

Executive Summary

Transforming Performance

Shaping Tomorrow's Successful Companies

The transformation of the economy is a structural necessity, driven by climate and nature factors as well as by geopolitical, technological, and demographic changes that mutually reinforce each other's effects. Private capital can help determine how quickly the necessary adjustments happen. *Transforming Performance* – an initiative by ResFutura and WWF Germany – presents the first systematic empirical analysis of how private capital managers understand and integrate climate and nature issues into their organizations and investment processes. The study draws on a sample of 129 venture capital and private equity firms with combined assets under management of more than EUR 2 trillion.

Rather than assessing individual transactions, the study[1] examines the organizational and strategic conditions under which asset managers systematically embed climate and nature considerations across the investment lifecycle. It considers governance, strategy, investment processes, and portfolio allocation.

This focus reflects a broader macroeconomic premise: Capital tends to remain committed to legacy structures for as long as they continue to generate returns, even as underlying conditions shift. Historical precedent illustrates this mechanism: Britain's relative loss of industrial leadership around the turn of the 20th century is often attributed less to a lack of innovation than to the slow adoption of new technologies and to capital locked in established technologies and infrastructure, which created persistent incentives to reinforce the existing model rather than replace it. Comparable dynamics matter today, as energy security, geopolitical fragmentation, demographic shifts, and competition for natural resources increasingly redefine the conditions under which economic value is created. For investors, the question at hand is not whether adaptation is required, but which managers are positioned to enable it in time.

Strategic positioning is broad …

Three-quarters of participating firms consider the transformation of the economy to a climate- and nature-compatible future strategically relevant. They recognize climate and nature factors as important dimensions for risk, opportunity, and value creation, but embed these considerations in their organizations to varying degrees. Membership in relevant initiatives is similarly widespread: around 7 in 10 firms belong to at least one initiative supporting sustainable or transition-oriented investment, most commonly the Principles for Responsible Investment (UN PRI).

[1] Throughout, the analysis identifies correlations, not causal relationships. The sample has a European focus, with a particularly strong presence of German-speaking firms, and is not statistically representative.



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… consistent implementation remains rare.

This formal positioning does not consistently translate into binding commitments. Among PRI signatories in the sample, nearly four in five have not set a net-zero target, and more than 60% lack a transition plan. The picture is more favorable among signatories of the Science Based Targets initiative (SBTi), although implementation gaps remain. Across the full sample, only 1 in 5 firms has a defined net-zero target. Even among firms that systematically address decarbonization, only one in four has one. The findings therefore point to a significant gap between strategic self-assessment and operational reality.

Yet one figure captures this gap particularly sharply: only 12 of 129 firms (9%) consistently link strategy, process integration, responsibility, targets, and financial incentives. External signals reveal little about whether such a link exists. Among firms that send two common external signals – a transformation-oriented investment thesis and PRI membership – just about a quarter have also tied responsibility for transformation to financial incentives and to regular monitoring. These firms integrate climate considerations across an average of 5.6 of seven investment phases, compared with 4.3 among the remaining firms that send both signals (respondents only[2]). Deeper embedding is thus associated less with public commitment than with whether responsibility, process and incentives are linked to one another.

Four clusters reveal a maturity gap

To capture variation systematically, firms were scored on 36 criteria and grouped into four clusters reflecting the depth to which climate- and nature-related risks and opportunities are embedded organizationally. The scoring is weighted towards climate: nature is reflected via selected regular criteria and bonus points. The Transformative cluster additionally requires four knock-out criteria, including a link between responsibility and financial incentives. Eight firms could not be assigned due to insufficient data. The distribution differs significantly between VC and PE firms:

Reactive (PE: 9%, VC: 31%)
primarily driven by external pressure with limited internal structure;

Compliant (PE: 24%, VC: 31%)
primarily general ESG engagement, some policies in place, but implementation remains inconsistent;

Emerging (PE: 45%, VC: 24%)
integrates climate and nature considerations across multiple investment phases and within their governance;

Transformative (PE: 16%, VC: 7%)
transformation consistently shapes governance, reporting, external positioning, targets or a transition plan.

The Transformative cluster and the 12 fully linked firms (9%) are partly overlapping, rather than nested: 7 of the 12 are also classified as Transformative, while 5 sit

[2] All phase integration values refer to responding firms, based on a slightly varying n.



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in the Emerging cluster. Conversely, 11 of the 18 Transformative firms do not complete the full chain. The difference is structural: the cluster score allows criteria to offset one another, whereas the cumulative test requires every stage. This suggests that, among participating firms, broad indifference has been overcome: 83% of the firms assigned to a cluster reach at least the Compliant level. Institutional maturity at the highest level nonetheless remains limited to a minority of asset managers.

Engagement rather than automatic divestment

Cluster maturity is not associated with a linear reduction in CO_2-intensive assets. Transformation-oriented managers do not automatically exit emissions-intensive holdings; the cross-sectional evidence does not establish whether they retain, reduce, or transform such positions over time.

Engagement differs more clearly, although partly by design, as it is a scoring criterion: 83% of Transformative firms pursue an engagement strategy with portfolio companies, compared with 76% of Emerging and 42% of Compliant firms. Engagement topics with portfolio companies include, among others, the linkage of remuneration to climate KPIs and decarbonization roadmaps. This is consistent with an active-ownership interpretation: for asset managers, transformation may involve not only selecting lower-emission assets, but also using ownership influence to support change in existing businesses. The study does not, however, establish the causal impact of this engagement on real-economy outcomes.

No reported performance penalty so far

Very few firms report negative performance experiences related to transition investments. More than 4 in 10 report moderately positive return effects or significant value creation effects. The largest group - almost 50% - reports no clear evidence of consistent out- or underperformance to date, likely due to limited exit experiences. Managers reporting positive performance expectations also tend to report an intention to expand transformative activity further. Deeper organizational embedding is associated with this experience: firms reporting a positive performance contribution integrate climate considerations across an average of 5.0 of seven investment phases, compared with 3.9 among the others. Since both measures are self-reported, the data reflect a more favorable self-assessment rather than actual, realized returns.

Portfolio reality

Four out of five firms currently hold assets related to resource efficiency improvements, decarbonization, or other climate solutions. Their weight, however, varies significantly: of the 101 firms responding, 18% hold no climate-solution assets, 52% allocate substantially less than half of their assets to them, and 18% substantially more than half. Nature-positive investments remain less widespread, with 44% of firms reporting no such holdings to date.



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VC and PE: different but potentially complementary logics

Venture capital firms are underrepresented in the upper clusters – why? On average, VC firms score lower than PE firms, almost entirely on regular criteria; the weighting of nature in the score explains only a small part of the gap. Further, the cluster model measures the formalization of transition-related practices, not the weight of transition-related assets in a portfolio. VC firms do not hold climate-solution assets more frequently than PE buyout firms: 84% of responding VC firms report such exposure, compared with 88% of PE buyout firms. The difference lies in portfolio weight. Among responding firms, 47% of VC firms allocate around half or more of their assets under management to climate solutions, compared with 23% of PE buyout firms.

These patterns are consistent with different, potentially complementary investment logics. VC typically finances earlier-stage technologies, business models, and companies that develop and scale alternatives to established industrial processes. PE can operate later in the cycle, where existing businesses, assets, and operating models require modernization, digitalization, and decarbonization. This does not imply that one model is inherently more transformative than the other.

Nature follows the same logic as climate, at a lower level of maturity

No firm in the sample is more deeply embedded in nature than in climate, and nature embedding rises systematically with climate embedding. In portfolio allocation, however, the share of firms holding nature-positive assets shows no clear pattern across the clusters. Standardized, comparable target pathways for nature-related transformation remain limited, which constrains benchmarking. Nature-related transformation can nevertheless be operationalized through specific themes such as freshwater availability, land use, biodiversity, deforestation, pollution, and supply-chain dependencies.

Investor responsibility

The data also show a strong association between more specific LP expectations and the systematic integration of climate-related considerations into investment processes. Among firms reporting that LPs encourage them to prioritize specific topics such as climate compatibility, 95% also address those topics systematically in their investment process. On average, those managers consider climate-related aspects in 5.3 of seven investment phases. Where investors provide no specific requirements, the average drops to 3.3 phases.

Formal accountability and financial incentives matter as well. Firms linking transformation responsibility to relevant financial incentives integrate climate considerations across an average of 5.4 of seven investment phases, compared with 4.0 among other firms. Specific LP expectations, clear internal responsibility, and financial incentives thus tend to go together with more comprehensive integration.

The logic of capital allocation is shifting quietly but steadily. For investors, the data suggest that whether a manager has tied responsibility for transformation to



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incentives and built structures that carry implementation is a more telling signal than memberships and declarations of intent. Investors and managers who do not translate this shift systematically into their own practices risk overlooking central strategic risks and missing opportunities.

From diagnosis to practice

The findings also translate into practical guidance. Two checklists – one for investors assessing managers, one for investment firms reviewing their own organization – condense the results into five linked areas and ten verifiable points. Following an evidence principle, they allow a status assessment and, for general partners, a roadmap for developing their own transformation capability.

Policy and regulation, in turn, may act in both directions. Alongside industry trends (83%) and changing sector attractiveness (80%), regulatory developments (57%) rank among the three most frequently cited reasons for transformation-related portfolio shifts. At the same time, regulatory uncertainty is the most commonly named reason for not pursuing climate-related (58%, closely followed by technological uncertainty at 56%) and nature-related (56%) investment opportunities. The findings draw the same conclusion: what is needed is not more reporting obligations, but rather reliable, long-term planning conditions for investment horizons that span several years.

The full study is available for download in German at:

https://www.transforming-performance.info/

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