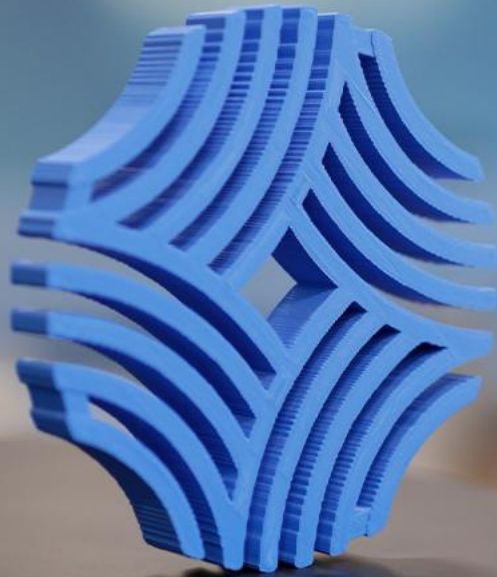


Sustainable Investing at the crossroads?

Navigating sustainability in today's complex environment





Speaker

Marie Niemczyk

Head of ESG Client Portfolio Management



There's no denying the noise.

2025: The end of the sustainability era?



Omnibus Directive: Towards a Historic Weakening of ESG Standards in Europe

GLOBAL STANDARD: CONCERN OVER EU OMNIBUS PACKAGE WEAKENING SUSTAINABILITY REPORTING

EU Omnibus: A Step Backward for Corporate Accountability



Anti-ESG legislation in the USA: Emerging risk for financial institutions?

Dozens of new state anti-ESG bills introduced; federal legislation expected

Anti-ESG groups intensify activism early in 2025 proxy season



Progress in national climate policy efforts remains insufficient to achieve 2030 targets

BIG COMPANIES (USB, HSBC, ...) SCALE BACK ON 2025 CLIMATE GOALS - A CLOSER LOOK AT THE DATA BEHIND THE TREND



The Performance of ESG Funds vis-à-vis Non-ESG Funds

Investors pull cash from ESG funds as performance lags

News vs. noise?

Meaning for ESG/investors?

Solutions?



EU (de)regulation.

ESG no more, or now more than ever?



25–35%

administrative
burden
reduction

Competitiveness

Innovation

Transition risks

› **CSRD**

› **CS3D**

› **Taxonomy**

› **SFDR**

› **IORP II**

› **Solvency II**

› **ORSA**

› **Stress tests**

ESG transparency

Data availability

Physical risks



The devil's in the data.

Addressing issues in data availability and homogeneity



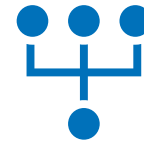
External data assessment

- › Check quality and consistency
- › Compare indicator relevance
- › Fill gaps with alternative sources



Fundamental analysis

- › Conduct fundamental, qualitative analysis
- › Research: Build context to implementation



Model development

- › Materiality assessments
- › Sector specificities



Engagement

- › Develop informed opinion
- › Encourage transparency
- › Improve practice





Trump 2.0.

The climate vs. the US political climate

US climate goals

- › Reduce GHG emissions by 50-52% by 2030 (vs. 2005)
- › Achieve net zero power by 2035
- › Become net zero economy by 2050

Federal environmental laws

Environmental Protection Agency

Drilling – Protected areas

Onshore / offshore wind

Residential solar – Tax credits

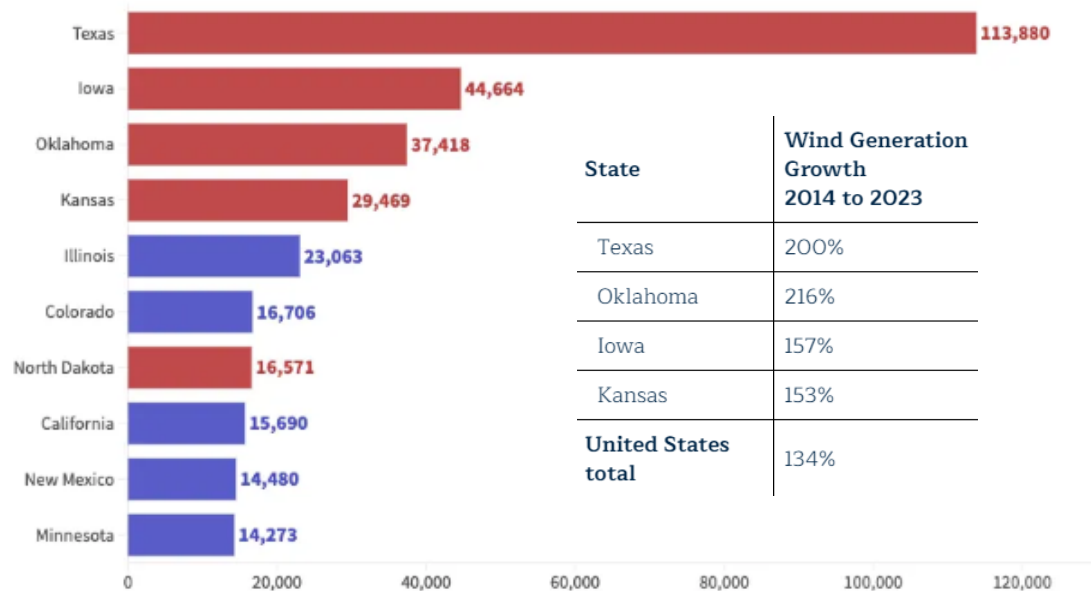


Is red the new green?

Republican states lead in electricity generation from wind

US states: Electricity generation from wind

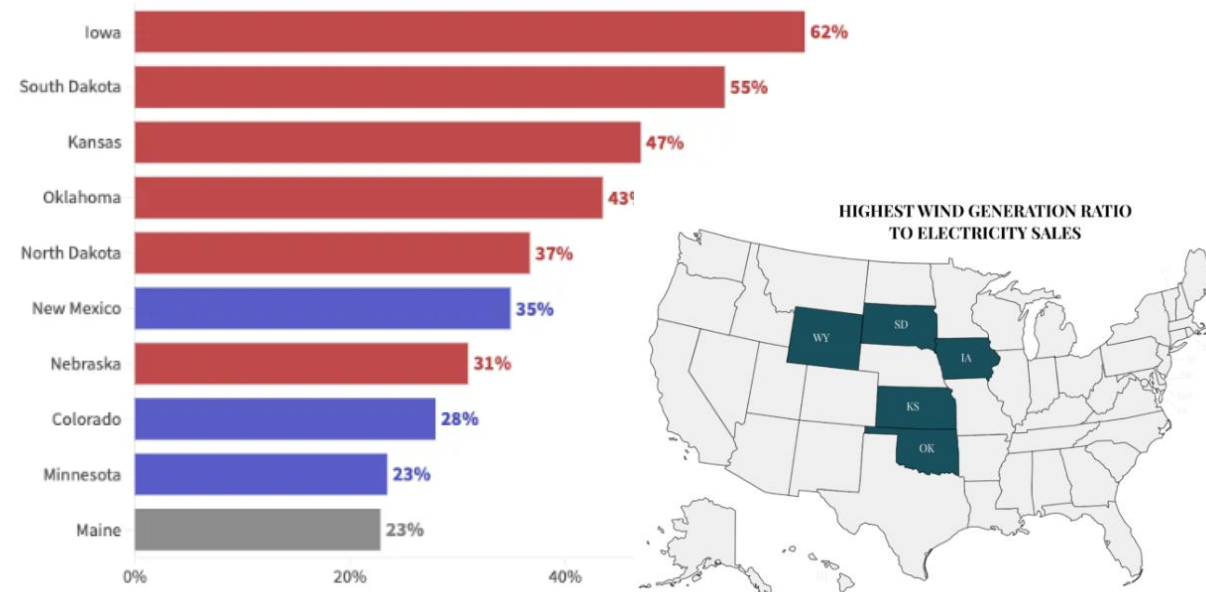
Data is for 2022 for the top 10 states, measured in gigawatt-hours (GWh). Republican states are shown in red; Democrat in blue.



Data Source: US Energy Information Administration (EIA) via Ember Climate

US states: Share of electricity generation from wind

Data is for 2022 for the top 10 states. Republican states are shown in red; Democrat in blue; swing in grey.



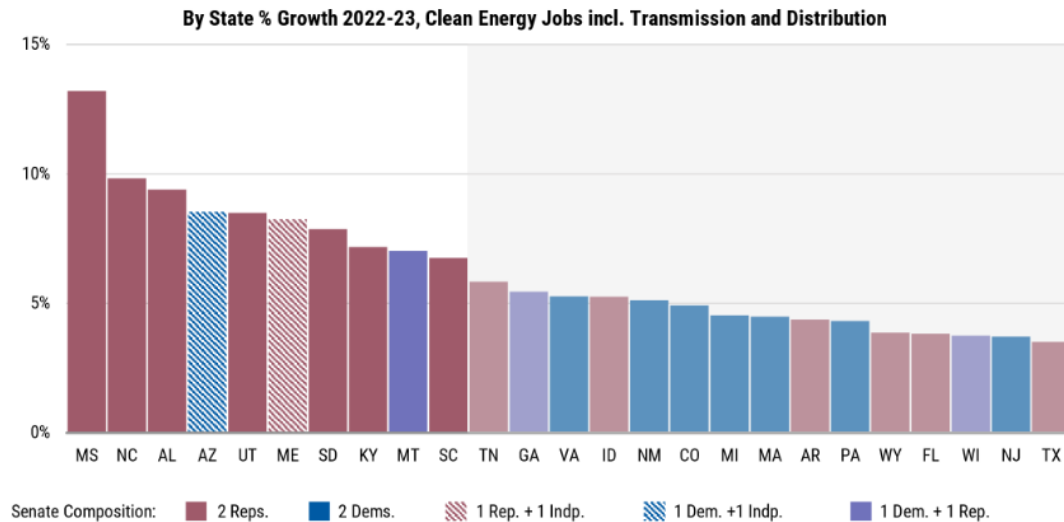
Data Source: US Energy Information Administration (EIA) via Ember Climate

Sources: Niskanen Center; US Energy Information Administration; Climate Central.

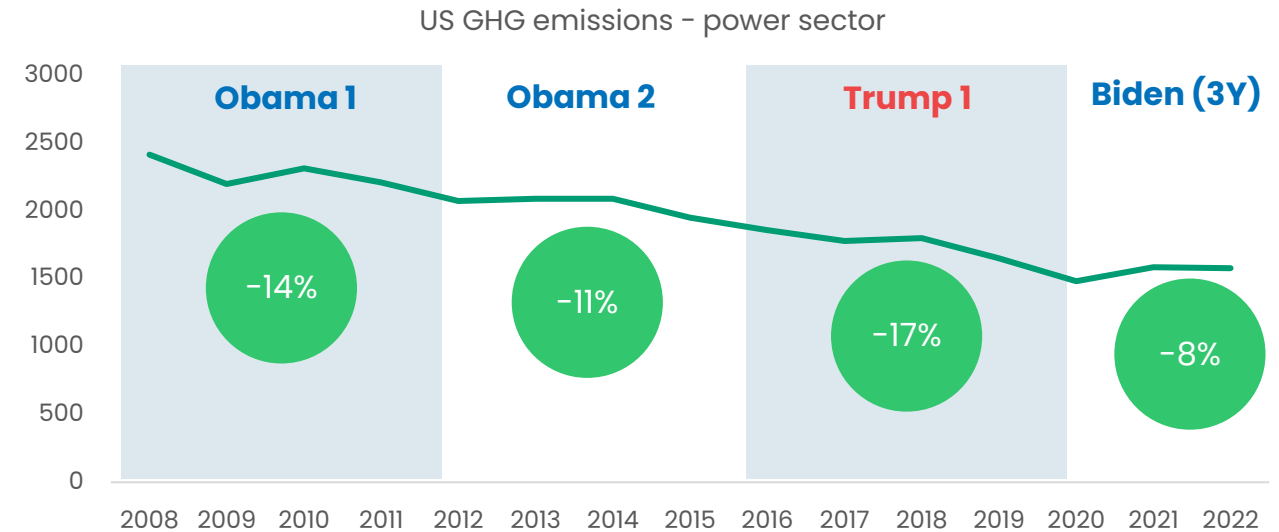


Climate economics hold despite delayed transition.

Decarbonization driven by economics, not solely by political decisions



Source: U.S. Department of Energy, Morgan Stanley Research. "Clean Energy Jobs" Definitions vary by state but typically include Renewable Power Generation, Nuclear, Grid Modernization, Non-fossil Storage and Hybrid or Battery Electric Vehicle Manufacturing

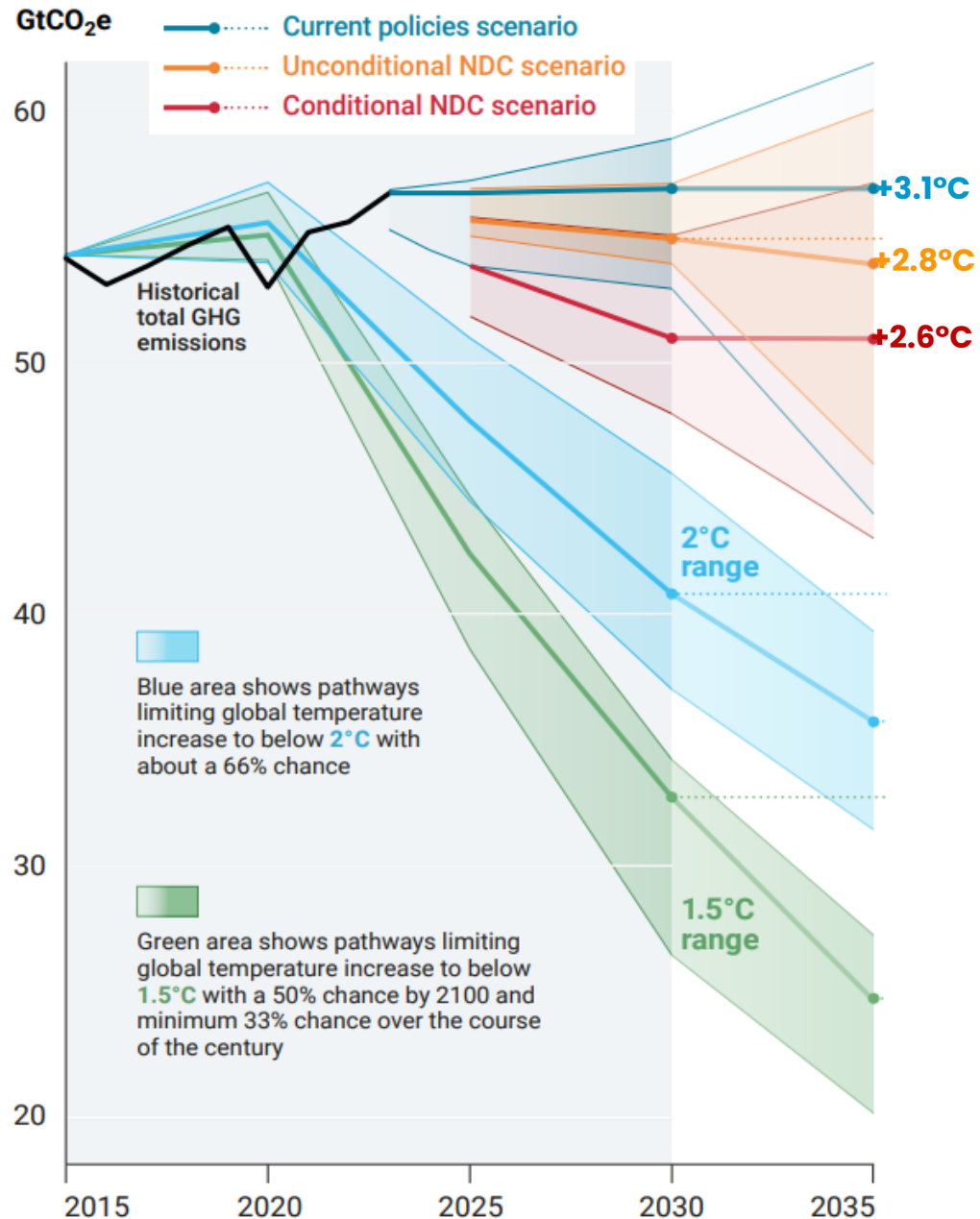


Source: Morgan Stanley; US Department of Energy; US Environmental Protection Agency.



Climate beyond the US.

Swan song for global climate action?



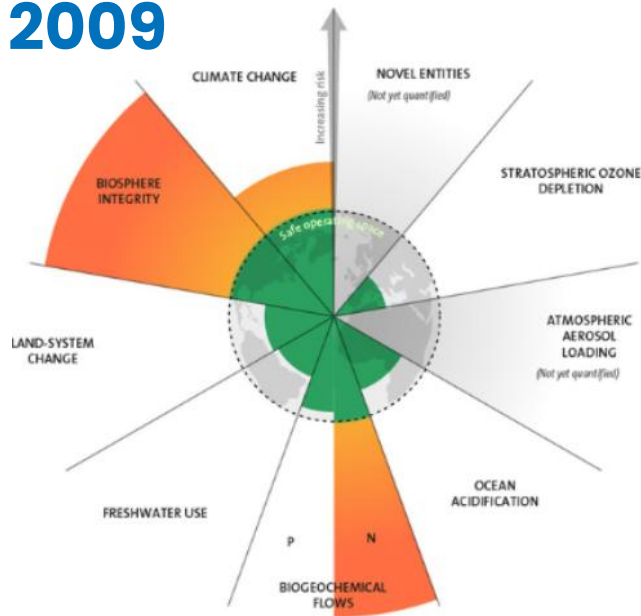
- › 2024 was another *annus horribilis* for global climate action
- › We are now in a delayed transition scenario
- › Reduction in transition risk means increased physical risks



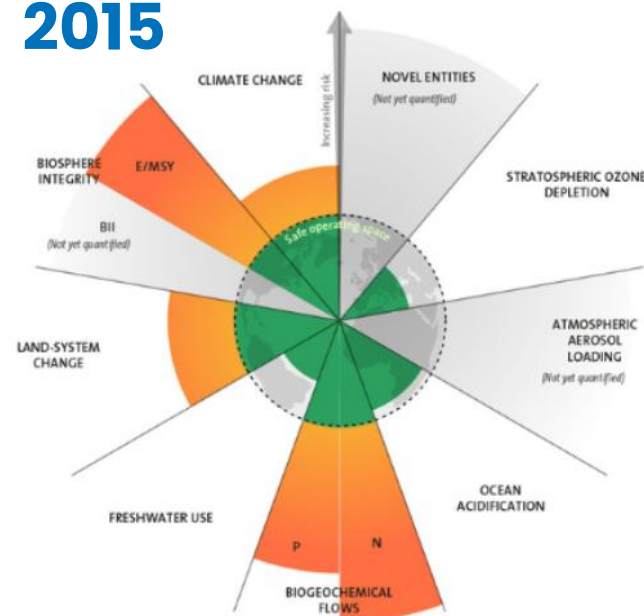
Scientific realities remain unchanged.

We are testing the physical limits of our planet

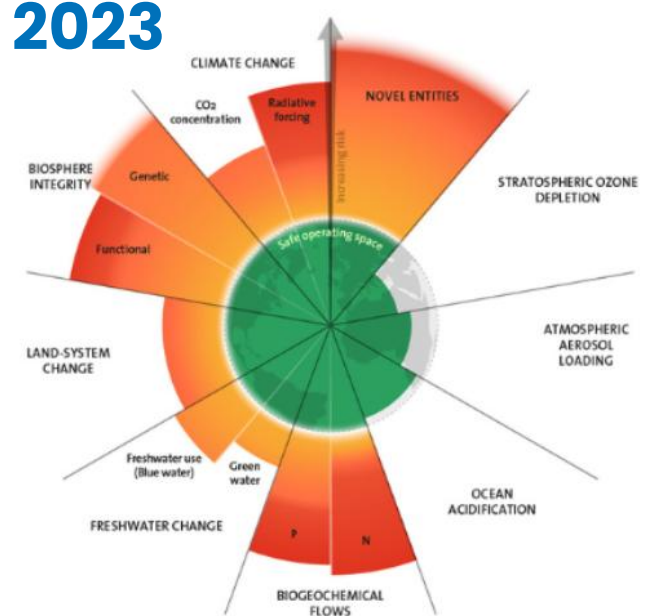
2009



2015



2023



Natural catastrophe loss events 2024

	The figures of the year 2024	The figures of the year 2023 (adjusted for inflation)	Average of the last 5 years (2019 – 2023) (adjusted for inflation)	Average of the last 10 years (2014 – 2023) (adjusted for inflation)	Average of the last 30 years (1994 – 2023) (adjusted for inflation)
Overall losses in US\$ bn	320	268	261	236	181
Insured losses in US\$ bn	140	106	106	94	61

Source: Stockholm Resilience Study, Munich RE NatCat Service..

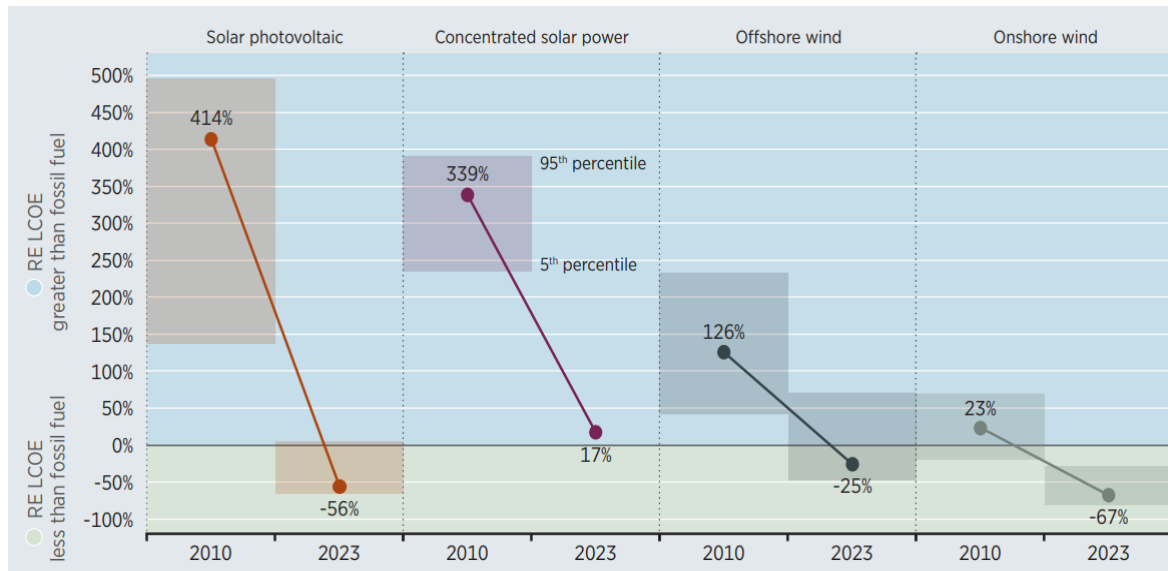


On the other side of risk: Opportunity.

Climate investments set for new records

Economics & trade policies increasingly drivers of the transition...

Change in global weighted average LCOE for solar and wind compared to fossil fuels, 2010-2023, IRENA 2024



Note: RE = renewable energy.

... demultiplying investment opportunities

- > Clean tech continues to deploy; renewable installations at record high & cheapest power source in many regions
- > Massive grid investments needed to decarbonize & expand power systems
- > Energy storage: technological breakthroughs to come

Investments in the transition:
USD 3.7 trillion expected by 2030



DEI under attack: A tale of two... realities?

Differentiating between actual retreat and greenhushing



Denmark, Netherlands React to Trump's DEI Ultimatum

France accuses US diplomats of meddling with a 'diktat' about Trump's DEI policies

These 30 companies rolled back DEI policies, from Amazon to Victoria's Secret

MLB Removes References To Diversity From Careers Website: Here Are All The Companies Rolling Back DEI Programs

How Corporate America Is Retreating From D.E.I.

Which US companies are pulling back on diversity initiatives?

Companies Pivot From Climate Talk to 'Greenhushing' in Trump Era

Trump's Return Prompts Companies to Stifle Climate Talk With 'Greenhushing'

In Trump era, companies are rebranding DEI efforts, not giving up

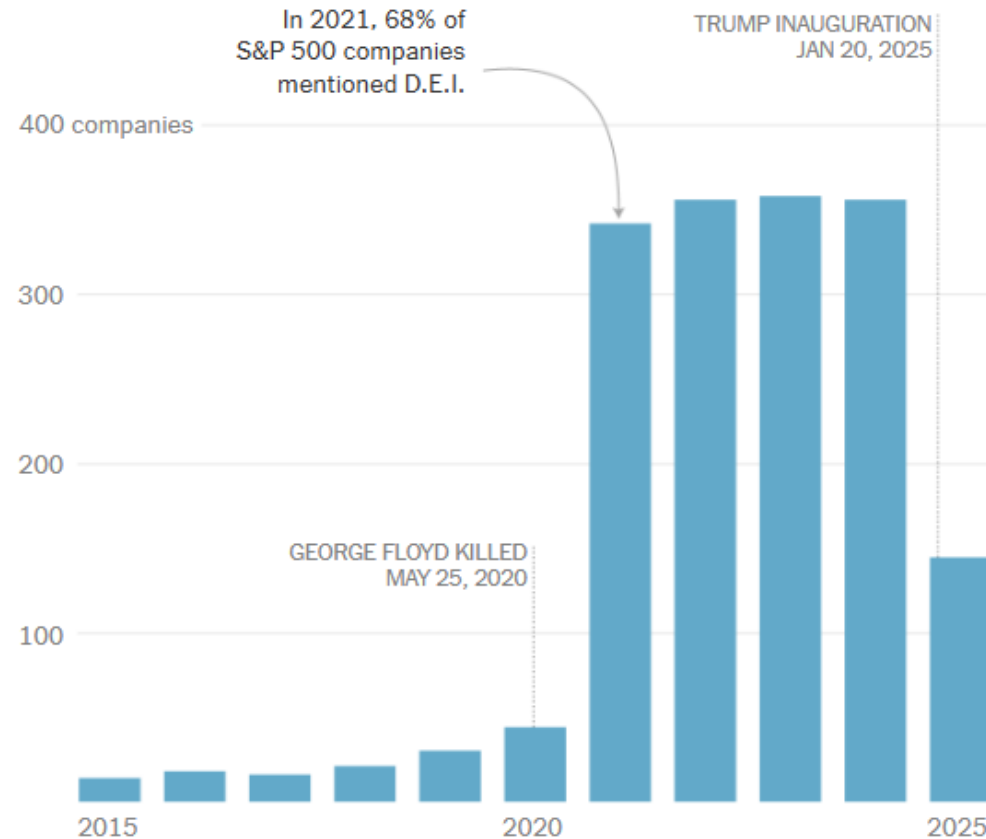
The rise of greenhushing: embrace ESG, but don't talk about it



Shh... greenhushing in progress?

New challenges for sustainable investors

The Companies That Mentioned 'Diversity, Equity and Inclusion' Each Year



Source: Securities and Exchange Commission

60%

decrease in S&P 500 companies using DEI language

78%

continue to discuss diversity and related initiatives

Johnson & Johnson

Used the same D.E.I. language between 2021 and 2024.

Deleted in 2025

underpinning these focus areas are ongoing efforts to cultivate and foster a culture built on ~~diversity, equity and inclusion (dei)~~, innovation, health, well-being and safety, where the company's employees are encouraged to succeed both professionally and personally while helping the company achieve its business goals

Added in 2025

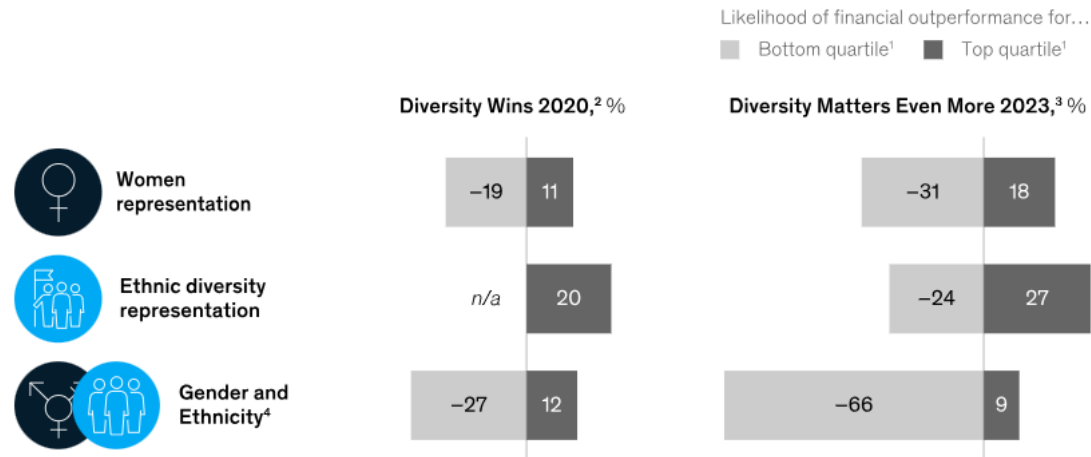
underpinning these focus areas are ongoing efforts to cultivate and foster a culture built on innovation, health, well-being and safety, **inclusion and belonging** where the company's employees are encouraged to succeed both professionally and personally while helping the company achieve its business goals



The S factor and corporate performance.

DEI illustrates the relevance of double materiality in ESG analysis

The difference in likelihood of financial outperformance.



¹Top quartile company likelihood of financial outperformance over average from bottom 3 quartiles; Bottom quartile company likelihood of financial outperformance below average from top 3 quartiles.

²Gender: n = 1,039; 2017 companies for which gender data available in 2019 plus Denmark, Norway, and Sweden; ethnicity: n = 533; 2017 companies for which ethnicity data available in 2019; average EBIT margin 2014–18.

³Gender: n = 1,265; 2019 companies for which gender data available in 2022 plus Canada, Colombia, Egypt, Israel, Italy, Malaysia, New Zealand, and Spain; ethnicity: n = 590; 2019 companies for which ethnicity data available in 2022 plus Canada and New Zealand; average EBIT margin 2018–22.

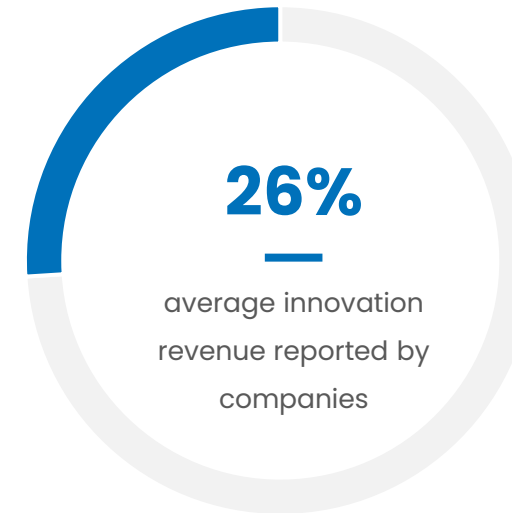
⁴Advantage/penalty for companies that are in the top quartile/bottom quartile of both gender and ethnicity.

Source: Diversity Matters Even More dataset

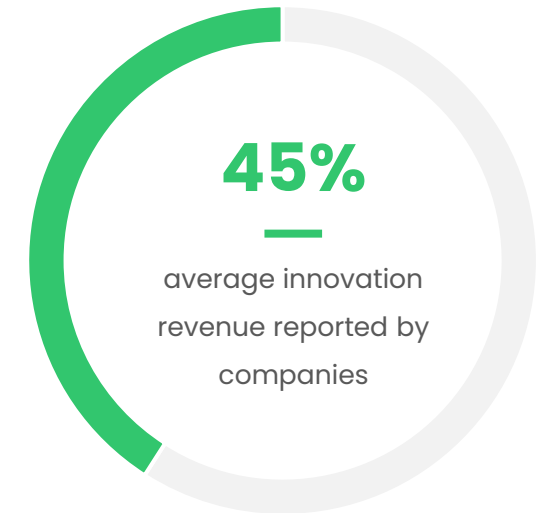
McKinsey & Company

Companies with more diverse leadership teams report higher innovation revenue

Companies with **below-average** diversity score



Companies with **above-average** diversity score



Source: McKinsey & Company; Boston Consulting Group.

Source 2: BCG diversity and innovation survey 2017 (n=1,681)

Note: Average diversity score calculated using the Blau index, a statistical means of combining individual indices into an overall aggregate index.



Data and proxy voting providers under pressure.

Investing requires more discernment

Stock exchanges

US appeals court rejects Nasdaq's diversity rules for company boards

Death of Nasdaq Diversity Rule Signals More Trouble for DEI

Data providers

Morningstar, subsidiary Sustainalytics remove anti-Israel investment ratings

Sustainalytics to stop covering human rights issues in 'contiguous territorial disputes'

Proxy voting services

ISS ends diversity considerations for US boardrooms, citing Trump orders

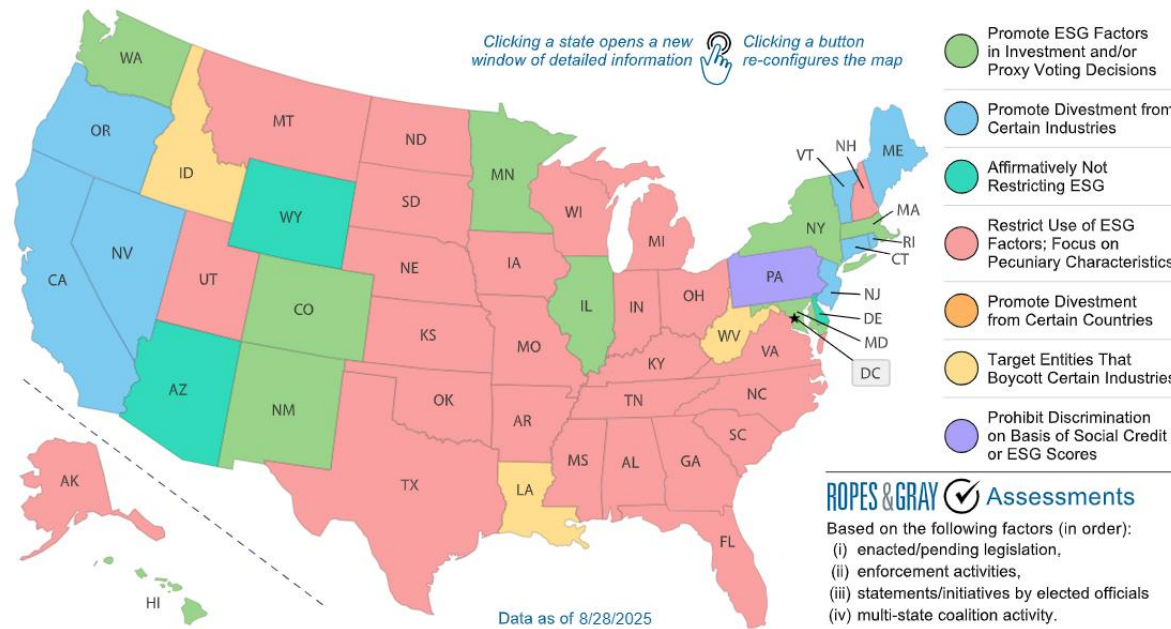
Exclusive: Proxy adviser Glass Lewis sticks with diversity guidance, will flag risks

Know your (AM's) policy!



US AMs face home market fragmented over ESG.

Many exiting initiatives like NZAMI, Climate Action 100



US Fund Managers Put on Notice by \$65 Billion Dutch Investor

Dutch pension fund PME is issuing a blanket warning to US money managers, amid concerns America's investment industry is caving in to pressure from the Trump administration to abandon basic principles of stewardship.



Danish pension fund ends State Street mandate after climate pullback

AkademikerPension says odds of US manager being picked have 'become lower'

Pension funds criticize analyst firms for ditching human rights assessments

A number of Danish pension funds are concerned that the two major global analyst firms MSCI and Morningstar Sustainability have chosen to drop assessments of human rights violations in the Israel-Palestine conflict, [writes](#)



Top UK pension fund pulls £28bn from State Street over ESG retreat



Are European fund houses coming for US managers' ESG lunch?

US asset owners look further afield as local managers lose appetite for sustainability.



ESG makes Q2 comeback with \$4.9bn global inflows

Europe drives a turnaround for ESG strategies as the category attracts inflows one quarter after record redemptions.

Source: Ropes & Gray.



Investor appetite remains strong.

Recent surveys confirm: ESG in demand

71%

of investors

agree that **companies should incorporate ESG/sustainability** directly into their corporate strategy

80%

of asset owners

expect **sustainable assets to grow** over the next two years

>50%

of institutional investors

have implemented, or are planning **GHG reductions or Paris-alignment (net-zero) goals**



Performance: Myths vs. maths.

Keeping the medium and long term in mind

Europe

Period	MSCI Europe	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
2015	8,2%	9,4%	10,4%	12,2%	14,8%	NA	12,3%
2016	2,6%	1,2%	1,2%	0,2%	0,1%	0,7%	0,9%
2017	10,2%	10,1%	10,5%	9,0%	11,1%	10,4%	10,5%
2018	-10,6%	-11,0%	-10,6%	-9,4%	-7,3%	-11,7%	-10,4%
2019	26,1%	26,0%	27,8%	28,0%	29,7%	27,6%	28,9%
2020	-3,3%	-1,7%	-0,3%	0,3%	1,4%	-1,0%	1,7%
2021	25,1%	24,8%	25,7%	24,8%	27,3%	25,1%	25,4%
2022	-9,5%	-11,6%	-10,8%	-12,1%	-14,0%	-13,2%	-13,3%
2023	15,8%	17,7%	16,3%	16,7%	19,0%	16,7%	17,5%
2024	8,6%	9,0%	9,5%	6,3%	8,4%	10,9%	7,2%

USA

Period	MSCI USA	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
2015	0,7%	1,5%	NA	-2,0%	-3,7%	2,6%	3,1%
2016	10,9%	10,7%	NA	11,0%	12,6%	10,4%	12,1%
2017	21,2%	21,2%	NA	19,8%	23,4%	23,1%	24,7%
2018	-5,0%	-4,7%	-4,2%	-3,7%	-1,9%	-4,2%	-3,0%
2019	30,9%	31,3%	31,9%	30,9%	32,5%	32,5%	33,7%
2020	20,7%	22,2%	21,5%	18,2%	25,8%	25,8%	25,1%
2021	26,5%	27,1%	27,5%	31,2%	35,3%	28,0%	24,6%
2022	-19,8%	-21,1%	-19,9%	-20,6%	-23,6%	-24,5%	-23,6%
2023	26,5%	29,6%	25,8%	28,5%	32,8%	35,8%	28,7%
2024	24,6%	26,1%	24,1%	23,1%	18,4%	30,5%	24,2%





Thank you for your attention.





Appendix

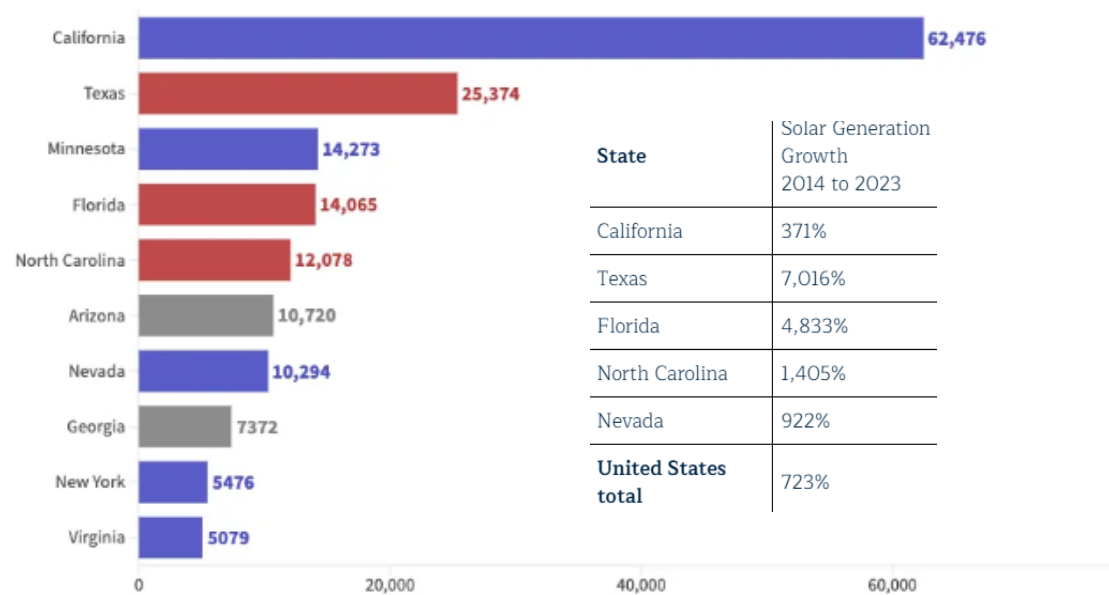


Solar got the blues?

Prominent in democratic states, residential solar may suffer tax credit cuts

US states: Electricity generation from solar PV

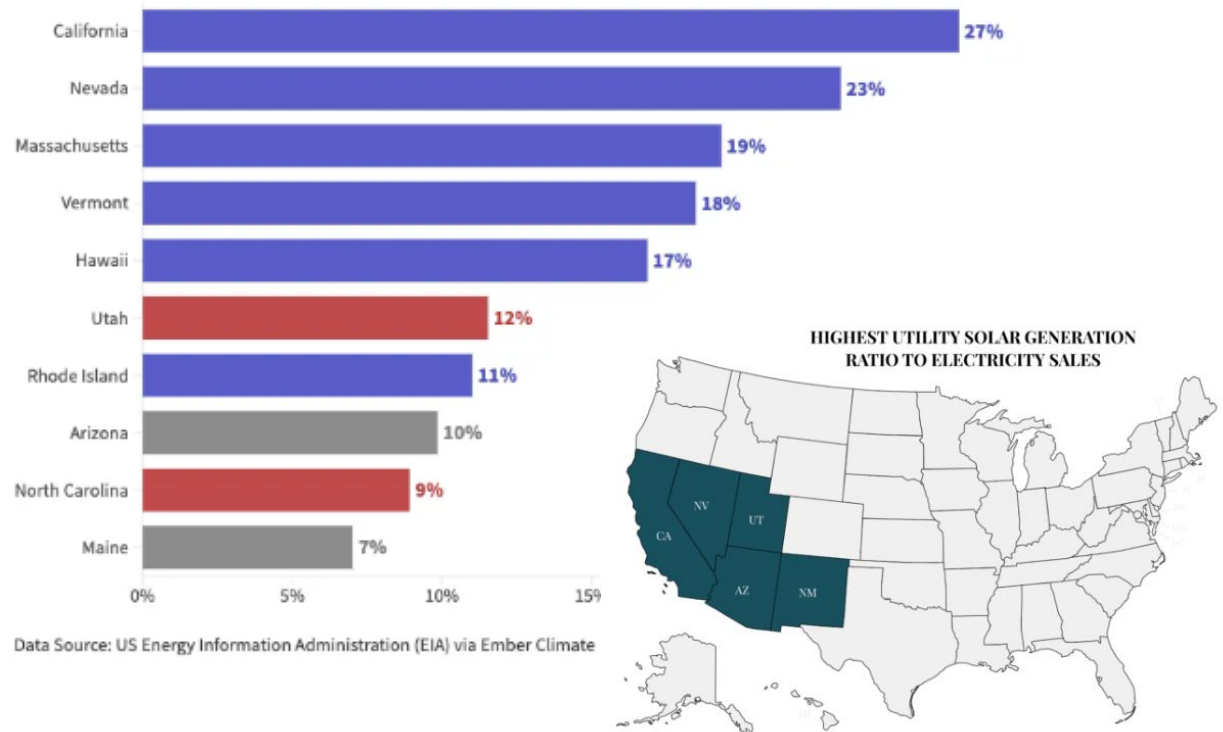
Data is for 2022 for the top 10 states, measured in gigawatt-hours (GWh). Republican states are shown in red; Democrat in blue; swing in grey.



Data Source: US Energy Information Administration (EIA) via Ember Climate

US states: Share of electricity from solar PV

Data is for 2022 for the top 10 states. Republican states are shown in red; Democrat in blue; swing in grey.



Data Source: US Energy Information Administration (EIA) via Ember Climate

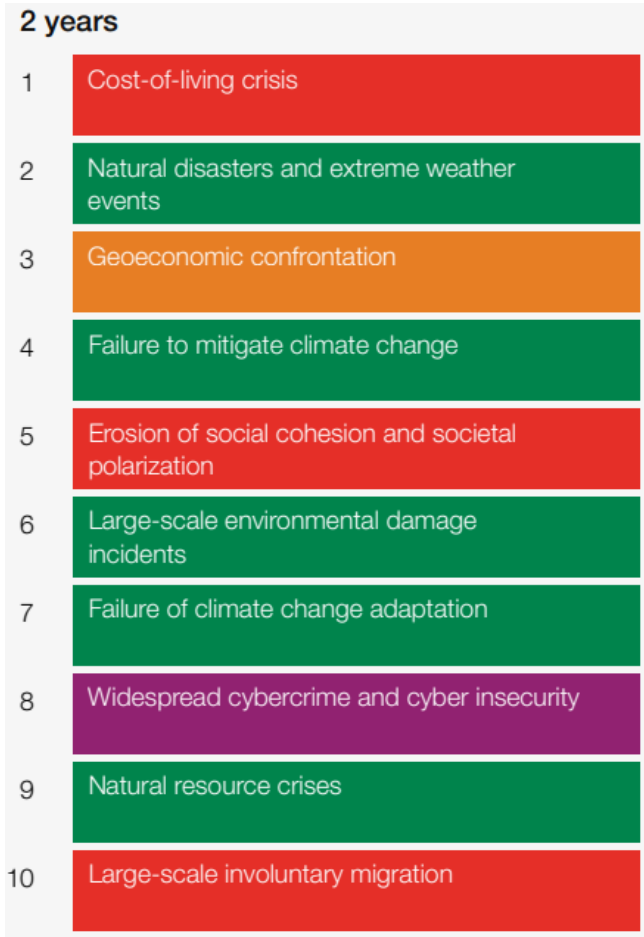
Sources: Niskanen Center; US Energy Information Administration; Climate Central.



The tragedy of the horizon.

Geopolitical tensions and political risks have overshadowed environmental risks on the short term

2022-2023



Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

2024-2025

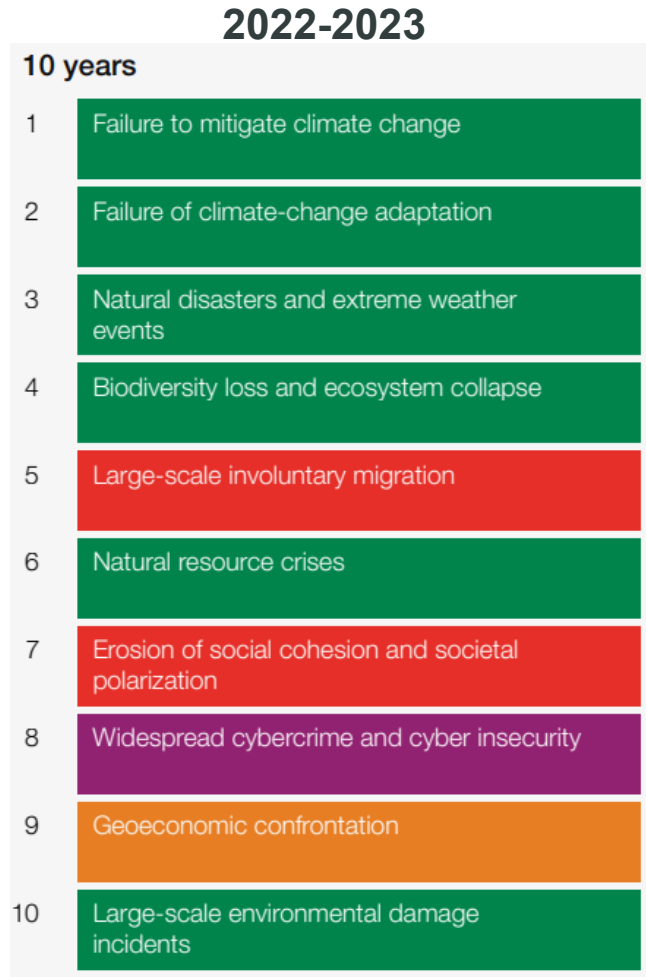


World Economic Forum, Global Risks Perception Survey, 2022-23 & 2024-25



The tragedy of the horizon.

But environmental risks remain the most material on the medium to long-term horizons



World Economic Forum, Global Risks Perception Survey, 2022-23 & 2024-25



Materiality of sustainability risks is clear.

Potential financial repercussions keep increasing

Nat cat loss events 2024

Natural catastrophes caused overall losses of US\$ 320bn worldwide

Munich RE 



“Climate change is showing its claws: The world is getting hotter, resulting in severe hurricanes, thunderstorms and floods. Weather catastrophes were responsible for 93% of overall losses and 97% of insured losses.”

	The figures of the year 2024	The figures of the year 2023 (adjusted for inflation)	Average of the last 5 years (2019 – 2023) (adjusted for inflation)	Average of the last 10 years (2014 – 2023) (adjusted for inflation)	Average of the last 30 years (1994 – 2023) (adjusted for inflation)
Overall losses in US\$ bn	320	268	261	236	181
Insured losses in US\$ bn	140	106	106	94	61

Source: Munich Re, NatCatSERVICE, 2025

Source: Munich RE NatCat Service.

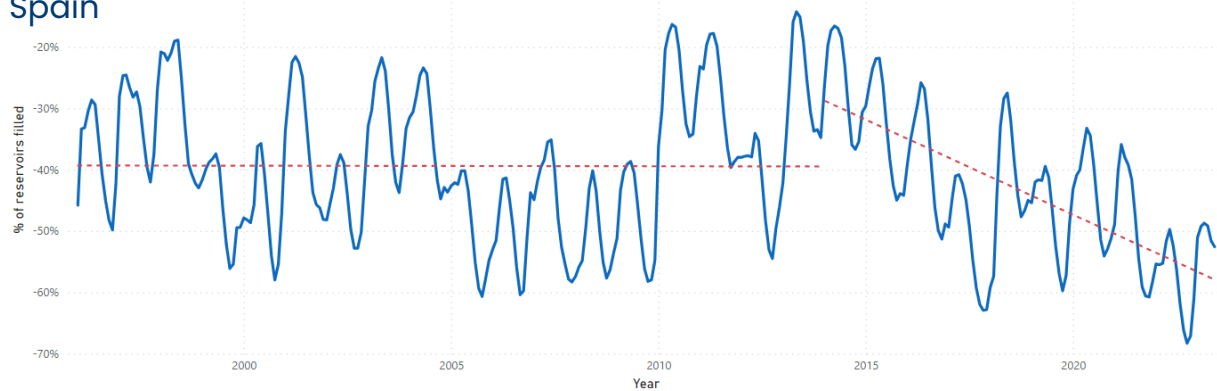


Beyond climate: Biodiversity risks increasing.

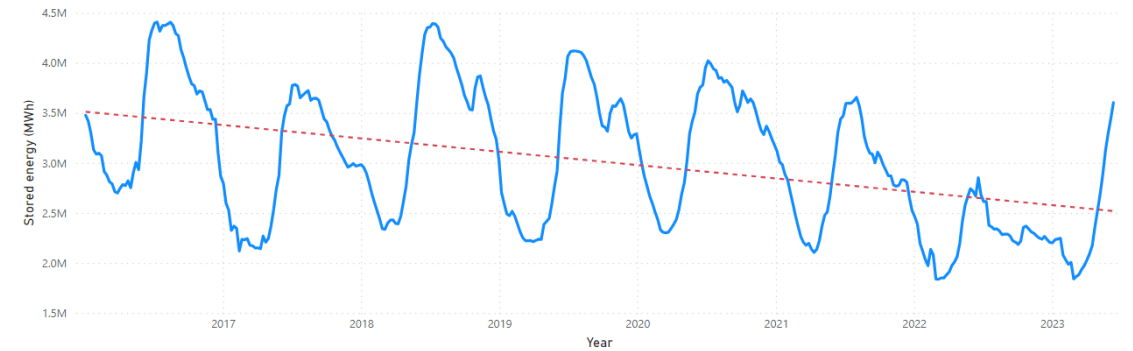
Global decrease in water availability, increase in seasonal variability

Filling of water reservoirs and hydro storage plants Spain

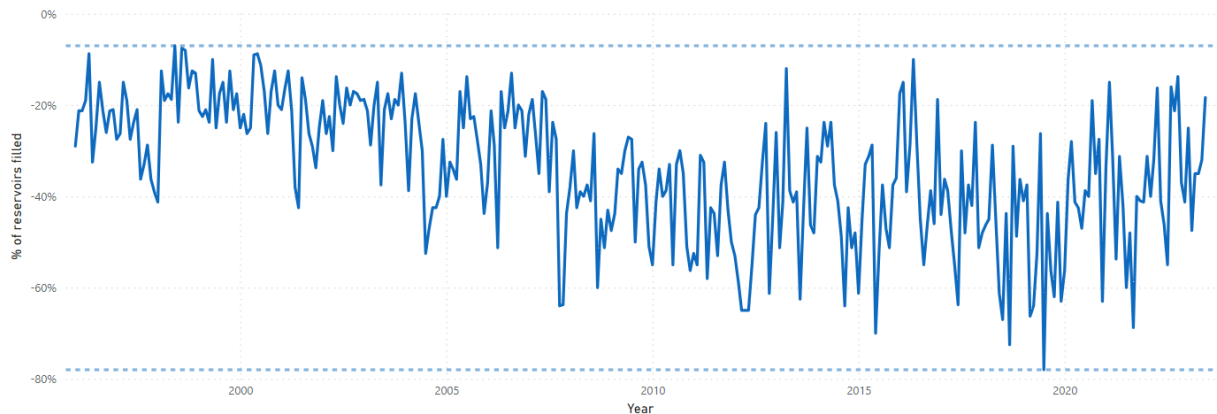
Spain



Italy



Filling rate of la Muella reservoir, Spain



Source: Candriam.



Back to ESG fundamentals: Double materiality.

Raison d'être of sustainable investing as pertinent as ever

Financial materiality:

Effects of ESG factors on the **financial performance** of issuers

Risks

- › Financial (physical and transition)
- › Reputation

➤ Identify and avoid/reduce

Opportunities

➤ Identify and capture



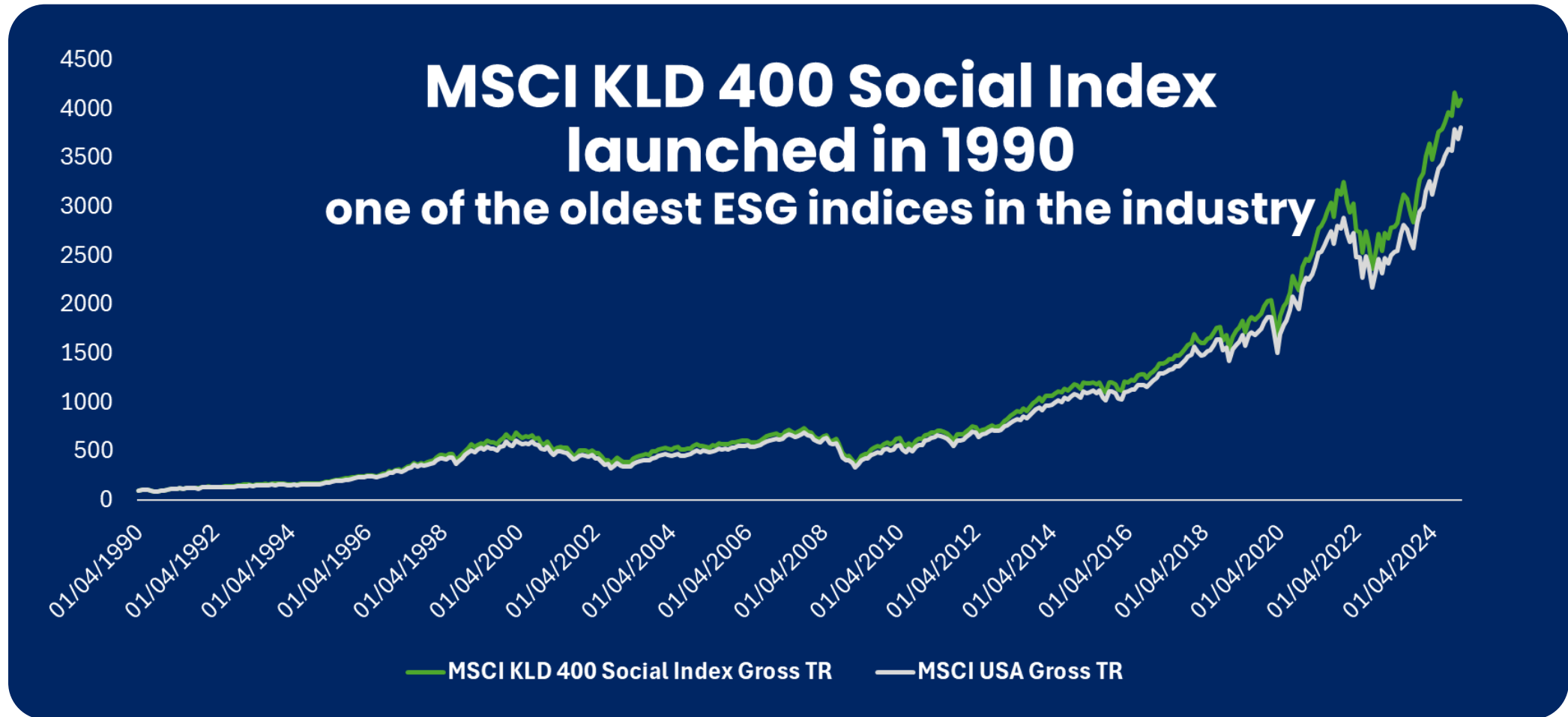
Impacts of issuers on **environment and society**

➤ Understand, measure, avoid/reduce or foster



Performance: Myths vs. maths.

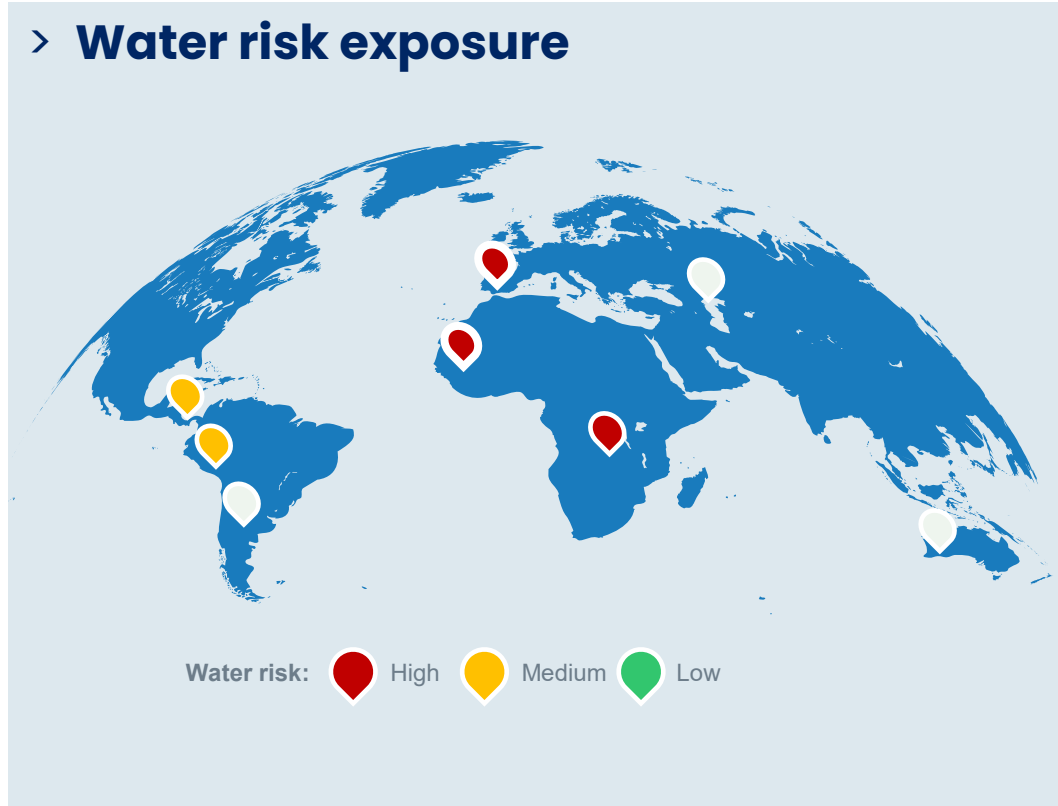
Evidence shows: Sustainability must not detract from performance



A case study in financial materiality.

Copper mining company

> Water risk exposure



> Proximity to protected areas

Cobre Panama



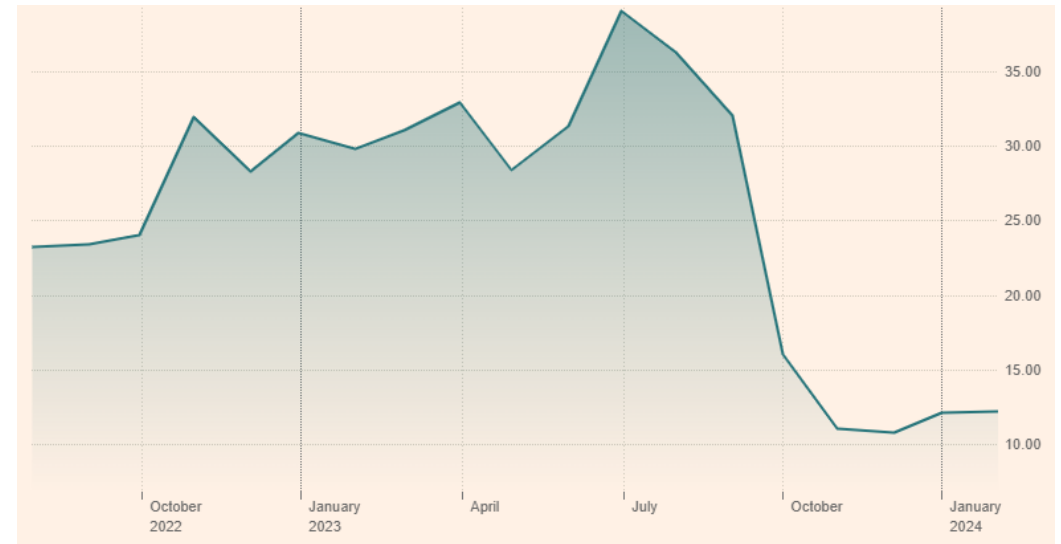
When biodiversity risks do materialize.

Financial impacts can be abrupt and severe

> Assess & Engage

- Two meetings with company in 2022
- Insufficient management of biodiversity issues & uncertainties around validity of mining license
- Thorough review & unsuccessful engagement: ESG downgrade and exclusion from sustainable strategies (October 2022)

> Evolution of share price over the period



In November 2023, Panama's Supreme Court deemed the contract unconstitutional.

This decision came after weeks of massive local protests, leading to several fatalities.


In December 2023, the company suspended production and started an international arbitration process.




Light green, dark green, camouflage?

Defence and sustainability: Enter at your own risk

Sustainable Investing: Not an isolated discipline

- Sustainability / sustainable growth  Geopolitics, sovereignty, security, competitiveness
- Acute awareness: Geopolitical impetus for EU focus on military capabilities
- Recognition of debate: Defence's role in peace, territorial integrity, industrial growth

Intrinsic risks: Here to stay

- > Complexity: Upstream  end markets
- > Data availability, completeness, reliability:
Contracts, client lists, utilization
- > Embargo compliance



Uncertainty: Who, against whom, how, when
Risks: Human Rights, Do No Significant Harm etc.



Safety & independence: Just an arms matter?

Other considerations for concerned investors

Context highlights relevance of sustainability issues at large

Dependency can turn into vulnerability

20%

of global oil & LNG supplies flow through the Strait of Hormuz

2024

Chinese export controls on graphite products

- > Climate change, energy transition
- > Energy security & independence
- > Sovereignty, self-determination vs. conflict



Defence

Interlinked **sustainability issues**

Fundamental analysis: **Inherent & emerging risks**

Push for **disclosure & transparency**



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