

# Sustainable investment: plateauing or poised for growth?

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Eighth Annual Sustainable Investment  
Asset Owner Survey 2025



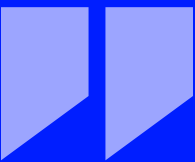


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# Foreword

Sustainable investment has faced considerable headwinds in recent years. Since the Russia-Ukraine conflict began in 2022, energy security has eclipsed net zero as a priority for policymakers, while issues such as diversity, equity and inclusion have faced growing political pushback.



Global asset owners' commitment to integrating sustainability considerations remains steady. Against a backdrop of geopolitical headwinds, investor concerns regarding climate and broader sustainability risks continue to intensify and the focus on financial performance remains a central priority.

While these headwinds have resulted in the volumes of capital flowing into sustainable investment funds levelling off, interest is holding steady at a high level among investors in integrating sustainability considerations in their investments.

Our eighth annual sustainable investment asset owner survey reveals these headwinds have not led to any meaningful reversal of sustainable investment practice. Asset owners are applying sustainable investment considerations at similar levels to previous

years. Indeed, climate and broader sustainability risks continue to grow in priority for the investors we surveyed. These trends have also been broadly consistent across regions.

What's shifting are investors' motivations for pursuing sustainable investment and, to some extent, how they put those views into practice. Pragmatism is winning out over principles, and the fundamental drivers of risk and return are top of mind.

This report summarises the findings of the survey, which was completed by a total of 415 asset owners around the world, including private and government-linked pension funds, foundations, and family offices – providing insights into key capital allocation drivers.



**Stephanie Maier**  
Global Head of Sustainable,  
FTSE Russell



# Executive summary

Sustainable investment has faced continuing pressure over 2025, but most asset owners remain concerned about sustainability factors and are applying a wide range of strategies to address them.

## Key takeaways



**Asset owners are increasingly concerned** about the risks posed by sustainability issues, particularly climate change: 85% cited it as a major concern



**Climate remains the priority**, however diversity and inclusion, and human capital are also rated as important



**The percentage of assets owners implementing sustainable investment products is high** at 73% and has been steady for a few years



**Financial performance and risk** are cited as the key motivating factors for sustainable investment by the majority of asset owners



**Thematic investment and ESG integration are still the most popular approaches**, although a diversity of styles and strategies persists



**Large market potential remains.** One in four asset owners are considering sustainable investment strategies, with concerns around greenwashing, ESG data and regulation posing barriers

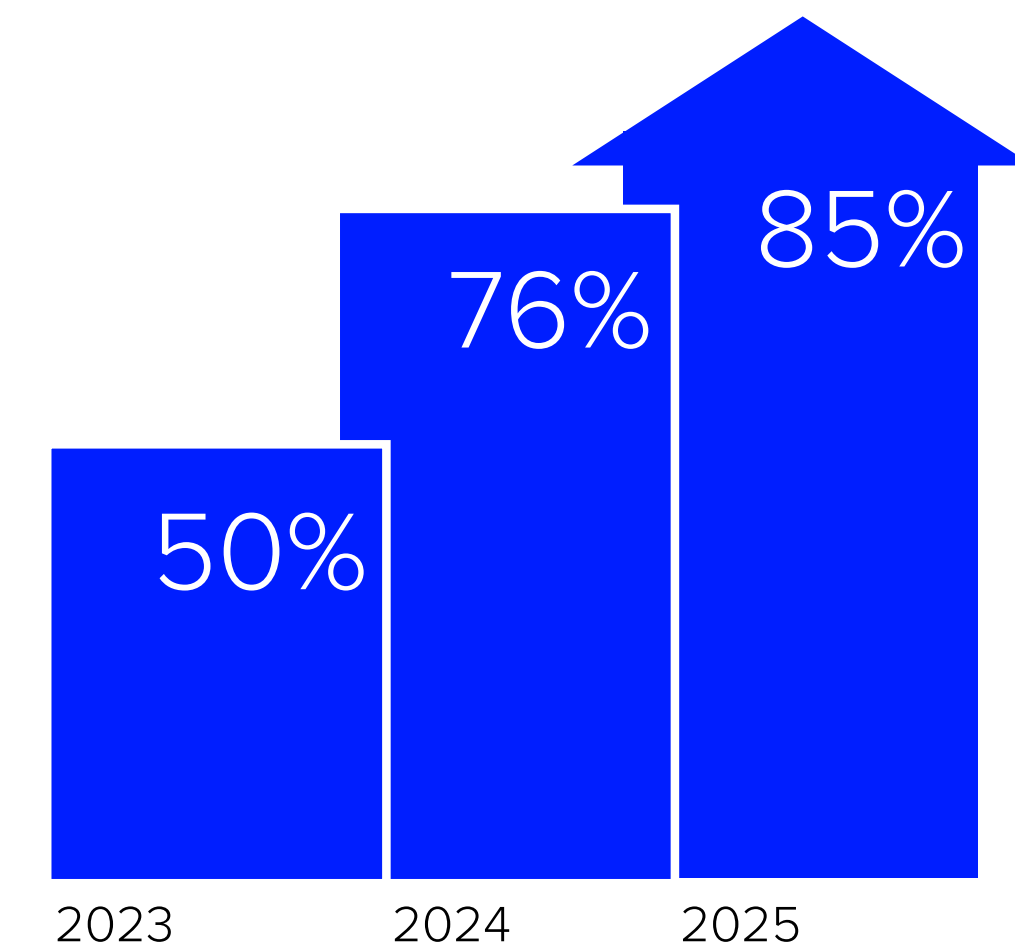
# Sustainability risks remain high on the asset owner agenda

Geopolitical volatility may have impacted the political will to tackle climate change, but asset owners are increasingly worried about the risks that it and other sustainability factors pose to returns.

## Climate concerns are rising

Despite, or perhaps because of, political pushback to ambitious climate change policy around the world, investors' concerns about climate risk have risen over the last 12 months. This year, 85% placed themselves in the 'most concerned' category when asked about climate risk concerns (scoring themselves at 7 or above), compared with 76% last year.

Figure 1: More investors than ever say they are worried about climate risk

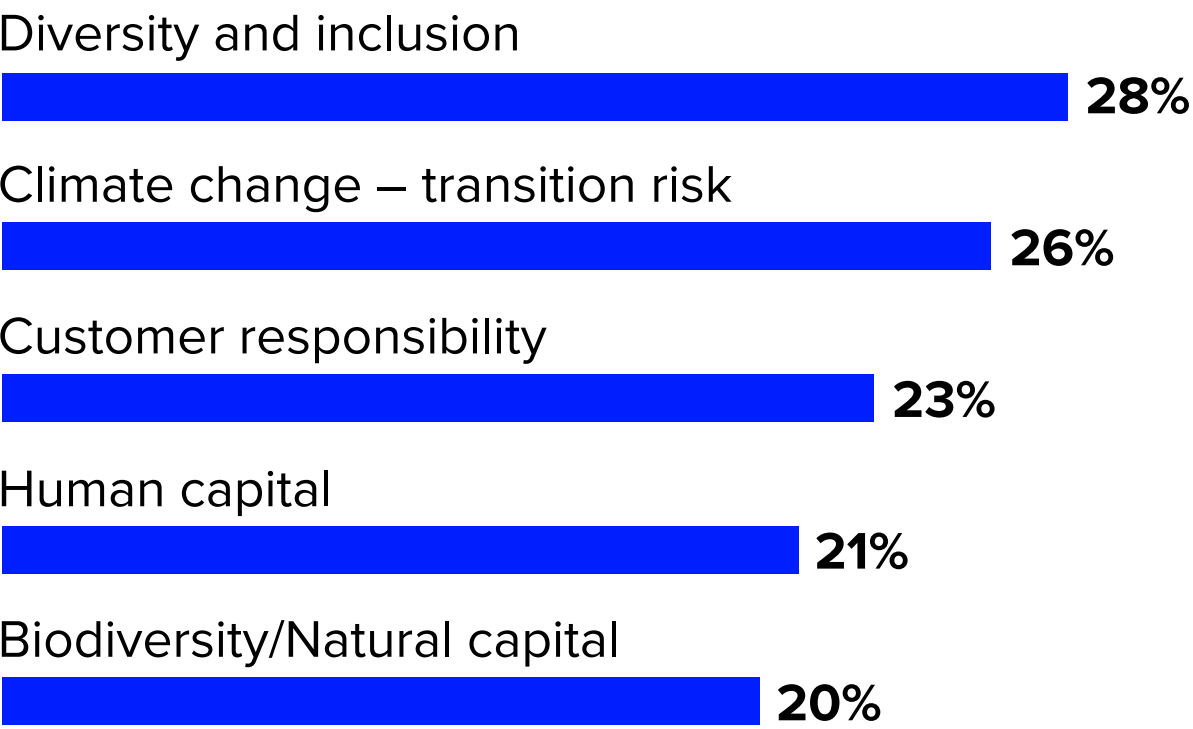


Concern with the investment impact of climate risk rated at 7 or above, on a scale of 0 to 10 (% of asset owners).



Figure 2: As well as climate, concerns like diversity and inclusion, and natural-capital issues are rising

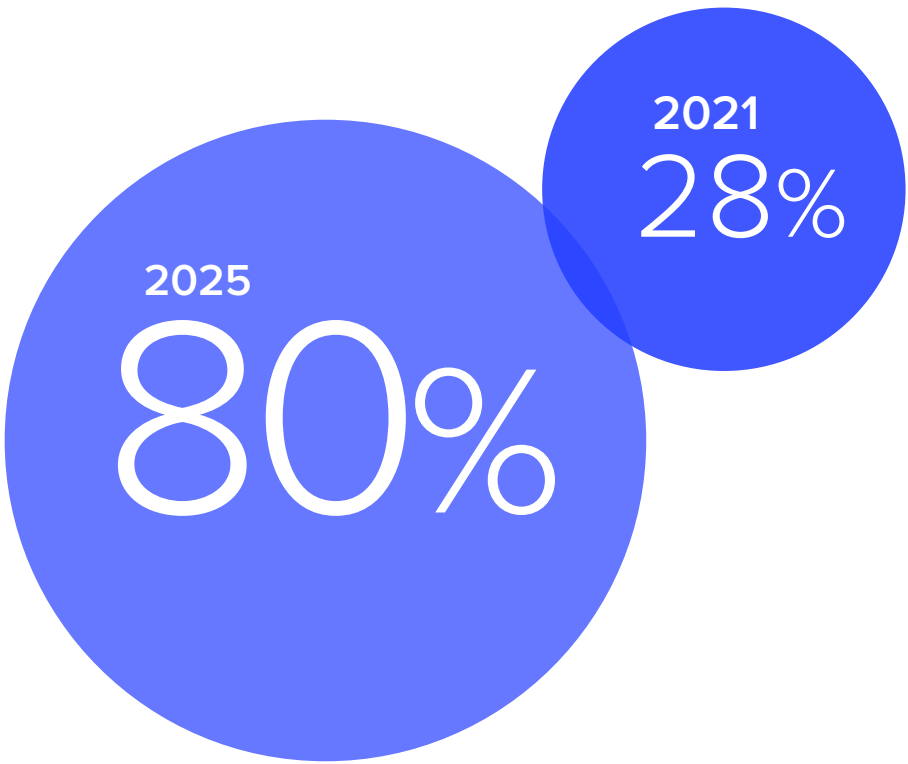
Top 5 concerns



Other sustainability issues are also of concern

Investors are also reporting concerns with other sustainability issues. For example, more than a quarter (28%) stated that diversity and inclusion is a 'priority focus' for them, despite political backlash to diversity, equity and inclusion policies. Biodiversity and natural capital is a priority concern for a fifth of investors (20%), and environmental issues including resource (16%) and water use (11%) and pollution (14%) were cited by a significant minority of investors.

Figure 3: Investors are increasingly incorporating climate and sustainability considerations into their mainstream strategic asset allocation process (% of investors)



Asset owners are increasingly incorporating climate risk into broader investment process

Asset owners are responding to rising concerns about climate and other sustainability exposures by increasingly incorporating the risks and opportunities into their mainstream investment processes. The percentage of respondents either considering sustainability or climate, or using related indices, in strategic asset allocation has risen consistently since 2021, now standing at 80%. This highlights both the increasing importance asset owners place on these risks and the mainstreaming of sustainability within the broader investment process.

45%

It is about being a universal investor.  
A marketplace with advanced climate/  
sustainability standards will have improved,  
or more stable, long-term returns

Universal ownership informs attitudes to sustainable investment

Many asset owners are broadly exposed to financial markets, making it difficult, if not impossible, to diversify away from broad, systemic risks such as climate change and other sustainability challenges. This understanding best reflects how almost half of respondents think about sustainable investment.



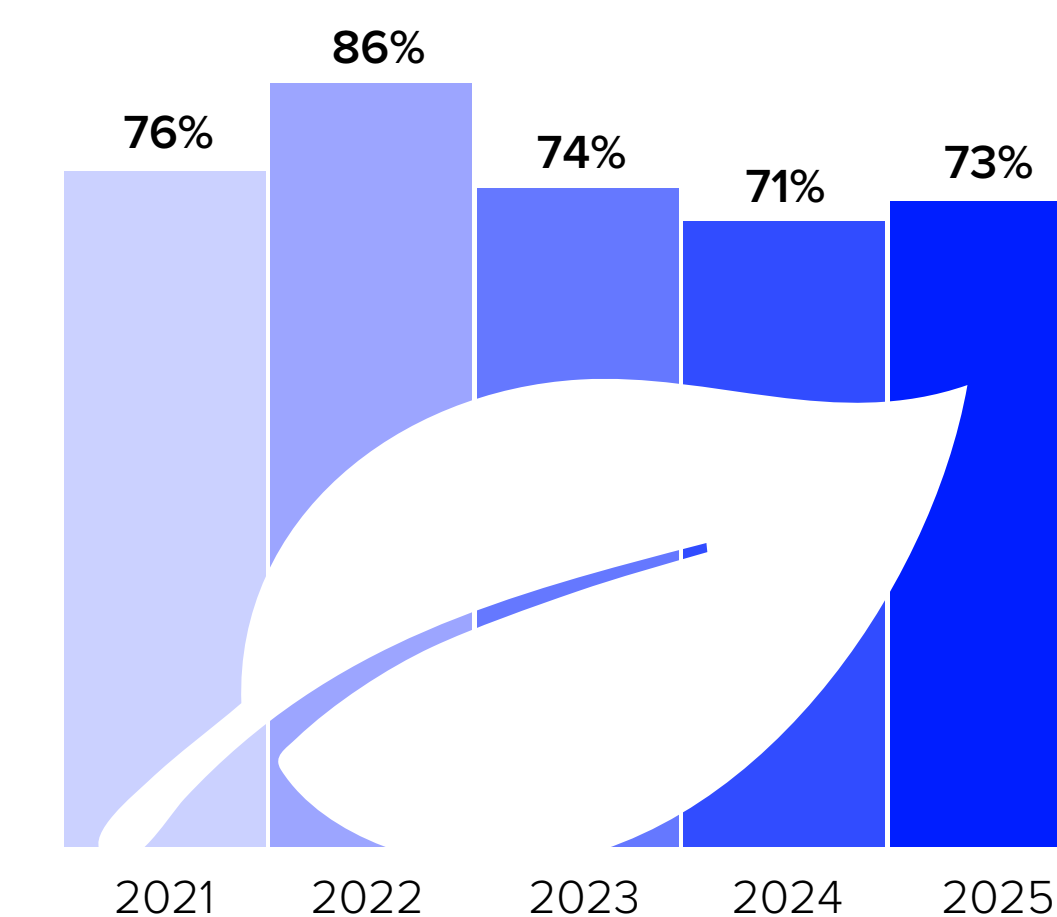
# The sustainable investment market pauses for breath

The survey finds widespread adoption of sustainable investment practice, but at levels which have remained steady over the last few years.

## Implementation is widespread, mainstream, but broadly flat

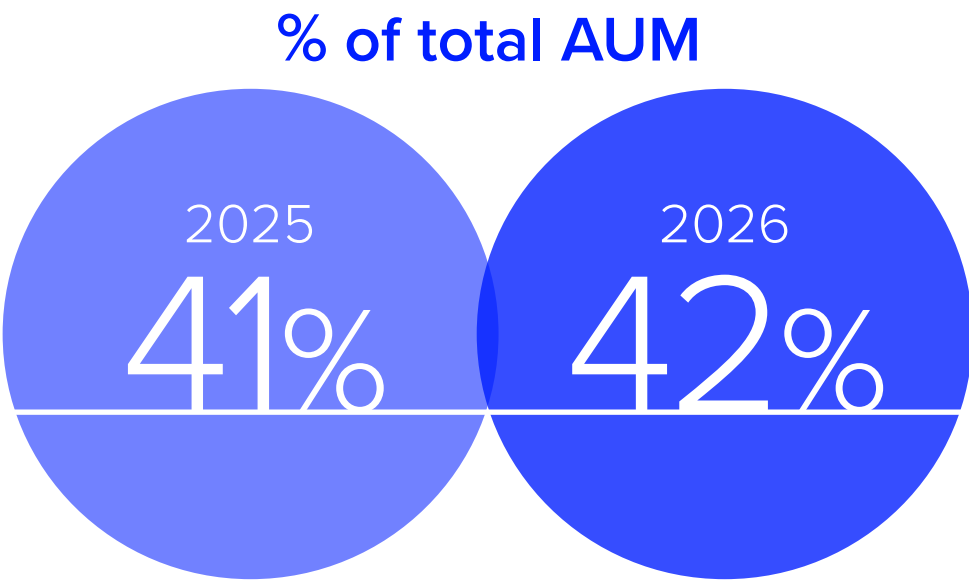
Almost three-quarters of asset owners are applying sustainability considerations to their investments in one form or another, and a further 23% are considering whether to do so. This is broadly in line with 2024 (71%) and 2023 (74%). This finding, of widespread but broadly flat adoption, aligns with data on sustainable investment fund flows as tracked by LSEG Lipper and in our conversations with asset owner clients.

Figure 4: Sustainable investing is widespread, though investor uptake has remained broadly constant over the last three years



Currently implementing one or more form of sustainability consideration in investment strategy (% of asset owners).

Figure 5: Investors apply sustainability to a meaningful portion of their portfolios, but do not anticipate increasing over next 12 months

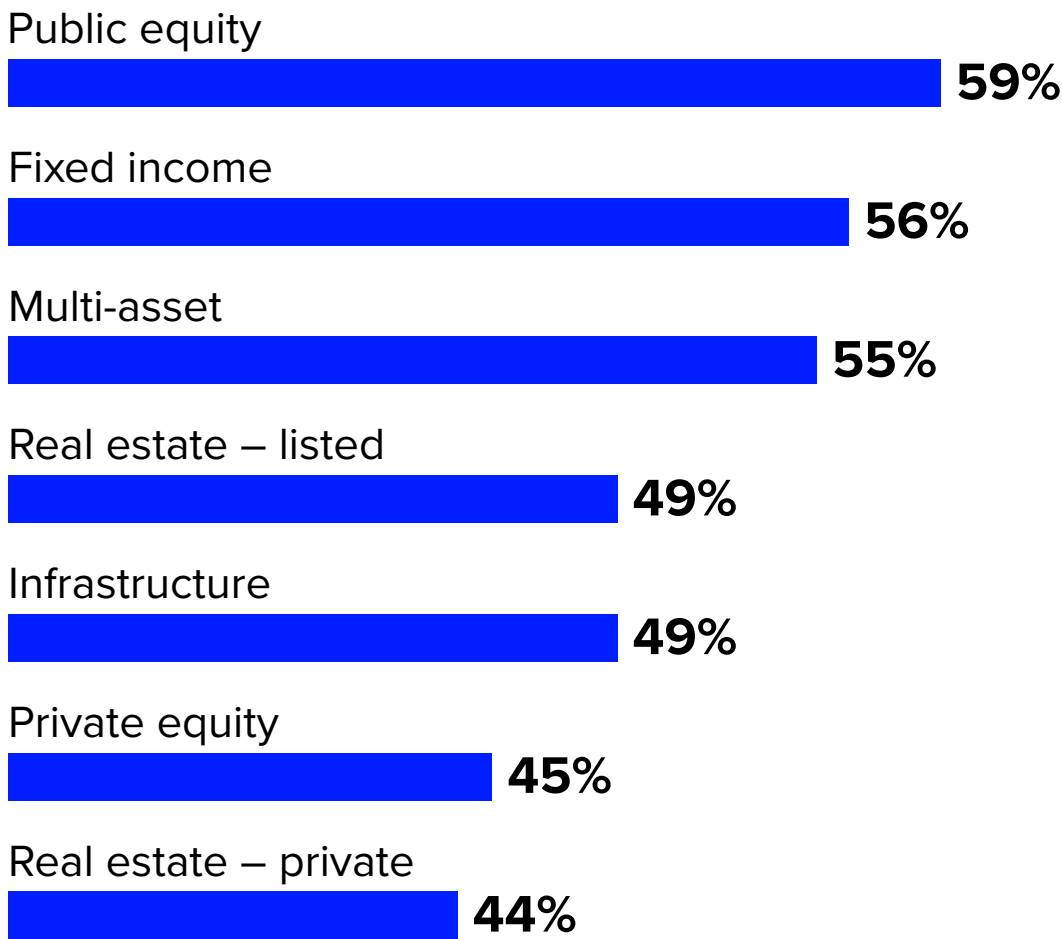


### Sustainability application is material, but in a minority

Assets owners who are applying sustainability considerations are doing so to a material, but minority proportion of their assets, averaging 41% of portfolios. In line with previous results indicating a plateauing of activity, respondents do not anticipate this percentage increasing over the next 12 months.

Mean proportion of assets to which sustainability considerations are applied now/expected in 2026 (% of asset owners who stated they are applying sustainable investment).

Figure 6: Sustainability implementation by asset class



### The biggest asset classes lead, although alternatives are catching up

As might be expected, asset owners are applying sustainability considerations most widely in fixed income and listed equity, which are both the largest asset classes and those in which investors have most experience with sustainable investment practice. However, implementation is spreading rapidly into alternatives, as practice and experience continues to build.

Currently implementing sustainability considerations by asset class (% of asset owners).

Figure 7: Investors say they’re motivated mainly by risk and fiduciary duty

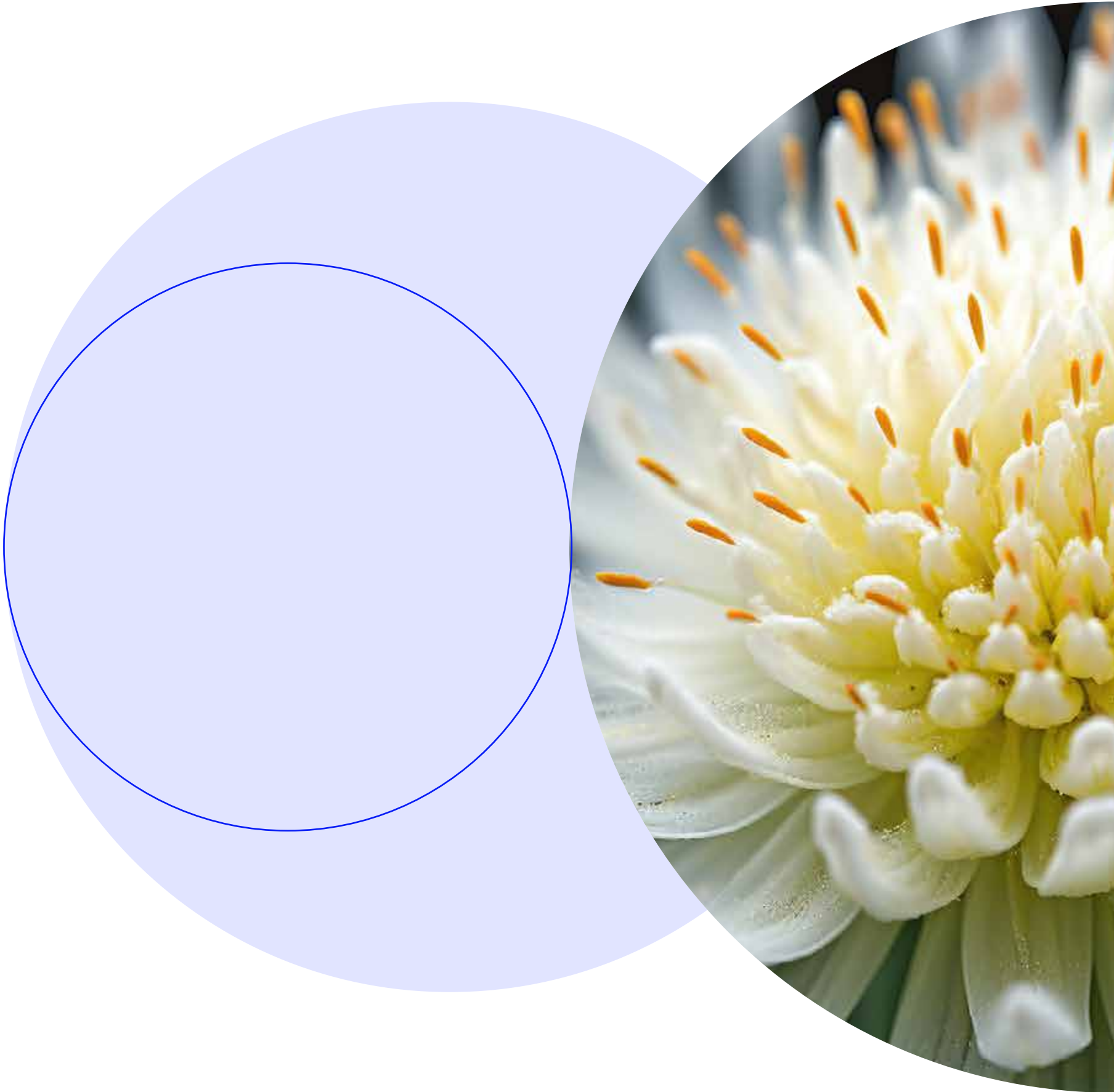


### Pragmatism beats principles for sustainable investment motivation

Two related beliefs are motivating investors to implement sustainable investment: (1) doing so delivers better risk-adjusted returns; and (2) investors have a fiduciary duty to do so. This year, 42% of respondents refer to fiduciary duty (up from 14% last year), while more than half believe sustainable investment helps to mitigate long-term risk, achieve better risk-adjusted returns and capture investment returns from sustainability opportunities. Societal good, meanwhile, is cited by only 37% of respondents.

Top and bottom motivators for implementing sustainable investment considerations in investment strategy (% of asset owners).





# Implementation – a thousand flowers bloom

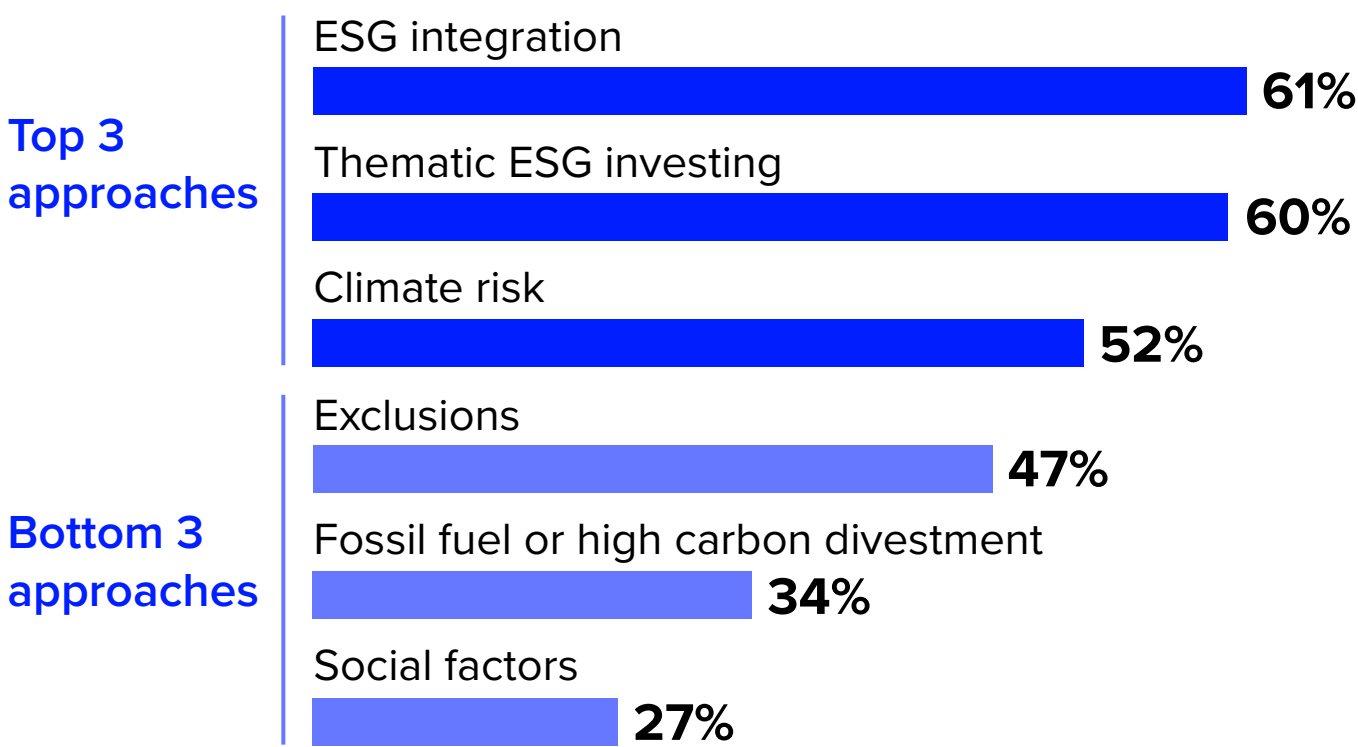
Investors have long deployed a range of strategies and approaches to express their views on sustainability – including exclusions, thematic investing, engagement and index tilting.

While thematic investment and integration are the most popular approaches, this survey finds continuing diversity among investors, with no signs of the market coalescing around particular styles or strategies.

## Thematic investment and integration lead the field

When it comes to putting sustainable investment into practice, the two mainstays of the field – thematic ESG investing and ESG integration – remain the most popular approaches among investors. Reflecting growing concerns about climate change, more than one-third of investors are pursuing some form of fossil fuel divestment, and more than half are involved in impact investing. A focus on social factors remains a niche concern, cited by just over one in four asset owners.

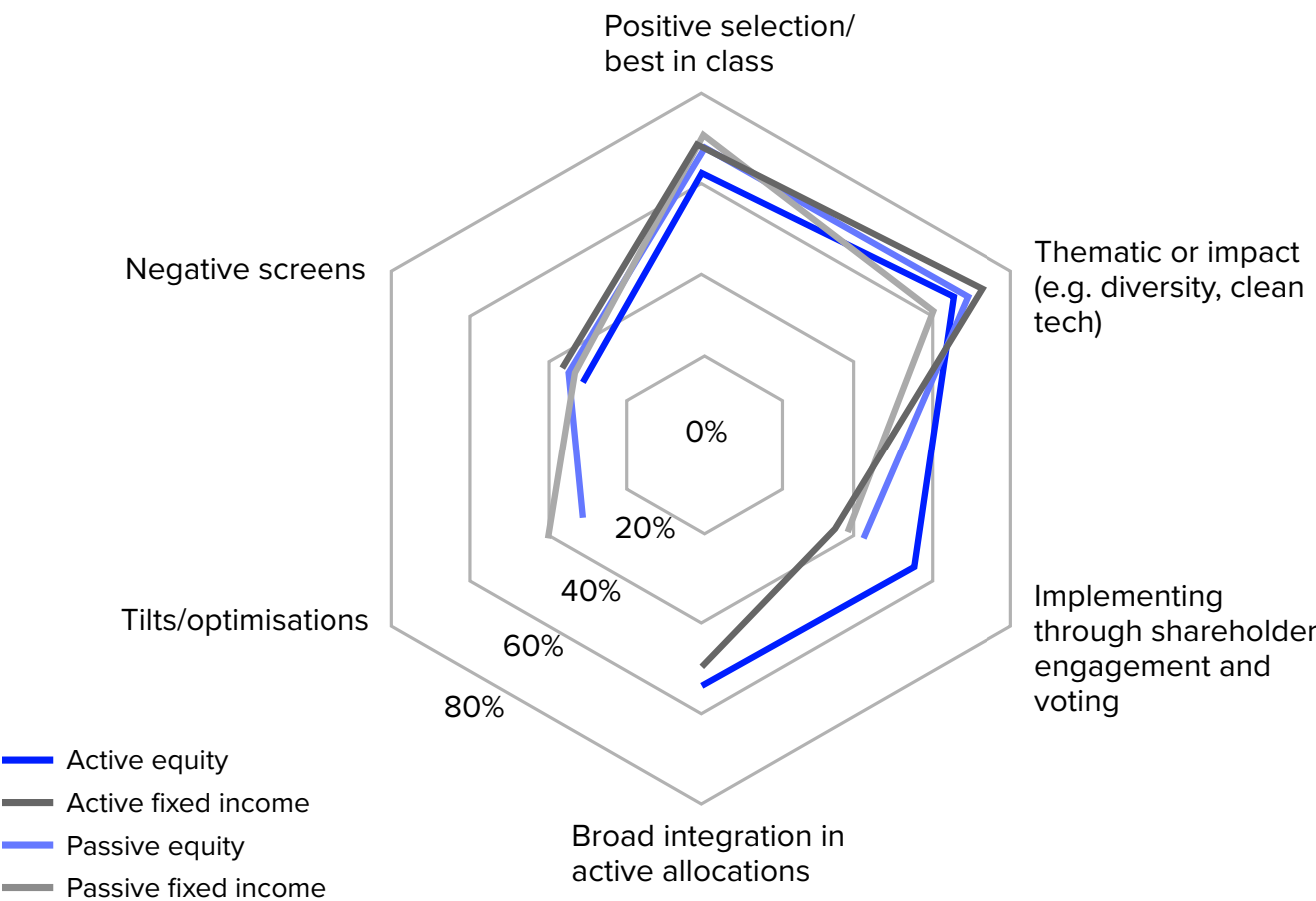
Figure 8: Thematic ESG investing and integration remain the most popular approaches



Top and bottom sustainability implementation considerations (% of asset owners).



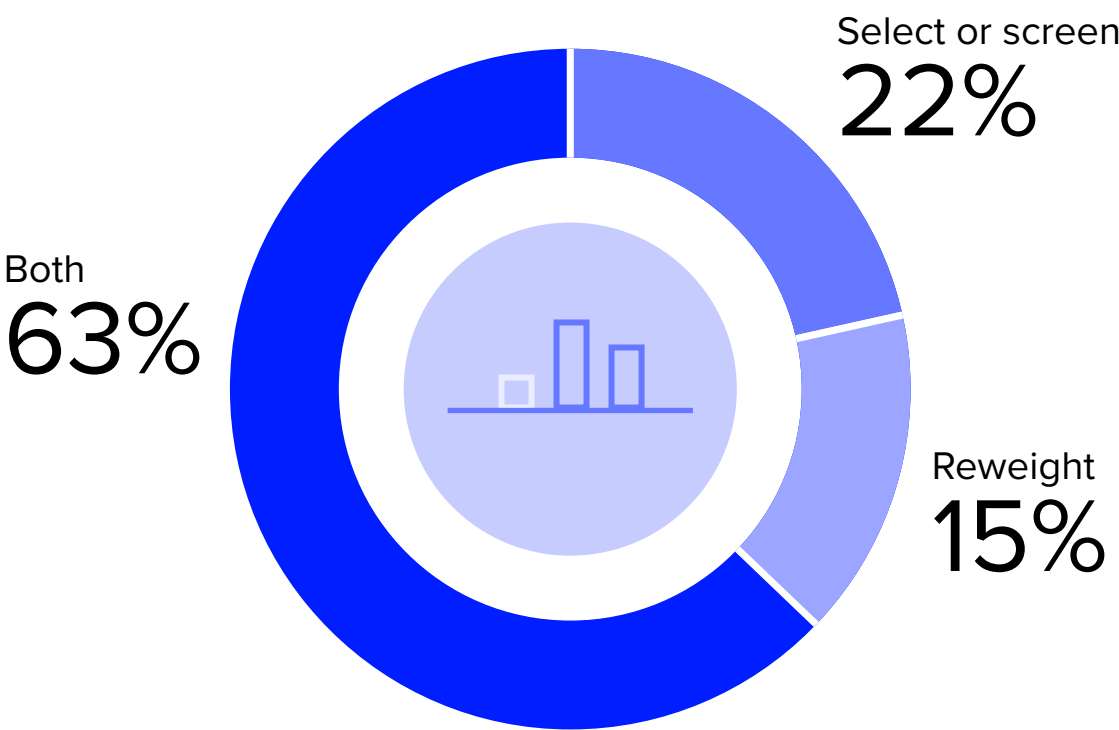
Figure 9: Investors are mixing many strategies across both active and passive investing



## Diversity in approach

Investors are continuing to pursue a variety of approaches to implementing sustainable investments across both active and passive strategies. While thematic or impact and best-in-class approaches remain the most popular, pursued by around two-thirds of investors across the main asset classes, negative screens continue to be used by a third of investors. Engagement is more popular among equity than fixed income investors, which is unsurprising given the latter's limited ownership rights.

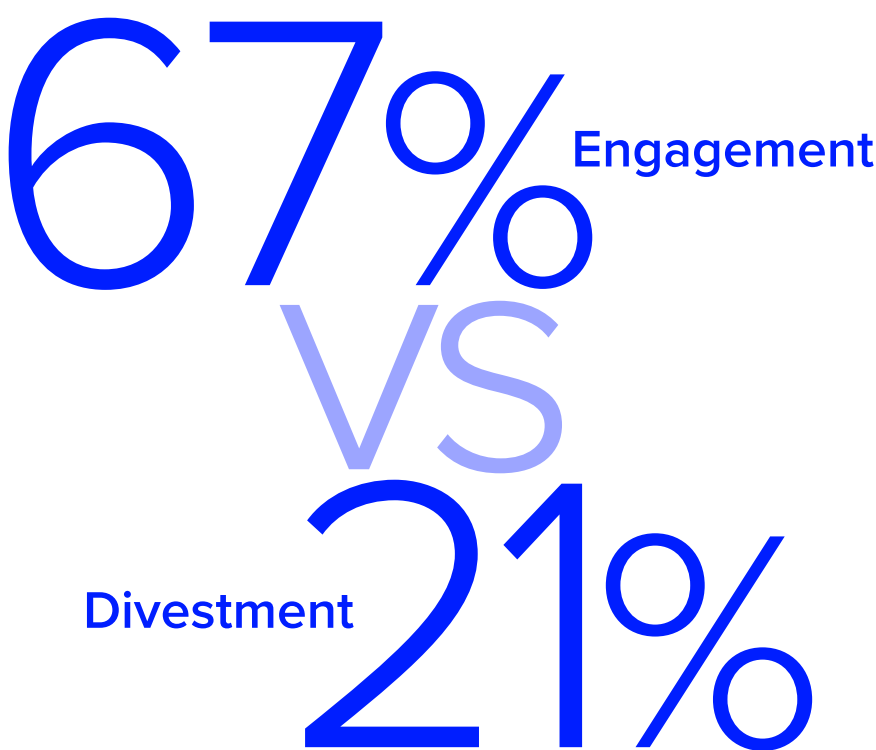
Figure 10: Many investors still use exclusions, often paired with reweighting to reflect sustainability views



## Exclusion persists as an implementation tool

Investors have, over time, moved away from using exclusion as their primary sustainable investment tool, instead preferring greater flexibility in asset selection and a focus on engagement. However, this year's survey finds a majority of asset owners continuing to select/screen securities, although often in combination with portfolio reweighting, as a means to express sustainable investment views. This reflects regulatory trends, especially in Europe, where guidelines on fund naming from the European Securities and Markets Authority are pushing managers using sustainability related fund names to apply some degree of negative screening.

Figure 11: Most investors prefer engaging high-carbon companies over divesting them outright



## But engagement is favoured for transition assets

Investors are increasingly taking a more nuanced approach to decarbonising their portfolios, focused on transition. Rather than divesting higher-carbon assets, they are showing greater willingness to engage with companies to support them on a transition towards low-carbon business models.





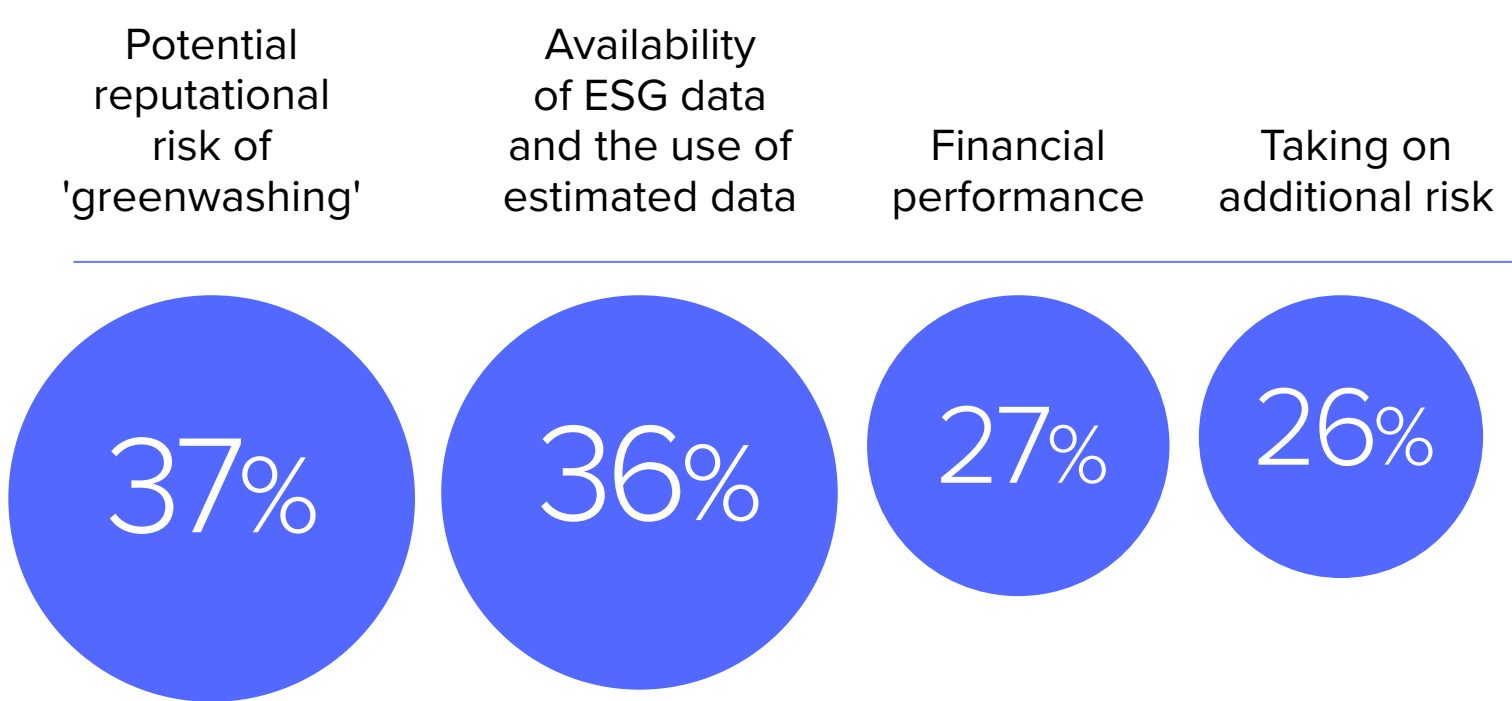
# Driving the next stage of market growth

Around a quarter of asset owners surveyed say they are evaluating whether to implement sustainable investment approaches, and those that do still have on average ~60% of assets on which they are not applied. We wanted to understand what barriers stand in their way.

## Greenwashing and data availability continue to hold back the market

Some longstanding concerns around greenwashing and the availability and accuracy of ESG data continue to pose barriers to greater adoption of sustainable investment, according to more than a third of respondents. Financial performance and taking on additional risk are rising in prominence.

Figure 12: Key barriers to adoption of sustainable investment



What barriers to increased sustainable investment adoption across asset classes do you perceive (% of asset owners)?



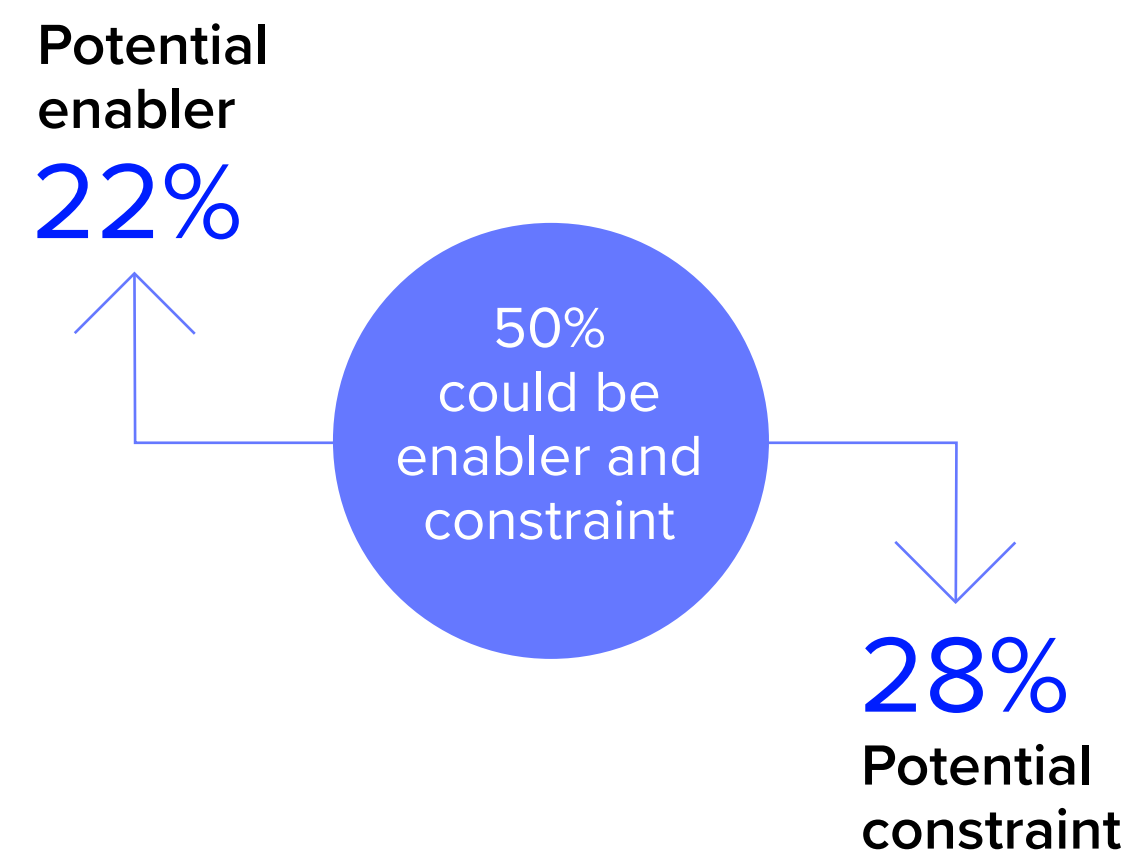
23%  
see demand as a **barrier**

13% see demand as  
**key to their views**  
on sustainable  
investment

## Mixed views on stakeholder demand

Only a relatively small number of respondents (23%) cited limited stakeholder demand as a barrier to their further adoption of sustainable investment. However, only one in eight (13%) cited the preferences of their stakeholders as reflecting their organisation's principal view on sustainable investment.

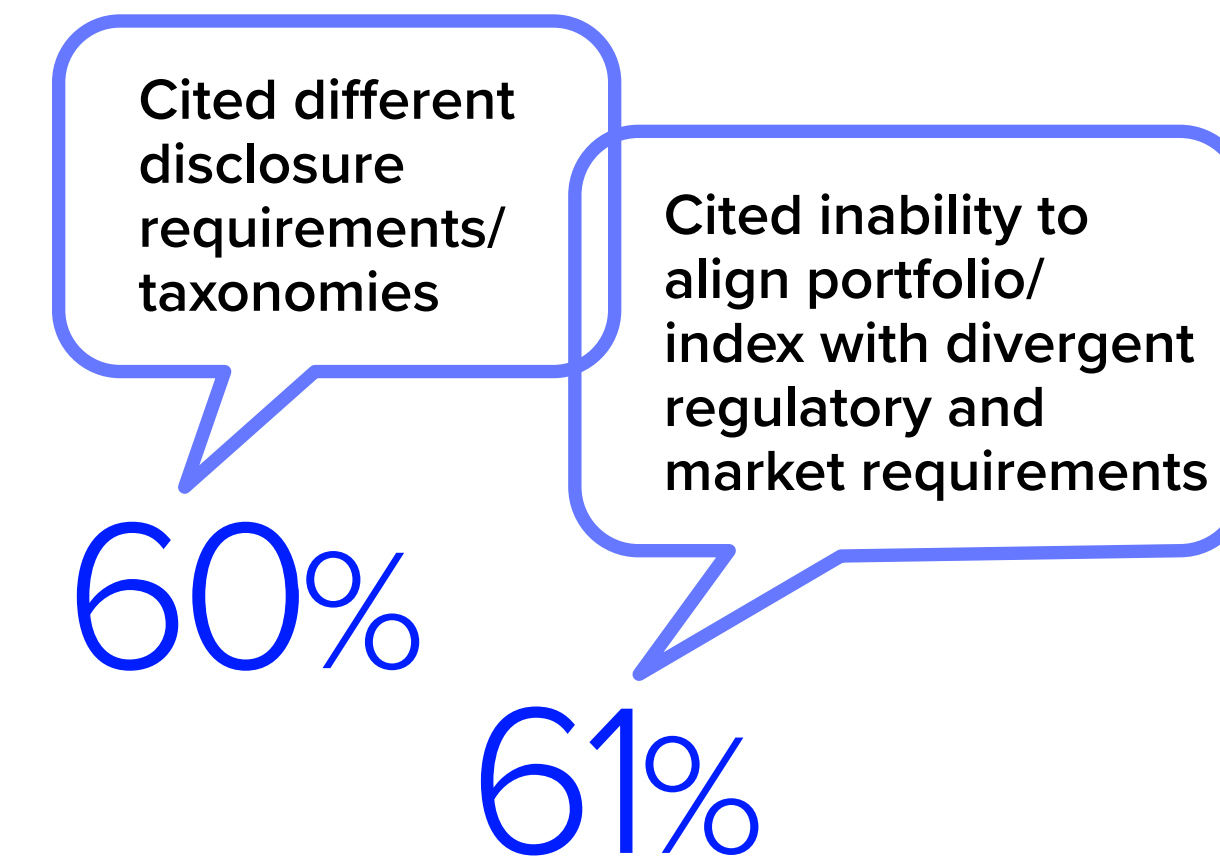
Figure 13: Investors see regulation as both a tailwind and an obstacle



## Regulation is a double-edged sword

More than a quarter of respondents mention regulatory or fiduciary constraints as barriers. Sustainable investment is characterised by high levels of regulatory focus and, in Europe particularly, the regulatory landscape has strongly influenced uptake – both negatively and positively. The push-pull of regulatory intervention continues, with the majority of respondents seeing sustainable investment regulation as potentially both an enabler and a constraint.

Figure 14: Top-2 regulatory challenges indicate fragmented disclosure rules and hard-to-meet alignment requirements



## Inability to align portfolio/index with divergent regulatory and market requirements

In a complex and changing regulatory environment, investors are facing numerous challenges with compliance. They are clear on where these are greatest: almost two-thirds (60%) complain of differing disclosure rules and taxonomies, highlighting the lack of harmonisation across countries. 61% identified challenges in aligning portfolios or indices with the sustainable investment or climate requirements set out by regulators, a result of continued differences between regulations and practical investment market practice.



# Conclusion

## This year’s survey finds asset owners’ attitudes to sustainable investment subject to conflicting pressures.

**They recognise high and rising levels of sustainability risk.** A large majority already apply sustainability considerations, albeit to a minority of their assets. These considerations are an important factor in strategic investment decisions for nearly four-fifths of respondents.

**Asset owners also face political headwinds.** A delayed energy transition has hit returns for some climate strategies. Regulatory reversals are complicating the sustainable investment picture.

**Understandably, these conflicting pressures have caused the sustainable investment market to plateau.** Such dynamics have also encouraged a more pragmatic approach to sustainable investment and a focus on financial performance.

**Sustainability pressures are continuing to build**, political headwinds notwithstanding. We believe that sustainable investment provides asset owners with the tools and strategies they need to manage these pressures, and to seize related opportunities. This recognition will drive the next stage of growth of the sustainable investment market.

## Contact us

Learn more about our asset owner survey and sustainable investment indices



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# About our research

The 2025 Global Asset Owner Survey sought to explore trends in sustainable investment adoption and asset owners’ priorities, concerns and approaches to key risks and opportunities.

## How we conducted the survey

FTSE Russell has been surveying asset owners around the world about their attitudes towards and approaches to sustainable investment since 2018.

- **Respondents were all senior members** of sustainability, investment or management teams.
- **This year, we spoke to 415 asset owners across 24 countries** in three regions: North America (29%), Asia Pacific (31%) and EMEA (40%).
- **The respondents were from a range of asset owner types:** 46% pension funds, 16% insurance companies, 16% government-related and sovereign wealth funds, 14% endowments, foundations and family offices and 8% other.



Some 24% of respondents have assets under management (AUM) of US\$100 billion or more

46% have AUM of US\$100 billion to US\$1 billion

30% have AUM of less than US\$1 billion<sup>1</sup>

<sup>1</sup> Including impact of reweighting

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