VERDE ADVISORS

THOUGHT LEADERSHIP SERIES

2026

Annual ESG Outlook

The State of Institutional ESG Integration

An examination of ESG integration trends, emerging regulatory frameworks, and the investment priorities shaping institutional portfolios in 2026.

THIS REPORT COVERS

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SECTION 01

Executive Summary

2026 Annual ESG Outlook

The institutional ESG landscape in 2026 is defined by a convergence of forces that are reshaping how asset managers, pension funds, endowments, and family offices approach environmental, social, and governance integration. Regulatory pressure has moved from voluntary to mandatory in key jurisdictions. The measurement and verification bar has risen materially. And the investors who established ESG programs early are now seeing a clear competitive advantage in talent attraction, LP relationships, and regulatory preparedness.

This Annual ESG Outlook synthesizes Verde Advisors' assessment of the most significant trends, regulatory developments, and investment implications for institutional investors in 2026. It draws on our proprietary family office ESG database, publicly available regulatory and industry research, and the insights gained from conducting ESG Portfolio Assessments across dozens of institutional investment programs.

Key Findings at a Glance
• ESG integration has crossed the institutional mainstream — 78% of institutional investors now have a formal ESG policy, up from 52% in 2022.[V,1,2] The question is no longer whether to integrate ESG but how to do it credibly and efficiently.
• Regulatory convergence is accelerating — the SEC,[5] ISSB,[7,8,9] EU SFDR/CSRD,[4,10] and California SB 253/261[13,14] are creating overlapping disclosure obligations that will require systematic data collection from 2026 onward.
• Climate remains the dominant ESG risk — physical climate risk is now priced into real asset valuations in coastal and wildfire-prone geographies.[16] Transition risk is accelerating in energy sector credit.[13]
• Governance quality is the strongest predictor of ESG program success — managers with board-level ESG oversight outperform peers on all ESG dimensions over 3+ year periods.[V,17]
• The Scope 3 data gap is the single largest unresolved ESG measurement challenge — only 22% of institutional portfolio managers currently provide Scope 3 emissions data.[V,13]
• Family offices are increasingly demanding ESG credentials from managers — Verde Advisors' proprietary research shows that 68% of family offices with AUM above $250M now include ESG criteria in their manager due diligence process.[V]

SECTION 01

State of ESG Integration

Institutional Adoption Trends

1.1 The Mainstreaming of ESG

ESG integration has undergone a fundamental shift over the past five years — from a values-driven overlay adopted by mission-aligned investors to a core component of institutional investment risk management. The drivers of this shift are both regulatory (expanding mandatory disclosure requirements) and commercial (LP expectations, talent, and cost of capital implications).

Verde Advisors' proprietary family office ESG database shows that the adoption curve has steepened dramatically since 2022, with formal ESG policy adoption increasing from 52% to 78% among family offices with AUM above $250M[V,1,2]. The remaining 22% are not opposed to ESG — they lack the governance infrastructure and data collection systems to implement it credibly.

ESG Adoption Metric	2022	2024	2026	2-Year Change
Family offices with formal ESG policy	52%	67%	78%	**+26 pts**
Managers requiring ESG questionnaire in due diligence	38%	55%	68%	**+30 pts**
Portfolios with TCFD-aligned climate disclosure	18%	31%	44%	**+26 pts**
Managers with ESG-linked executive compensation	21%	29%	38%	**+17 pts**
Portfolios tracking Scope 1/2 carbon intensity	29%	44%	58%	**+29 pts**
Portfolios tracking Scope 3 emissions (partial or full)	8%	14%	22%	**+14 pts**
UNPRI signatory rate among portfolio managers	31%	38%	46%	**+15 pts**

Source: Verde Advisors proprietary family office ESG database; Mercer 2025 E&F; ESG Study; CFA Institute 2025 Responsible Investment Survey.

1.2 The Quality Gap

Adoption statistics tell only part of the story. The more important trend in 2026 is the widening quality gap between institutional investors who have built genuine ESG infrastructure — data systems, governance frameworks, manager engagement programs, and verified reporting — and those who have adopted ESG in name only through policy statements without measurement or accountability.

Verde Advisors categorizes institutional ESG programs into four maturity levels. In 2026, the distribution among family offices with AUM above $250M is as follows:

ESG Program Maturity Level	Definition	% of Family Offices	Key Characteristics
Level 4: ESG Leader	Best-in-class ESG integration with verified disclosure, active manager engagement, and portfolio-level ESG targets	12%	Third-party assured reporting; TCFD-aligned portfolio disclosure; ESG minimum standards in manager selection; regular IC-level ESG reporting
Level 3: ESG Aware	Above-average ESG practices with meaningful integration and some measurement gaps	34%	Formal ESG policy; ESG questionnaire in due diligence; portfolio-level score tracking; annual ESG review
Level 2: ESG Developing	Basic ESG awareness with policy adoption but limited measurement infrastructure	38%	ESG policy statement; informal manager ESG assessment; limited data collection; no verified reporting
Level 1: ESG Nascent	ESG on the agenda but no formal policy, measurement, or manager engagement program	16%	Interest in ESG but no implemented program; reliant on manager self-reporting; no portfolio-level visibility

Verde Advisors Observation: Family offices in the ESG Aware and ESG Leader tiers (46% combined) are increasingly using ESG credentials as a differentiator in competing for co-investment opportunities, institutional LP relationships, and talent. The gap between Level 4 and Level 1 programs is widening, and the cost of closing that gap is rising as regulatory requirements expand.

SECTION 02

Regulatory Landscape

SEC · SFDR · ISSB · California · EU CSRD

The regulatory environment governing ESG disclosure has undergone the most significant transformation in its history over the 2023–2026 period. What was a voluntary landscape dominated by TCFD and UN PRI recommendations has become a multi-jurisdictional mandatory disclosure regime with overlapping requirements, significant penalties for non-compliance, and a clear trajectory toward full convergence around the ISSB baseline standards.

Regulation	Jurisdiction	Status (June 2026)	Key Requirements	Institutional Impact
SEC Climate Disclosure Rules	United States	Phase 2 implementation underway (large accelerated filers)	Disclosure of material climate risks; Scope 1/2 emissions for large filers; TCFD-aligned governance and strategy disclosure	HIGH — affects majority of public company holdings; fixed income issuers next in scope
SFDR (Art. 6/8/9)	European Union	In force; enhanced Level 2 provisions since 2023	Sustainability risk disclosure at entity and product level; PAI indicators; product-level ESG classification	MEDIUM-HIGH — required for European LP relationships; increasingly expected in US institutional context
ISSB IFRS S1 & S2	Global (130+ jurisdictions)	Adopted as mandatory in 32 jurisdictions; voluntary in 98+	General sustainability disclosure (S1); climate-related disclosure (S2); convergence point for all major frameworks	HIGH long-term — becoming the global ESG disclosure baseline; foundational for all other frameworks
California SB 253	California, USA	Scope 1/2 required by 2026; Scope 3 by 2027	Annual climate disclosure for companies with $1B+ revenue doing business in California	HIGH — affects large proportion of institutional portfolio companies; Scope 3 creates urgent data collection need
California SB 261	California, USA	First reports due 2026 for $500M+ revenue companies	Biennial climate-related financial risk report aligned to TCFD	MEDIUM — creates additional TCFD adoption pressure for large portfolio companies
EU CSRD / ESRS	European Union	Large companies: 2025; mid-size: 2026-2028	Comprehensive sustainability reporting under 12 European Sustainability Reporting Standards (ESRS)	MEDIUM — PE portfolio companies with EU operations; supply chain obligations under CSDD

Regulation	Jurisdiction	Status (June 2026)	Key Requirements	Institutional Impact
TNFD (Nature)	Global (voluntary, expanding)	Framework published 2023; early mandatory adoption in several jurisdictions	Nature and biodiversity-related financial disclosure; LEAP approach (Locate, Evaluate, Assess, Prepare)	LOW-MEDIUM — natural resources, real assets, agricultural exposure most directly affected

2.1 The ISSB Convergence Moment

The publication of IFRS S1 and S2 by the International Sustainability Standards Board in 2023 marked the most important development in ESG disclosure history. For the first time, a single, globally recognized baseline standard exists that incorporates the key requirements of TCFD, SASB, CDP, and GRI[8,9] into a coherent framework. With 130+ jurisdictions either adopting or actively considering ISSB standards as mandatory requirements[10][10], the question for institutional investors is not whether ISSB will become the global standard — it already has. The question is how quickly to align portfolio manager engagement and data collection systems with ISSB requirements ahead of the adoption curve.

> **2026 Action Implication:** Institutional investors with portfolio manager ESG data collection programs should update their questionnaires and data requests to align with ISSB IFRS S1/S2 requirements now. Managers who are already producing TCFD-aligned disclosures are approximately 70% of the way to ISSB compliance — the gap is primarily in S1's broader sustainability risk identification requirements beyond climate.

SECTION 03

Climate Risk

TCFD Adoption · Carbon Pricing · Physical Risk · Transition

3.1 Physical Climate Risk — Now Priced in Real Assets

Physical climate risk has crossed a critical threshold in institutional real asset portfolios: it is now being reflected in asset valuations, insurance premiums, and lender underwriting standards in ways that were theoretical only three years ago. The convergence of three factors in 2025–2026 has accelerated this transition: (1) the increasing frequency and severity of climate events impacting real asset values directly; (2) the withdrawal of property insurance from high-risk markets; and (3) the implementation of mandatory physical climate risk disclosure in several key jurisdictions.

Physical Risk Category	Highest Risk Geographies	Asset Classes Most Exposed	2025-2026 Market Signal
Coastal Flooding / Sea Level Rise	Southeast US coastal markets; South Florida; Houston Gulf Coast	Coastal commercial RE; port infrastructure; residential development	Insurance premiums up 40-80% in top-risk markets;[16] lender LTV reductions of 5-15%[16]
Wildfire Risk	Western US (CA, CO, AZ, OR); Australia east coast	Timber; residential RE in WUI zones; utility infrastructure	Insurers withdrawing from CA market; FEMA flood map updates creating value dislocations

Physical Risk Category	Highest Risk Geographies	Asset Classes Most Exposed	2025-2026 Market Signal
Extreme Heat Stress	US Southwest; Middle East; South Asia	Industrial facilities; data centers; outdoor workers' productivity	Cooling energy cost increases; labor productivity impacts being modeled by large RE owners
Water Stress	US Southwest; Sub-Saharan Africa; parts of South Asia	Agriculture; industrial manufacturing; water utilities	Water rights now explicitly modeled in agricultural land valuations in AZ, CA, CO
Winter Storm / Freeze Events	US central states; Northern Europe	Infrastructure; energy; commercial and residential RE	Texas grid reliability premium emerging in commercial RE underwriting post-Feb 2021

3.2 Carbon Pricing — Transition Risk Accelerating

Carbon pricing mechanisms are now operating in 75+ jurisdictions globally, covering approximately 23% of global GHG emissions[13]. The trajectory of carbon pricing is unmistakably upward — both in geographic coverage and per-ton price levels. For institutional investors with exposure to carbon-intensive sectors (energy, industrials, transportation, agriculture), transition risk management has moved from a long-horizon consideration to a current-year investment decision.

Carbon Pricing Mechanism	Jurisdictions	Current Price Range (2026)	Trend	Portfolio Exposure
EU Emissions Trading System (EU ETS)	European Union (27 countries)	€65-90/ton CO2e	**Upward**	European portfolio company operations; EU-listed equity holdings
UK Emissions Trading Scheme	United Kingdom	£30-55/ton CO2e	**Upward**	UK-based portfolio companies; cross-border supply chains
California Cap-and-Trade	California, USA	$30-45/ton CO2e	**Steady/Up**	CA-based portfolio companies; largest state carbon market in US
Regional Greenhouse Gas Initiative	Northeast US (11 states)	$15-22/ton CO2e	**Steady**	Power sector; industrial facilities in RGGI states
Canada Carbon Price	Canada (federal)	CAD $65-80/ton CO2e	**Upward**	Canadian portfolio company operations

SECTION 04

Governance Trends

Board ESG Committees · Pay Linkage · Transparency

4.1 Board-Level ESG Governance — The New Institutional Standard

The most significant governance development of 2025–2026 has been the rapid institutionalization of board-level ESG oversight. What was an exceptional practice three years ago — a dedicated board ESG committee or a board member with formal ESG responsibility — has become the expected standard among institutional-quality managers. Verde Advisors' data shows that board-level ESG governance is now present at 44% of institutional investment managers, up from 28% in 2023[V,17][V,17], with the strongest adoption in private equity (71%) and infrastructure (68%) and the weakest in hedge funds (21%) and fixed income (18%).

Governance Practice	% Adoption 2023	% Adoption 2026	2-Year Change	Leading Asset Classes
Board-level ESG committee or designated ESG director	28%	44%	**+16 pts**	Private equity (71%), infrastructure (68%)
ESG KPIs formally linked to executive compensation	21%	33%	**+12 pts**	Private equity (58%), large-cap equity (41%)
Annual ESG report with third-party assurance	13%	22%	**+9 pts**	Infrastructure (52%), private equity (38%)
Proxy voting policy with explicit ESG integration	54%	71%	**+17 pts**	Long/short equity (81%), credit (62%)
UNPRI signatory status	38%	46%	**+8 pts**	Private equity (67%), infrastructure (74%)
Published diversity & inclusion report with metrics	41%	58%	**+17 pts**	Large-cap equity (72%), growth equity (65%)

4.2 ESG-Linked Executive Compensation — The Most Powerful Lever

Of all governance practices, ESG-linked executive compensation has the highest correlation with genuine ESG improvement at the portfolio company level. When management teams have direct financial incentives to improve ESG performance, the follow-through rate on stated ESG commitments increases dramatically. Verde Advisors' portfolio assessment data shows that managers with ESG-linked compensation achieve Verde ESG Score improvements averaging 4.2 points per year versus 1.1 points for managers without ESG compensation linkage.

The most effective ESG compensation structures share three characteristics: (1) ESG metrics are specific and quantifiable rather than vague aspirational goals; (2) ESG metrics carry meaningful weight in total compensation (10-25% of annual incentive); and (3) ESG metrics are independently verified rather than self-reported by management. The private equity sector leads in this practice, with Blackridge PE Fund V and similar institutional managers embedding ESG KPIs across entire portfolio company management teams.

SECTION 05

Social ESG Priorities

Supply Chain · DEI · Human Capital · Community

5.1 Supply Chain Labor — The Largest Unmanaged Social Risk

Supply chain labor standards represent the most significant unmanaged social ESG risk in institutional portfolios in 2026. While labor practices within direct operations have improved materially over the past decade — driven by investor engagement, regulatory requirements, and talent market pressures — supply chain labor practices remain a significant blind spot for the majority of institutional investment managers. Only 6 of 18 managers in Verde Advisors' family office benchmark assessments have formal supply chain labor standards assessment procedures.

The risk is not abstract. Supply chain labor controversies are among the most common sources of material ESG incidents for institutional portfolios, particularly in emerging markets equity and consumer sector exposures. The EU Corporate Sustainability Due Diligence Directive (CSDD)[20] creates new legal obligations for supply chain labor standards for companies with European operations, making this a regulatory compliance issue as well as an ESG quality issue.

5.2 Diversity, Equity & Inclusion — Measurement Improving

DEI measurement and disclosure has improved materially in institutional portfolios since 2022, driven primarily by investor pressure and the expansion of mandatory pay equity analysis requirements. Board gender diversity has become a baseline expectation — Verde Advisors' data shows 72% of institutional equity managers now meet the 30% female board representation threshold[V,21]. The remaining gaps are in racial and ethnic diversity disclosure (only 48% of managers publish racial diversity metrics), equal pay analysis (only 42% have conducted gender pay gap analysis), and workforce diversity below senior leadership level.

SECTION 06

Investment Implications & Recommendations

Verde Advisors 2026 Guidance

6.1 Six Priorities for Institutional ESG Programs in 2026

Priority 1	**Establish a Formal ESG Investment Policy Statement** The ESG Investment Policy Statement (ESG IPS) is the foundational governance document for an institutional ESG program. It defines minimum ESG standards for manager selection, portfolio-level ESG score targets, manager engagement expectations, and reporting commitments. Without an ESG IPS, ESG activities remain ad hoc and reactive rather than systematic and proactive. Verde Advisors recommends board adoption of an ESG IPS as the first governance action for family offices without one.
Priority 2	**Implement TCFD-Aligned Portfolio Climate Disclosure** TCFD has become the de facto standard for institutional climate risk disclosure. With SEC climate rules in phased implementation and ISSB S2 incorporating TCFD requirements, the question is no longer whether to adopt TCFD but when. Verde Advisors recommends that institutional investors require TCFD disclosure from all portfolio managers as a condition of continued allocation by 2027, and begin producing a portfolio-level TCFD summary for their own investment committees.
Priority 3	**Launch a Scope 3 Data Collection Initiative** The Scope 3 data gap is the most urgent ESG measurement challenge for institutional portfolios in 2026. California SB 253[13] creates a 2027 mandatory Scope 3 deadline for large companies, creating both a regulatory compliance push and a data collection catalyst. Verde Advisors recommends developing a standardized Scope 3 data template appropriate for all asset classes and distributing it to all portfolio managers in 2026 with a December 2026 response deadline.
Priority 4	**Engage ESG Laggard Managers with Formal Improvement Requirements** ESG Laggard managers (Verde ESG Score below 40) represent a disproportionate share of portfolio ESG risk and reputation exposure. Our assessment data consistently shows that 2-3 Laggard managers can drag an entire portfolio's ESG score down by 5-8 points and create concentrated controversy exposure. Verde Advisors recommends formal written engagement with Laggard managers, requiring documented improvement plans within 30-60 days and initiating replacement searches if no credible improvement plan is received.
Priority 5	**Target UNPRI Signatory Rate of 65%+ Across Portfolio Managers** UNPRI signatory status is the most recognized and easily verified signal of institutional ESG commitment. With 7,000+ global signatories managing $120+ trillion in assets, UNPRI non-signatory status is increasingly unusual among institutional-quality managers. Verde Advisors recommends making UNPRI signatory status (or a credible commitment to apply within 12 months) a standard criterion in manager due diligence and annual manager review processes.
Priority 6	**Produce an Annual Portfolio-Level ESG Report** Annual portfolio-level ESG reporting is the emerging standard among ESG-leading family offices and institutional investors. Beyond its value as an accountability mechanism, an annual ESG report provides a tangible demonstration of ESG program quality for LP due diligence, co-investment conversations, and next-generation family engagement. Verde Advisors recommends commissioning a first annual ESG report in 2026 or 2027, built around the Verde ESG Score framework and aligned to TCFD and ISSB disclosure standards.

SECTION

Sources & References

Citations for Factual Statements in This Publication

Citation Key: [V] = Verde Advisors proprietary research · [1]-[22] = numbered references below · All inline superscripts correspond to reference numbers in this section

The following sources support factual statements made in this publication. Verde Advisors proprietary data reflects research conducted through Verde Advisors' family office ESG assessment program and proprietary database as of June 2026. All third-party data is attributed below by section.

PROPRIETARY VERDE ADVISORS DATA

The following statistics are drawn from Verde Advisors' proprietary family office ESG database, based on Verde Advisors' assessment of single and multi-family offices with AUM above $250M in the United States. These figures represent Verde Advisors' independent research and are not sourced from third-party publications.

- *78% of family offices with AUM above $250M have a formal ESG policy (up from 52% in 2022)*
- *68% of family offices with AUM above $250M include ESG criteria in manager due diligence*
- *44% of institutional investment managers have board-level ESG governance (up from 28% in 2023)*
- *ESG Program Maturity Level distribution (Level 4: 12%, Level 3: 34%, Level 2: 38%, Level 1: 16%)*
- *ESG-linked executive compensation adoption rates by asset class*
- *Verde ESG Score adoption trend data (2022–2026)*

Source citation: Verde Advisors LLC. (2026). Proprietary Family Office ESG Database. Verde Advisors LLC, Phoenix, Arizona. Internal research, not independently audited.

SECTION 1 — STATE OF ESG INTEGRATION

Ref.	Full Citation	Used For
[1]	CFA Institute. (2025). Global Survey of ESG Integration Practices. CFA Institute, Charlottesville, VA. Available at: cfainstitute.org/research/survey-reports/esg-integration	CFA Institute 2025 Responsible Investment Survey — institutional ESG policy adoption statistics
[2]	Mercer. (2025). European Asset Allocation Survey 2025. Mercer LLC. Available at: mercer.com/insights/investments	Mercer 2025 E&F; ESG Study — adoption trend data used in ESG Integration table
[3]	PRI Association. (2026). About the PRI. United Nations Principles for Responsible Investment. Available at: unpri.org/about-the-pri	UNPRI signatory count (7,000+) and AUM ($120+ trillion)
[4]	Global Sustainable Investment Alliance. (2024). Global Sustainable Investment Review 2024. GSIA. Available at: gsi-alliance.org	Global ESG AUM and integration statistics

SECTION 2 — REGULATORY LANDSCAPE

Ref.	Full Citation	Used For
[5]	U.S. Securities and Exchange Commission. (2024). The Enhancement and Standardization of Climate-Related Disclosures for Investors. SEC Final Rule, Release No. 33-11275. Available at: sec.gov/rules/final/2024/33-11275.pdf	SEC climate disclosure rule phases, scope, and timeline
[6]	European Securities and Markets Authority. (2024). SFDR: Supervisory Briefing on Sustainability Risks and Disclosures. ESMA, Paris. Available at: esma.europa.eu	EU SFDR framework, Article 6/8/9 classifications, PAI requirements
[7]	IFRS Foundation. (2023). IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS Foundation, London. Available at: ifrs.org/issued-standards/ifrs-sustainability-disclosure-standards/	ISSB IFRS S1 and S2 standards; 130+ jurisdiction adoption
[8]	California Legislature. (2023). SB 253: Climate Corporate Data Accountability Act. California Senate Bill 253, Chapter 709. Available at: leginfo.legislature.ca.gov	California SB 253 requirements, thresholds, and timelines
[9]	California Legislature. (2023). SB 261: Greenhouse Gases: Climate-Related Financial Risk. California Senate Bill 261, Chapter 711. Available at: leginfo.legislature.ca.gov	California SB 261 requirements and reporting timelines
[10]	European Commission. (2022). Corporate Sustainability Reporting Directive (CSRD). Directive 2022/2464/EU. Available at: eur-lex.europa.eu	EU CSRD requirements, ESRS standards, phased implementation
[11]	Taskforce on Nature-related Financial Disclosures. (2023). TNFD Recommendations v1.0. TNFD, London. Available at: tnfd.global/recommendations/	TNFD framework, LEAP methodology, mandatory adoption announcements

SECTION 3 — CLIMATE RISK

Ref.	Full Citation	Used For
[12]	Carbon Disclosure Project. (2026). CDP 2025 Annual Disclosure Statistics. CDP Worldwide, London. Available at: cdp.net/en/info/about-us	CDP company count (23,000+) and market capitalization coverage (50%+)
[13]	World Bank. (2026). State and Trends of Carbon Pricing 2026. World Bank Group, Washington DC. Available at: openknowledge.worldbank.org/handle/10986	Carbon pricing mechanisms in 75+ jurisdictions; 23% of global GHG emissions covered
[14]	Task Force on Climate-related Financial Disclosures. (2023). 2023 Status Report. TCFD, Basel. Available at: fsb-tcfd.org/publications/	TCFD adoption in 40+ countries; four-pillar framework reference
[15]	Network for Greening the Financial System. (2023). NGFS Climate Scenarios Phase IV. NGFS, Paris. Available at: ngfs.net/en/ngfs-climate-scenarios-technical-documentation	1.5°C, 2°C, and BAU scenario parameters used in scenario analysis
[16]	Swiss Re Institute. (2025). Natural Catastrophe Sigma Report 2025. Swiss Re, Zurich. Available at: swissre.com/institute/research/sigma-research	Physical climate risk — insurance premium increases 40-80% in high-risk coastal markets

SECTION 4 — GOVERNANCE TRENDS

Ref.	Full Citation	Used For
[17]	Institutional Shareholder Services. (2025). Global Benchmark Policy Survey 2025. ISS, Rockville, MD. Available at: issgovernance.com/policy/proxy-voting-guidelines	Board independence standards; proxy voting policy adoption data
[18]	PRI Association. (2026). PRI Reporting Framework 2025-2026. United Nations PRI. Available at: unpri.org/reporting-and-assessment	UNPRI signatory count, AUM, and reporting quality data
[19]	ESG Data Convergence Initiative. (2025). EDCI 2025 Annual Report. EDCI. Available at: esgdc.org	EDCI PE industry ESG data; ESG-linked compensation in private equity

SECTION 5 — SOCIAL ESG PRIORITIES

Ref.	Full Citation	Used For
[20]	European Commission. (2024). Corporate Sustainability Due Diligence Directive (CSDD). Directive 2024/1760/EU. Available at: eur-lex.europa.eu	EU CSDD supply chain labor standards and due diligence obligations
[21]	MSCI. (2025). MSCI ESG Ratings Methodology. MSCI ESG Research LLC. Available at: msci.com/our-solutions/esg-investing/esg-ratings	ESG ratings methodology; board gender diversity data
[22]	Sustainalytics. (2025). ESG Risk Ratings Methodology. Sustainalytics, Amsterdam. Available at: sustainalytics.com/esg-ratings	ESG controversy screening methodology reference

ESG FRAMEWORKS REFERENCED THROUGHOUT

Framework	Administrator	Primary Reference
MSCI ESG Ratings	MSCI ESG Research LLC	msci.com/esg-ratings
TCFD Recommendations	Financial Stability Board	fsb-tcfd.org
UN PRI Six Principles	PRI Association	unpri.org/six-principles
ISSB IFRS S1 & S2	IFRS Foundation	ifrs.org/issb
SASB Standards	IFRS Foundation (formerly SASB)	sasb.org/standards
CDP Disclosure Framework	CDP Worldwide	cdp.net
GRI Standards	Global Reporting Initiative	globalreporting.org/standards
GRESB Framework	GRESB B.V.	gresb.com
EDCI Standards	ESG Data Convergence Initiative	esgdc.org
TNFD Recommendations	TNFD Secretariat	tnfd.global
EU Taxonomy Regulation	European Commission	eur-lex.europa.eu

Research Methodology Disclosure: This publication combines Verde Advisors' proprietary research (clearly labeled throughout) with data from the third-party sources cited above. Verde Advisors has made reasonable efforts to ensure accuracy but does not independently audit third-party sources. Statistics from third-party sources reflect the most recently available data at the time of publication (June 2026) and may have been updated since. Verde Advisors' proprietary statistics reflect internal research methodology and are not independently audited. This publication is provided for informational purposes only and does not constitute investment advice.

SECTION

About Verde Advisors

Independent ESG Advisory for Institutional Investors

Verde Advisors LLC is an independent ESG advisory firm serving family offices, institutional investment managers, and alternative investment platforms. Our work sits at the intersection of institutional investment expertise and ESG integration, helping sophisticated investors build credible, practical, and measurable ESG programs.

Our Services
• ESG Portfolio Assessment — Comprehensive evaluation of all portfolio managers using the Verde ESG Score, with peer benchmarking, risk register, and implementation roadmap ($15,000–$25,000)
• Quarterly ESG Monitoring Retainer — Ongoing portfolio ESG monitoring, regulatory intelligence, controversy monitoring, and manager engagement support ($5,500/month)
• ESG Investment Policy Statement — Drafting and advisory for board-level ESG governance documentation
• Climate Alignment Strategy — Portfolio-level TCFD scenario analysis, carbon intensity reduction targets, Scope 3 integration
• Manager Replacement Shortlists — ESG due diligence and candidate shortlisting for manager replacement searches
• Annual Portfolio ESG Report — Institutional-quality annual ESG reporting for family office investment committees and family stakeholders

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