investing versus top performance as you assess a potential investment opportunity.

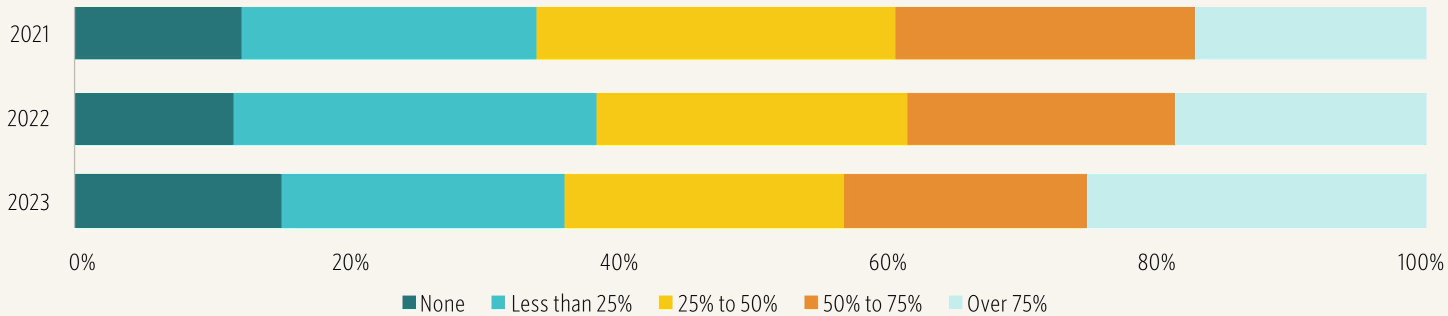


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 11

In terms of adoption, more allocators have been asking about sustainability as time has marched on. While in 2021, only 17% of asset managers said that 75% or more of LPs were asking them about sustainability, now, 25% report such questions from so many current or prospective clients. There has been a small increase in the asset managers saying that none of their clients are asking about sustainable investing, but the majority are getting questions—and needing to have answers—at least some of the time. This ties back to the question about whether respondents have implemented a sustainable investment program or not—potential clients are asking for definite answers, even if that answer is no. Fewer every year are in the exploration phase.

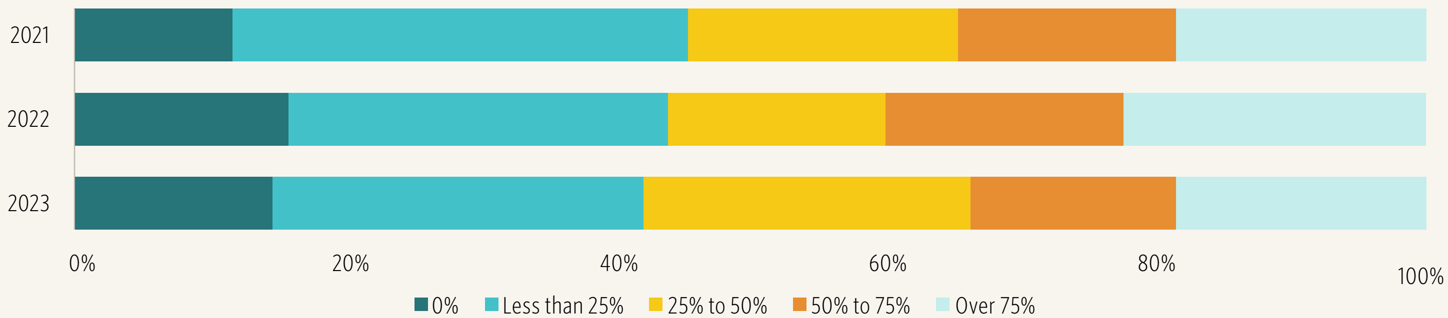
Allocators are gradually increasing the amount of their portfolios that employ sustainable investment approaches—either ESG or Impact funds. While the largest percentage of respondents has continued to say that less than 25% of their portfolio has sustainable investment mandates, the percent who selected this option has gone from 34% to 27%, with the percentage of those saying that 25% to 50% of their portfolio has such mandates has been increasing as LPs place more mandates with managers aligned with their sustainable investment objectives. Only 15% of LP and Both respondents said they have no sustainable investment funds in their portfolio, so asset managers that feel they can skip out on integrating sustainable investing into their investment approach may be finding it more and more difficult to find a target audience for their product offerings.

Approximately what percentage of your current or prospective LPs/clients are asking about or requiring that sustainability be part of the thinking when it comes to allocating their fund commitments?



Source: PitchBook • **Geography:** Global • **Respondents:** GP, Both, Other
Question 16

Approximately what percentage of your current fund managers (all asset classes) have a sustainable investment approach incorporating ESG factors and/or measurable environmental or social impact?



Source: PitchBook • **Geography:** Global • **Respondents:** LPs and Both
Question 12.5

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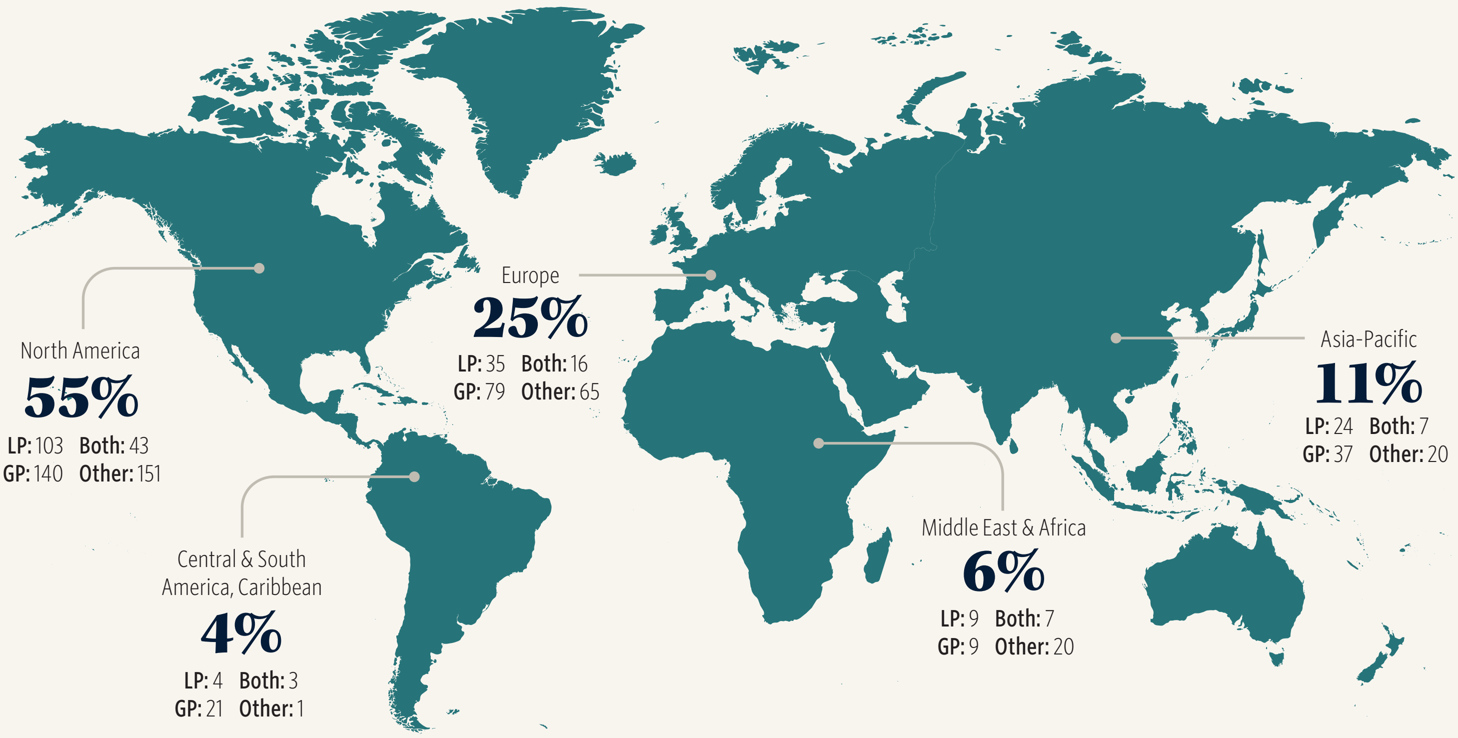
Geography

Where is your organization's primary base of operations?



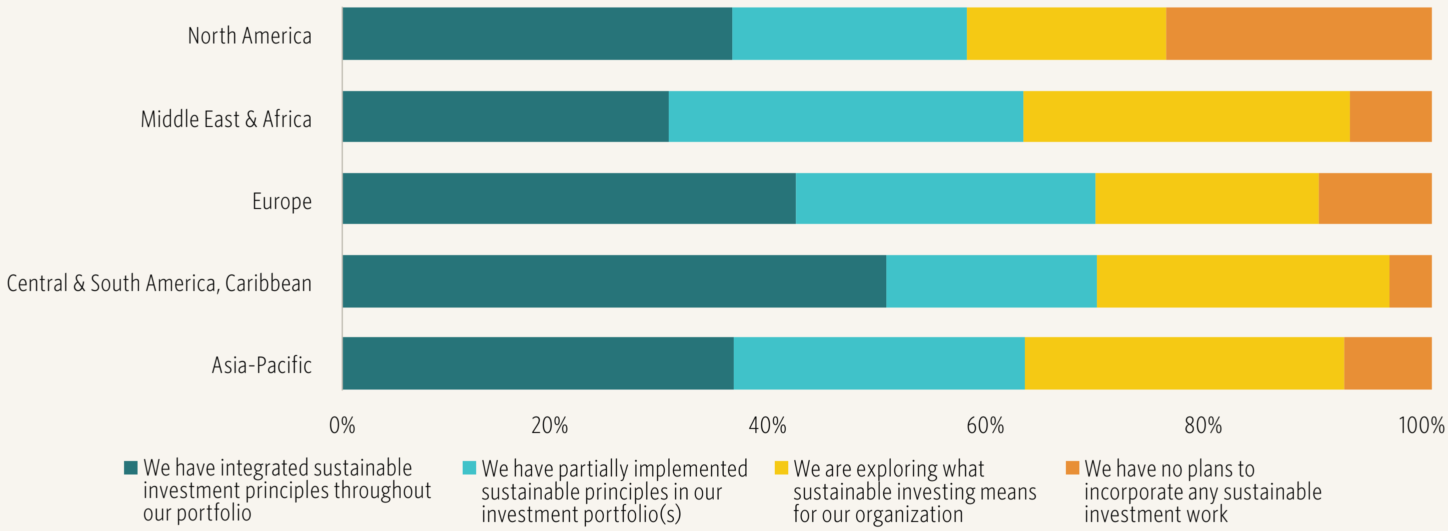
Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 3

Leading the way in having no plans to incorporate any sustainable investment work was North America, at 24%, well ahead of the next-highest group, Europe, at 10%.

The geographical mix of respondents in 2023 was remarkably similar to that of 2022, with the most notable difference being the declining share of responses from North America, at only 55% versus 58% in 2022, with Europe taking up those three percentage points for a somewhat more balanced respondent view.

While there is a widely held belief that Europe has led the sustainability charge, half of the 26 respondents from Central & South America and the Caribbean (CSAC) said they have integrated sustainable investment principles throughout their portfolio—higher than Europe, at 42%; North America and Asia-Pacific, at 36%; and the Middle East, at 30%. While the CSAC may be well ahead of the others, it may just be that the low number of respondents from that region that the survey attracted were more likely to be proponents. Leading the way in having no plans to incorporate any sustainable investment work was North America, at 24%, well ahead of the next-highest group, Europe, at 10%. This result is probably not surprising to most, given the political posturing associated with sustainable investment principals that has ramped up in the past couple of years in the United States.

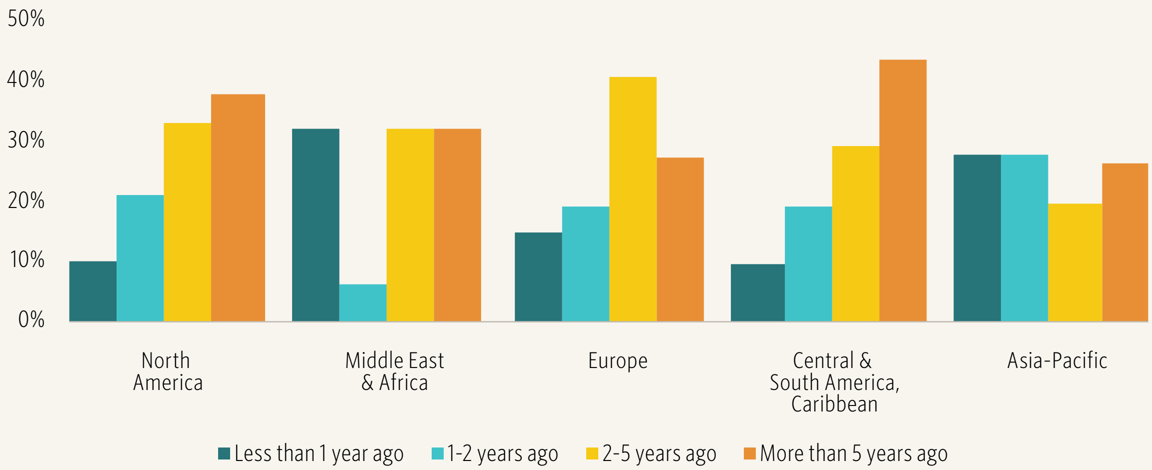
How would you characterize the stage of your sustainable investment implementation?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 4.5

This is not to say that North America is a vast wasteland of investors uninterested in the space. 37% of the respondents that have sustainable investment programs in North America began more than five years ago. This is ahead of Europe's 27% and lags only the 43% of respondents from CSAC. Those regions more likely to still be in the earlier phases of sustainable investment implementation are the Middle East & Africa and Asia-Pacific, which had 31% and 27% of respondents, respectively, that started their sustainable investment programs less than one year ago. 40% of European respondents began two to five years ago, which lines up perhaps not coincidentally with the introduction of the Sustainable Finance Disclosure Regulation (SFDR). This rule, aimed at reducing greenwashing when marketing to European allocators, was introduced in 2019, with the first measures taking effect in March 2021.

When did your organization start actively implementing sustainable investing initiatives?

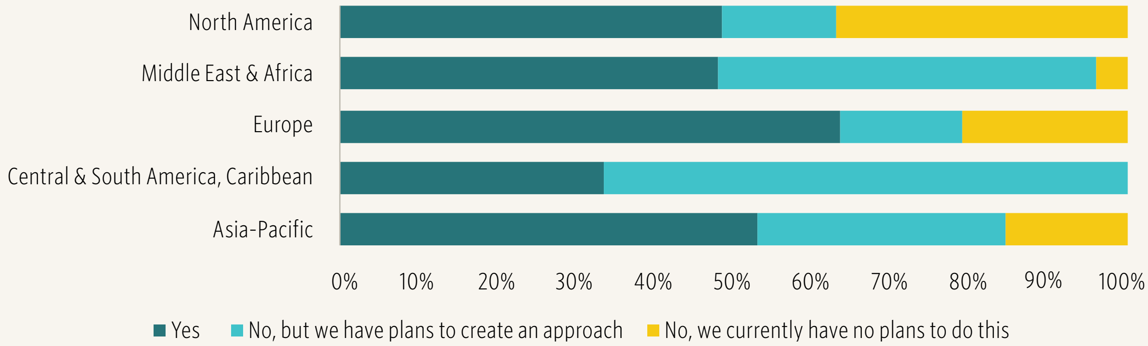


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 4.75

Europe seems to consider it more of a normal course of business to evaluate a fund manager's ESG risk-factor framework when performing an evaluation of prospective partners: 63% of European respondents probe their prospective GPs on their ESG approach, while only 21% had no plans to do so, with another 15% having plans to create an approach at some point. This compares with 48% of North American respondents who evaluate ESG as part of their investment manager diligence, while 37% have no intention of doing so. In fact, another 15% of North American respondents have plans to incorporate ESG principles into their diligence of prospective partners, which would put those with an ESG approach well above half, flying in the face of perceptions that North America (but to be fair, potentially just the US) is solidly aligned against sustainable investing.

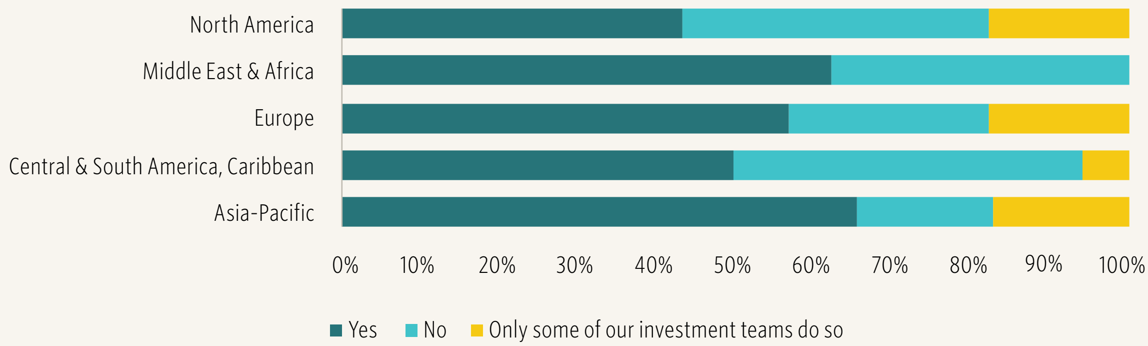
Our GP respondents showed regional differences when it came to the question of whether they utilize an ESG risk-factor framework when deciding to invest in a company. While the sample size was small, at 29, 83% of our Asia-Pacific respondents indicated that some or all of their investment teams do so. Europe was second, with 75%. While slightly more said yes, 39% of North American GPs indicated they do not utilize ESG risk factors when making an investment selection, a high across the regions. Given that any fund manager hoping to land European investors must file SFDR disclosures, and that having an affirmative response to utilizing ESG is key for many European allocators, asset managers may find themselves asking if it is worth alienating an entire continent by ignoring material nonfinancial risks in their investment analysis.

When you evaluate investment managers, do you evaluate the fund manager's implementation of an ESG risk-factor framework as part of your due diligence process?



Source: PitchBook • **Geography:** Global • **Respondents:** LPs, Both, Other
Question 5

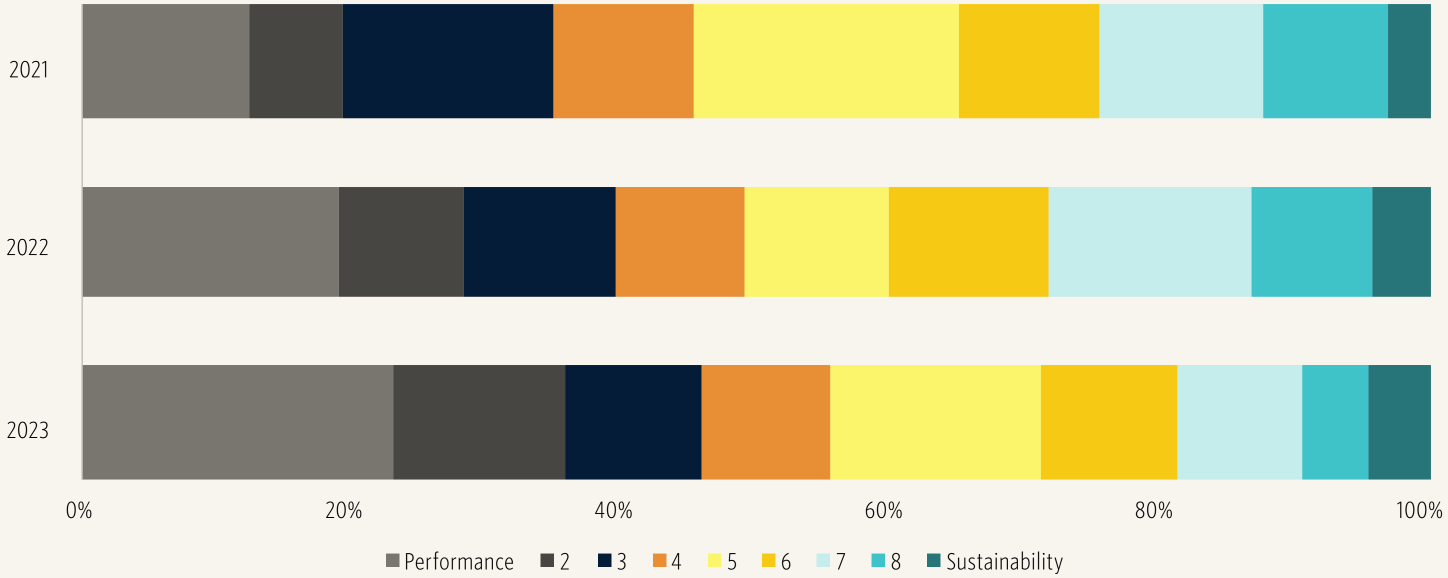
Does your firm utilize an ESG risk-factor framework when making the decision to invest in a company?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 9

The allocator perspective

Please indicate with the slider bar on the graphic how you prioritize sustainable investing versus top performance as you assess a potential investment opportunity.



Source: PitchBook • **Geography:** Global • **Respondents:** LPs and Both
Question 11

More than 75% of respondents feel that at least some amount of thinking around sustainability is important when considering a potential investment.

For the purposes of this section, allocators are either traditional LPs or fit into our Both category, where they make allocations to funds and also have clients to serve. For some of the questions, we also include the folks who serve in an advisory capacity to LPs in our Other category, such as LP consultants.

Out of our pure LP group, there has been a steady increase in the share of allocators not intending to do any sustainable investment work. In 2021, 11% of the group said this; in 2022, it jumped to 20%; and this year, it was up again to 23%. There were definite indications in the earlier days of this survey that it mainly attracted people positively inclined to sustainable investment practices, but as each year has passed, more individuals who feel strongly that incorporating sustainable investment principles into their investment portfolio is not for them have taken the time to register their sentiments.

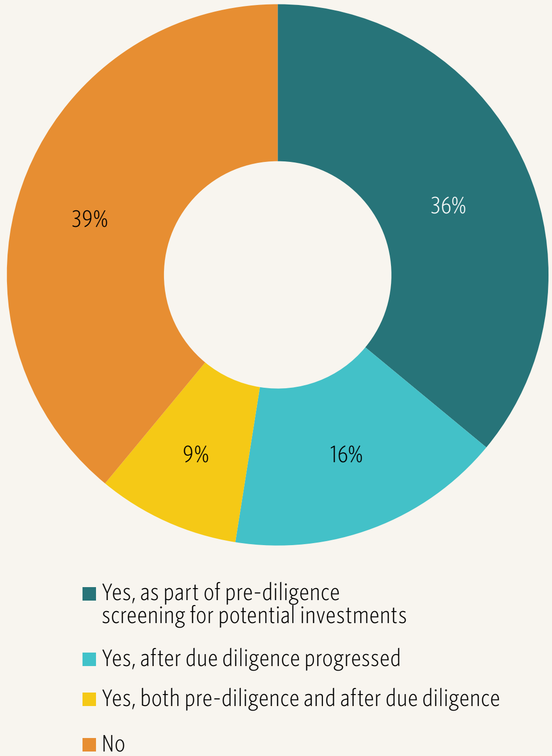
One question asked individuals to show where they are on a spectrum of performance versus sustainability priorities when assessing potential opportunities. The responses showed a marked increase in those who think performance is all that matters, mirroring the rise we have seen in those with no intentions of doing any sustainable investment work. That said, more than 75% of respondents feel that at least some amount of thinking around sustainability is important when considering a potential investment. To presumably no one's surprise, given the news coming from various states with anti-ESG mandates, of the 46 allocators who said that performance is all that matters, 35 were from North America. This was 28% of the North American respondents to this question. Surprisingly, people working for organizations based primarily in Europe had seven individuals, 18% of European respondents, with this view. We have often been told by European investors that considering sustainability in one's investment decisions is table stakes, the only way to fulfill one's fiduciary duty.

Looking across the performance to sustainability spectrum, we note that GPs have the unenviable task of ensuring that they have a robust ESG approach for the investors that we heard from in a previous question currently evaluating such characteristics, but they must also avoid saying anything too strongly or publicly about their ESG practices to avoid being blacklisted by the 23% of allocators who believe that performance is all that matters. In fact, in June 2023, BlackRock's Larry Fink said that the term ESG has become too loaded, but while he will avoid using it, the firm's stance on E, S, and G issues will not alter.[3]

Potentially due to the politicization of ESG and sustainable investing in the past couple of years, several questions showed a retraction of support from this area by allocators versus the responses from 2022. More LPs said they had no exposure to sustainable investment products, more LPs said it is not at all important that GPs utilize an ESG risk-factor framework, fewer LPs evaluate a fund manager's implementation of an ESG risk-factor framework when performing due diligence, and so on. The climate of negative rhetoric has emboldened some to more forcefully register their feelings, but it may also be that some LPs have decided that adding on the complexity of evaluating sustainable investment practices to an investment due diligence practice was more bother than they felt it was worth.

Despite the apparent drops in support outlined above, 45% of our LP and Both respondents indicated that due to ESG concerns, they had declined to make or recommend an investment when screening for potential opportunities, and 25% had declined to make an investment after due diligence had progressed. 17 people selected both options, so 61% of the allocator population chose one or more of these options. Asset managers need to be aware that there is a large population of allocators willing to act on their sustainable investment preferences. In fact, 51% of LPs said that they plan to increase their attention to ESG risk factors in the coming year, and another 18% will not be increasing because they have already fully implemented an ESG program.

Have you ever declined to make or recommend an investment due to ESG concerns?



Source: PitchBook • **Geography:** Global
Respondents: LPs and Both
Question 9.5

3: "BlackRock's Fink Says He's Stopped Using 'Weaponised' Term ESG," Reuters, Isla Binnie, June 26, 2023.

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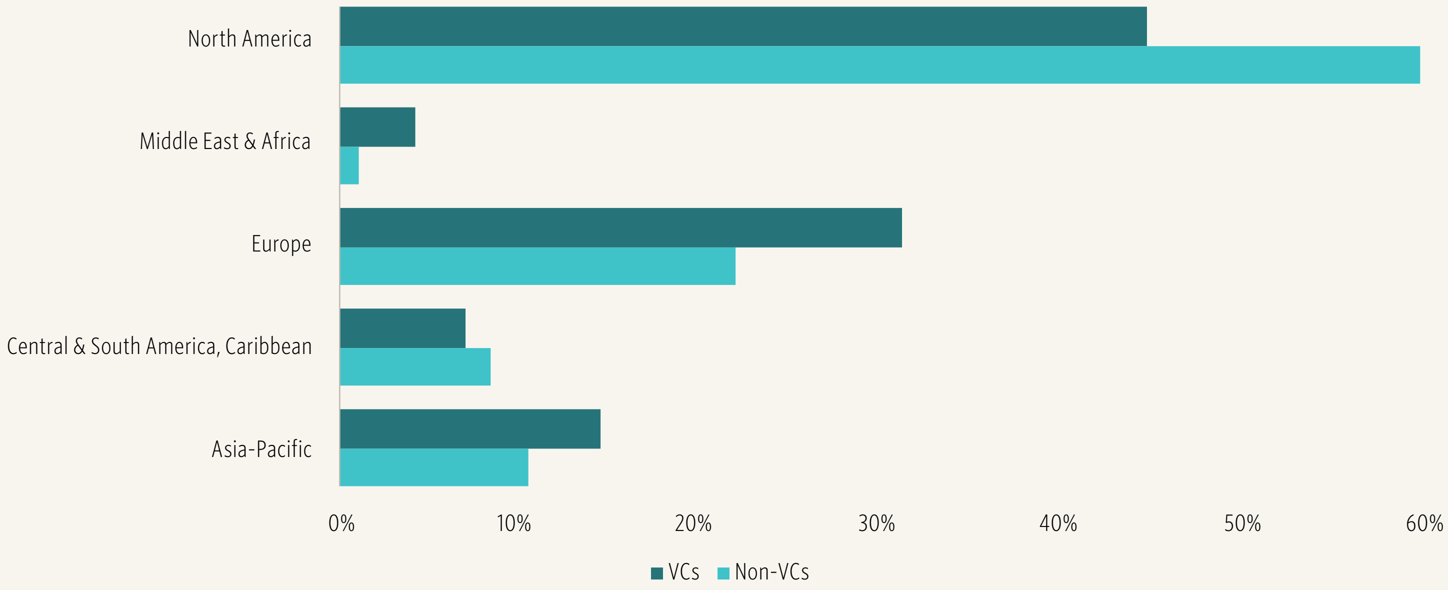
In what parts of your total portfolio have you awarded mandates that utilize ESG factors and/or an Impact investment approach?

Source: PitchBook • **Geography:** Global • **Respondents:** LPs
Question 12

Only 34% of allocator respondents (LPs and Both) said this year that more than half of their asset managers have some sort of a sustainable investment approach, but 85% said they had at least some exposure to what they consider sustainable investment products. For those who have hired asset managers utilizing ESG factors and/or an Impact investment approach, in what parts of the portfolio are LPs utilizing these products? It is understandable that those who agreed to take a PitchBook survey would skew to private fund investors, so the fact that 73% of the LPs said that they have awarded mandates with an approach to sustainable investing through their PE and/or VC allocations could be expected. Public equity was the second-most-common place for exposure, up from 39% in 2022 to 51% in 2023. Hedge funds were least likely to be a focus for sustainable investing mandates. This aligns with industry chatter about how hard it is to find a good sustainable strategy in hedge funds, as so many are too short term in perspective or find it incompatible with their investment approach.

Asset managers: VCs and non-VCs

Where is your organization's primary base of operations?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs and Both
Question 3

We can break out the VC perspective on a number of our questions throughout the survey, providing readers a view into where VCs are in relation to non-VC GPs as well as to other groupings. VCs were slightly more skewed to Europe than other GPs—31% of VC respondents versus 22% of other GPs hailing from that continent. Asia-Pacific was also represented more highly in the VC set than the non-VC grouping, with 14% of the VC managers coming from that region versus 10% of the non-VCs.

Fleshing out the VC versus non-VC respondent groups a little further, 73% of VCs had assets under management under $500 million, while only 48% of non-VCs did. A full 10% of non-VCs had AUM above $25 billion, so one can assume a disparity in resources between the two groupings, which could have an impact on whether a firm was willing to layer in the added steps to incorporate ESG or Impact investing into an investment process.

Despite perceptions that VC lags other areas of the private markets when it comes to implementing sustainable investment practices—the thought being that these early-stage companies need to be focused solely on getting a product to market and the ESG risks are few when operations are so limited—our survey shows that VC respondents and non-VC respondents were at similar stages. In fact, 68% of VC respondents had either partially or fully integrated sustainable investment principles into their portfolios, while 69% of the other GP respondents had done so. That said, of those with sustainable investing initiatives, non-VCs have gotten a head start: 71% began their implementation two or more years ago, compared with 55% of VCs. Overall, only 31% of GPs began more than five years ago, so this is a space where many are still fairly early in their journey.

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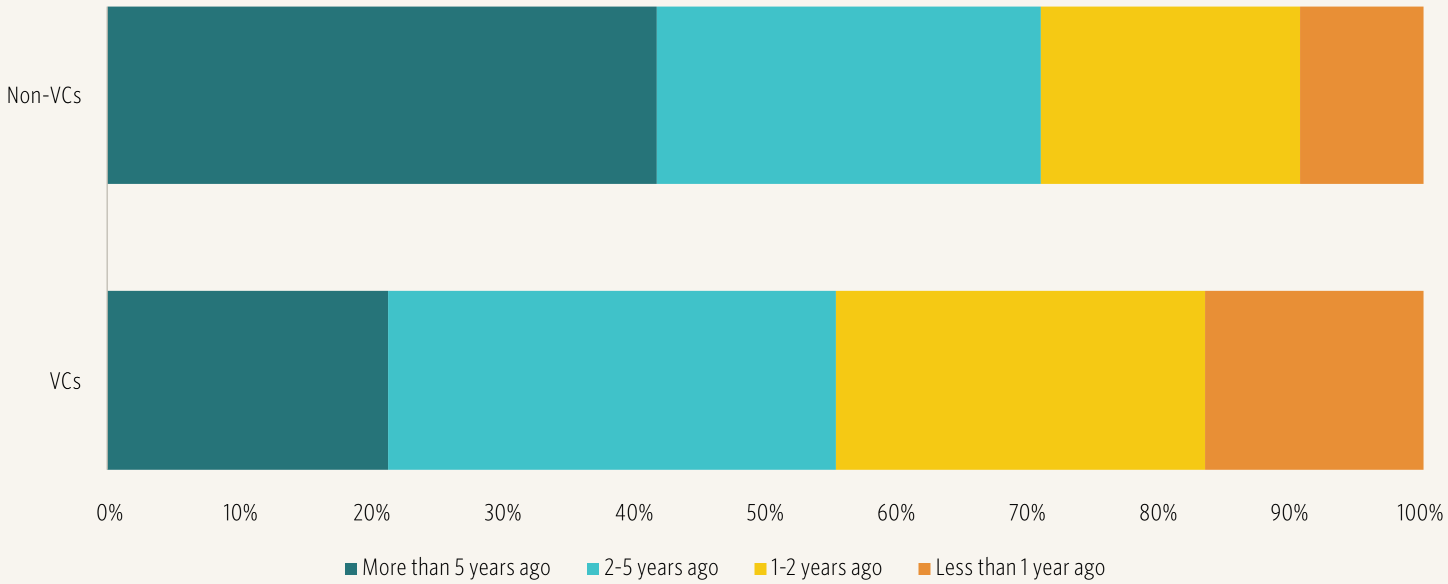
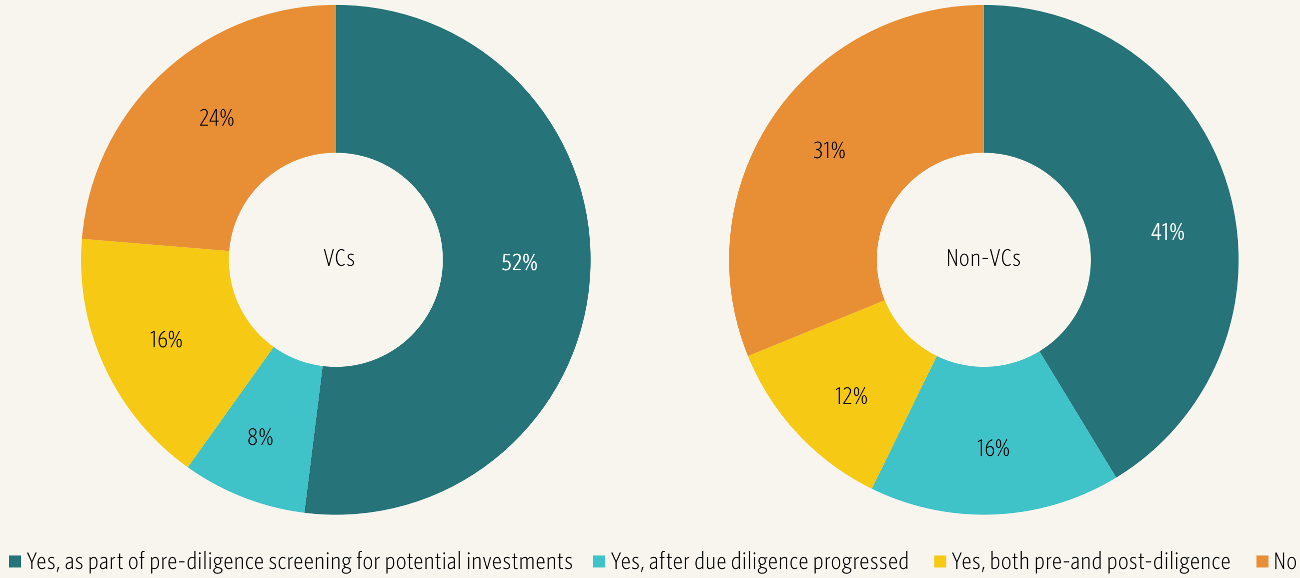
When did your organization start actively implementing sustainable investing initiatives?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 4.75

Have you ever declined to make or recommend an investment due to ESG concerns?

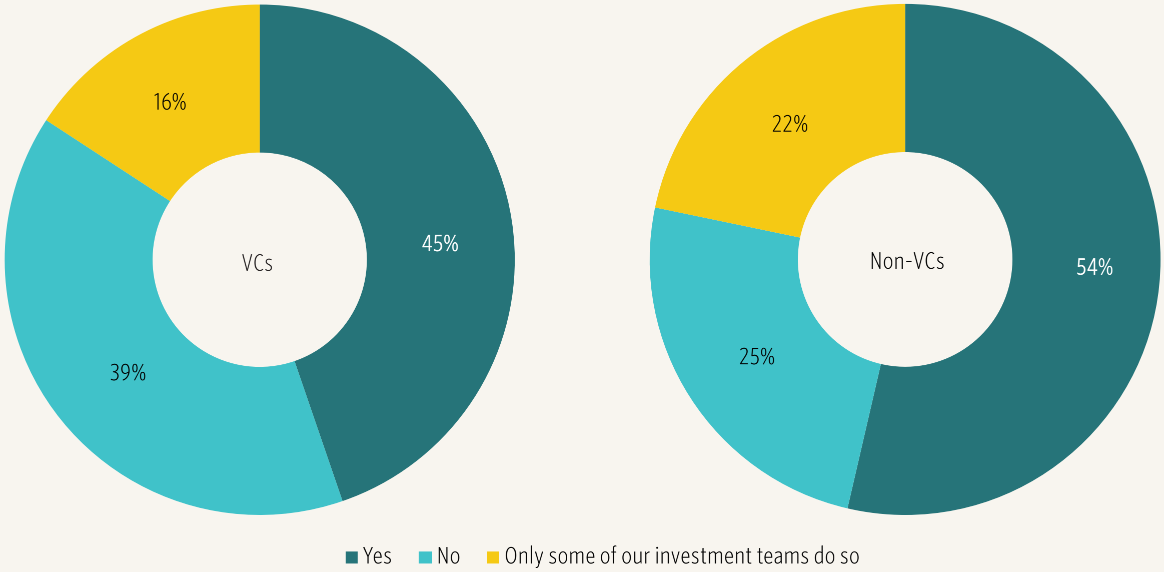


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 9.5

This year, we were curious about when ESG comes into play for investors. It turns out that VCs are more likely to use ESG factors as a screening tool before initiating due diligence than non-VCs are—68% of the former said they had, compared to 53% of the latter. That said, VCs have actually been more likely to have declined an investment opportunity due to ESG risks at either stage of the due diligence process.[4]

4: Respondents were allowed to select either of the yes options or both, so the percentages will exceed 100 for question 9.5.

Does your firm utilize an ESG risk-factor framework when managing and monitoring portfolio companies?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 10

While the last question discussed the use of ESG when it comes to pre-investment analysis, post-investment, non-VCs more frequently apply an ESG framework to the management of their portfolio companies. 39% of VCs do not do so, while only 25% of non-VCs have no program utilizing an ESG risk-factor framework in monitoring or managing their portfolio companies. Combined with the last question, this seems to indicate that some GPs believe that ESG is a useful framework for evaluating potential investments, but perhaps it is still too difficult to implement an ongoing program of measuring and reporting ESG factors. In later sections, we discuss the ongoing challenge the industry is having with measuring, reporting, and benchmarking ESG data.

When it came to the decision to develop a sustainable investment program, VCs were more likely than non-VCs (66% versus 58%) to cite a rationale of aligning their organization mission or values with their investment practices. Generally, the selection of other motivations lined up fairly closely, though non-VCs were more likely (37% versus 30%) to utilize sustainable investment practices in order to identify opportunities to improve business risk management. The narrative here seems to be that startups are launching to do some good in the world, while non-VC asset managers have established businesses to run, and there may be more scope to improve these businesses by using the lens of ESG risk factors.

Switching to current priorities, most GPs are planning to increase their attention to ESG risk factors in the coming year, but 67% of VCs have such plans versus only 56% of non-VCs. Interestingly, this is a switch from 2022, when more non-VCs were planning to increase their attention to ESG risk factors. This year, the non-VC group was more likely to not be planning to integrate any sort of ESG factor assessments into their work, at 23% versus 18%. This was another reversal from 2022, when VCs were the ones least likely to have an ESG program. This may just be a function of who agreed to take the survey in 2023, but it could also be the result of recent activities of industry groups like VentureESG that have been actively working to make ESG more relevant to VC investors. The timing of this would make sense, as VentureESG was only founded in December 2020.

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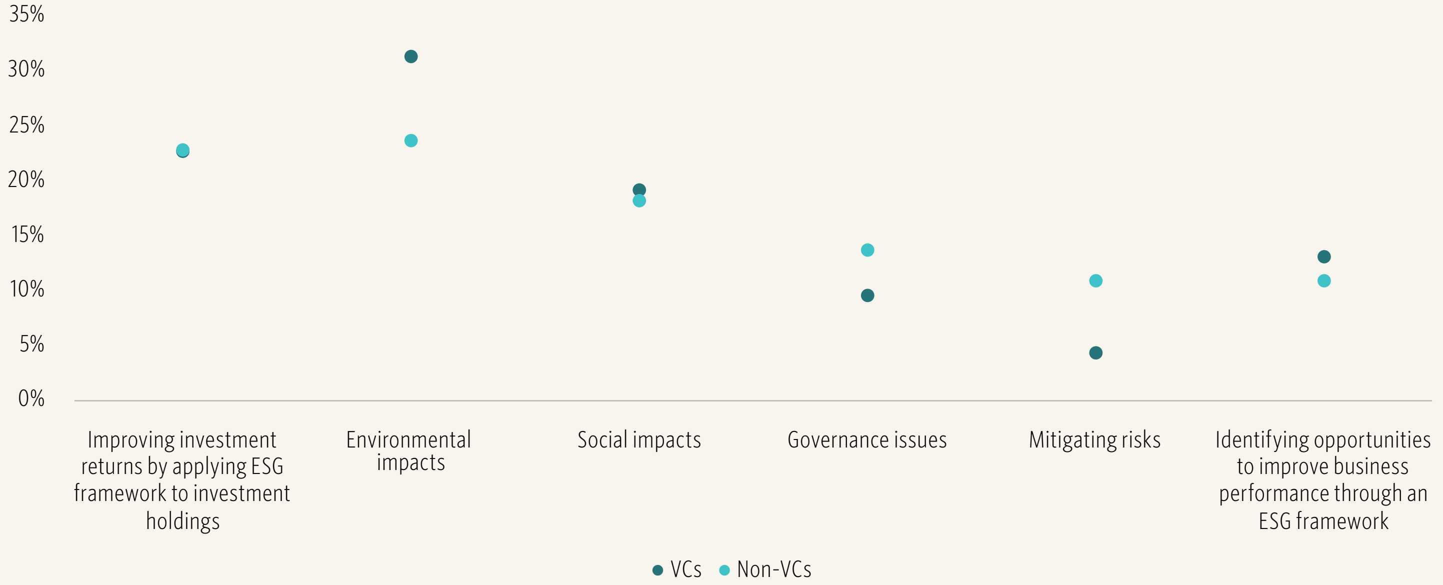
On what areas are you most focused currently when it comes to sustainability in an investment context?

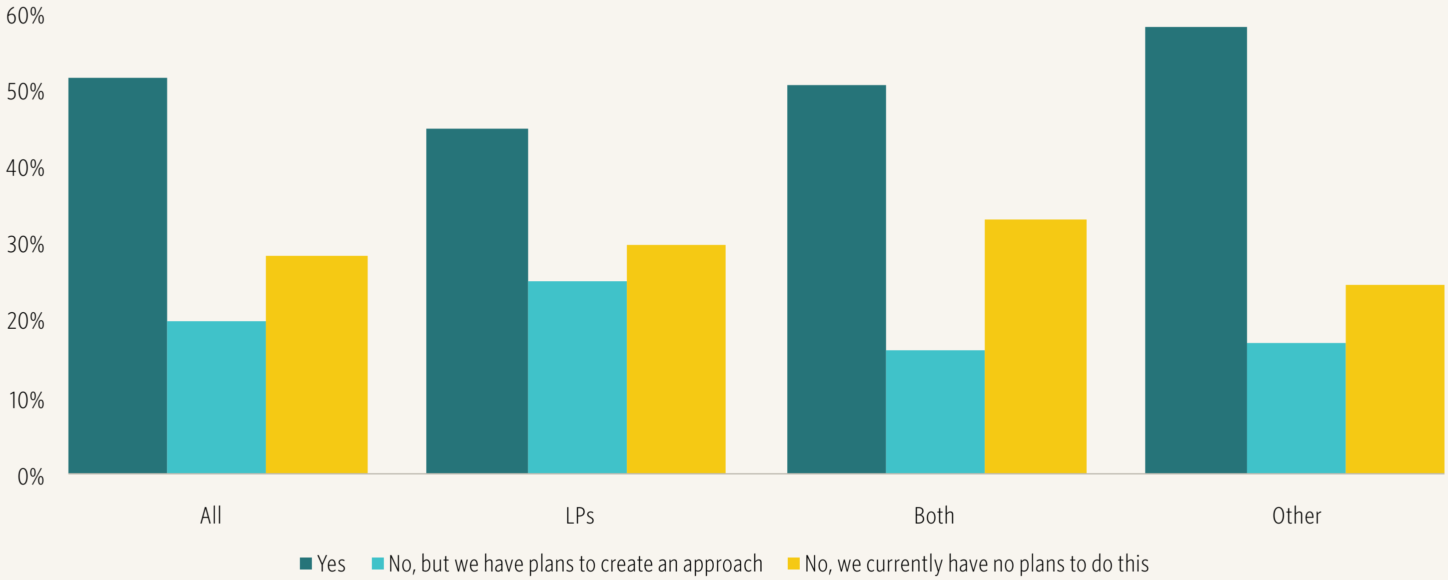


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 20

Question 20 dealt with ranking, so the chart here shows where the top ranks were placed. In terms of priorities, more VCs and non-VC GPs put environmental impacts as their top sustainable investing area of focus, though 31% of VCs made this their top rank versus only 24% of non-VCs. Of the choices provided, nearly one-quarter of both groups selected improving investment returns as their top priority for utilizing sustainability in an investment context. Non-VCs were much more likely to be prioritizing governance issues and utilizing sustainable investment principles to mitigate risks in their portfolio.

Contrasting views: ESG

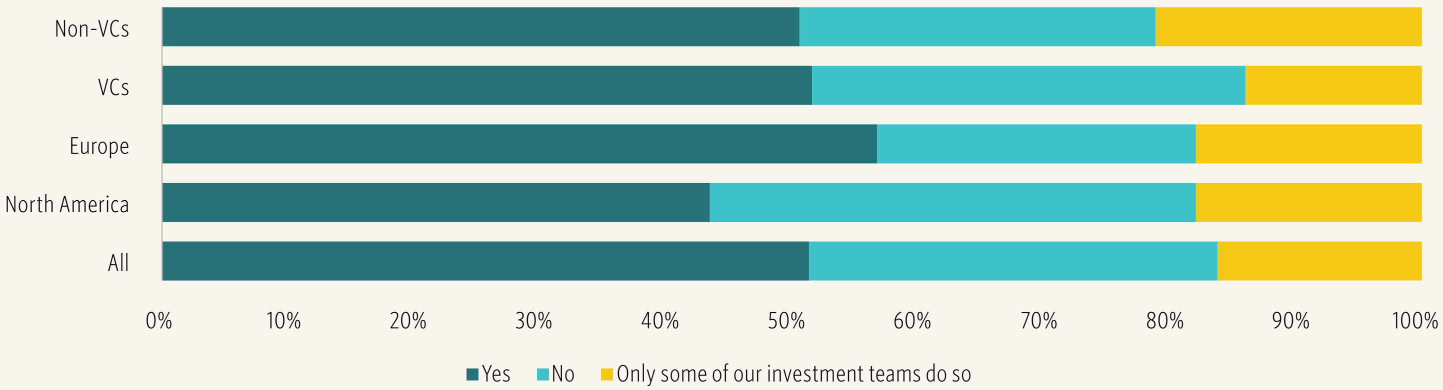
When you evaluate investment managers, do you evaluate the fund manager's implementation of an ESG risk-factor framework as part of your due diligence process?



Source: PitchBook • **Geography:** Global • **Respondents:** LPs, Both, Other
Question 5

Only 23% of allocators, when evaluating a potential GP to partner with or recommend, believe that it is not at all important that GPs utilize an ESG risk-factor framework in their acquisition and management of portfolio companies. That indicates that the rest feel that it is at least somewhat important to their investment due diligence process. When asked if they actually evaluate a fund manager's implementation of an ESG risk-factor framework, however, only 42% of LPs say they do so, while another 16% said they are working on implementing an approach. Perhaps this is an indication of LPs not putting their money where their mouths are, simply ticking the box in their diligence instead of diving in deep to evaluate the policies and practices of a fund manager and its portfolio companies. It may also be that LPs feel ill-equipped to evaluate something that so many in the industry are struggling to standardize, define, and measure. Different audiences had differing levels of implementation on this point, however. 58% of the Other respondents, some of whom are performing diligence in an outsourced capacity for LPs, said that they evaluate a GP's ESG approach before making a recommendation.

Does your firm utilize an ESG risk-factor framework when making the decision to invest in a company?

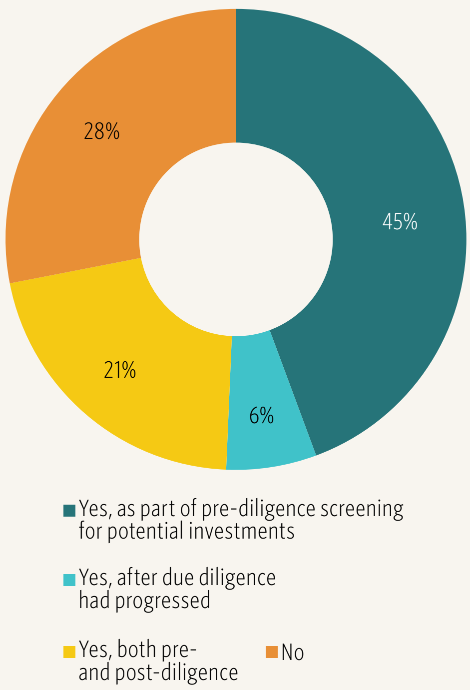


Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 9

So, what are GPs doing? When asked if they utilize an ESG risk-factor framework when making the decision to invest in a company, 51% said yes, while another 16% said only some of their investment teams do so. VCs were more likely to say no (34% versus 28% for non-VCs), an expected result considering that early-stage VCs, in particular, may not have as much to evaluate given the fledgling nature of their investment targets. European GPs were most likely to say yes—57% of GPs from that region include ESG factors in their due diligence of potential portfolio companies. Another 18% of European GPs said that only some of their investment teams do so.

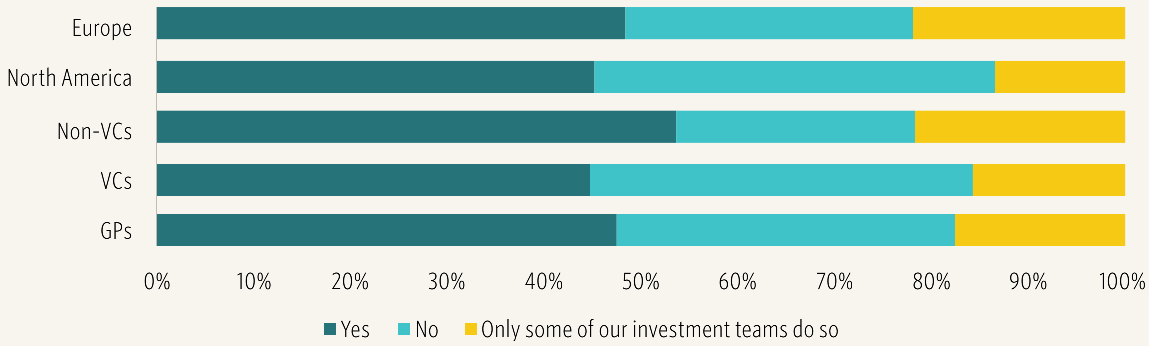
To put a finer point on the usage of ESG in the investment process, we asked how many GPs had declined to make an investment due to findings from the ESG diligence. We were also curious if GPs had just used ESG as more of a screening tool or if deeper diligence had uncovered an E, S, or G concern that led them to abandon the prospective investment. 66% of GP respondents said that they had declined to make an investment in pre-diligence screening, while 28% said they had done so after diligence had progressed. As GPs could select one or both "yes" options, we can do the math for our readers: 72% of GPs selected one or both options, with only 28% saying they'd never declined an investment based on ESG concerns. One of the key tenets of investing is that one way to improve investment returns is to avoid big losses. 72% of our GP respondents seem to recognize this doctrine, having utilized an ESG framework to dodge potentially risky investments that could detract from overall fund performance.

Have you ever declined to make or recommend an investment due to environmental, social, or governance concerns?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 9.5

Does your firm utilize an ESG risk-factor framework when managing and monitoring portfolio companies?

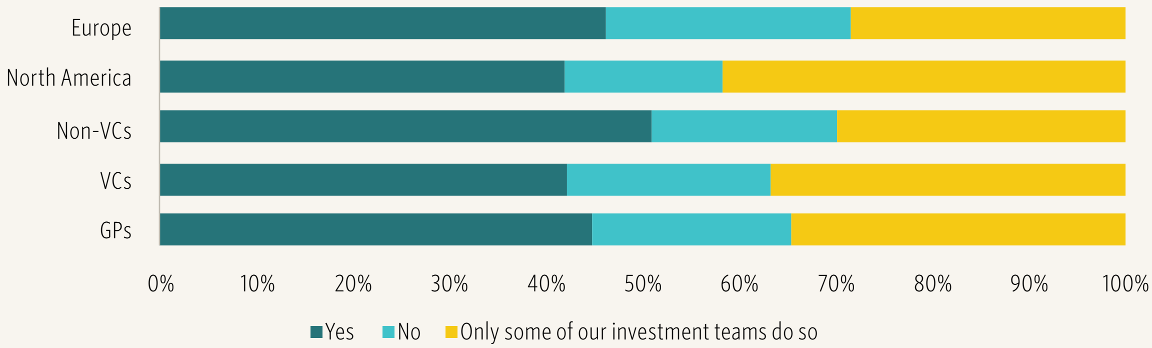


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 10

What about after a company has entered a GP's portfolio? There, the utilization of ESG principles has seen less adoption. Only 48% of GPs use an ESG risk-factor framework when managing and monitoring portfolio companies, with another 18% saying only some of their investment teams take this more proactive approach to addressing issues around governance and employee treatment rather than simply excluding bad actors. Non-VCs were most likely to do so, with only 25% saying that they do not at all. European GPs are more likely than North Americans to use ESG post-investment, with 70% doing so in at least some of their portfolios.

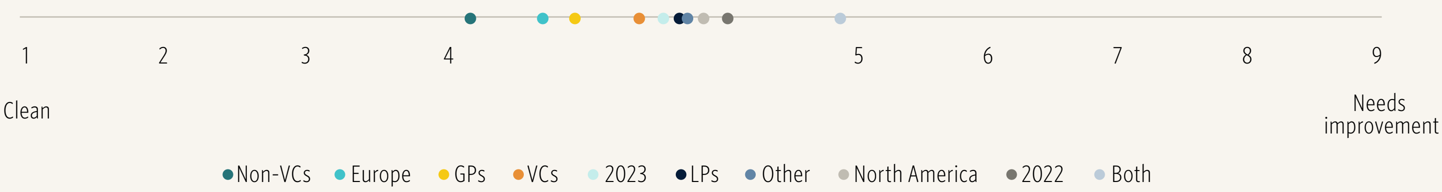
Perhaps surprisingly, this year, more of our GP respondents put requirements on their portfolio companies when it came to measuring and reporting on financially material ESG factors than said that they, the GPs, were using ESG to manage and monitor portfolio companies. Others may not see this as backward, as sometimes the first step is to measure, after which can come the monitoring and managing of risks. Overall, only 20% of GPs said they do not require portfolio companies to measure and report, with 44% saying that they do, and another 34% indicating that just some of their investment teams do so. In another odd inversion, 25% of European GPs said they do not require this of their portfolio companies, while 16% of North American GPs do not. With so many places where sustainability-oriented thinking can enter the investment process, there are plenty of areas of a GP's practices for allocators and their advisors to ask about in their diligence process, as an affirmative answer to one practice may not indicate that another has also been adopted.

Do you require portfolio companies to measure and report on their financially material ESG factors?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 10.5

When constructing or selecting investments to fill a portfolio that utilizes an ESG framework, how do you prioritize companies or portfolios already performing well across ESG issues (1 = a "clean" portfolio) versus companies or portfolios with ESG issues that will be addressed as part of the investment strategy (9 = a "needs improvement" portfolio)?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 11.5

The fact that there is so much nuance to the application of ESG is typically lacking in the popular press, which tends to portray ESG as one monolithic thing. Our respondents clearly show this is not the case.

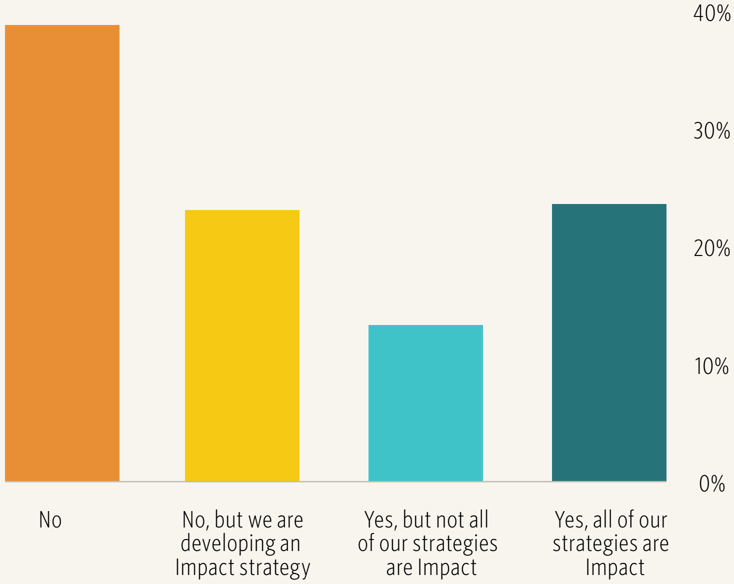
In 2022, we added a question to attempt to tease out how our respondents place themselves among the different philosophies of ESG, framing the question in alignment to a piece we published in early 2022, ESG, Impact, and Greenwashing in PE and VC. We asked respondents to share how they prioritize investment opportunities already performing well across ESG issue areas (for example, creating a "clean" portfolio) versus opportunities that are performing more poorly, but where making ESG-related improvements will be a priority of the investment strategy. In our report, we made it clear that both approaches can be perfectly valid applications of an ESG framework, despite some industry participants hurling greenwashing accusations at proponents at the opposite end of the continuum.

Looking at the mean values of each of the respondent types, none went above 5, so there was a slight skew to "clean" portfolios, but none of the means went below 4, either, so the tilt was not strong. Non-VC GPs were weighted the most to clean portfolios, with a mean of 4.00, while the Both respondent type was closest to unskewed, at 4.92. North America tilted more to "needs improvement" portfolios, while Europeans were more likely to seek out clean investments. GPs tended to skew clean, while LPs were more open to a "needs improvement" application of ESG.

Interestingly, a decent number of respondents were found all along the spectrum, indicating that many different approaches are coexisting. In fact, very few think that only clean portfolios matter or that portfolios seeking to make improvements through ESG are the only proper application of ESG principles. The fact that there is so much nuance to the application of ESG is typically lacking in the popular press, which tends to portray ESG as one monolithic thing. Our respondents clearly show this is not the case.

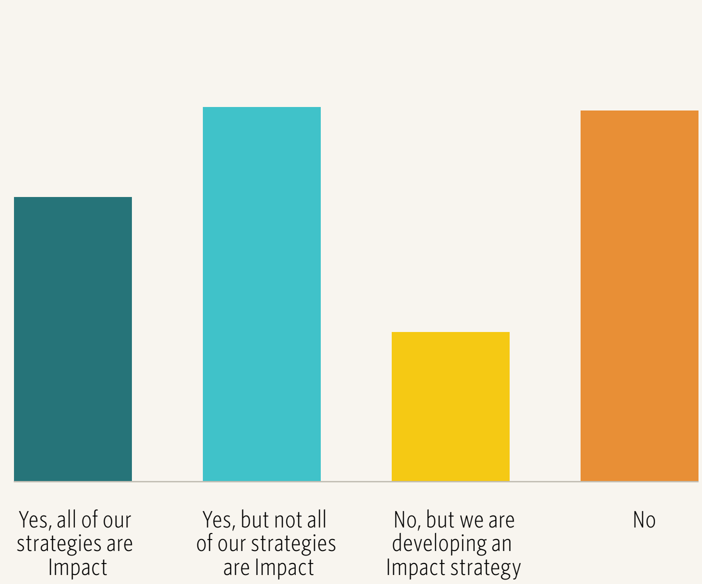
Contrasting views: Impact

Does your organization offer Impact investment strategies to external parties?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs and Both
Question 6

Does your organization recommend or make allocations to private market Impact investment strategies?

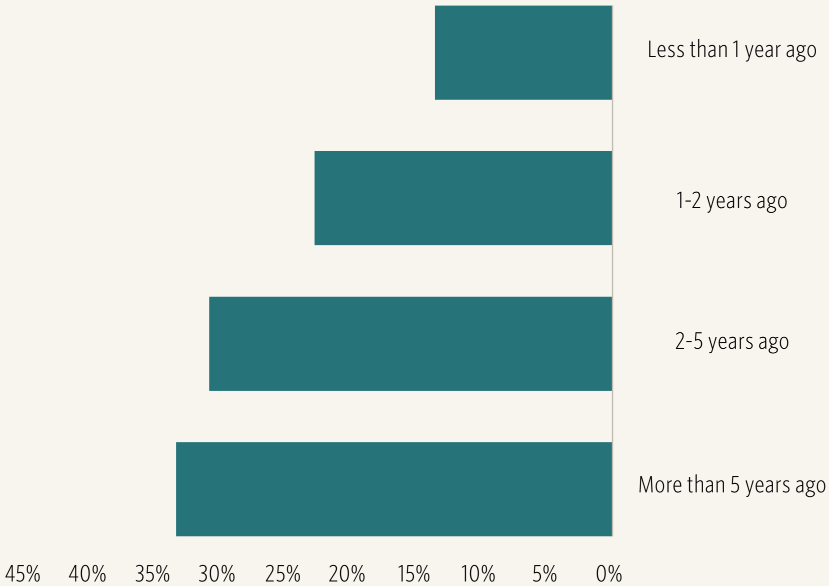


Source: PitchBook • **Geography:** Global • **Respondents:** LPs, Both, Other
Question 7

Impact investing, which we explicitly defined at the beginning of the survey as investing with the dual goals of achieving financial returns and positive social or environmental results, seems to be remarkably popular across both allocators and fund managers. Of respondents managing investment products, 63% said they offered Impact strategies to external parties, with another 13% indicating that they are developing an Impact strategy. Among allocators, 56% have recommended or made allocations to Impact investment strategies, with another 13% developing an approach to doing so. Many may believe that Impact investing is a niche approach, but the numbers in this survey indicate that many are hoping to both make money and do some good with their investment assets.

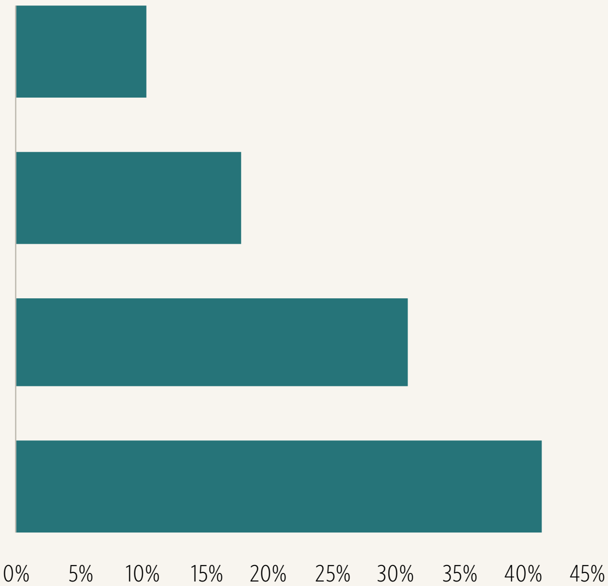
Many investors are doing Impact investing, but how mature is the space? Asking only those who said they offer Impact investment strategies, 33% of fund managers have been doing so for more than five years, with another 31% that are two to five years into their Impact investment journey. This has implications for LPs looking for products with some sort of track record: Our data shows that emerging managers capture a larger proportion of Impact fundraising than in the broader private market ecosystem, largely because so few Impact managers launched their first fund more than five years ago. The allocator respondents have been at it for longer overall than the asset managers, with 41% of allocators having made their first allocation to or recommendation of an Impact strategy more than five years ago. 31% of allocators and their

When did your firm first offer Impact investment strategies to external parties?



Source: PitchBook • **Geography:** Global
Respondents: GPs and Both who do Impact
Question 6.5

When did your organization make its first investment in (or recommendation of) an Impact investment strategy?



Source: PitchBook • **Geography:** Global
Respondents: LPs, Both, and Other who do Impact
Question 7.5

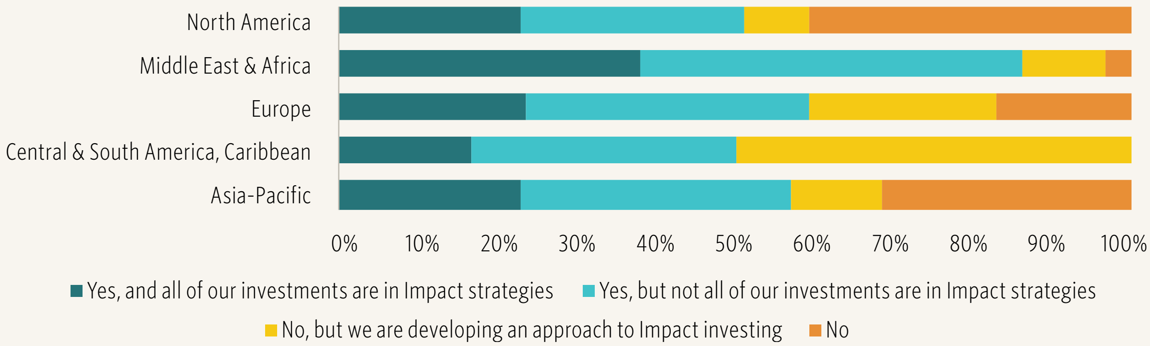
advisors got into Impact investing two to five years ago. It appears that there are few new entrants to the space, meaning that those that are likely to do Impact have already started their journey. Only 13% of asset managers and allocators have plans to launch a strategy or allocate to one in the future.

When it comes to offering Impact strategies, North America has the lead on Europe. 62% of North American asset manager respondents offered Impact strategies either exclusively or as one type of offering among others from the fund manager. In fact, 45% offered Impact strategies exclusively. Of those running Impact funds, 43% got their start more than five years ago. In Europe, 33% of GP and Both respondents offered Impact strategies exclusively, with another 26% offering an Impact strategy as well as other non-impact offerings. Only 20% of these fund managers began more than five years ago, with the larger share, 35%, launching two to five years ago. In terms of pipeline, 20% of European respondents are developing an Impact strategy compared with only 7% from North America, so more Impact fund offerings will likely come online in the future, particularly from Europe.

In contrast to the fund managers offering Impact strategies, a smaller percentage of LPs have put all or some of their portfolio into Impact strategies. 51% of North American allocators or their advisors recommend or allocate to Impact strategies versus the 62% of North American fund managers offering such strategies. As Impact funds are on average much smaller than the overall fund universe offerings, more offerings may make sense in order to serve the demand of LPs for these strategies.[5] North American allocators have also been at it longer: Of the respondents that said they have invested in or recommended Impact strategies, 51% said they first did so more than five years ago—a much higher percentage than the other regions. In Europe, the percentages of those respondents offering Impact strategies and those allocating

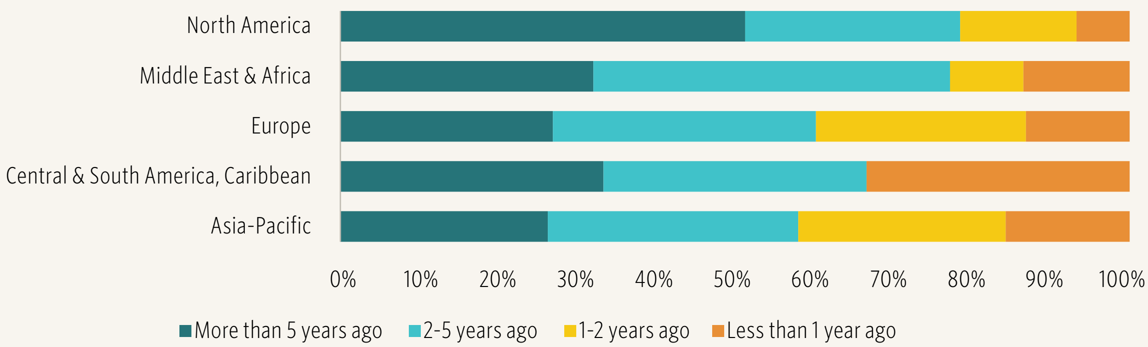
5: For more data on Impact funds versus the broader private capital universe, please reference our Impact Investing Update.

Does your organization recommend or make allocations to private market Impact investment strategies?



Source: PitchBook • **Geography:** Global • **Respondents:** LPs, Both, Other
Question 7

When did your organization make its first investment in (or recommendation of) an Impact investment strategy?

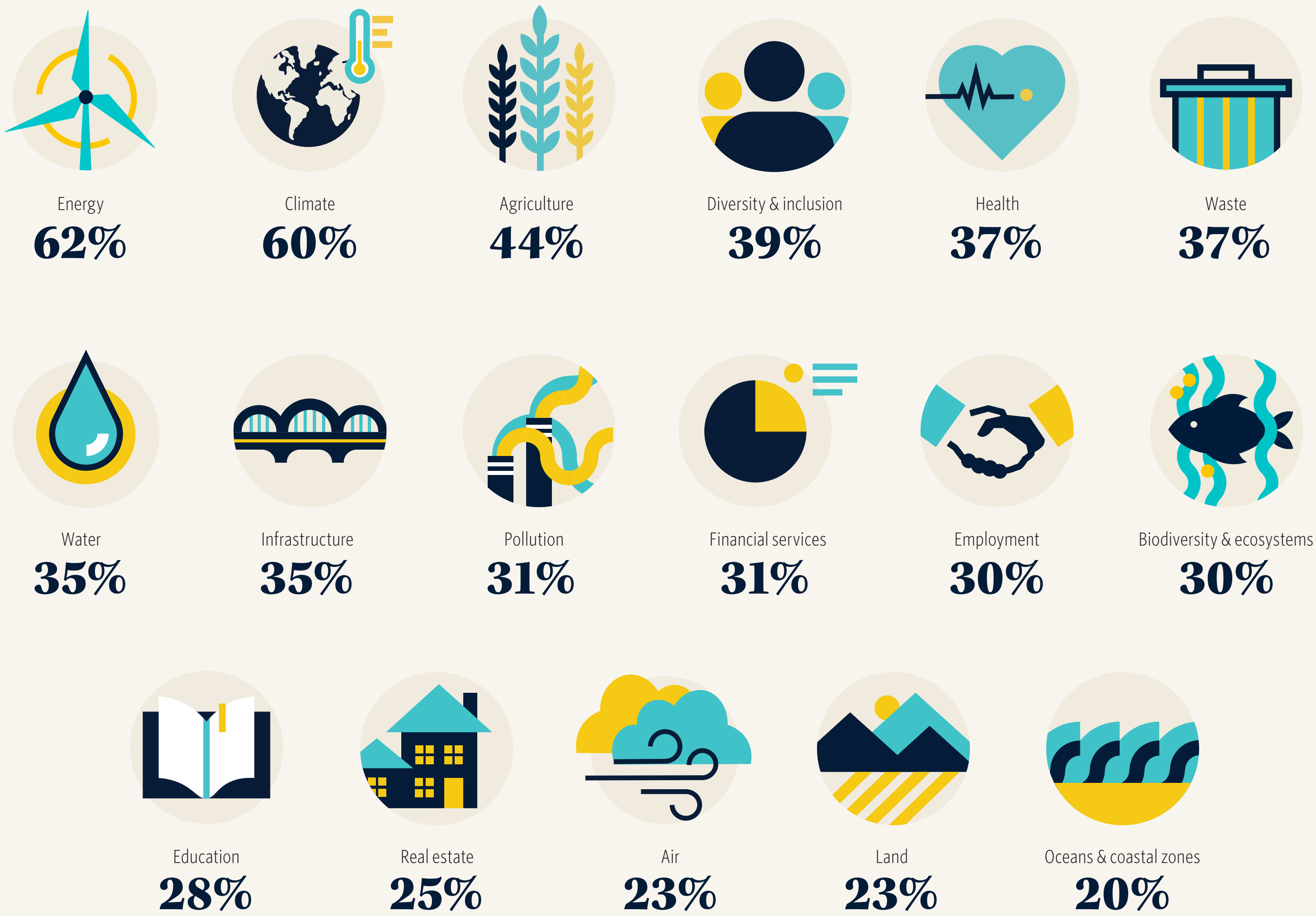


Source: PitchBook • **Geography:** Global • **Respondents:** LPs, Both, Other
Question 7.5

to or recommending them were the same, at 59%. European allocators have been at it for less time than those in North America, with only 27% of Europeans having allocated to their first Impact strategy more than five years ago.

Tying the survey questions in with work PitchBook has been doing to tag Impact funds with the GIIN's IRIS+ categories of Impact that they are seeking to affect, we asked respondents to indicate which of the 17 categories of Impact were important to them and allowed respondents to select more than one area of focus, if applicable. The top picks across all types of respondents were energy (62%) and climate (60%), both areas with a fair number of funds available for investment as well as significant investment opportunities that can absorb large sums of capital. All other areas were selected by at least 15% fewer respondents, with the third-place area of Impact being agriculture, chosen by 44% of respondents. Some of the more esoteric areas of Impact investing, such as air, land, and oceans & coastal zones, were selected least frequently by respondents. Real estate was another category selected by few respondents, only 25%, which seems surprising, given that green buildings and affordable quality housing are both themes within that category requiring significant capital. It is possible that respondents are not intimately familiar with the IRIS+ framework and didn't realize that certain activities counted within various categories of the framework, or that we did not attract many real estate investors to this survey.

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



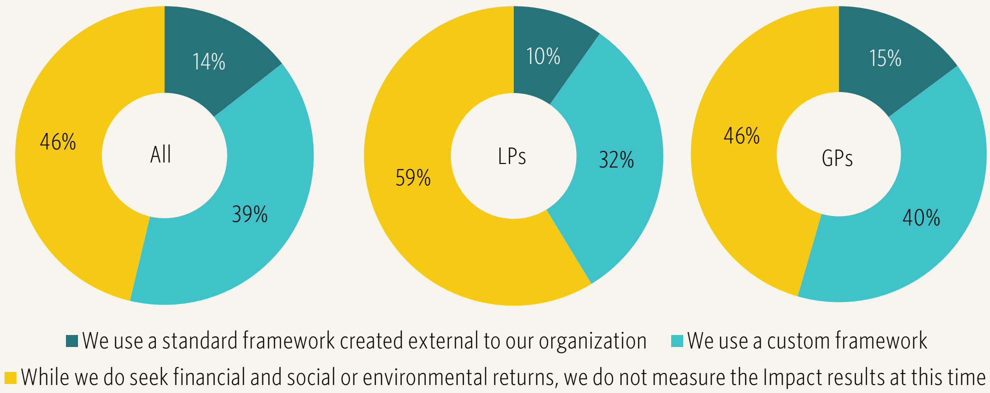
Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 8.5

By respondent type, the top three selections were identical—agriculture, climate, and energy—though with different weightings and orders. In addition, the respondents in the Both type called out financial services as much as they did agriculture, and the Other respondents had diversity & inclusion tied for third. Looking more closely at the GPs, VCs selected waste as their third-highest area of interest in contrast with non-VCs, who chose agriculture. Asia-Pacific may have heavily influenced the VC responses, as they, too, had waste as their third-most-selected Impact area.

Understandably, some regions have different concerns than the highly developed regions of North America and Europe. CSAC had a list least like the other respondents: They had agriculture in first place, followed by financial services and education. The Middle East & Africa respondents did call out agriculture and energy, but their top choice was health. While we cannot ascribe motivations to these responses, there is probably a mix of rationale ranging from the perceived social and environmental problems that need to be addressed and the categories that may provide the potential for profits based on their financial merits.

Slightly more than half of LPs would prefer that their managers measure Impact.

If you do any Impact investment work, how do you measure impact?

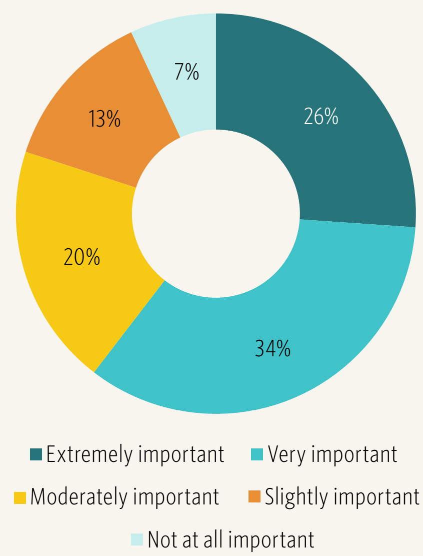


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 8

One of our research pieces in 2022 identified two philosophies of Impact that practitioners espouse: One feels that measuring outcomes is the only valid approach, while the other feels that being in the areas where Impact is happening is good enough. We asked one question this year to try to tease out where our respondents were on this continuum. Reflecting the difficulty of measuring outcomes, particularly given our strong response rate from VCs, 46% of all respondents who indicated that they do Impact investing said that while they do seek financial and social or environmental returns, they do not measure the Impact results at this time. 59% of LP respondents were in this camp, with 46% of GPs not measuring their Impact efforts. Being one step removed from portfolio companies, LPs are often at the mercy of what the GPs will report to them. While they can try to mandate that their GPs align in their reporting, every GP is getting similar requests from its other LPs to align with other frameworks. Thus, it is unsurprising that less than half of LPs investing in Impact are measuring that impact, as it can be a daunting task for them.

We were able to examine the extent to which GPs are aligned with what Impact investors wish of them by asking allocators and their advisors: When it comes to deciding whether to commit to or recommend a fund, how important is it that asset managers measure social and/or environmental impact when managing portfolio companies? 20% of LPs who have an Impact investing program said this was only slightly or not at all important, so if 46% of GPs with Impact strategies are not measuring the impact of their investments, there appears to be a camp of LPs who will find that approach acceptable. That said, slightly more than half of LPs would prefer that their managers measure impact. 26% said that this was extremely important, while the most common answer, at 34%, was that this was very important.

How important is it that an asset manager (GP) measures social and/or environmental impact in their management of portfolio companies when you are deciding to commit to or recommend a fund?

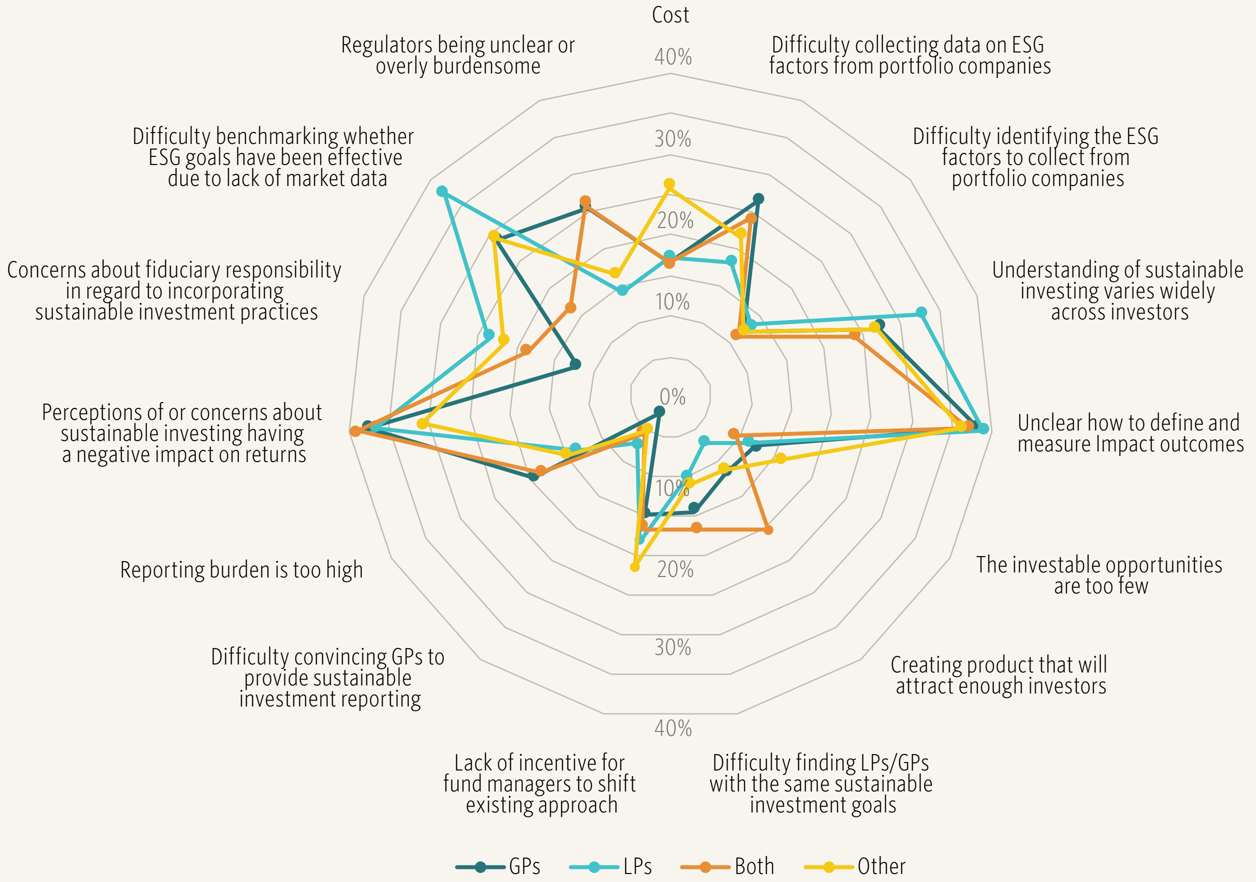


Source: PitchBook • **Geography:** Global
Respondents: LP, Both, Other with Impact program
Question 14

PitchBook

Challenges and measurement

What do you perceive as the top three challenges for sustainable investing?



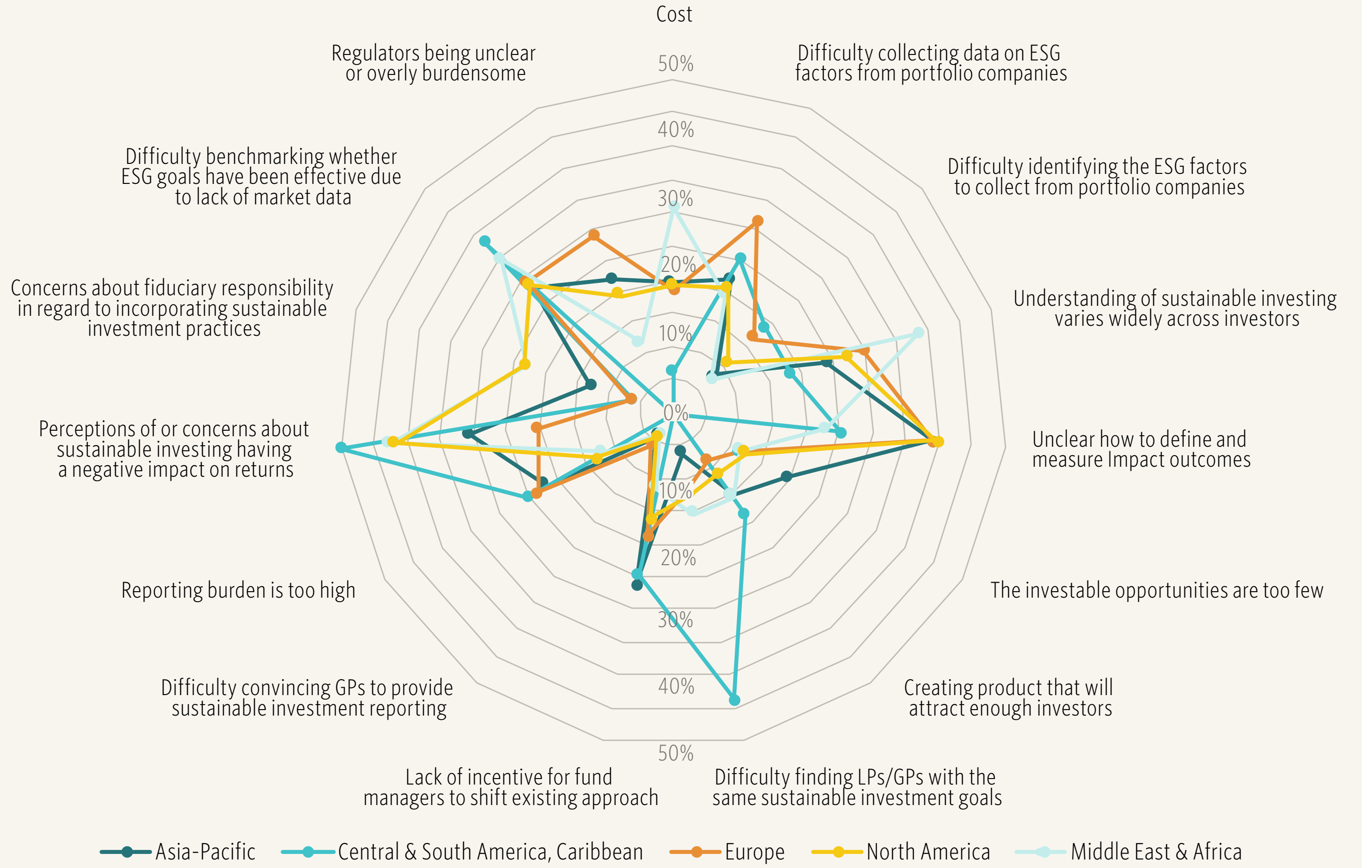
Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 23

Across all respondents, the top challenge selected this year was that it is unclear how to define and measure Impact outcomes.

As we've done every year, we asked our respondents to opine on the challenges facing sustainable investing, with each person allowed three selections. Some areas, like cost to implement, have not been seen as significant barriers by most (only 19% this year made it one of their three choices), but data-related challenges and the effect they have on measurement have been a frequent refrain. Across all respondents, the top challenge selected this year was that it is unclear how to define and measure Impact outcomes. New to second place this year, reflecting the politicization of ESG, was the challenge that there are perceptions of or concerns about sustainable investing having a negative impact on returns. This year, 36% of respondents selected this in their top three, versus just 27% in 2022. We saw this concern from those who feel negatively toward sustainable investing concepts in quotes like, "Go woke, go broke." It is difficult to understand how monitoring and trying to mitigate the risks that might harm your investments could cause one to go broke, but the perception is present and concerning to proponents of sustainable investing. The second-most-selected challenge from the previous two years dipped to third this year: difficulty benchmarking whether ESG goals have been effective due to a lack of market data. So, in our top three were data issues, measurement issues, and perception issues.

PitchBook

What do you perceive as the top three challenges for sustainable investing?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 23

Nearly every region except Europe had performance perceptions and difficulty benchmarking ESG in their top three areas of concern.

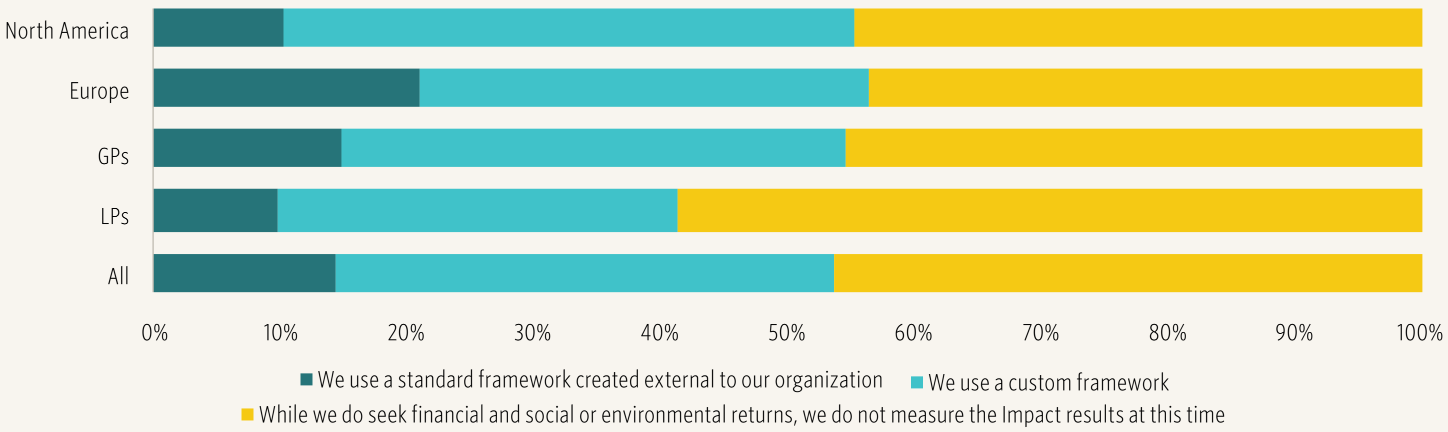
Different regions felt somewhat differently about the challenges that face sustainable investing. Nearly every region except Europe had performance perceptions and difficulty benchmarking ESG in their top three areas of concern, but the other challenges in each region's top list varied. For Asia-Pacific, North America, and Europe, respondents were concerned about how unclear definitions and the measurement of Impact outcomes can be. Rounding out Europe's top three were difficulty collecting data on ESG factors from portfolio companies and a concern shared with the Middle East & Africa that the understanding of sustainable investing varies widely across investors, thus making it difficult to compare results and evaluate progress. CSAC indicated that a top challenge is the difficulty finding LPs or GPs with the same sustainable investment goals, something that can significantly impact the ability to raise a fund.

With the advent of SFDR reporting in Europe in the past few years, it is interesting to see that 29% of European respondents indicated that regulators being unclear or overly burdensome was a top challenge for them.[6] In contrast, only 19% of North American respondents named regulation as a top-three concern, despite recent announcements from the US Securities and Exchange Commission (SEC) regarding ESG disclosures and enforcement actions it has been taking against those exaggerating their claims to offer ESG strategies.

6: For more on the difficulties that asset managers are having complying with SFDR regulations, please see our recorded webinar on this topic from early 2023.

PitchBook

If you do any Impact investment work, how do you measure impact?

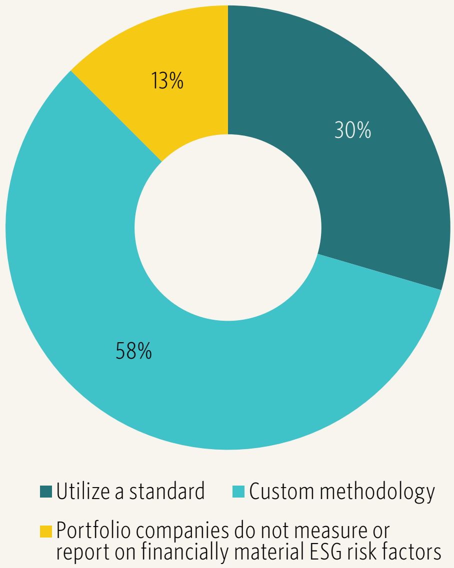


Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 8

Expecting to see concerns around measurement and data again, we asked about how our respondents are handling measurement issues. Is progress being made toward convergence? Unfortunately, the march toward universal standards is still progressing slowly. When it comes to Impact investors, only 14% of respondents use a standard framework, 39% use a custom framework, and 46% don't measure at all. When it comes to ESG measurement, 30% of asset managers who require their portfolio companies to measure and report ESG risk factors said that their portfolio companies are using a standard and 58% are using a custom methodology. The good news behind these numbers is that many of the custom framework respondents are building their bespoke reporting from standard frameworks. Many mentioned the UN SDGs, the Impact Management Project's five dimensions, and the GIIN's IRIS+ and Impact Measurement and Management frameworks. But there were 12 frameworks named multiple times by respondents using standards. The UN SDGs received the most callouts, at nine; the GIIN got seven; and SASB and the Impact Management Project got five. This is not terribly promising when it comes to convergence, which is desired by many but practiced by too few.

In both questions asking for open-ended responses indicating which standards respondents were using, standards were named that conflated ESG and Impact. For example, SASB, which is clearly an ESG framework, was called out as an Impact measurement tool, and the GIIN's IRIS+, which is an Impact framework, was called out in the ESG standards question. This highlights just some of the confusion still surrounding sustainable investing, even by practitioners.

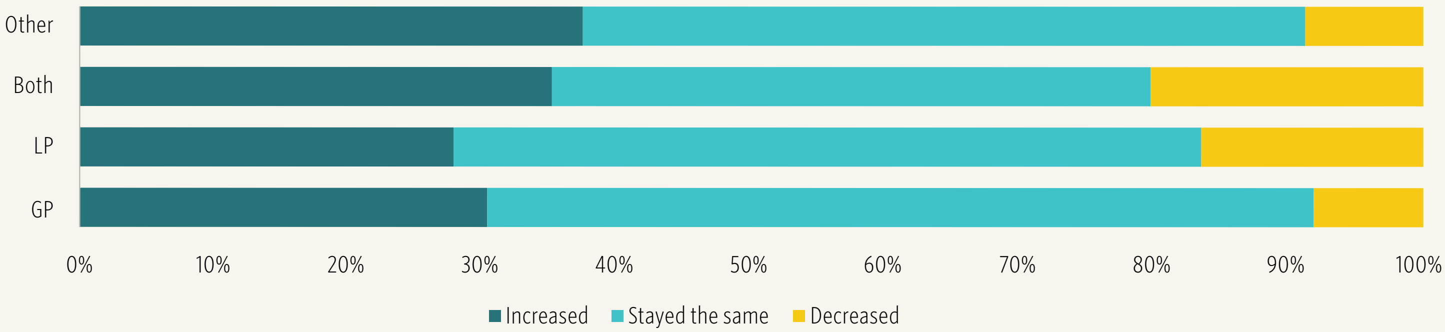
Do your portfolio companies utilize a standard or custom framework to measure and report on their financially material ESG risk factors?



Source: PitchBook • **Geography:** Global • **Respondents:** GPs
Question 10.75

Social and political landscape

How have current economic and geopolitical events impacted your focus on sustainable investing?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 27

By **Anikka Villegas**

While some of the attributes of sustainable investing that draw in or deter investors are fairly constant, there are also external factors that make ESG and Impact investing more or less attractive to some. In order to drill down into which of those factors are influencing our respondents' focus on sustainable investing, we have asked in each survey how the current economic and geopolitical events have influenced that focus. We have also asked about respondents' perceptions of how their peers and partners are reacting to macroeconomic events.

This year, 32% of the respondents indicated that they have increased their focus on sustainable investing, 56% stated that their focus has not changed, and 12% said that it has decreased. The percentage of "focus decreased" responses is up from 2022's 9%, with those in the Both and LP categories driving that change.

While only 8% of GPs reported that they decreased their focus on sustainable investing, 20% of all respondents *thought* that GPs were doing so. Respondents also perceived LPs to be decreasing their focus more than LPs reported doing so, with 23% saying that they thought LPs were pulling away from sustainable investing compared with 17% of LPs expressing that view of themselves. Awareness of the polarization around sustainable investing is likely largely responsible for the differences in perception and reality, as there was also a gap where more respondents thought other groups increased their focus than they actually did, too. In fact, "increased" was the most selected option across categories in the perception question, while "stayed the same" was the most selected option for the self-reported question. It is reasonable that respondents, aware of the public discourse around sustainable investing, would expect changes to be occurring in other organizations, even if they are not taking place within their own.

Evidence of the divisiveness and politicization around sustainable investing, and particularly ESG, abounded in the open-ended responses to the survey, including those to question 27. We have been tracking the counts of respondents that are highly negative in the open-ended responses each year: In our 2020 survey, there was only one such individual. In our 2021 survey, that number increased to five, and in 2022, it shot up to approximately 50. This year, despite our total number of respondents decreasing, the number of those who were highly negative on sustainable investing came in above 60. While some of these responses did not offer any substantive critique, with such comments as "ESG is a Ponzi scheme," or "ESG is sooooo [sic] 2021," others were a mix of valid concern and vitriol. In our analysis, we attempted to make use of charitable interpretations in order to better capture the breadth of legitimate concerns that exist around ESG and Impact investing.[7]

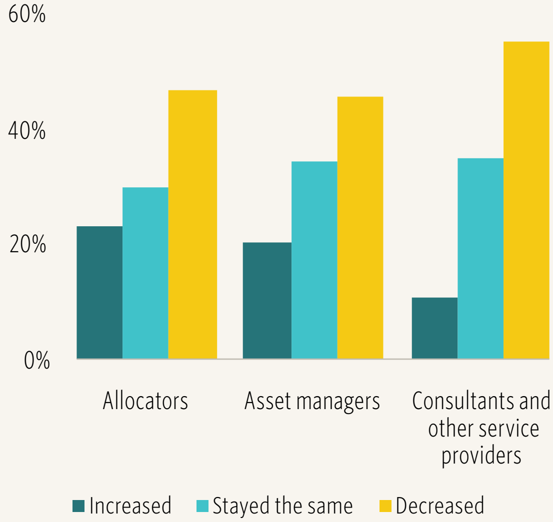
7: For a fuller discourse on this subject using the open-ended responses to the 2022 survey, please enjoy Concerns About and Criticisms of ESG.

In the open-ended responses to Q27, a few key themes emerged. The respondents who decreased their focus on sustainable investing typically fell into one of two camps, with approximately 25 respondents of various kinds between the two. In the first camp were the respondents who were not anti-ESG or anti-Impact but believed that sustainability was a distraction from more important aspects of investing or the operation of a business. Given the economic landscape of 2022 and 2023, many cited the need to focus on investment fundamentals and financial performance above all else. In the second camp were respondents who believed that sustainable investing efforts were misinformed, ineffective, or harmful. They expressed a desire for more quantitatively driven research on sustainable investing's efficacy in improving social and environmental outcomes and its impact on financial performance. Notably, only one of these 25 responses came from Europe, with the rest coming from North America, the Middle East & Africa, and Asia-Pacific.

Environmental factors were cited most often as the reason for an increased focus on sustainable investing this year. Approximately 50 respondents stated that climate or energy-transition-related investment opportunities were responsible for the increase. A relatively even mix of GPs, LPs, and other respondents, largely from North America, highlighted various motivations within this theme. The energy crisis in Europe and the demand for clean energy were cited frequently, as was the broad threat of climate change. The desire to take advantage of government policy and spending were also often mentioned in the same breath as climate-related opportunities, with the US Inflation Reduction Act and Bipartisan Infrastructure Law as well as the EU's Green Deal Industrial Plan called out by name.

Sociopolitical factors continued to draw focus to sustainable investing. At least 25 respondents, predominantly North American GPs, tied their motivations to sociopolitical themes. Among them, food security, healthcare, and diversity, equity & inclusion (DEI), were

How do you think current economic and geopolitical events impacted industry participants' focus on sustainable investing?



Source: PitchBook • **Geography:** Global • **Respondents:** All Question 28

prevalent. Additionally, political risks such as "the devolution of democracy in the US and the rise of fascist tendencies in the MAGA crowd," the Russia-Ukraine conflict, and "geopolitical uncertainty, such as nationalizing lithium mines in Chile" were mentioned numerous times. These risk-focused responses may indicate part of what is drawing investors to ESG, as ESG due diligence is often employed to better understand and mitigate the risks of sourcing materials from or operating in different geographies.

Less prolific—but still noteworthy—sentiments included that it has become difficult to attract business or capital without increasing one's focus on ESG and that sustainable investing can improve returns, thus making it a good fit for the current economic environment. Ultimately, the open-ended responses exemplified the lack of agreement on the fundamental costs and benefits of sustainable investing, with some believing that it harms profitability and fails to achieve its goals and others holding that it improves returns and is necessary to further progress on social and environmental issues.

The future of sustainable investing

In five years' time, what do you hope will have changed when it comes to sustainable investing?

> "Creation of better measures to assess whether an investment has succeeded. It is easy to calculate profit or loss by totaling dollar amounts. How to measure success or failure in sustainable investing is less clear."
>
> LP, North America

By
Anikka Villegas

While it is impossible to predict the future, the responses to this question indicate where efforts will likely be focused on improving—or battling—ESG and Impact investing. The aspirations and motivations of private market participants and stakeholders will influence the direction of sustainable investing overall, and the responses to this question broadly fit into a few different visions for the future.

The first is one in which there is convergence around one standard ESG and Impact framework and set of metrics, likely through regulation, with tools that are accessible to reduce the burden of compliance and increase the accuracy of reporting. More than 110 respondents—by far the largest cluster for this question—of various types and across geographies indicated that this was their desired outcome. One put it succinctly: "Industry convergence on framework and metrics; not too burdensome; achievable and measurable and visible improvement in metrics. All market participants using same standard for benchmarking against peers." Respondents specifically noted the need for distinct, universal definitions distinguishing between ESG and Impact investing, with another simply saying, "Clear definition of what sustainable investing means"—and for standardized and comparable metrics, with data to be used for benchmarking.

At present, regulations such as the EU's Sustainable Finance Disclosure Regulation and the as yet unpublished UK Sustainability Disclosure Requirements are moving the needle on convergence and disclosure, but vague definitions resulting from an attempt to be both inclusive and decisive have plagued those attempting to comply. However, progress is being made on this front via additional guidance provided by regulators. Industry groups are also working together for solutions—one being the ESG Convergence Project, which has brought GPs and LPs together to agree on just a few ESG data points and their definitions to get the ball rolling on measuring and benchmarking metrics common to most companies.

A related objective, and one surfaced by approximately 25 respondents, was that greenwashing be extinguished and better sustainability-related outcomes achieved by sustainable investors. Some thought this should be executed through regulation, with one respondent stating that "Elimination of greenwashing via stronger regulatory penalties for misleading claims about sustainability and stronger, more broadly accepted measures for impact achieved to support accountability" was their preference. "This should reduce investor uncertainty about the authenticity of 'sustainable'-labelled products," they said. Others thought that LPs and companies should lead the charge through "a more rigorous approach to portfolio management, with ESG mandates flowing from [limited partnership agreements] all the way down to quarterly business reviews...tied to exec comp [sic]." There were also respondents who were adamant that investors should not market or brand around their sustainability-related activities, purportedly engaging in "sometimes ludicrous

> "We will have gotten beyond the current politicalization of ESG in the US and sustainable investing will be seen as a preferred option to mitigate risk and deliver a competitive return."
>
> LP, North America

exercises to gain Brownie points in public" so that sustainable investing will be "less abused as a marketing tool." An increase in criticisms like these has coincided with the rise of "green-hushing," which occurs when firms "soften, under-report, or directly keep silent about their achievements" in sustainability, which comes with its own adverse effects.[8]

Another widely desired outcome is that sustainable investing becomes the generally accepted and adopted norm. A diverse set of respondents supported this aim, with GPs, LPs, and other types from across the globe well-represented among the approximately 80 individuals with this view. In particular, many wanted sustainable investing to "normalize into just investing," becoming a "mainstream focus at all levels," rather than a category or asset class. Further, some hoped that it would come to be viewed as "part and parcel of optimizing investment performance." Respondents also wished to see ESG "depoliticized," with several requesting that sustainable investing stop being seen as a political issue.

In stark contrast to that vision of the future, another segment of respondents said that they would like to see decreased usage or even eradication of sustainable investing. Approximately 30 respondents, almost entirely from North America, serving as GPs, LPs, or other roles in the private market ecosystem, expressed this view. Although a smaller constituency, this group was particularly impassioned, stating that they hope "ESG dies," that it will disappear along with other "woke" topics, and that "it will be recognized as a scam." A more moderate faction of this group expressed that they did not believe sustainable investing should be a requirement, that legislators should "let the market work and not impose regulations."

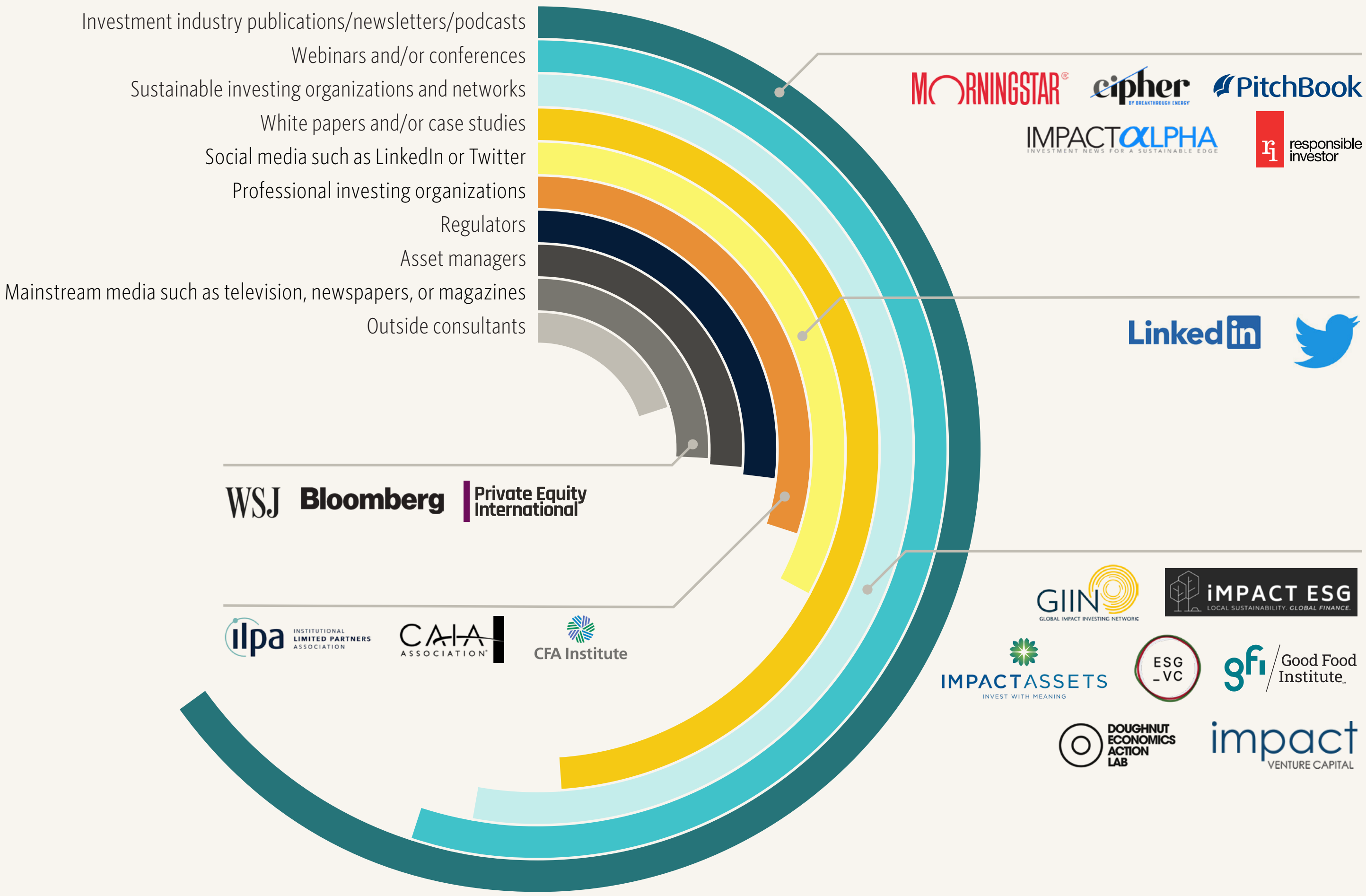
Until there is more information about and understanding of both sustainable investing's benefits and costs, these groups will likely remain in vehement opposition. Over 40 respondents highlighted the need for more research and education around ESG and Impact investing, with North American GPs and LPs at the helm of this demand. Respondents wanted "better quantitative frameworks for understanding risk/return/sustainability trade-offs," "use cases demonstrating that investing in sustainability can outperform all other investments," and "to demonstrate whether sustainable investing criteria have delivered long-term value to shareholders and customers."

Still, even among supporters of sustainable investing, there is profuse disagreement on the best course of action for market participants. Approximately 20 respondents envisioned a favorable future as one in which there would be increased focus on one particular aspect of sustainable investing—yet that area of focus varied depending on who you asked. One respondent hoped for more "focus on environment," and another wished for "less focus on environment and more focus on social and good governance." Some wished for "greater emphasis on positive impact, not just negative screening," while others hoped that the world would "adopt a 'do no harm' ESG philosophy." There are clearly deep chasms between not only proponents and opponents, but within those segments, which will be difficult to bridge in the coming years. Additional research, education, and compromise will be necessary building blocks in doing so and will hopefully be accompanied by the boons of convergence and reduced greenwashing.

8: "Green-Hushing Won't Solve Your Problem With Sustainability Communication," Forbes, Lars Voedisch, March 27, 2023.

Staying informed

How do you stay abreast of developments in ESG and sustainable investing?



Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 29

What exactly it means to do sustainable investing is still in flux.

As the last few sections have described, what exactly it means to do sustainable investing is still in flux, and there is a strong appetite for explanatory and data-driven research that will help people to better understand the space. We asked respondents where they seek information to stay abreast of developments in the space. They were allowed to select more than one source of information and were invited to provide specific sources so that we might pass along potential resources to the readers looking to learn more.

Europeans had four source types that received votes from more than half of their respondents: webinars and conferences, white papers and case studies, sustainable investing organizations, and investment industry publications/newsletters/podcasts. When it came to specific sources, Europeans had a diverse list. One person noted the Springer Sustainable Finance book series, a couple of individuals selected Impact VC and France Invest, and one mentioned the Sustainable Blockchain Summit.

Regulators continue to rise in prominence as information sources for our respondents.

North Americans had less agreement on their sources, with only investment industry publications and white papers getting a vote from more than half of respondents. Sources that received more than one mention included ImpactAlpha, PitchBook, Morningstar, UN PRI, McKinsey, and Bloomberg. Doughnut Economics from Kate Raworth also received a mention.

Regulators continue to rise in prominence as information sources for our respondents. This is unsurprising, given the European SFDR disclosure requirements and the noise the SEC has been making regarding disclosures to ferret out greenwashing. In 2021, only 19% said regulators were a source of information, but that stepped up to 25% in 2022 and 27% in 2023. European respondents said regulators 41% of the time, in contrast to only 20% of North American respondents.

We also asked which organizations respondents belonged to, endorsed, or participated with, and provided a long list of groups from which to choose—a list that has grown over the years as we've added in open-ended responses from each prior year's survey. Some of these are regional (European Venture Philanthropy Network) or have specific areas of focus (Climate Action 100+), so few selected them. Adding to the perception of a lack of convergence on sustainable investment topics is that the organization that garnered the most selections (and respondents were allowed to make multiple selections) was the UN Sustainable Development Goals, which was chosen by only 35% of respondents. The second-most-recorded option was "None." The Principles for Responsible Investment and the Global Impact Investing Network were the only other groups to pass a 25% global selection rate.[9]

Europe differed from North America by picking Principles of Responsible Investment (PRI) and the Sustainable Finance Disclosure Regulation in its top three, while North America, which selected None most often, had a 25% hit rate on the GIIN. Both had the UN SDGs as the top non-None response. Open-ended Other responses included Intentional Endowments Network, Operating Principles for Impact Management, 1000 Ocean Startups, Net-Zero Asset Owner Alliance, and Corporate Knights.

Looking at the major respondent types and geographies, differences emerged in how often the top groups were selected. In general, LPs and North Americans were least likely to select anything, but respondents most often associated themselves with the UN SDGs, PRI, and the GIIN. The only exception was Europe, which has embraced, perhaps involuntarily, the SFDR as a major force in the sustainable investing landscape.

With which sustainability-related groups or programs do you belong, endorse, or participate?

LP		GP	
26%	UN SDGs	45%	UN SDGs
18%	GIIN	38%	PRI
16%	PRI	32%	GIIN
35%	None	25%	None

Europe		North America	
43%	UN SDGs	31%	UN SDGs
41%	SFDR	25%	GIIN
37%	PRI	23%	PRI
27%	None	36%	None

Source: PitchBook • **Geography:** Global • **Respondents:** All
Question 30

9: In the Glossary of this report, as a resource for readers, we provide links to the organizations that received nods from at least 10% of our respondents.

PitchBook

Glossary of terms and resources used in this report

B Corp

Both: "Both" is a respondent type representing GPs that have LPs. This group is mostly made up of FoF.

Climate Action 100+

CSAC: Central & South America and the Caribbean.

Doughnut Economics

ESG: Environmental, social & governance. For the purposes of this survey, a framework for incorporating nonfinancial risks into an investment strategy.

ESG Data Convergence Project

EU Green Deal Industrial Plan

European Venture Philanthropy Network

France Invest

GIIN: Global Impact Investing Network.

GP: General partner. May refer to the asset manager or its staff that makes the investment decisions for a private market fund.

GRI: Global Reporting Initiative.

IFC: International Finance Corp.

IFRS: International Financial Reporting Standards. An organization that develops sustainability disclosure standards. It has two standard-setting boards: the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB).

ILPA: Institutional Limited Partners Association. This group released an ESG assessment framework as a resource for LPs looking to evaluate and understand ESG integration among GPs.

IMP: Impact Management Project. This project ran from 2016 to 2028 and developed the Five Dimensions of impact.

ImpactAlpha: Impact investing media offerings.

ImpactAssets 50

Impact investing: For the purposes of this survey, an investment approach that seeks to receive both financial and social and/or environmental returns.

Impact Measurement and Management (IMM): Now managed by the GIIN.

Impact VC

IPCC: Intergovernmental Panel on Climate Change

IRIS+: Impact Reporting and Investment Standards.

LP: Limited partner. An entity that commits capital to a GP's fund. LPs provide the majority of the funding to a private market fund.

McKinsey

Morningstar Sustainalytics: Provider of ESG research, ratings, and data. Sister organization to PitchBook.

Other: The respondent type for this survey that was not a GP, LP, or Both. Typically, individuals working in advisory or consulting.

PitchBook

PRI, or UN PRI: Principles for Responsible Investment.

SASB: Sustainability Accounting Standards Board. The organization merged with the IIRC in June 2021 to form the Value Reporting Foundation, though the SASB Standards retain their name.

SEC: Securities and Exchange Commission. This regulator has a number of initiatives related to ESG, some of which may be found here.

SFDR: Sustainable Finance Disclosure Regulation introduced in Europe to improve transparency in the market for sustainable investment products.

Springer Sustainable Finance Series

Sustainable Blockchain Summit

Sustainable Investing: For the purposes of the survey, we used this term as an umbrella overarching both Impact investing and the incorporation of ESG risk factors into the investment process.

TCFD: Task Force on Climate-related Financial Disclosures.

UK Sustainability Disclosure Requirements: An article on what is being proposed and the timelines.

UN SDG: United Nations Sustainable Development Goals.

US Bipartisan Infrastructure Law

US Inflation Reduction Act

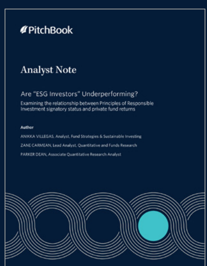
VC: Venture capital, venture capitalist. A type of private equity investing that focuses on startups and early-stage companies with long-term, high-growth potential.

VentureESG: A global group of VCs pushing for VC-specific ESG standards.

World Central Kitchen

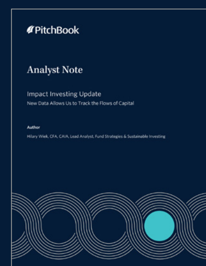
Additional research

Sustainable investing



Q2 2023 Analyst Note: Are "ESG Investors" Underperforming?

Download the report here



Q4 2022 Analyst Note: Impact Investing Update

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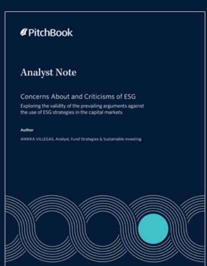

Q1 2023 Analyst Note: Concerns About and Criticisms of ESG

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