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Private Debt

SUSTAINABLE BAROMETER

BY

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THE PRIVATE MARKETS INDEX MANAGER

&

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Private Debt Sustainable Barometer

BY NEWVEST & TIKEHAU CAPITAL

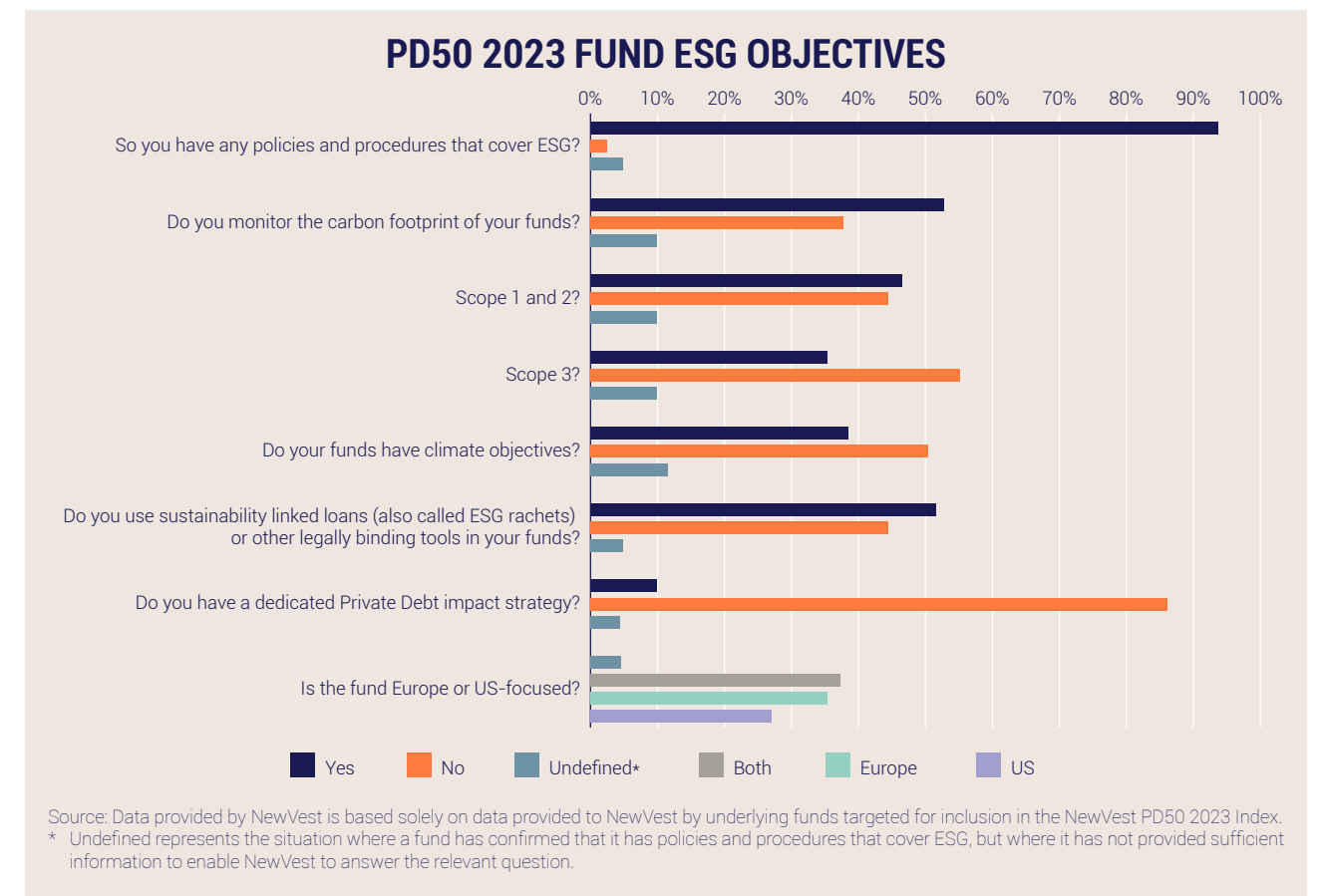
Jointly launched by NewVest and Tikehau Capital, this initiative aims to enhance the understanding of sustainability in the private debt market. The Private Debt Sustainable Barometer (“Barometer”) offers a snapshot of how ESG dynamics are currently integrated by some of the largest¹ private debt funds globally. Built on data sourced from the NewVest PD50 2023 Index, a passively managed index fund invested in most of these leading private debt funds, the initiative is intended to be published annually, contributing to greater transparency and benchmarking in the space.²

¹ The NewVest PD50 2023 Index is comprised of 42 private debt funds, weighted by fundraising target size, managed by many of the largest global private debt sponsors.

² It is important to note that this is an ESG analysis of the NewVest PD50 2023 Index, not an index comprised of ESG funds. Some of the included funds may have ESG considerations as part of their strategies, but few, if any, would self-identify as purely ESG-focused or impact-only strategies.



ESG MATURITY: A MULTI-SPEED LANDSCAPE



The data highlights significant disparities in ESG practices across the global private debt landscape, reflecting a market with an evolving level of maturity. Encouragingly, more than 90% of funds confirm having ESG policies and procedures in place, demonstrating a strong signal of institutional alignment, although practical alignment diverges across geographies and strategies.

This high level of adoption is a testament to the momentum behind wider market dynamics and responsible investing. Private debt managers are increasingly recognising that ESG factors can materially affect performance and risk management. Combined with growing LP demand³ and regulatory developments, these drivers are fostering a shift from static screening to more dynamic ESG engagement. Yet for many private debt managers, ESG integration remains largely policy-driven, with mechanisms still being developed to support ongoing monitoring and engagement.

³ The volume of sustainable private debt funds that closed during 2024 increased to \$39bn from \$15bn, a share of 15% in all private debt funds closed compared to 6% in 2023. Total volumes of all private debt funds closed (\$262bn) were in line with 2023's levels. Source: <https://gsh.cib.natixis.com/our-center-of-expertise/articles/sustainable-debt-in-focus-2024-summary-and-2025-outlook>



CONNECTING ESG WITH VALUE CREATION AND RISK MANAGEMENT

While **45% of private debt funds included in the NewVest PD50 Index do not yet offer sustainability-linked debt products**, this gap is considered to present an attractive opportunity for portfolio management. The data suggests that ESG integration efforts in the industry are concentrated during the due diligence and upfront screening stages, but there is clear appetite and potential for expansion into active engagement and lifecycle engagement of portfolio companies.

Private debt managers are beginning to explore more proactive ESG strategies – regular assessments of portfolio companies and tracking of ESG-related KPIs can unlock valuable risk mitigation and deeper insights. In a market where consistent data remains scarce, engagement offers an essential complement to traditional ESG analysis.

Monitoring how ESG adoption evolves is key, as engagement acts as a valuable complement to screening by helping to mitigate climate-related risks – and, by extension, credit risks – within portfolios. Engagement enables lenders to gain deeper qualitative insights into ESG risks through direct dialogue with borrower management teams or their sponsors, especially in a market where reliable data collection remains difficult. Engagement with borrowers also strengthens credit quality and fosters alignment with long-term sustainability goals.



GEOPOLITICAL CONTEXT

The data collected for the purposes of this analysis predates the second Trump administration. Some of the funds which make up the NewVest PD50 2023 have underlying portfolio companies engaged in ESG-themed projects which likely received support under the Inflation Reduction Act ("IRA"). It will therefore be interesting to see, for the next Barometer, how the funds and their underlying portfolio companies have dealt with ESG whether in *form* or in *substance* (e.g., in reducing reliance on Federal subsidies emanating from the IRA, change of terminology, etc.) and the impact of the bill once it comes into law. Whilst some investors are still evaluating the impact of the Trump administration's actions and intentions in this space, many of the significant renewable energy projects in the US are in traditionally Republican States and the full extent of the changes to the IRA are not clear as of the time this Barometer went to press. Furthermore, given that the funds in this NewVest PD50 2023 Index are not impact-dedicated vehicles but rather broad-based debt strategies with some ESG integration, we expect the implications of any rollback in IRA benefits to be less profound. While ESG considerations are present, they tend to be secondary rather than primary; in fact, the significant majority of the funds do not make any specific reference to the IRA. Nevertheless, it will be instructive to track how these managers respond to evolving U.S. policy. Terminology matters too, as ESG does not equate to *climate* or *energy transition* themes, although related (as has been demonstrated by some of the data collected in this Barometer).



CLIMATE FUND-LEVEL COMMITMENTS: WORK IN PROGRESS

Currently, over **50% of private debt managers in the NewVest PD50 2023 Index monitor the carbon footprint** of their portfolios – primarily focusing on Scope 1 and 2 emissions – and **almost 40% have adopted formal climate objectives at the fund level⁴**. Scope 3 coverage remains somewhat more limited, reflecting both methodological complexity and data limitations. With more robust emissions data and shared methodologies, it will become easier to define, implement, and track meaningful climate pathways across portfolios. As the sector matures, meaningful climate action will require greater standardisation, improved data granularity, enhanced reporting capabilities from borrowers and closer alignment between lenders and investee companies.



THE RISE OF IMPACT INVESTING IN PRIVATE DEBT

Though no funds in the index are solely impact-focused, the momentum for impact investing within private debt is growing. Many managers surveyed indicated they operate or are exploring separate impact debt strategies within their broader platforms.

While these strategies are often smaller and sit outside the scope of the NewVest PD50 2023 Index, their emergence signals growing conviction. Industry leaders are increasingly positioning themselves to meet demand for capital that drives measurable environmental and social outcomes.

Key barriers remain, including limited data, cost of acquisition, and the need for internal ESG expertise, but these are being actively addressed. As these challenges are overcome, a more vibrant impact investing landscape is expected to take shape.

We believe there is a business opportunity for private debt managers and asset owners who are currently not offering tailored impact investment products⁵. Impact investing grows due to innovations and market tail winds that improve profitability of companies operating in this segment, making them more creditworthy. As companies mature and seek customised debt solutions, capital demand rises. The growth is also driven by supportive policies and regulations – such as the U.S. Inflation Reduction Act (although as aforementioned, in light of President Trump's current bill, many of the benefits are likely to be modified or abolished at least in the short to medium term) and recent European legislation and LP shifting to conviction-driven thematic ideas that further stimulate market growth.

⁴ Based solely on data provided to NewVest by underlying funds targeted for inclusion in the NewVest PD50 2023 Index.

⁵ <https://www.mckinsey.com/industries/private-capital/our-insights/global-private-markets-report#/>



THE PATH AHEAD FOR ESG IN PRIVATE DEBT

The findings of this Barometer reflect a sector in transition. While ESG specifically and sustainability more broadly is now firmly embedded in the language of private debt, its application varies in depth, ambition, and operationalisation. The next frontier will be defined not only by adoption but by sophistication – the ability to translate ESG frameworks into real engagement, measurable outcomes and value creation for both investors and borrowers. With increased standardisation, improved data quality, and growing stakeholder pressure, managers have strong incentives to enhance climate reporting and commitment frameworks. As the tools and frameworks mature, private debt can be poised to contribute meaningfully to climate solutions.

This Barometer is intended as a resource for market participants seeking to benchmark progress, identify areas of improvement, and contribute to the continued evolution of ESG integration in private debt.

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