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Inst’l Investors Explore New Sustainability Themes Amid Political Pressure

Investors have grown more careful around ESG tactics and terminology as President Trump strips back environmental policies.

By Sabiq Shahidullah | April 30, 2025

Institutional investors are rethinking how they describe and implement sustainable investing strategies in the face of regulatory rollbacks under President Donald Trump and yearslong political backlash.

The most popular sustainable development themes among institutional investors were economic growth, good health, climate action and clean energy in 2024, according to a study by The Global Impact Investing Network.

"A lot of the institutional investors are trying to understand what is that ideal mix of energy that we need, based on cost curves, based on shifting policies that support different technologies in different parts of the world," said **Mark Hays**, director of sustainable and impact investing at **Glenmede**. "The market has moved to this idea that there is no one silver bullet to energy."

Nuclear plants have emerged as a strong clean energy and infrastructure investment, said Lauren Gellhaus, a vice president at Wilshire. While many institutions have been hesitant to invest in nuclear due to safety concerns, there have been technological advancements that make nuclear plants much safer to operate, she added.

Nearly 70% of institutions plan to increase impact investments in the energy sector over the next five years, the GIIN study stated.

However, the Trump administration's backlash against environmental sustainability has created headwinds for sustainable-tech industries, Hays said.

President Trump has rolled back environmental regulations and clean energy subsidies, in a bid to boost domestic fossil fuels production. The president's policies could reduce funding for offshore windmills, solar panels, electric vehicles and other forms of clean tech, Hays said.

Given the Trump administration's recent tariffs, which aim to rebuild American manufacturing industries, a bigger focus on how U.S. companies treat workers could emerge, Hays said.

"Something that has been a central thread around sustainable investing is this idea... that companies that have high-quality jobs over time outperform those that don't because they're able to attract, retain and promote top talent," Hays said.

When investors look at companies that reshore jobs in the U.S., those impact considerations – work-life balance, benefits, culture – must also become investment considerations, Hays added.

Critics of ESG, including some powerful lawmakers and state officials, allege that ESG violates fiduciary duty by prioritizing impact goals over financial gain.

As a result, institutional investors have become much more careful about using the terms ESG and impact investments, said Gellhaus. For example, some investors may refer to climate change as the "energy transition" to avoid political connotations, she said.

Additionally, regulators have fined some managers for "greenwashing," or exaggerating the importance of ESG within their products for marketing benefits.

"Now we're seeing more of what is being called 'greenhushing,' where managers are deemphasizing the role that ESG plays within the investment process," she said.

There is growing interest in integrating impact investments into diversified funds, which can also include "sin stocks" like oil companies, while still measuring and accounting for ESG risk, said Daniel Ingram, head of responsible investing at Aon.

Many institutions have dedicated ESG funds that exclusively invest in sustainable companies, he added.

"We're very clear with our clients that the integration of [ESG] into diversified funds, where you don't see ESG in the fund label, is happening on a financial materiality basis, " Ingram said. "It is relevant to risk and return and to driving long-term value."

The integrated approach is based on the idea that investors can generate alpha by considering sustainable trends, like the speed of decarbonization or the direction of climate mitigation technology, Ingram said.

But the Trump administration's backlash against sustainability will force institutions to navigate a complex federal and state regulatory landscape, Ingram said. "From a regulatory point of view, this divergence is going to create some real challenges for multinational companies and for investors," he added.

Consultants and managers working with public institutions will have to keep up with shifting regulations in the different states and cities where their clients reside, he noted.

"If you start trying to draw lines, or draw trends across the U.S., it's very difficult until you start talking individually, client-by-client, around what they're trying to do and what their goals are," Ingram said.

Political pressures in the U.S. could prompt investors to look globally for sustainable-technology opportunities.

"Other regions are stepping up in the opposite direction," Glenmede's Hays said.