Sustainable investment: growth despite the headwinds

Ninth Annual Sustainable Investment Asset Owner Survey 2026

FTSE RUSSELL

Contents

Foreword

As any investor will tell you, it is only possible to definitively call the bottom of a market with the benefit of hindsight. However, the indications from our ninth survey of asset owners' attitudes towards sustainable investment appear to be returning to levels seen before the post-2022 decline.

This year's Sustainable Investment Asset Owner Survey reinforces trends we have observed in previous editions – notably that sustainable investment practice is quietly becoming an integrated, mainstream feature of asset owners' day-to-day work of balancing risk and return. Investors increasingly understand that sustainability factors can influence investment performance, and therefore need to be tracked, understood and taken into consideration.

But this conclusion must be tentative. At the time of writing this report, we are not yet seeing significant upticks in capital flowing back into labelled sustainable investment funds. Continuing sensitivity around many aspects of ESG and climate policy mean that many asset owners remain much less vocal on these issues than they were in previous years.

This report explores this and other findings from the survey, which was completed by 402 asset owners around the world, including private and government-linked pension funds, endowments and foundations, family offices and insurance companies. We hope you find it useful and insightful as you navigate your own sustainable investment journey.

2026 Survey at a Glance

402
Asset owners

24
Countries

3
Regions represented

Asia Pacific 30%

EMEA 40%

North America 30%

"Asset owners continue to embed sustainability factors more deeply into investment decisions, despite market volatility and policy uncertainty. This reflects growing recognition that these factors can materially affect risk and returns, and warrant the same scrutiny as other investment considerations. Sustainability is increasingly part of core investment practice – a routine element of portfolio construction and risk management."

Stephanie Maier,
Global Head of Sustainable, FTSE Russell

Executive Summary

Levels of sustainable investment practice have returned to those last seen in 2022. Taking sustainability considerations into account is increasingly mainstream.

84% of asset owners have taken sustainability considerations into account, in some form, up from 73% in 2025.

The vast majority (85%) expect to increase the extent to which they consider sustainability factors or their use of sustainable investment products.

Governance, tax and shareholder rights is the most commonly cited sustainability priority, identified by 32% of respondents.

Climate concerns are increasing among asset owners, with one quarter ranking their concern at 10 out of 10 for the investment impact of climate risk.

Almost one third of investors now favour divestment of high-carbon assets over engagement, although 60% still hope to encourage oil, gas and mining companies to transition to lower-carbon business models.

Concern about the quality of corporate reporting and disclosures is now seen as the biggest barrier to further uptake of sustainable investment.

1

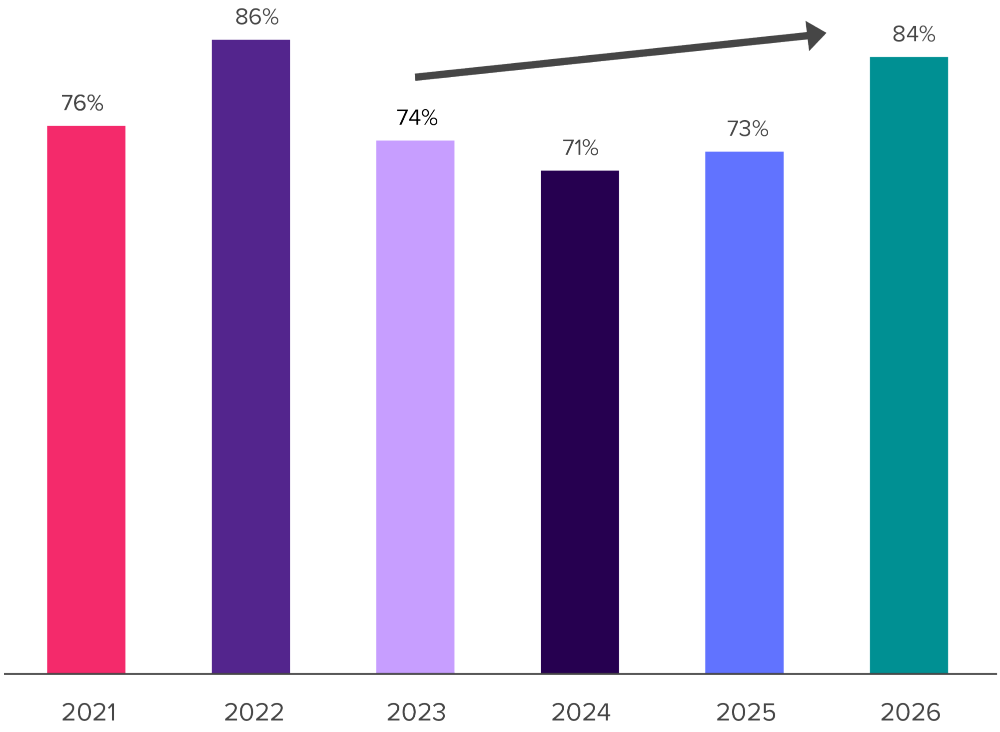
Sustainability comes into sharper focus

Levels of adoption of sustainable investment have almost returned to those seen during the last high point of implementation, while the quiet mainstreaming of sustainable investment practice is continuing.

Asset owner implementation has returned to pre-2022 levels

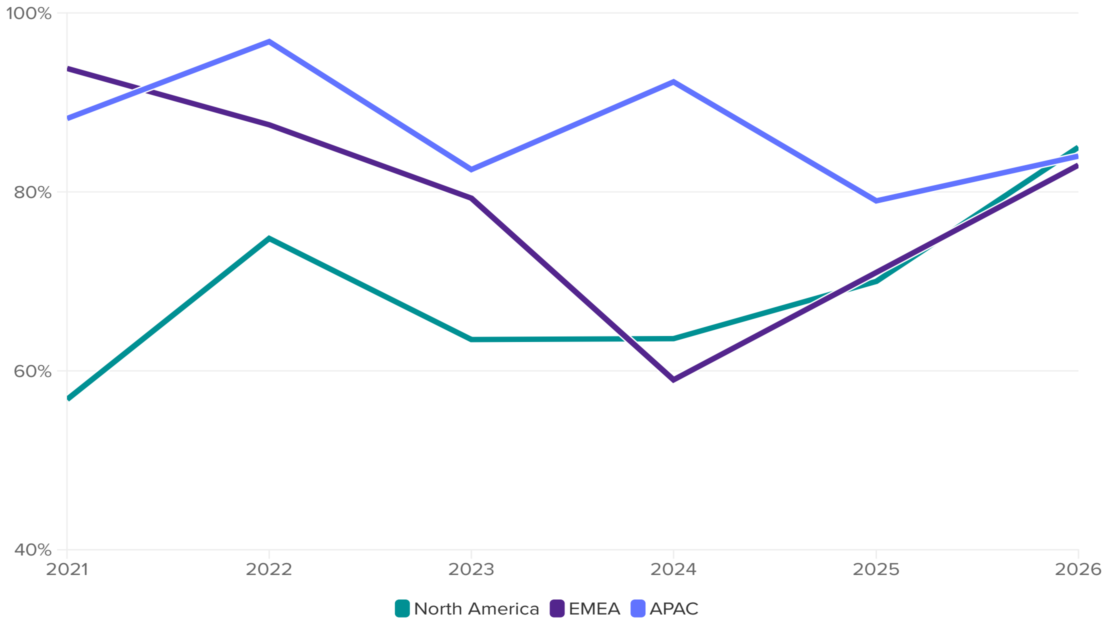
Eighty-four percent of respondents to the 2026 Sustainable Investment Asset Owner Survey are implementing sustainability considerations in their investment strategy in one form or another. This is 11 percentage points higher than last year, and just two points below the highest level tracked by the survey, in 2022. A further 15% are currently evaluating whether to do so.

Figure 1: The dip in the percentage of investors taking sustainability considerations into account has reversed



Percentage of asset owners implementing sustainability considerations in their investment strategy

Figure 2: Regional disparities in adoption have disappeared

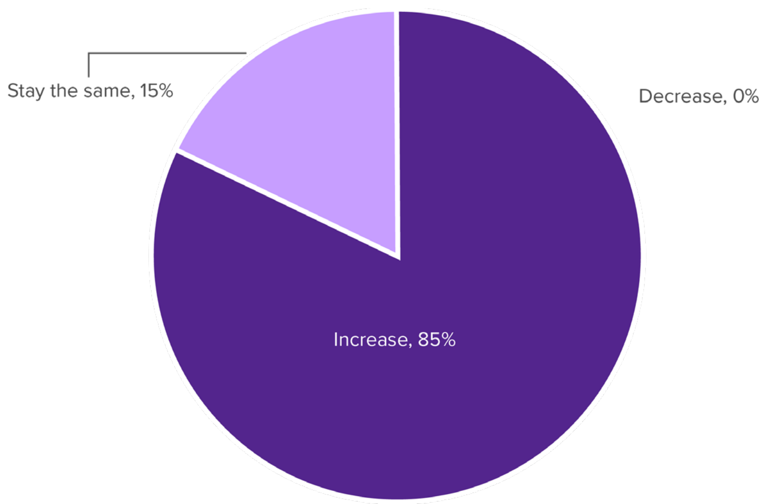


Percentage of asset owners implementing sustainability considerations in their investment strategy

In the past, the sustainable investment market has advanced at different speeds in different regions. However, the percentages of asset owners applying sustainability considerations around the world have converged.

A significant decline in European investors doing so after 2022 has reversed, while implementation among their North American peers has climbed to reach levels seen in other regions. Practice in Asia Pacific has remained at relatively high levels.

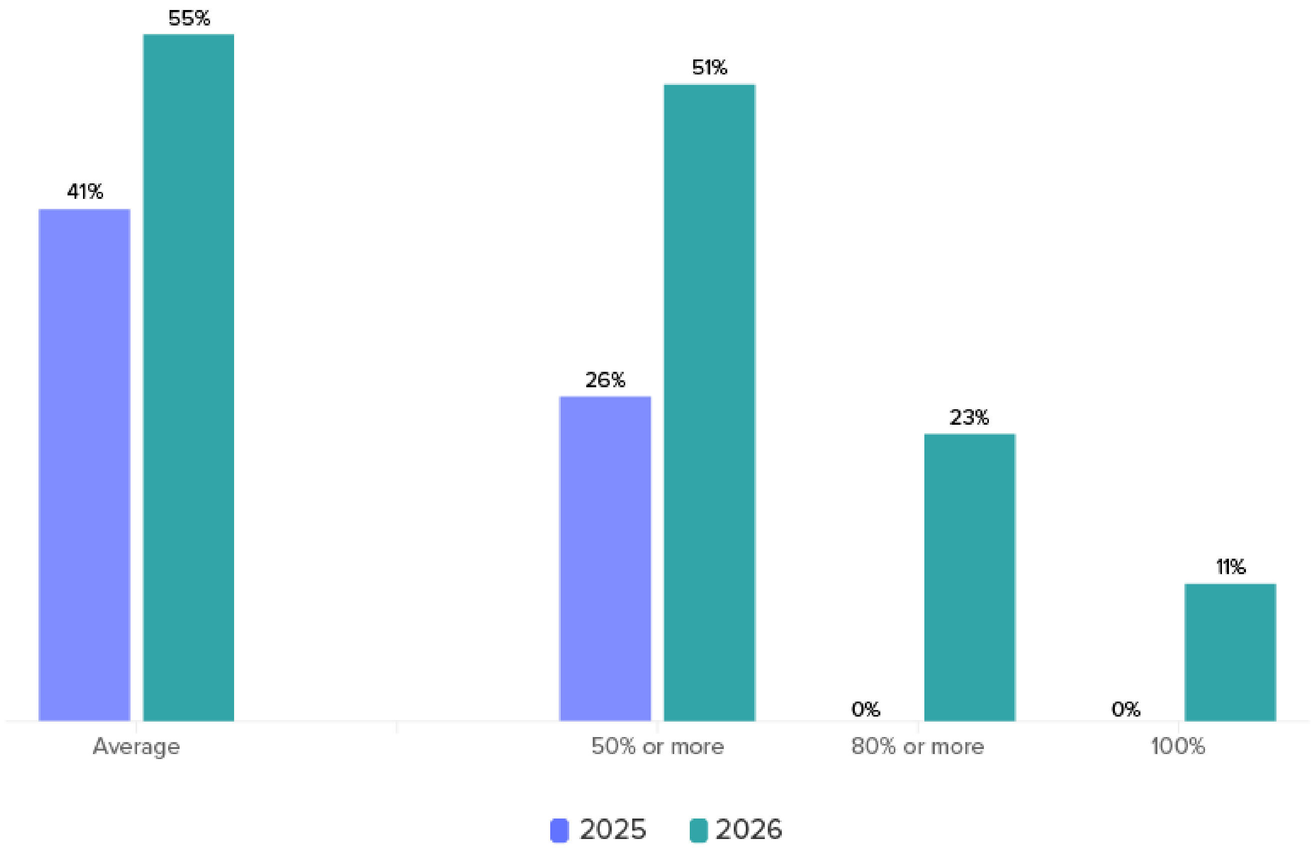
Figure 3: Investors expect implementation to increase over time



Percentage of asset owners expecting their implementation of sustainability considerations or use of sustainable investment products to change

Fully 85% of respondents expect their implementation of sustainability considerations or use of sustainable investment products to increase over the next one-to-three years. The remaining 15% expect implementation or use to remain steady; no respondents are anticipating them to decline.

Figure 4: Integration of sustainability factors across portfolios is growing deeper



Percentage of the organisation's overall active and passive portfolio currently implementing sustainability considerations

The survey found that asset owners are integrating sustainability factors more widely throughout their portfolios – and they expect that trend to continue. The percentage that reported applying sustainability considerations to more than 50% of their assets rose from 26% last year to 51% in 2026. More than one in 10 (11%) manage their entire portfolio with sustainability considerations in mind. Last year, no respondent did so to more than 80% of its overall assets.

2

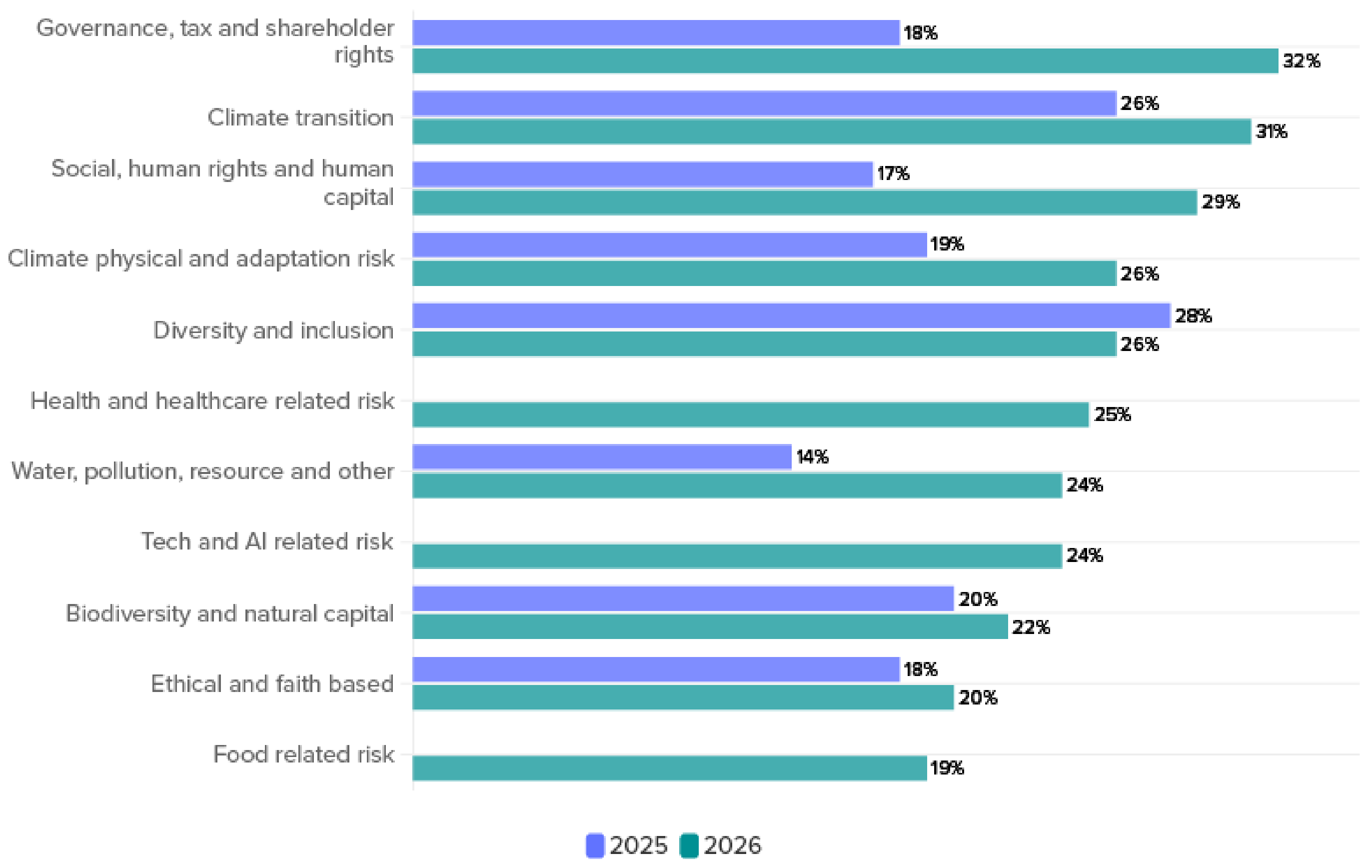
Physical climate and governance risks on the rise

Market uncertainty, geopolitical tensions and the impact of the artificial intelligence revolution bring a heightened focus on the quality of governance and shareholder rights.

Investors face a wide range of sustainability-related risks

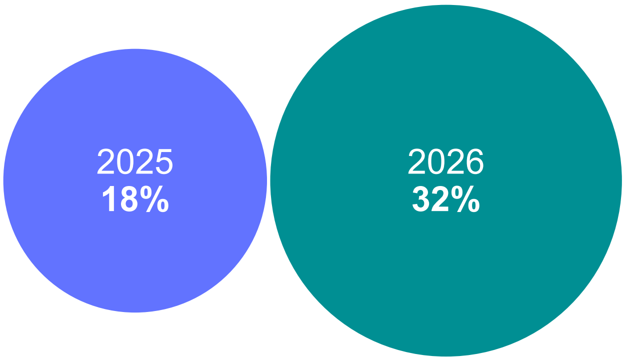
Meanwhile, investors have become increasingly concerned about climate risk in recent years, despite continued policy uncertainty. Alongside growing material impacts of climate change, this has elevated physical climate risk as a priority, cited by 26% of respondents this year, compared with 19% in 2025.

Figure 5: Governance and physical climate are seen as large and growing risks by asset



Sustainability issues considered a priority focus; new categories for 2026 (Health, Tech and Food) all have a zero for 2025; categories which have been amalgamated have the average figures of the previous categories from 2025

Figure 6: Governance rises up the agenda



Percentage of asset owners citing governance, tax and shareholder rights a priority focus area

While ensuring the good governance of companies has always been a foundational pillar of responsible investment, it has not featured strongly in prior editions of our survey as a motivator for respondents.

However, investor concerns about governance standards among some of the emerging giants of the AI revolution – as well as developments affecting shareholder rights in some jurisdictions – have made governance, tax and shareholder rights the most commonly cited priority sustainability issue in the 2026 survey.

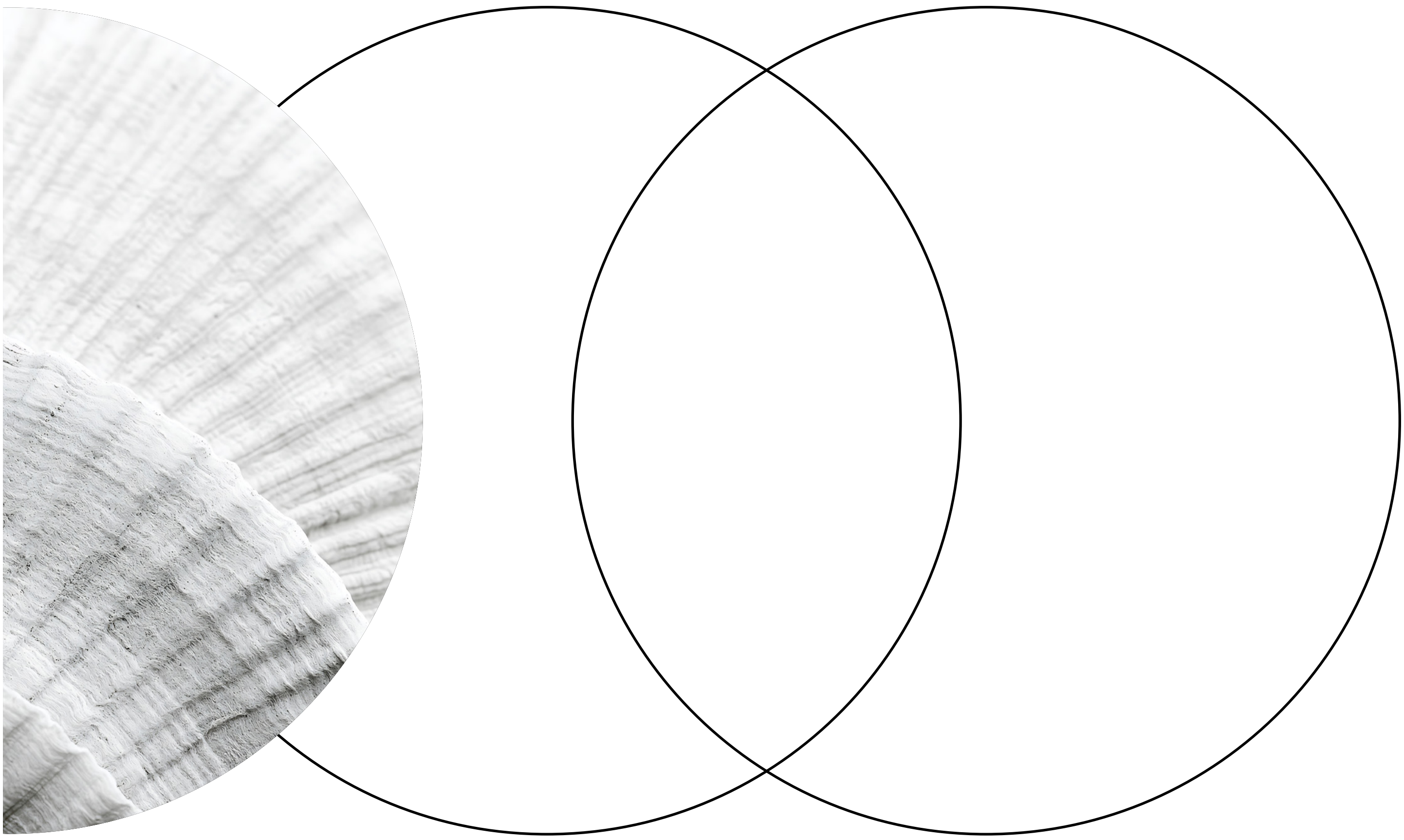
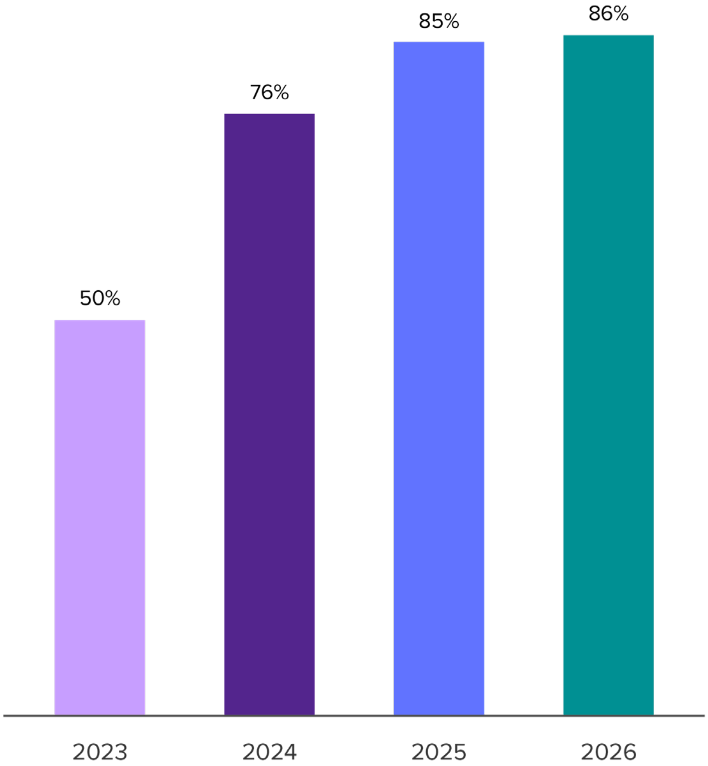


Figure 7: Concern over climate risk grows



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

Concerns about climate risk among survey respondents have risen steadily in recent years. While the percentage of investors in the 'most concerned' category only ticked up from 85% to 86% this year, fully one-quarter ranked their concern at 10 out of 10, compared with 11% last year.

In addition, more than half (52%) of asset owners are considering climate risk in their strategic asset allocation processes, compared with 36% in 2025.

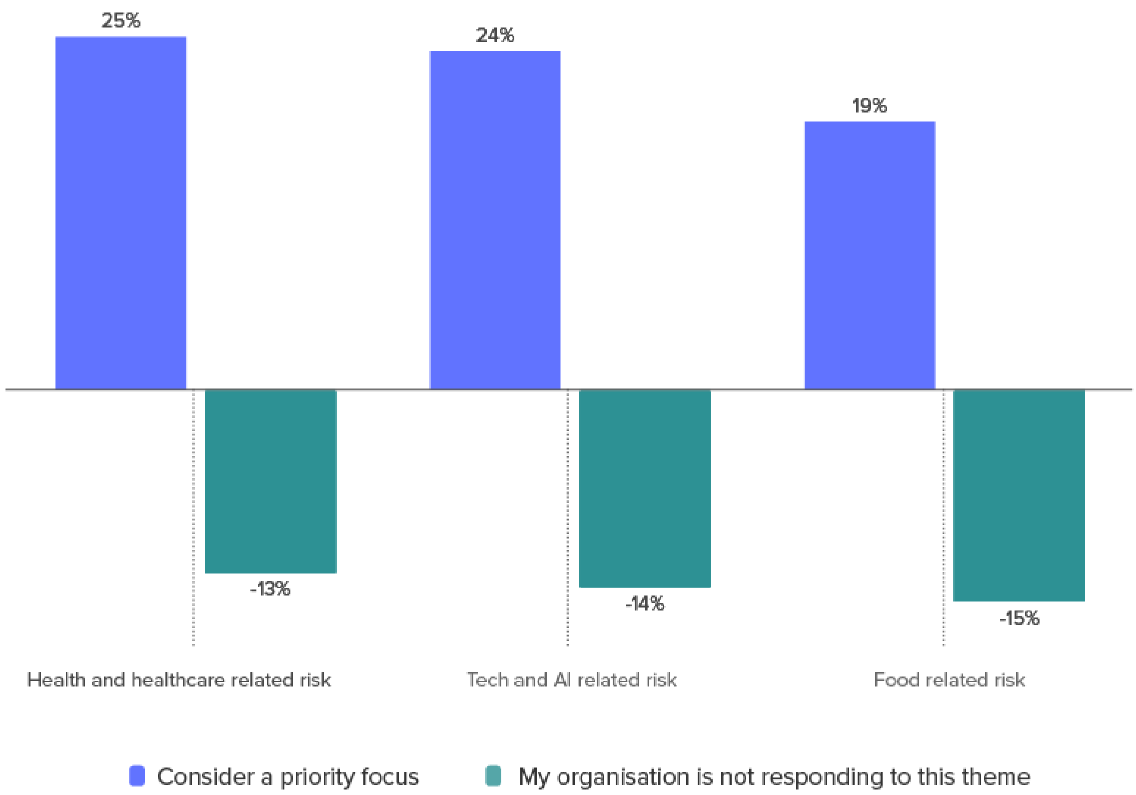
1 in 4 asset owners rated their concern at 10 out of 10

▲ Up from 11% in 2025

52% consider climate risk in strategic asset allocation

▲ Up from 36% in 2025

Figure 8: Investors are grappling with emerging sustainability risks



Priority sustainability issues and organisational responses (percentage of asset owners)

This year for the first time, the survey asked asset owners about the extent to which a number of emerging sustainability issues are on their radar screens. Around one-quarter said that risks related to health and healthcare and to technology and AI are priority sustainability issues.

Around one-fifth said the same of food-related risks. These are rapidly evolving topics as technologies develop and markets are impacted by issues such as rising temperatures. As such a small, but material, group of asset owners that consider these to be priority issues said they are not yet responding to them.

3

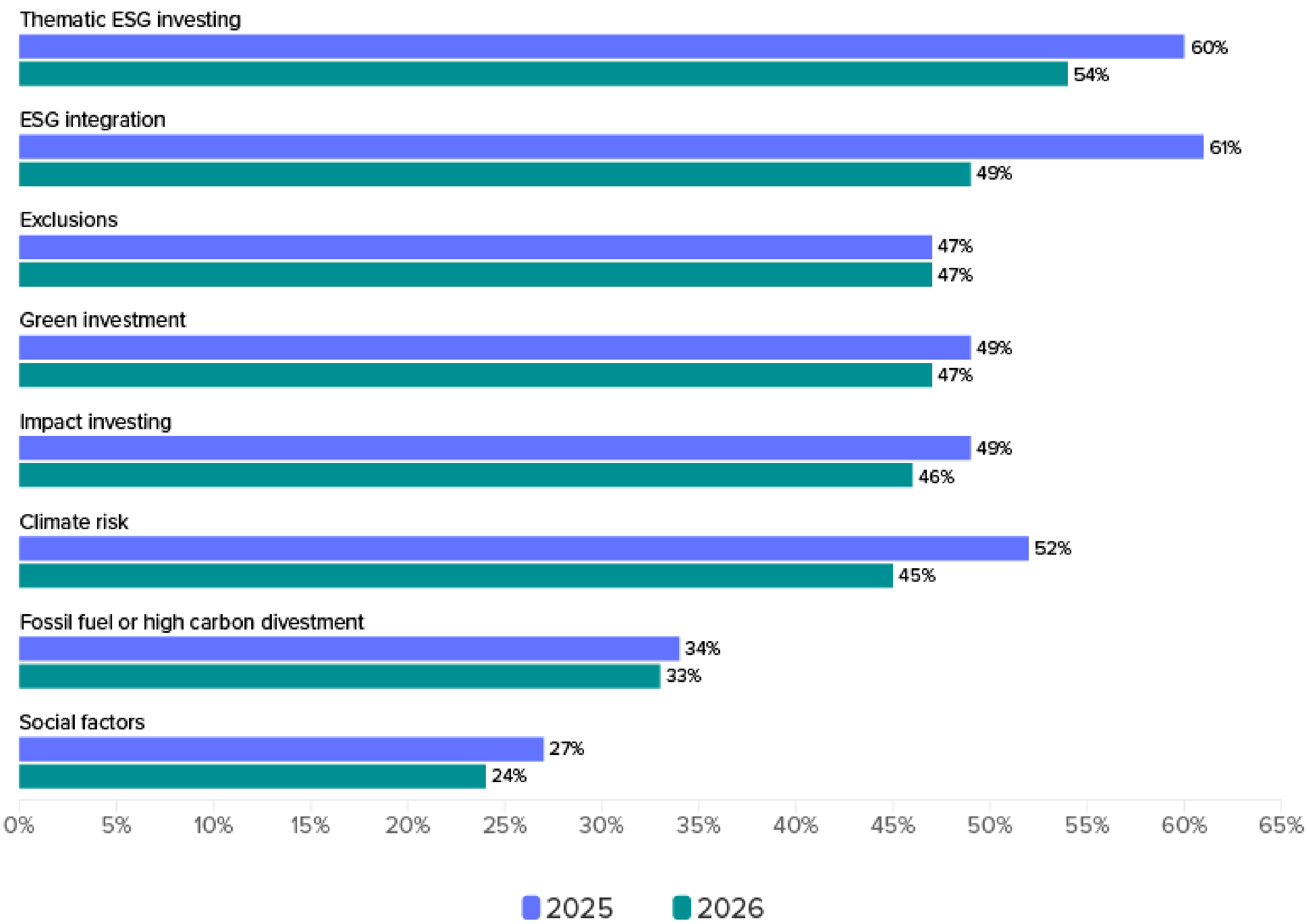
Implementing sustainable investment

How asset owners put their sustainable investment beliefs into practice continues to evolve, in response to their objectives, product development and the wider market and political context.

Mainstreaming of sustainable investment continues

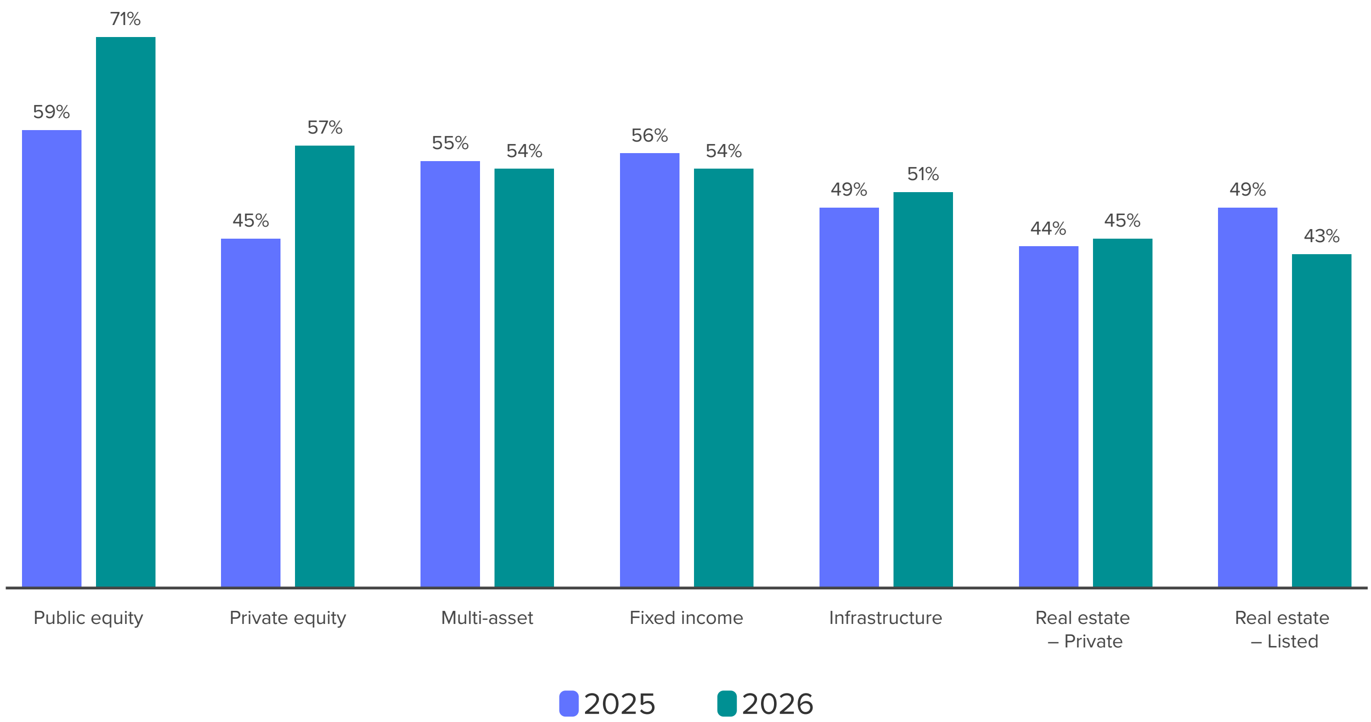
In line with the trend towards the mainstreaming of sustainable investment, asset owners are leaning towards a smaller number of relatively straightforward approaches and focusing on the most mature asset classes. There are indications that more public strategies, such as engagement, are declining, with the percentage of asset owners saying they are engaging on key themes all falling by 5-10 percentage points.

Figure 9: Thematic ESG investing and integration remain the most popular



Percentage of asset owners implementing sustainable investment considerations

Figure 10: Investors are prioritising public equities

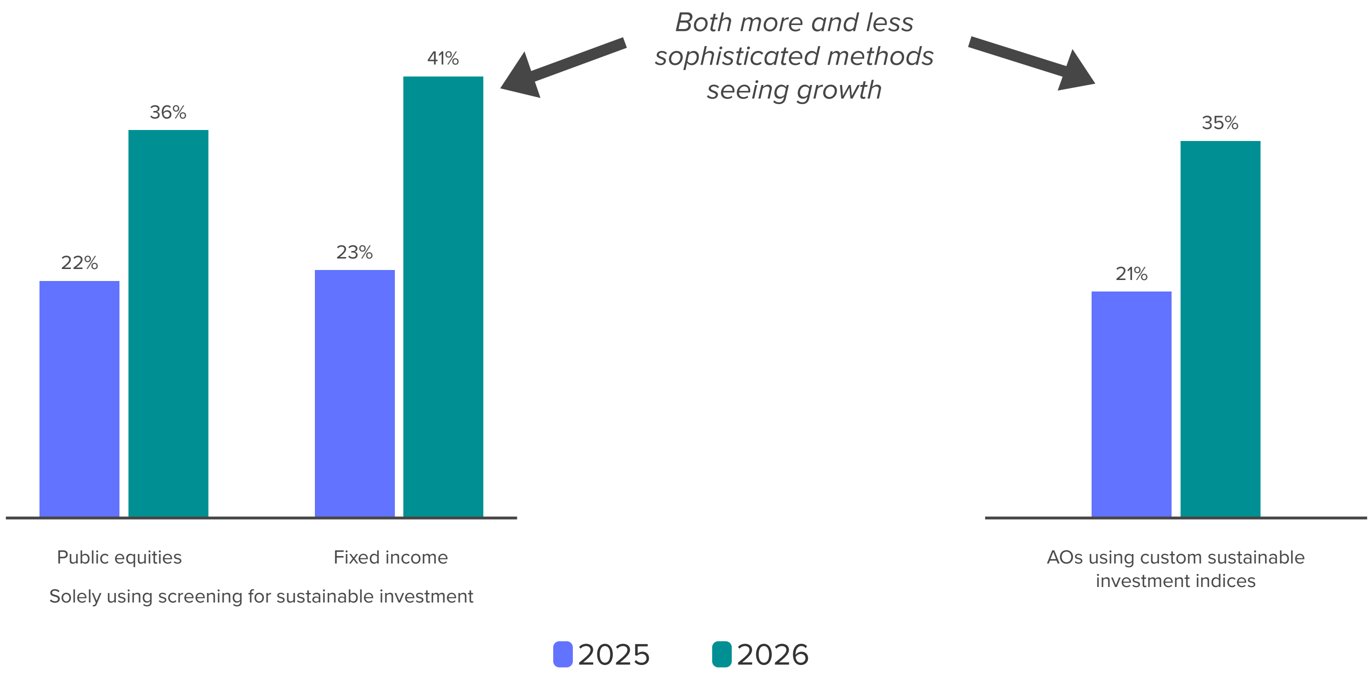


Percentage of asset owners implementing sustainability considerations by asset class

Listed equity is the most mature asset class in responsible investment terms and, as responsible investment practice becomes increasingly mainstreamed, it is where implementation by asset owners is most advanced.

This year we have also seen a significant jump in the percentage of investors pursuing responsible investment in private equity, reflecting the movement of sustainable investing practices from public to private markets. Implementation across other asset classes is broadly in line with levels seen last year.

Figure 11: A bifurcation in sustainable investment approaches



Approaches to implementing sustainable investment and use of custom sustainable investment index solutions (percentage of asset owners)

The greater uptake in responsible investment implementation is reflected both in an increase in the proportion of asset owners using some of the most straightforward strategies to apply sustainability considerations to parts of their portfolios, as well as the adoption of more sophisticated strategies among leaders. In both public equities and fixed income, the percentage of respondents solely using screening increased markedly, to 36% and 41% respectively, up from 22% and 23% last year.

At the other end of the spectrum, the survey found a large jump in asset owners using custom sustainable investment indices in passive allocations, with 35% of respondents saying they are doing so, up from 21% in 2025. This shows the increasing demand for highly tailored implementation of specific sustainable investment approaches by some asset owners.

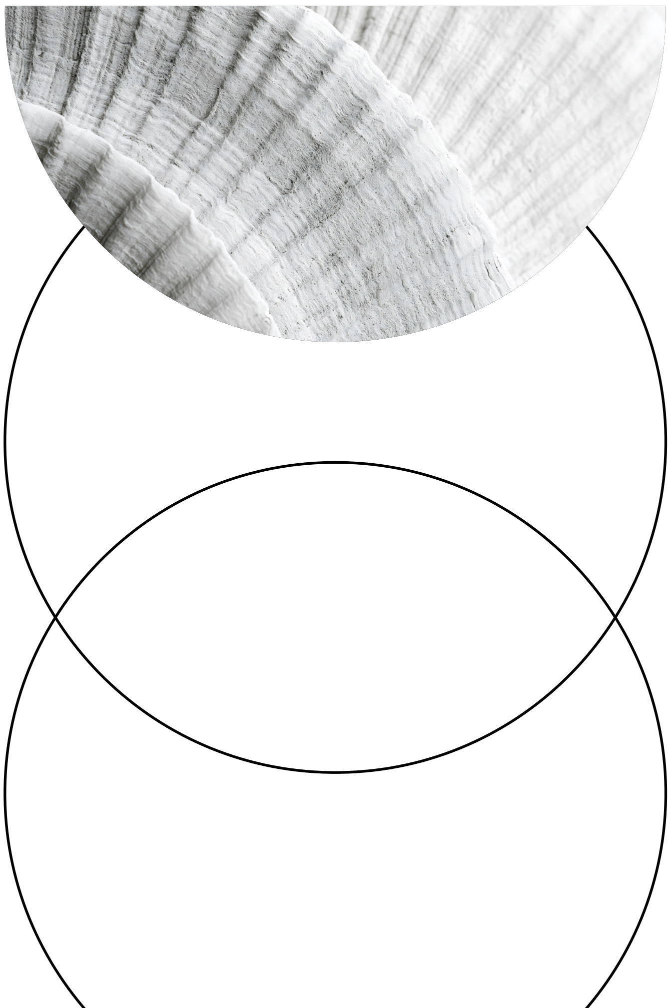
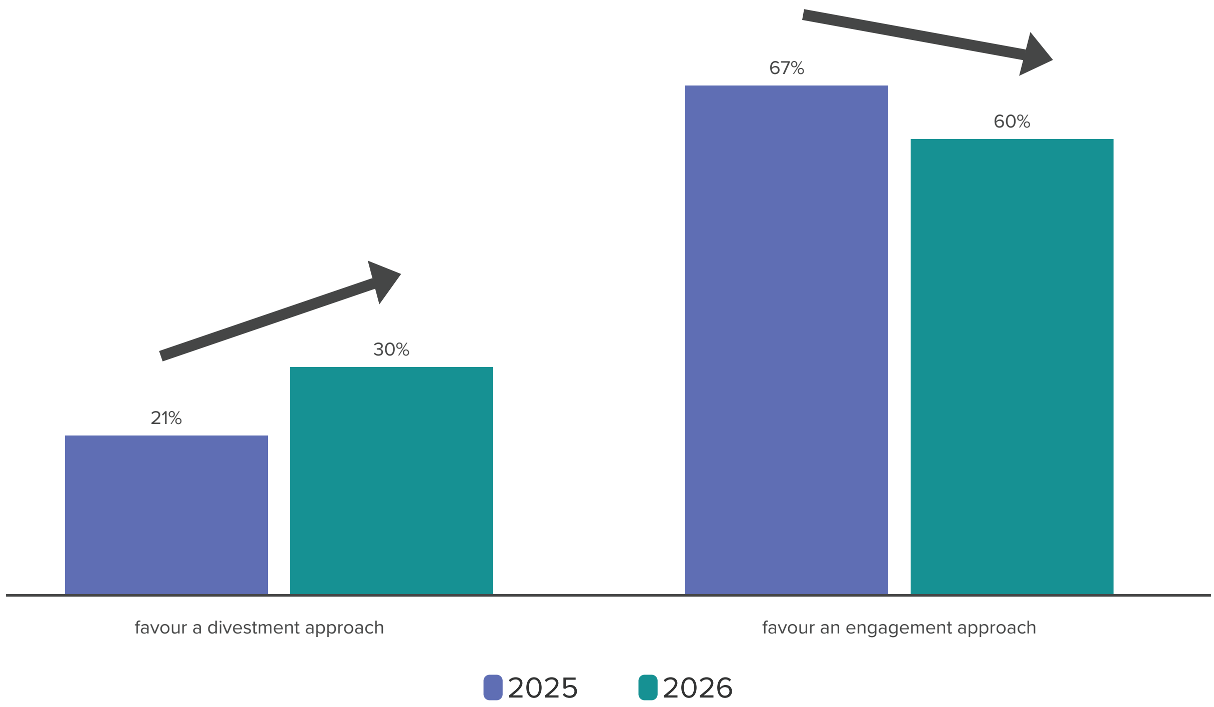


Figure 12: Signs that patience is waning for high-carbon assets



Views on divestment versus engagement approaches for carbon-intensive assets such as oil, gas, and mining stocks (percentage of asset owners)

Growing concern about climate risk is expressing itself in a declining proportion of asset owners who are pursuing engagement with carbon-intensive assets, such as oil, gas and mining stocks, falling from 67% to 60%. Increasingly, respondents now favour divestment, rising from 21% in 2025 to 30% in 2026, with a further 10% open to either approach.

This may reflect both efforts by asset owners to simplify their sustainable investment approaches and reported outcomes of engagement in carbon-intensive sectors.

4

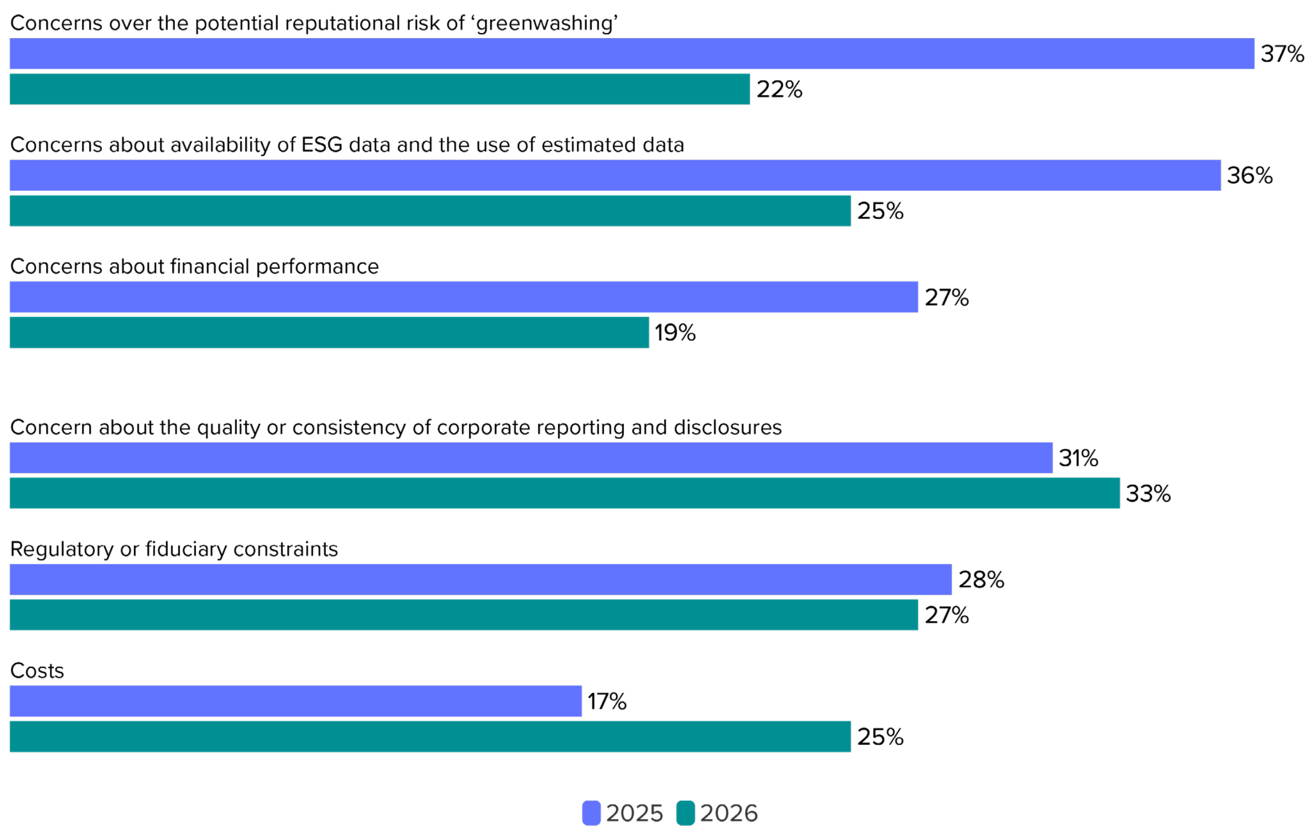
Sustainable investment’s next chapter

In recent years, concerns about greenwashing and the quality and availability of ESG data were the most commonly cited barriers to the greater adoption of sustainable investment. This year, both of those issues have fallen in saliency, with greenwashing dropping from the top barrier to one of the least cited, and ESG data availability cited by just 25% of respondents, compared with 36% last year.

Corporate reporting and costs rise up the agenda

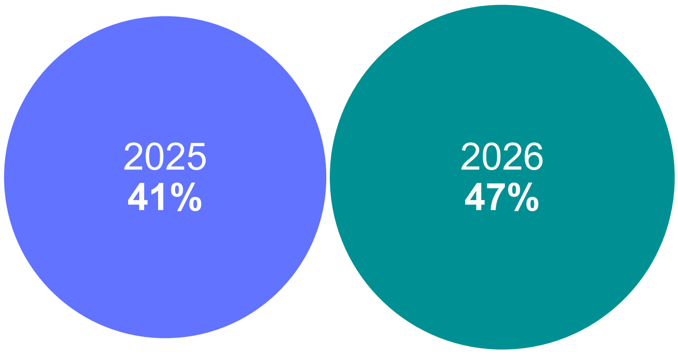
Instead, concerns about the quality of corporate reporting have risen to the number one spot. This coincides with the levelling off of rates of sustainability-related corporate reporting and changes to regulatory requirements in both Europe and North America. Meanwhile, reflecting the perceived overheads of implementing sustainable investment, costs were mentioned by 25% of asset owners, compared with 17% last year – although it should be noted that cost pressures are not unique to sustainable investment, but can be seen across the investment management industry.

Figure 13: Greenwashing, data and performance barriers falling, while reporting, fiduciary and cost concerns remain large and/or rising



Perceived barriers to increased sustainable investment adoption across asset classes (percentage of asset owners)

Figure 14: Asset owners put greater emphasis on the investment case

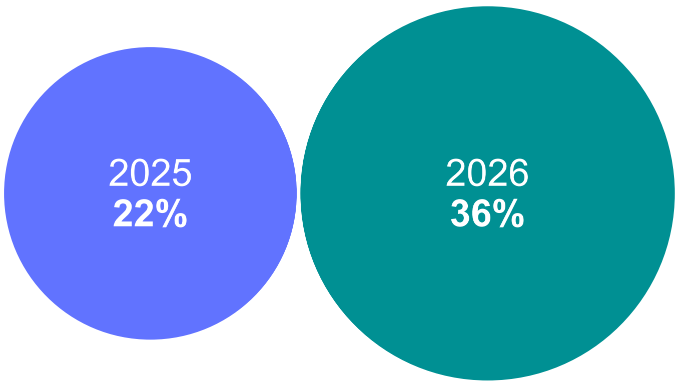


Percentage of asset owners who pursue sustainable investment to improve portfolio returns

Respondents to the survey increasingly believe that sustainable investment may reduce certain risks and potentially contribute to investment outcomes. The percentage that believe that concerns about financial performance represent a barrier to the implementation of sustainable investment practice fell this year to 19% from 27% last year.

In addition, almost half (47%) of asset owners agreed that their organisation's approach to sustainable investment is about better portfolio returns. They also supported the view that "corporates/issuers with stronger sustainability or climate practices are viewed by many respondents as having preferable investment characteristics."

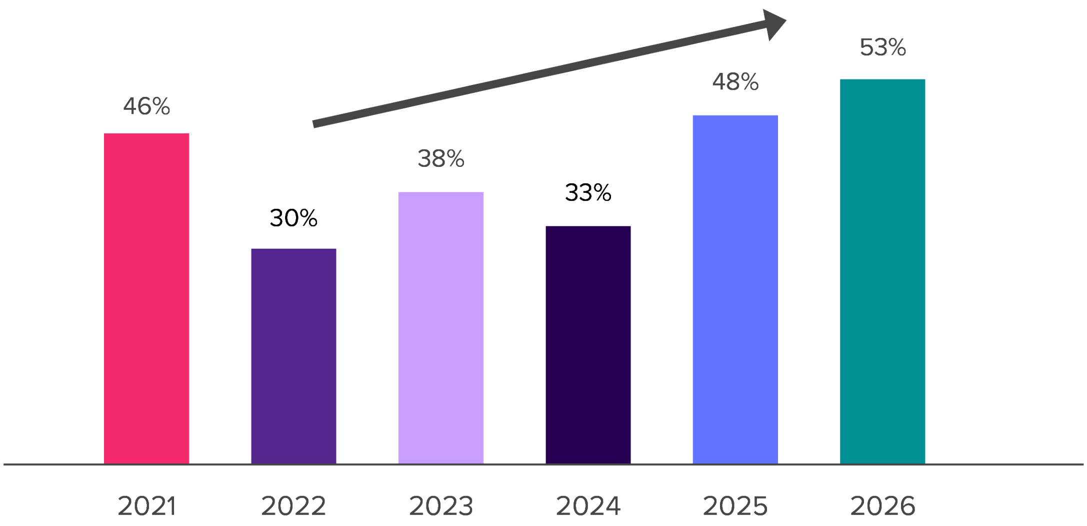
Figure 15: Moving beyond regulatory turbulence



Perceptions of regulation as a potential enabler of sustainable investment (percentage of asset owners)

This year's survey also finds that a growing number of asset owners believe the regulatory volatility of recent years around sustainable investment is abating. While a similar proportion of respondents consider regulatory or fiduciary constraints to be a barrier to uptake of sustainable investment this year as last (27% compared to 28% in 2025), more than one third (36%) consider regulation to be a potential enabler of sustainable investment, up from fewer than one quarter (22%) last year.

Figure 16: Increasing use of passive for sustainable investment



Percentage of asset owners implementing or considering implementing sustainability considerations in externally managed passive portfolios

An increasing number of asset owners are using externally managed passive investment solutions for sustainable investment. Whilst externally managed active remains the largest area cited by asset owners, this fell to 70% in 2026, from 80% in 2025. This chimes with earlier comments around the increasing importance of managing costs and may also be influenced by performance concerns.

5

Conclusion

Sustainable investment might not be as visible as it was at the start of this decade, but sustainability considerations are now deeply embedded in investment management.

Sustainability considerations are a widespread feature of modern investment practice. Every asset owner participating in this survey is either implementing sustainable investment or is considering how to do so.

Asset owners are applying sustainable investment practice to larger proportions of their portfolios. A significant percentage expect to do so across their entire portfolios within the coming years.

They are increasingly convinced of the investment case for addressing sustainability issues. Portfolio performance is cited by many respondents as a leading motivator and concerns about impacts on returns are declining.

Investors report greater concern about sustainability issues where policy momentum has shifted. The survey findings indicate heightened concern around climate change, corporate ESG disclosure and governance.

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About our Research

The 2026 Sustainable Investment 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

This is the ninth edition of a survey of asset owners around the world, conducted by FTSE Russell since 2018, about attitudes towards, and approaches to, sustainable investment.

– We received responses from 402 asset owners from 24 countries, in three regions: Asia Pacific (30%), EMEA (40%) and North America (30%).
– Respondents were all senior members of the sustainability, investment or management teams.
– The respondents were from a range of asset owner types; 45% pension funds, 15% insurance companies, 15% government-related and sovereign wealth funds, 18% endowments, foundations and family offices, and 7% other.

402
asset owners across

24
countries

Around 22% of respondents have assets under management (AUM) of US$100 billion or more, 48% have AUM of US$100 billion to US$1 billion, and 30% have AUM of less than US$1 billion.

Learn more about our asset owner survey and sustainable investment indices

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