Monthly ESG Newsletter

February 2025

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ESG Regulatory updates
January 2025

EBA: Final Report – Guidelines on the management of ESG risks

- The EBA's guidelines on ESG risk management set out minimum standards for integrating ESG risks into financial institutions' frameworks. These risks, recognized as drivers of traditional financial risks, must be assessed through materiality evaluations and scenario-based methodologies. Institutions are required to align ESG considerations with governance structures, risk appetite, and internal processes such as the Internal Capital Adequacy Assessment Process
- The guidelines emphasize transition planning to support EU climate goals, including net-zero emissions by 2050. Institutions must establish measurable targets, timelines, and milestones to address ESG risks and ensure alignment with regulatory objectives
- Proportionality ensures smaller institutions can implement less complex approaches while still addressing material ESG risks. Institutions are encouraged to regularly update methodologies, data processes, and strategies as ESG risk management evolves. The guidelines, effective January 2026, aim to bolster resilience across the financial sector and advance sustainable finance goals

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EBA: Consultation Paper – Draft Guidelines on ESG Scenario Analysis

- The EBA's consultation paper provides draft guidelines for integrating ESG scenario analysis into financial institutions' risk management frameworks. It emphasizes using scenario analysis to assess resilience to climate and other ESG risks, focusing on short-term financial impacts and long-term business model sustainability
- The guidelines cover three key areas: defining uses for scenario analysis, setting criteria for credible scenarios, and identifying how ESG risks affect financial outcomes. They introduce Climate Stress Tests (CST) for short-term risks and Climate Resilience Analysis (CRA) for long-term planning, encouraging gradual, proportional implementation based on institutional size and complexity
- Recognizing the early stage of ESG integration, the guidelines prioritize climate risks, urging institutions to use credible international models while remaining flexible as data and methodologies improve. The goal is to strengthen institutional resilience, integrate ESG considerations into strategic decisions

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EU adopts new Construction Products Regulation (construction and real estate)

- On 7 January 2025, the European Union's new Construction Products Regulation came into effect, marking a major advancement from the previous regulation (No. 305/2011). This new framework aims to modernize the construction and real estate sector, bringing it in line with evolving environmental, safety, and competitive standards
- A key feature of the new regulation is its stronger focus on sustainability. It introduces stricter environmental performance criteria, ensuring that construction products comply with the EU's broader green transition goals. One of the most notable innovations is the Digital Product Passport, which provides detailed information on the environmental impact, safety, and overall performance of construction materials
- Furthermore, this regulation aligns closely with the Energy Performance of Buildings Directive (EPBD) and other EU climate policies. By increasing transparency and promoting sustainable materials, the EU aims to reduce carbon emissions in the construction sector and drive the transition towards greener infrastructure across Europe

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EU Commission: A Competitiveness Compass for the EU

- The European Commission's communication outlines a strategy to enhance the EU's competitiveness in a rapidly evolving global economy. While Europe has strong economic foundations, it faces significant challenges, including lagging productivity growth, high energy costs, and regulatory burdens
- The document highlights the need for urgent reforms to foster innovation, strengthen industrial capabilities, and reduce dependencies on external markets. By leveraging its single market, workforce, and financial resources, the EU aims to regain technological leadership and maintain its global influence
- The strategy is centered on three key pillars: closing the innovation gap, advancing a competitiveness-friendly decarbonization agenda, and reducing external dependencies. The EU plans to boost research and development, improve access to venture capital, and support the growth of innovative companies. The Clean Industrial Deal will align climate goals with industrial competitiveness, ensuring the energy transition remains economically viable

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Insightful ESG research
January 2025


ESG: A Review of 2024 and Key Trends To Look for in 2025

- The document reviews ESG trends from 2024 and highlights ongoing regulatory divergence between the EU and US. The EU advanced measures like the CSRD and CSDDD, while the US faced challenges to its climate disclosure rules
- Key updates included stricter fund naming rules by ESMA, the UK's Carbon Border Adjustment Mechanism, and enhanced global sustainability initiatives. For 2025, major developments include the first CSRD-compliant corporate reports in the EU, potential simplifications of its ESG reporting framework, and updates to UK sustainability reporting standards
- Regulatory fragmentation and differing antitrust policies will remain challenges for cross-border ESG initiatives, while new measures like the EU Green Bond Regulation and UK Modern Slavery Act reforms will shape sustainability practices

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Global Sustainable Fund Flows: Q4 2024 in Review
Despite headwinds, inflows increase, driven by Europe.

- The document reviews global sustainable fund flows for Q4 2024, showing the highest quarterly inflows of the year at $16 billion, driven by Europe's dominance with $18.5 billion in net inflows. Despite this, global sustainable fund flows halved over the year, contrasting with growth in conventional funds
- The report highlights a rebound in product development, with 86 new sustainable funds launched globally in Q4. However, fund closures and rebranding efforts also surged, reflecting regulatory changes and market maturation. Europe led sustainable fund launches and closures, with 94 funds shutting down and a record number of funds dropping ESG terms from their names due to new EU greenwashing regulations
- Stricter regulations like ESMA's fund naming guidelines and the UK's Sustainability Disclosure Requirements are expected to reshape the sustainable fund landscape

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SFDR Article 8 and Article 9 Funds: Q4 2024 in Review
Inflows into Article 8 funds rise, but redemptions from Article 9 funds continue.

- The report analyzes Q4 2024 trends for SFDR Article 8 and Article 9 funds, highlighting strong inflows into Article 8 funds while Article 9 funds continued experiencing redemptions. Article 8 funds attracted €52 billion in net inflows, the highest of the year, driven by fixed-income products
- New Article 8 and Article 9 fund launches remained strong but showed a slight decline compared to previous years, with sustainability-linked funds still making up over half of new launches in the EU. Meanwhile, fund closures and reclassifications increased, with asset managers adjusting strategies ahead of the May 2025 ESMA fund naming guidelines
- Looking forward, regulatory pressures will continue shaping the landscape of ESG funds, with increased scrutiny on disclosures and greenwashing concerns

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Journal of Innovation & Knowledge

- The study reviews 108 articles (2019–2023) on the ESG/CSR and Corporate Financial Performance link, highlighting key moderating factors like governance, culture, and market maturity
- It identifies gaps in standardized ESG metrics and underexplored factors like industry dynamics and long-term impacts. The paper stresses the need for refined methodologies and broader research to clarify ESG's financial effects
- Future studies should standardize ESG assessments and consider more variables to improve understanding. The research offers a structured framework for enhancing corporate sustainability strategies and financial analysis

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Insightful ESG news
January 2025

THE WALL STREET JOURNAL.

BlackRock Withdraws From Climate Coalition, Backpedaling Again on ESG

BlackRock, the world's largest asset manager, announced its withdrawal from the Net Zero Asset Managers Initiative, a coalition committed to achieving net-zero greenhouse gas emissions by 2050. This decision marks a reversal of the firm's prior ESG investment commitments

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FINANCIAL TIMES

American Airlines' use of 'ESG activist' BlackRock failed workers, US judge says

A U.S. court ruled that American Airlines violated fiduciary duties by hiring BlackRock for its 401(k) plan, citing "ESG activism." No financial losses were confirmed, and BlackRock defended its focus on client returns

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Il Sole 24 ORE

EBA issues guidelines on ESG risk management for banks

The European Banking Authority (EBA) released final guidelines on environmental, social, and governance risk management for financial institutions, outlining requirements for identifying, measuring, and monitoring these risks

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REUTERS

Climate shift to help boost StanChart income by almost $1 billion, CEO says

Standard Chartered expects to earn nearly $1 billion in 2025 from sustainability-focused services. The bank remains committed to the net-zero agenda despite political challenges, highlighting the profitability and ethical alignment of green initiatives

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FINANCIAL TIMES

'Chilling effect' spreads to EU asset managers over climate even as risks rise

EU asset managers are increasingly cautious in addressing climate action due to political scrutiny and legal challenges against ESG investing. This has reduced support for climate resolutions and created hesitancy in endorsing initiatives, despite ongoing efforts to manage climate risks and meet EU regulations

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REUTERS

Top Canadian banks quit global climate coalition ahead of Trump inauguration

Bank of Montreal is the first Canadian bank to leave the Net-Zero Banking Alliance, following similar U.S. banks under political pressure. Despite this, BMO remains committed to its climate strategy and helping clients transition to net zero

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MILANO FINANZA

Bonds: A2A and Iccrea Banca issue two green bonds with strong investor demand

A2A and Iccrea Banca successfully issued €500 million each in green bonds, attracting significant investor interest. A2A's 10-year green bond, aligned with the EU Taxonomy, drew €2.2 billion in orders (4.4 times the offered amount) and will finance energy transition and circular economy projects

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ESGtoday

France Calls on EU to Delay, Water Down Sustainability Reporting and Due Diligence Requirements

The government of France has called for a significant implementation delay and major amendments to some of the key European sustainability reporting and environmental due diligence regulations introduced over the past few years

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ESG & Sustainability upcoming events

February 2025

The European House Ambrosetti

Sustainability Global Summit 2025: 4 February 2025

In this event, participants will have the opportunity to exchange new approaches and innovative ideas, exploring how companies can leverage the true strategic value of sustainability

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Milan

ECONOMIST IMPACT

Carbon Capture Summit: 6 February 2025

This event focuses on the role of carbon capture technologies as part of global strategies to meet net-zero goals

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Amsterdam

WORLD ESG SUMMIT

World ESG Summit: 10-11 February 2025

The World ESG Summit is a premier event that gathers leaders from the private and public sectors to discuss emerging ESG trends, regulatory changes, and best practices

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Ryhad

GreenBiz 25

The Premier Annual Event for Sustainable Business Leaders: 10-12 February 2025

This event brings together professionals and industry leaders to discuss the latest trends and strategies in the ESG space

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Phoenix

CefPro® Events Sustainable Finance Europe

Advancing Sustainable Progress through Innovation: 25-26 February 2025

This event offers a unique opportunity to explore strategies into sustainability progression, but also allows participants to gain valuable insights into upcoming regulations such as CSDDD

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London

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ESG Conferences organized by Investment Banks and Brokers
Annual list

Organiser	Event Name	Mode	Location	Date	Hyperlink (if any)
ESMA	Shaping the Future of EU Capital Markets	In-person	Paris, France	5 February 2025	ESMA Conference 2025
LONDON MAY 19-20 IMPACT INVESTING FORUM2025	impact Investing Forum 2025	In-person	London, UK	19-20 May 2025	Impact Investing Forum
Kepler Cheuvreux	ESG Conference	Virtual	Virtual	29-30 May 2025	ESG Conference
ri responsible investor	Responsible Investor Europe 2025	In-person	London, UK	11-12 June 2025	Responsible Investor Europe

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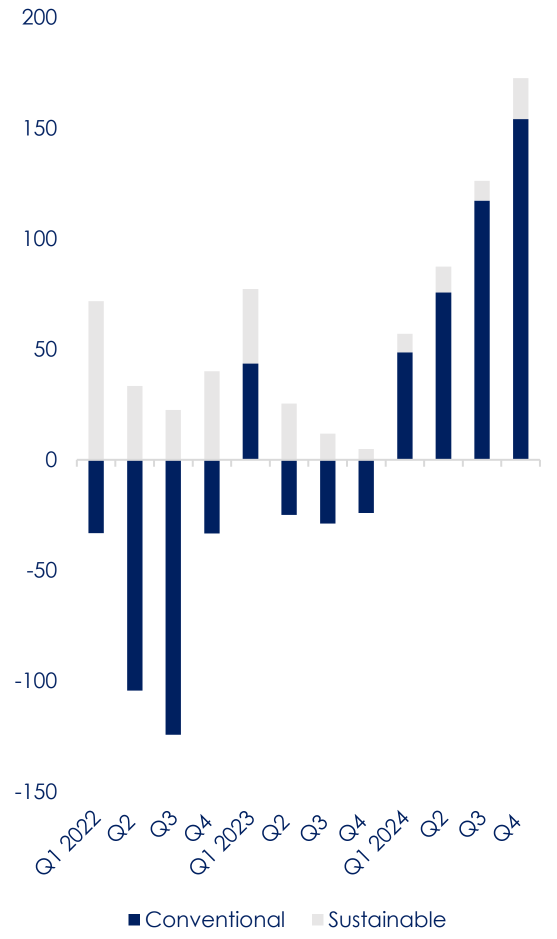
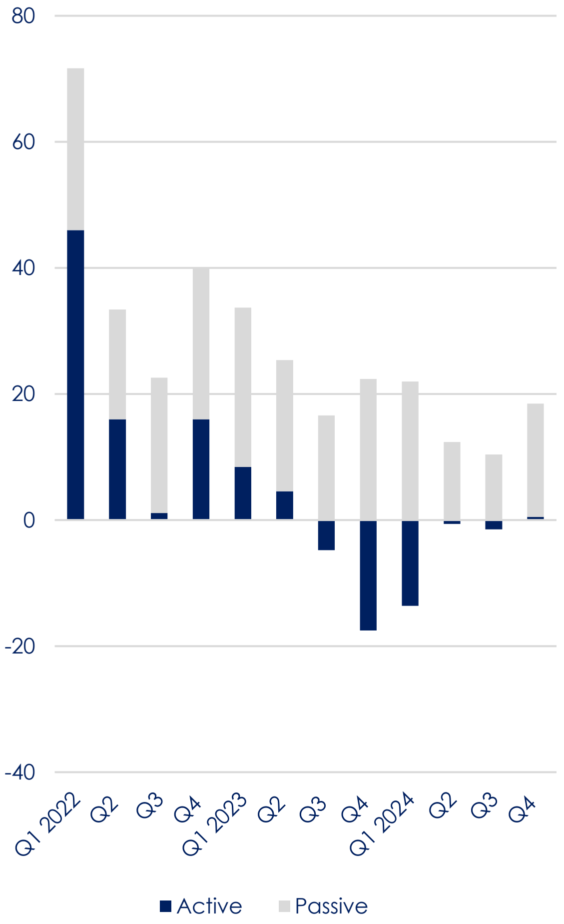
European sustainable fund flows in Q4 2024 recorded positive flows, up 108% vs Q3 2024

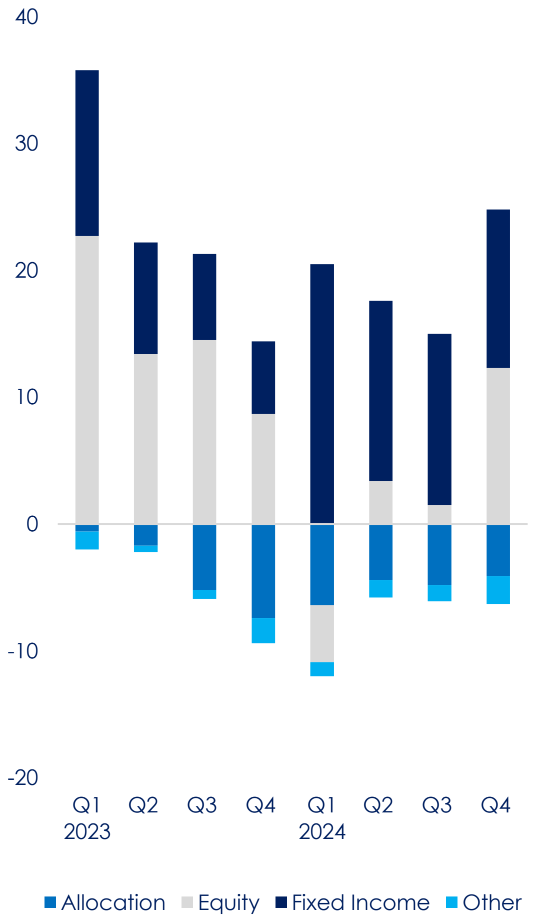
Conventional vs Sustainable Flows ($bn)



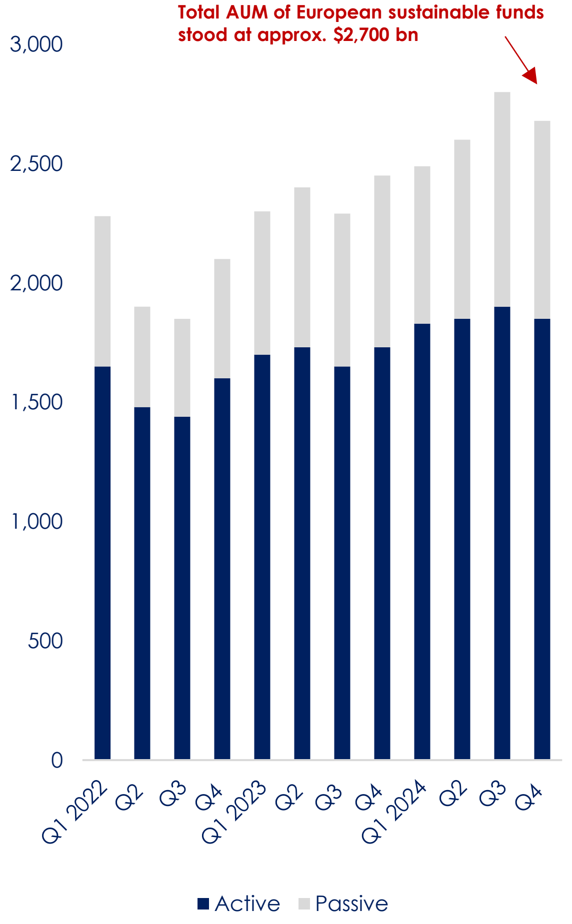
Sustainable Fund Flows ($bn)



European Sustainable Fund Flows by Asset Class ($bn)



Sustainable Fund Assets ($bn)



Note: According to Morningstar research, the global "sustainable" fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors. Universe of sustainable funds is based on intentionality rather than holdings

Source: Morningstar

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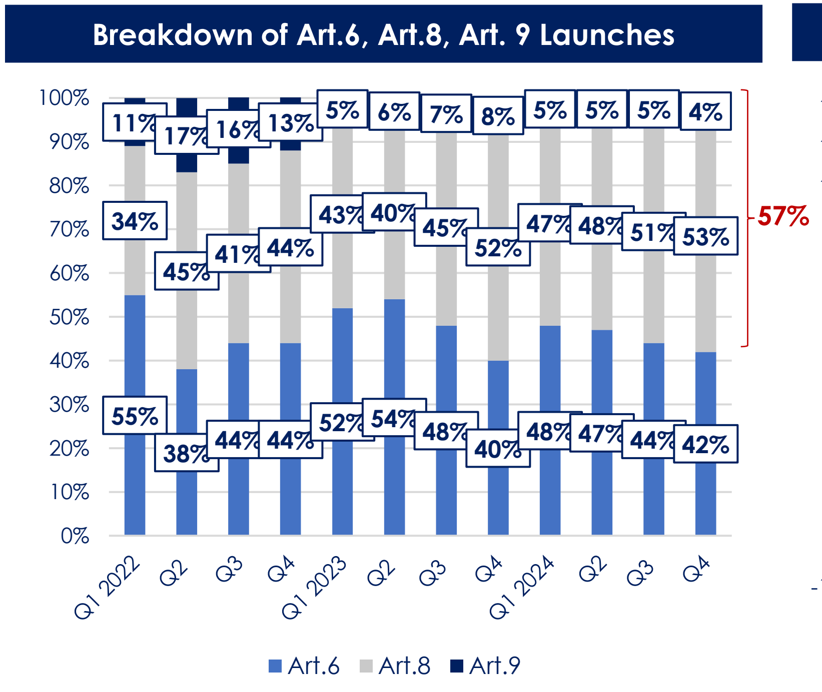
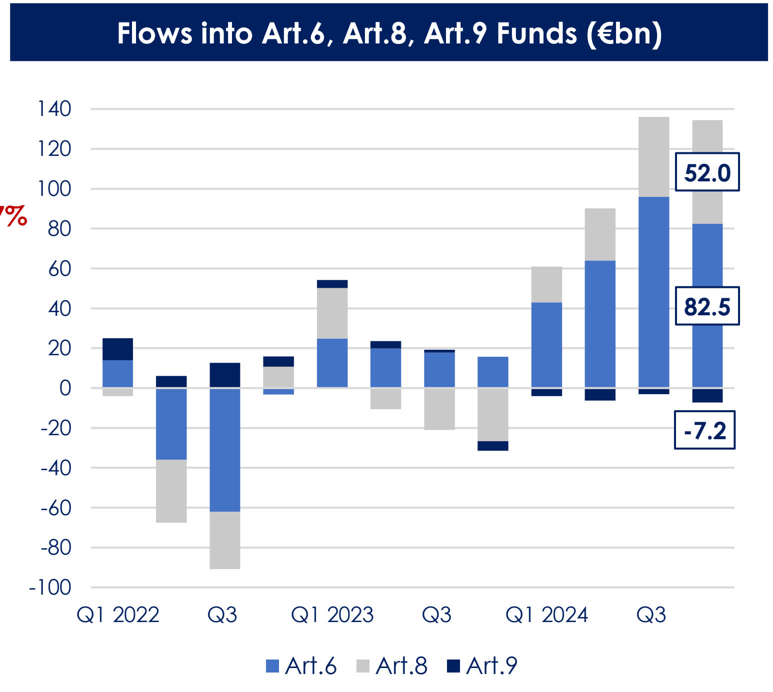
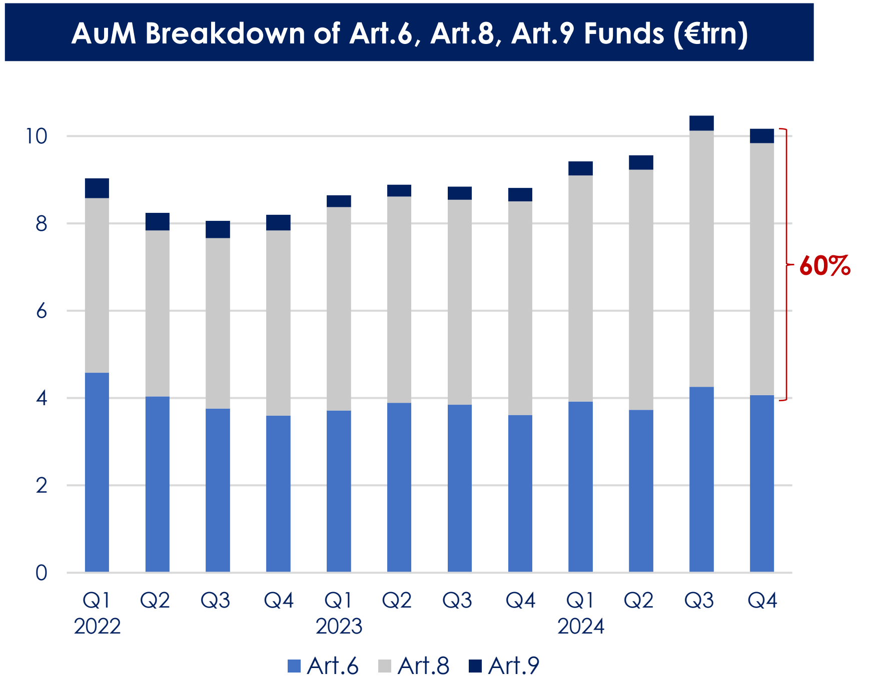
Article 8 and Article 9 Fund account for 60% share of total AuM in Q4 2024







- In Q4 2024, **Art. 8 and Art. 9** funds accounted for 57% of the total number of funds launched in the EU
- **Art. 8** funds recorded **€52 bn of inflows in Q4 2024**, marking the highest quarterly inflows since the fourth quarter of 2021. This represented a notable uptick from EUR 40.1 billion in the previous quarter
- **Art. 8 and Art. 9** AuM funds stood at **€6.1 trn at the end of December 2024,** maintaining the share to 60% of the EU funds

Note: The value of Q3 2024 fund flows classification (art. 6, 8, 9) has been updated from Morningstar's last published report

Source: Morningstar

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