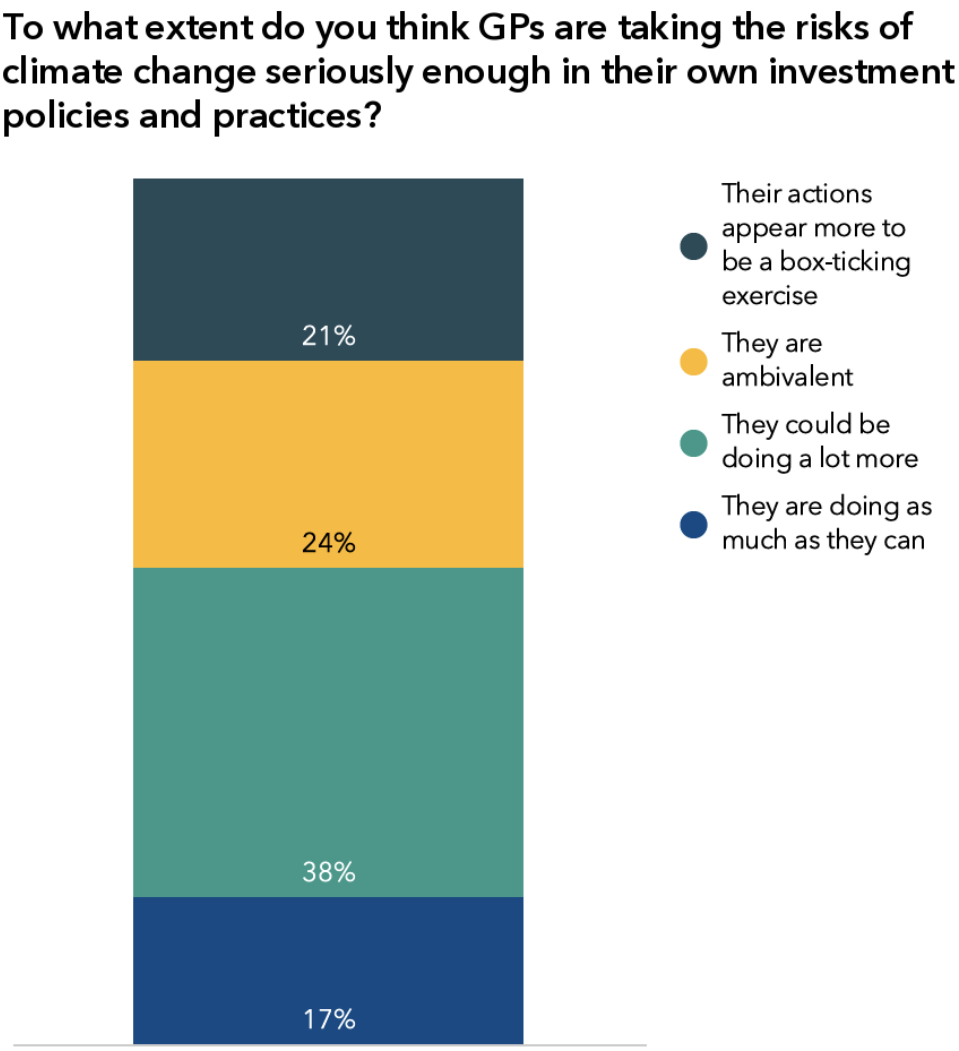
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To ESG or not to ESG

PEI Private Credit | February 26, 2025



Source: Private Debt Investor's LP Perspectives 2025 Study

LPs appear to be sending contradictory messages on the importance of incorporating ESG and sustainability into investment approaches.

How seriously should fund managers be taking their sustainability and ESG-related responsibilities? Judging by our LP Perspectives 2025 report, it’s hard to answer that question conclusively.

One the one hand, 38 percent of over 100 LPs which responded to the survey said GPs “could be doing a lot more” when it comes to taking climate change seriously in their investment policies and practices.

But on the other hand, 54 percent of LPs said climate risk was impacting their investment decisions either “to a small extent” or “not at all”. Furthermore, only 17 percent of LPs said they were willing to sacrifice some financial returns in exchange for investments that have higher ESG scores.

From this, it might be natural to assume that LPs would like GPs to take ESG and climate risk more seriously in an ideal world – but that they will not be overly punished for failing to do so.

Certainly when it comes to the allocation of capital, being on top of your ESG game does not appear to guarantee you a windfall. Only 23 percent of LPs surveyed had a specific allocation for the energy transition – falling to 19 percent for decarbonisation and 11 percent for net-zero-focused funds.

For those fund managers wanting to know how important ESG really is to their investors, the survey does not appear to provide easy answers. This perhaps befits a world where investors appear to prioritise ESG differently in the US and Europe – and where everyone is pondering the extent to which government actions will influence the world of investment.