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SUSTAINABILITY BAROMETER

Private Markets

BY

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From policy to proof:

THREE VINTAGES OF SUSTAINABILITY PRACTICE IN PRIVATE EQUITY

The Sustainability Barometer is a joint initiative of NewVest and Tikehau Capital that uses data reported to NewVest's passively managed private markets indices to track how sustainability practice is evolving among some of the largest funds raised globally. The first edition, published in June 2025, examined the private debt funds of the NewVest PD50 2023 Index. This second edition turns to private equity broaden the analysis of the documentation from the underlying funds included in three consecutive NewVest PE50 index vintages: 2023, 2024 and 2025.[1]

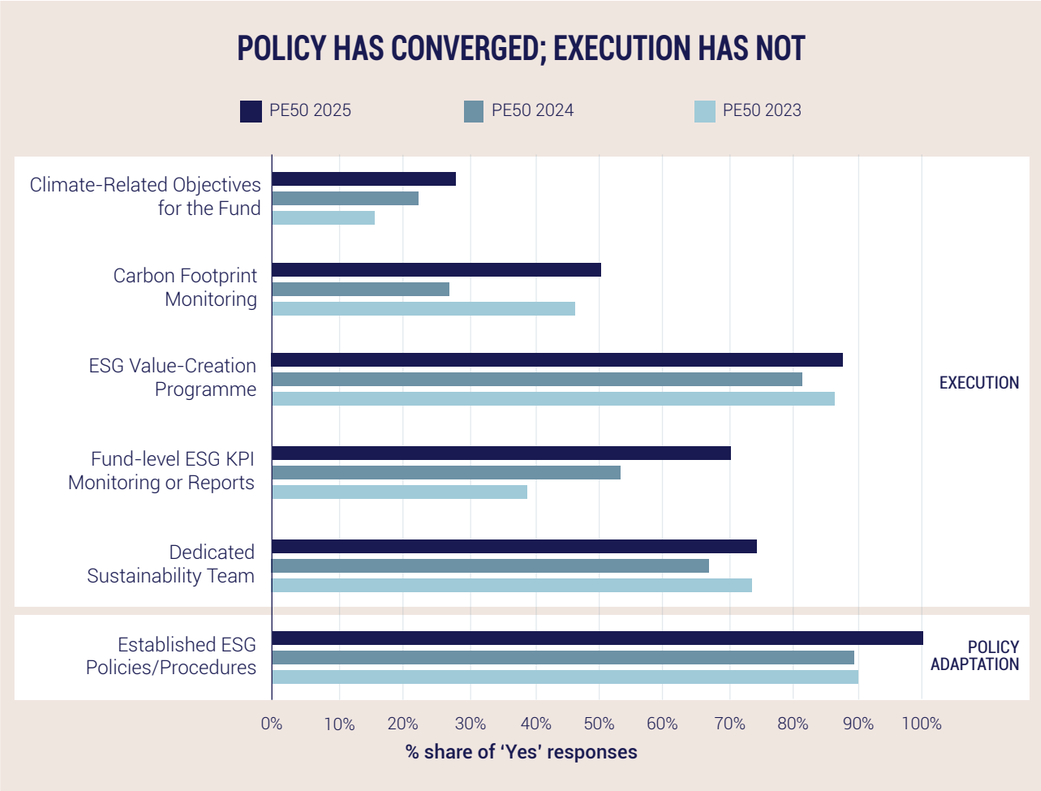
Across the three vintages, the survey tells a consistent story. Sustainability policies are now close to universal among respondents, and the infrastructure behind them (fund-level ESG reporting and KPI monitoring, and fund-level climate objectives) appears to be strengthening. This is particularly interesting and indeed encouraging considering challenges to "sustainability" related policies in the US and considering **that the majority of the managers of the funds in the index are US-headquartered**. What still varies widely is execution: how consistently these frameworks shape underwriting, ownership and portfolio outcomes. **The market, in short, appears to be moving from adoption to implementation, and differentiation is moving with it.**

Reading the data. "Yes", "No" and "Partial" indications are reported separately throughout. A "Partial" answer is not halfway between the two: it may reflect practices that differ across portfolio companies, sectors or strategies, tools applied selectively or at particular deal stages, partial rollout, or incomplete disclosure. Percentages are approximate and describe respondents to each vintage's analysis rather than the private equity market as a whole. The respondent base may differ across vintages, so year-on-year movements should be read as indicative rather than as measured market trends.
Source: NewVest PE50 Index vintages 2023–2025.

1 It is important to note that while certain of these funds may take into account ESG considerations as part of their underwriting processes, none have identified themselves as following primarily ESG-focused strategies.

POLICY HAS CONVERGED – EXECUTION NOW DIFFERENTIATES

With policy adoption close to universal among respondents, having a sustainability framework no longer distinguishes a manager. How the framework is implemented does.



Policies and procedures covering sustainability remain the most widely adopted practice in every vintage, rising from roughly 90% of respondents in 2023 to **100% in 2025**.

Policy prevalence alone, however, is an insufficient indicator of maturity. The more informative signals are whether investment teams use consistent tools, whether portfolio companies are monitored against material KPIs, and whether sustainability considerations influence underwriting, incentives and exit preparation. The sections to follow will examine each in turn.

VALUE CREATION IS THE CLEAREST REPORTED STRENGTH

Sustainability value-creation programmes are the most consistently strong practice in the dataset, suggesting execution through ownership rather than through policy alone.

Practice ("Yes" responses)	PE50 2023	PE50 2024	PE50 2025
ESG Value Creation Programme	c.90%	c.82%	c.86%

Across all three vintages, **more than 80% of the funds report sustainability value-creation programmes**. We define such a programme as the integration of ESG priorities throughout the investment lifecycle to enhance resilience, operational performance and exit readiness across portfolio companies.

The consistency of that figure across the index universe suggests that many managers have moved beyond exclusion and diligence into structured ownership activity, which is where private equity's control model can provide the clearest natural influence.

LP DIALOGUE IS BECOMING AN EVIDENCE EXERCISE

Reported KPI monitoring has climbed sharply, while dedicated teams have held broadly steady. The next test is producing comparable, decision-useful portfolio evidence rather than additional narrative.

Indicator	PE50 2023	PE50 2024	PE50 2025
Dedicated sustainability reporting / ESG KPI monitoring	c.39%	c.53%	c.70%
Dedicated sustainability team	c.75%	c.67%	c.75%

Dedicated sustainability reporting and KPI monitoring is the fastest-moving practice in the dataset, reported by roughly 39% of respondents in 2023, 53% in 2024 and 70% in 2025. The apparent increase is consistent with LP dialogue becoming more specific: allocators increasingly ask what has changed in the portfolio and expect measurable outcomes, not what the policy says.

A clear majority of respondents across NewVest vintages reported dedicated sustainability teams, at roughly **75% in 2023** and 2025 with a dip to 67% in 2024, but the survey does not establish whether these are central teams, which can function primarily as reporting hubs, or capabilities embedded in deal teams and portfolio governance with aligned incentives. The broadly flat trend is also consistent with market feedback suggesting that most GPs established their core sustainability capabilities relatively recently (circa 2020).

PROCESS ADOPTION IS RUNNING AHEAD OF DECISION INFLUENCE

ESG scoring is increasingly reported as "Partial", and outright rejections remain a minority, pointing to selective rather than systematic influence on deal selection.

Indicator	PE50 2023	PE50 2024	PE50 2025
ESG scoring tool: Yes	c.14%	c.12%	c.5%
ESG scoring tool: Partial	c.36%	c.31%	c.64%
Declined an investment on ESG grounds: Yes	c.14%	c.7%	c.11%
Declined an investment on ESG grounds: Partial	c.24%	c.36%	c.33%

Use of a formal ESG scoring tool shows the most striking pattern in the survey. Outright "Yes" responses fell to roughly 5% in 2025, while **"Partial" responses rose to about 64%** for the same vintage. This does not necessarily indicate an abandonment of ESG principles. Rather, it may reflect managers' use of different tools depending on sector, strategy or deal stage of the investment process; a shift towards more issue-specific analysis.

Reported investment rejections on ESG grounds remain a minority position: roughly **11% of 2025 respondents report having declined an investment outright**, with about a third answering "Partial". A low outright-rejection rate should not, on its own, be read as weak integration. A "Partial" answer here may indicate transactions reshaped or made conditional through engagement rather than abandoned, an outcome consistent with an ownership-led model and transition strategy.

CLIMATE CAPABILITY IS BUILDING IN LAYERS

Measurement is broadening faster than target-setting, and both remain ahead of transition execution.

Practice ("Yes" responses)	PE50 2023	PE50 2024	PE50 2025
Monitor / measure carbon footprint	c.46%	c.28%	c.50%
Measure Scope 1 and 2 emissions	c.39%	c.52%	c.39%
Measure Scope 3 emissions	c.2%	c.8%	c.21%
Fund-level climate objectives	c.13%	c.19%	c.24%
Assess physical climate risk	c.27%	c.32%	c.47%

The climate data describe a layered maturity curve. Reported **Scope 3 measurement, while still uncommon, has grown from roughly 2% of respondents in 2023 to about 21% in 2025**, and physical climate-risk assessment from about 27% to 47%. Formal fund-level climate objectives remain limited, at roughly 24% in 2025. Measurement of the attainment of ESG objectives, in other words, is expanding faster than policy changes and execution; the gap between footprints, targets and credible transition plans remains the industry's open question.

One metric illustrates why sample composition matters. Overall carbon-footprint monitoring falls from roughly 46% in 2023 to 28% in 2024 before recovering to 50% in 2025. A genuine fall and rebound in market practice is possible but unlikely; differences in the respondent base across vintages are the more plausible explanation, and the series should be read with that in mind.

PRIVATE DEBT POINTS THE SAME WAY, THROUGH DIFFERENT MECHANISMS

Both asset classes show a progression from policy to execution, but private equity works through ownership while private debt works through documentation and engagement.

The first Barometer, which examined the NewVest PD50 2023 Index, found a familiar pattern: more than 90% of private debt funds reported ESG policies or procedures, more than 50% measured portfolio carbon footprints and close to 40% had formal fund-level climate objectives, while roughly 45% had not yet integrated sustainability-linked debt products. While the direction of travel is shared with private equity, the transmission mechanism is not.

Controlling equity owners can act through governance and operational value creation. Lenders act through diligence, documentation, KPIs, margin ratchets, information rights and borrower engagement. In both cases, credibility depends on whether the manager's actual rights and influence are used proportionately to improve risk management and performance.

Conclusion:

THE EXECUTION PHASE

Three vintages of data point to a market in transition. Policies are close to universal among respondents, value-creation programmes are widely reported, and reporting capacity appears to be strengthening. However, sustainability practice is advancing unevenly, with measurement ahead of targets and targets ahead of implementation, and evidence of direct influence on investment decisions remains selective. It is also clear from the findings that whilst there has been marked progress in some sustainability policies (such as the improvement in monitoring carbon footprint or assessing physical climate risk), in other areas, there has been a reverse trend (such as aforementioned, a reduction in the measure of scope 1 and 2 emissions). One explanation for this can be the inconsistent sustainability regulation applied globally, and the broader ecosystem warrants further consideration.

The differentiating question is therefore changing. It is no longer whether a manager has a sustainability framework; the data suggest that can now be broadly assumed. The question is whether that framework materially and demonstrably shapes underwriting, ownership and portfolio outcomes. Managers able to evidence that influence, through consistent investment tools, reliable portfolio data and credible transition planning, will find LP and buyer diligence easier to carry. Those relying on the vocabulary of sustainability without the execution behind it will find that policy alone no longer answers the questions being asked.

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