

Top Reasons Private Market Investors Need Annual ESG Reports

Malk Insights — Q1 2025

Key Takeaways

- Institutional investors are setting higher expectations for ESG reporting, with 80% acknowledging ESG's impact on financial performance and only 3% rating current sponsor reports as "excellent."
- Effective ESG reporting helps investment managers stand out in a competitive market for capital allocations and reinforces their reputation as responsible stewards of capital.
- Publishing an annual ESG report can advance organizational culture by aligning internal efforts with broader strategic goals. Additionally, annual reports highlight value creation and risk management capabilities, satisfying both investor and organizational interests.

ESG Annual Reports – An Emerging Standard in Private Markets

For private market investors, ESG annual reports serve as critical tools for demonstrating risk management practices, regulatory resilience, and sustainable value creation strategies to key stakeholders that factor in ESG. These reports (also called sustainability/responsible investment annual reports) can outline key portfolio ESG metrics, progress on ESG goals, and alignment with relevant frameworks. Importantly, annual reports also address the growing expectations of Limited Partners (LPs), who increasingly demand detailed disclosures to ensure alignment with their own ESG commitments, regulatory compliance needs, and long-term portfolio objectives. Misconceptions that ESG annual reports are purely symbolic have prompted LPs to evaluate the quality of ESG reports as a critical factor in their decision-making process for capital allocations. Notably, Private Equity International's recent [LP Perspectives 2025 Study](#) found that institutional investors are holding ESG reports to higher standards when selecting and monitoring their managers. Only 3% of surveyed LPs described the frequency and quality of sponsors' ESG reporting as 'excellent', down from 10% the year prior, while 38% of LPs are expecting more initiative on ESG from their GP sponsors. With [80% of institutional investors](#) believing that ESG has an impact on the financial performance of an investment, pressure is placed on GPs to regularly report on accurate and informative ESG performance data.

Top Reasons to Publish an Annual ESG Report

#1 – ESG is becoming an important driver of capital allocation

- ⇒ LPs have looked to place greater emphasis on responsible investment performance and track records when allocating capital. As a result, more LPs are setting annual ESG reports as minimum requirements for ongoing commitments. Malk analyzed due diligence questionnaires from ~50 LPs and held insightful conversations with GP clients that revealed an expanding breadth of ESG data requests. According to a recent study, 85% of LPs plan to increase their focus on sustainability, affecting how capital is allocated across private markets.

⇒ Annual ESG reports provide the detailed data and narratives that LPs value when evaluating GP performance metrics against their strategies. This transparency helps fund managers stand out in a competitive market.

#2 – Robust ESG reporting is essential for keeping up with industry peers

⇒ In today's market, robust ESG reporting has shifted from being a differentiator to becoming an essential component of a modern investment manager's strategy. As private market investors continue to bolster their ESG disclosure capabilities, annual reporting has become a necessary tool for keeping up with industry peers. According to GPs that participated in Malk's [2023 State of ESG survey](#), 63% published either LP- or public-facing annual ESG reports, up from 38% in the year prior. Ultimately, ESG annual reports elevate investment manager credibility by presenting year-over-year ESG progress in a consistent and sophisticated manner.

#3 – Exhibiting agility in a fluctuating reporting environment

⇒ With reporting frameworks, like the Corporate Sustainability Reporting Directive (CSRD) and Sustainable Finance Disclosure Regulation (SFDR), gaining more traction with LPs and regulators, evidence of leading framework and standard integration is becoming increasingly necessary. Annual reports allow GPs to display confidence in navigating these emerging requirements and staying ahead on macro ESG developments.

⇒ Demonstrating regulatory controls in an annual report, or acknowledging the need for them, can be a powerful display of awareness in an environment where investors, including LPs, are [vocal about the complexities](#) being introduced to data management and reporting.

#4 – Showcasing advanced risk management and value creation levers

⇒ Functional ESG integration can advance a firm's risk management and value creation capabilities. Annual ESG reports can close the loop on ESG integration initiatives through case studies, KPIs, and investment commentary. These reports provide the GPs an opportunity to summarize the outcomes of ESG efforts and demonstrate evidence of measurable impacts on both risk reduction and long-term value creation.

⇒ On a related note, annual reports provide GPs with an opportunity to present case studies and narratives on ESG value creation initiatives, showcasing the return on investment from successful ESG integration. Such initiatives emphasize the critical role played by private market investors in driving sustainable growth in the global economy.

A Trusted Partner for Best-in-class Reporting

Acknowledging the administrative and technical challenges that come with robust ESG reporting, 71% of organizations currently outsource core ESG reporting activities, or plan to in the next three years. Malk offers specialized ESG Annual Report solutions for GPs, supporting on both public-facing and LP-facing reports that effectively communicate ESG management systems and progress by integrating complex data insights tailored to the intended audience. Malk's experience with complex data aggregation and regulatory reporting provides GPs with an end-to-end solution for cohesive annual reporting, summarizing year-over-year performance and most-relevant KPIs. Annual ESG reports produced by Malk have assisted premier investors across diverse asset class strategies and a spectrum of ESG maturity. Our experience with annual reports can showcase both the beginnings of ESG journeys and advancements on mature programs.

Authors



Emily Goldstein-McGowan
Engagement Manager
e: egoldstein-
mcgowan@malk.com



Avinal Garach
Senior Associate
e: agarach@malk.com

Malk Partners does not make any express or implied representation or warranty on any future realization, outcome or risk associated with the content contained in this material. All recommendations contained herein are made as of the date of circulation and based on current ESG standards. Malk is an ESG advisory firm, and nothing in this material should be construed as, nor a substitute for, legal, technical, scientific, risk management, accounting, financial, or any other type of business advice, as the case may be.

About Malk Partners

Malk Partners is the preeminent advisor to private market investors for creating and protecting value through environmental, social, and governance (“ESG”) management and impact investing. Founded in 2009, Malk Partners advises many of the world’s leading alternatives managers investing across private equity, growth equity, venture capital, and private credit by helping them define ESG goals, achieve ESG results, and guide their portfolio companies in driving value creation and mitigating risks. The firm is headquartered in New York. For more information about Malk Partners, please visit www.malk.com.