

# **The changing face of ESG**

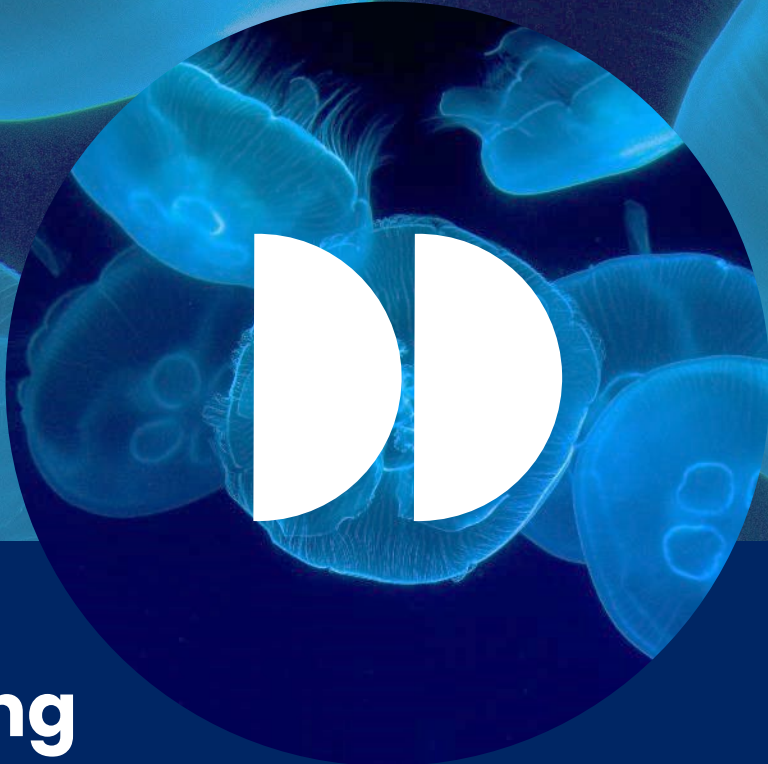
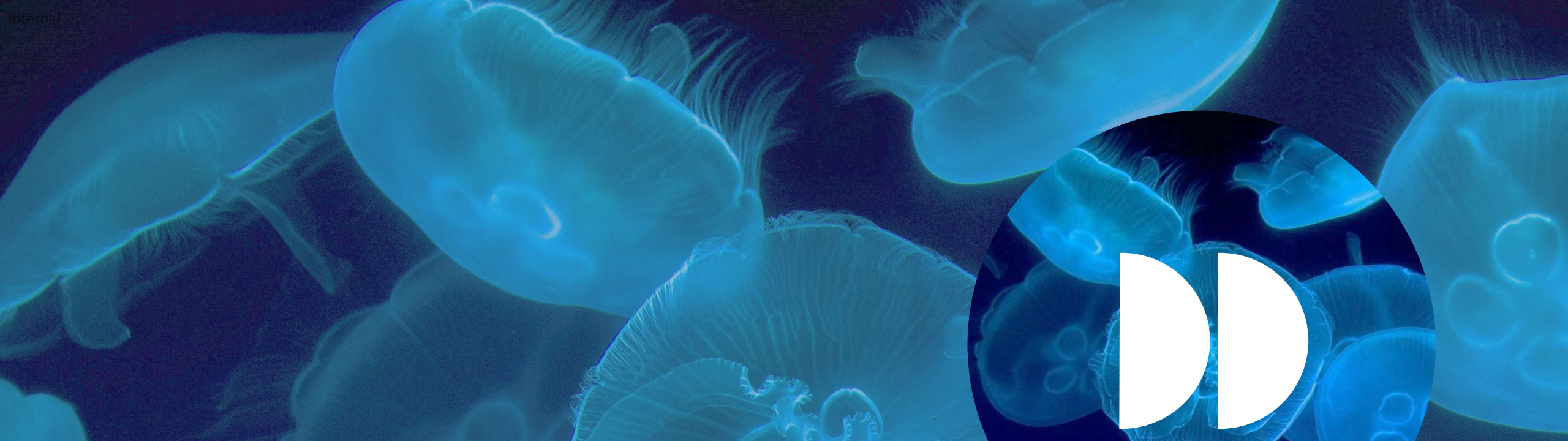
## **Sustainable Investing and ESG in a Polarized World**



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**Head of Dutch Branch Candriam**

**OCTOBER 2025**





# 1 **Trump's anti-ESG rhetoric hitting US asset managers, European pension funds react**







**THE DONALD TRUMP INTERVIEW**

**"I'M NOT A BIG BELIEVER IN GLOBAL WARMING"**

**CNN**

9:17 AM ET

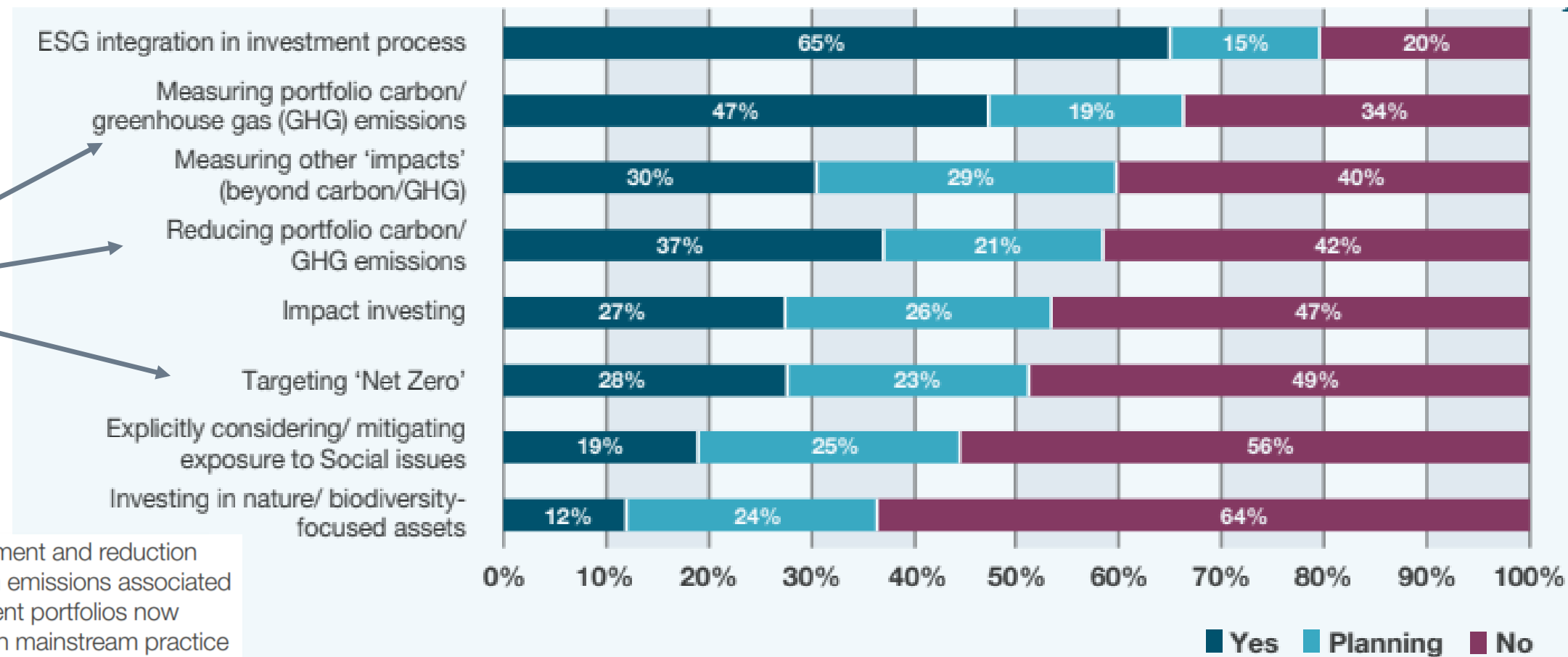


## 2 Investor surveys point to **continued strong demand** for various degrees of **Paris-Alignment**



# Investor surveys point to continued strong demand for various degrees of Paris-Alignment

More than 50% of institutional investors have already implemented, or are in the process of implementing, paris-alignment (net-zero) goals



The management and reduction of the carbon emissions associated with investment portfolios now sits fully within mainstream practice for many pension funds, insurers, endowments and other asset owners.

Source : bfinance 2024 Global Asset Owner Survey



# Demand for ESG investment approaches driven by EU regulation

## IORP II

### > Article 19 Investment rules

- 1- Member States **shall require** IORPs registered or authorised in their territories to invest in accordance with the 'prudent person' rule and in particular [...] (b) to take into account the potential long-term impact of investment decisions on environmental, social, and governance factors

### > Article 21 General governance requirements

- 1- [...] The system of governance **shall include** consideration of environmental, social and governance factors related to investment assets in investment decisions

### > Article 25 Risk-management

- 2- The risk-management system **shall cover** [...] (g) environmental, social and governance risks relating to the investment portfolio and the management thereof.

### > Article 30 Statement of investment policy principles

- Member States **shall provide** for this statement to contain, at least, such matters as [...] how the investment policy takes environmental, social and governance factors into account.

### > Article 41 Information to be given to prospective members

- Member States **shall require** IORPs to ensure that [prospective members] are informed, before they join that pension scheme, about: [...] information on whether and how environmental, climate, social and corporate governance factors are considered in the investment approach



# Demand for ESG investment approaches driven by EU regulation

## Solvency II

### > Article 260 Risk management areas

- 1-c) Investment risk management definition (vi) actions to be taken by the insurance or reinsurance undertaking to ensure that sustainability risks relating to the investment portfolio are properly identified, assessed and managed
- 1a- The insurance and reinsurance undertakings **shall integrate** in their policies referred to in points (a) and (c) of paragraph 1 [...] sustainability risks

### > Article 275 Remuneration policy

- 4- The remuneration policy **shall include** information on how it takes into account the integration of sustainability risks in the risk management system.

### > Article 275a Investments / Integration of sustainability risks in the prudent person principle

- 1- When identifying, measuring, monitoring, managing, controlling, reporting and assessing risks arising from investments, [...] insurance and reinsurance undertakings **shall take into account** sustainability risks



# Other EU regulatory initiatives related to pension and insurance

## From stress-tests to reporting

- › **Capital requirement:** “Internalize externalities”
  - Expected increase in capital requirement for insurance companies exposed to fossil fuel issuers
  
- › **Stress-tests** to assess the resilience of the financial sector to climate stress-tests
  - At EU level
    - › EIOPA (EU supervisory authority for pension funds and insurance companies) climate stress-tests in 2022 for pension funds
    - › EIOPA/EBA/ESMA Fit-for-55 stress-tests 2023
  - In France, ACPR performed a ‘pilot exercise’ in 2020, renewed in 2023 on climate related stress-tests
  
- › **Reporting** to evaluate alignment to taxonomy / Paris agreement
  - EU Template S.06.04.01 for insurance to report climate-change risks related to investments
  - Internal (prospective) risk evaluation from insurance companies (ORSA) should take sustainability / climate risks into account
  - French LEC29 reporting regarding sustainability / climate / biodiversity

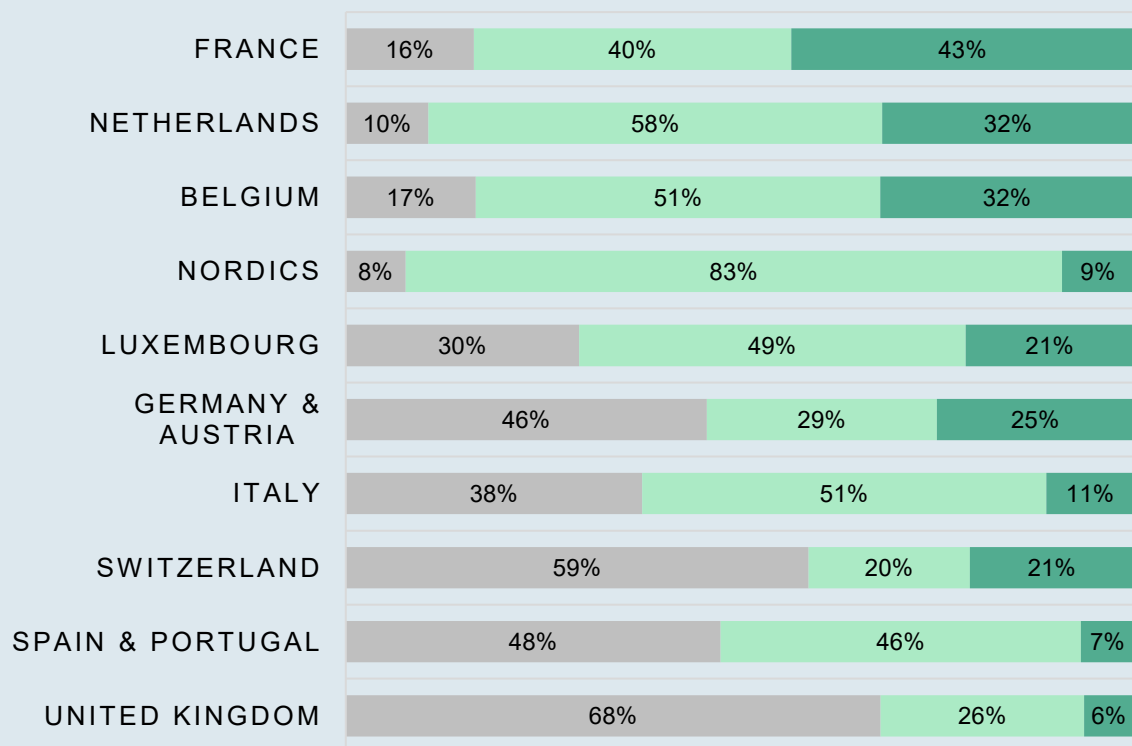


# European ESG Market Trends

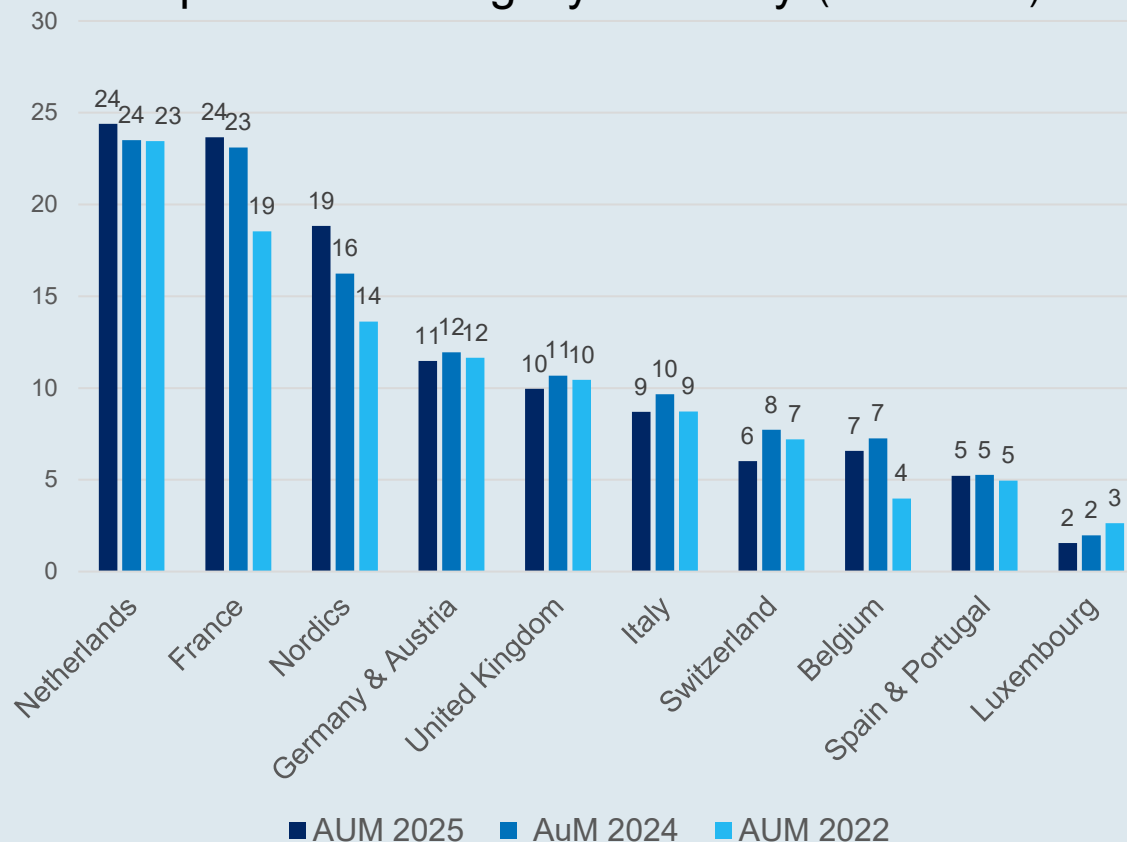
Rate of ESG adoption differs from country to country

## ESG Adoption by Country

■ Not ESG ■ Light ESG ■ Advanced ESG



## Impact Investing by Country (€ bln AuM)

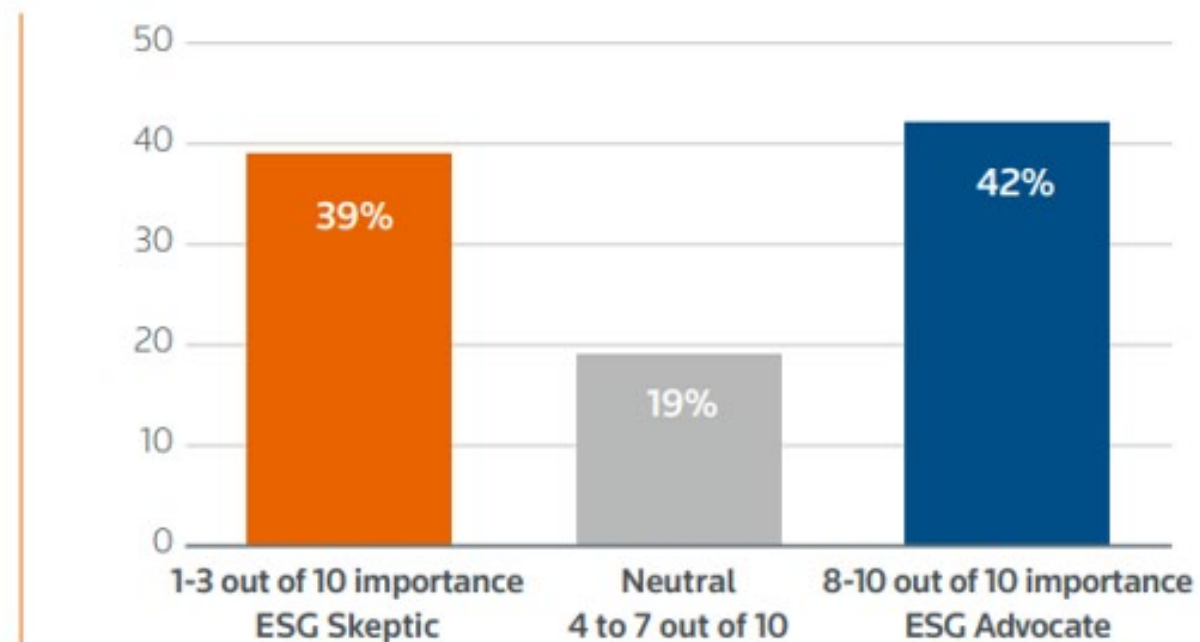


Sources: Candriam Market Intelligence based on Broadridge GMI data as end of July 2025



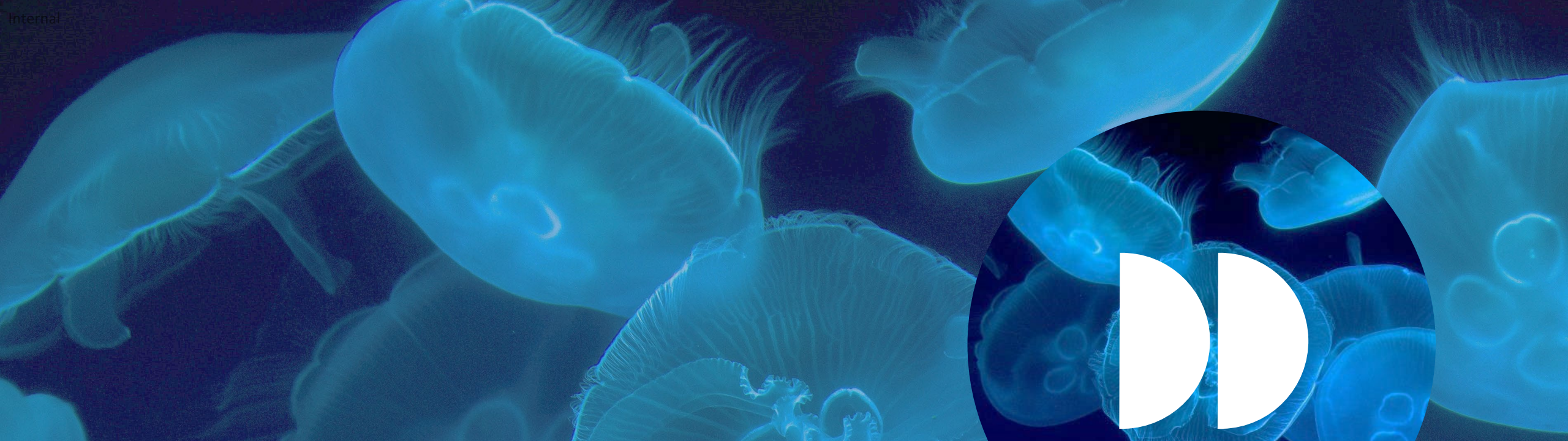
# Sustainable Investing and ESG in a Polarized World

**Figure 1: How important would you say it is to you personally that your firm demonstrates a commitment to relevant Environmental, Social, and Governance (ESG) issues, including setting goals and taking action to meet those goals?**



Source: Thomson Reuters 2023





# 3

## Latest Trend within EU's Regulatory Agenda Simplification & Deregulation





Corporate  
Europe  
Observatory

**DEREGULATION**

**WATCH**

**COMPETITIVENESS**

**SIMPLIFICATION**

**OVERREGULATION**

**RED TAPE**

**REGULATORY BURDENS**



# Simplification

Omnibus I and II

26 February 2025





**4**

**Notwithstanding some negative years  
ESG investment performance remains  
above average over the medium- and  
long-term**



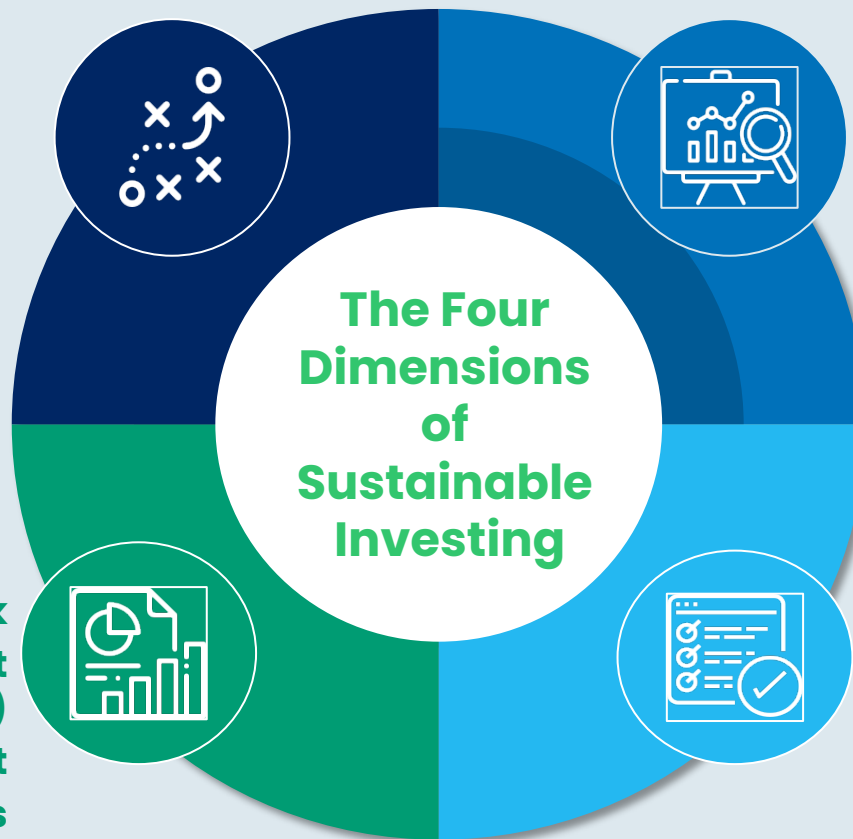
# The Four Dimensions of Sustainable Investing

## Engagement

Dialogue  
Proxy Voting

## ESG Impact (Ambition Targets)

Carbon reduction target vs benchmark  
Year-on-year decarbonization target  
(Net-Zero prior to 20XX)  
Temperature Alignment target  
Minimum level of Green bonds  
Minimum level of Solution Providers



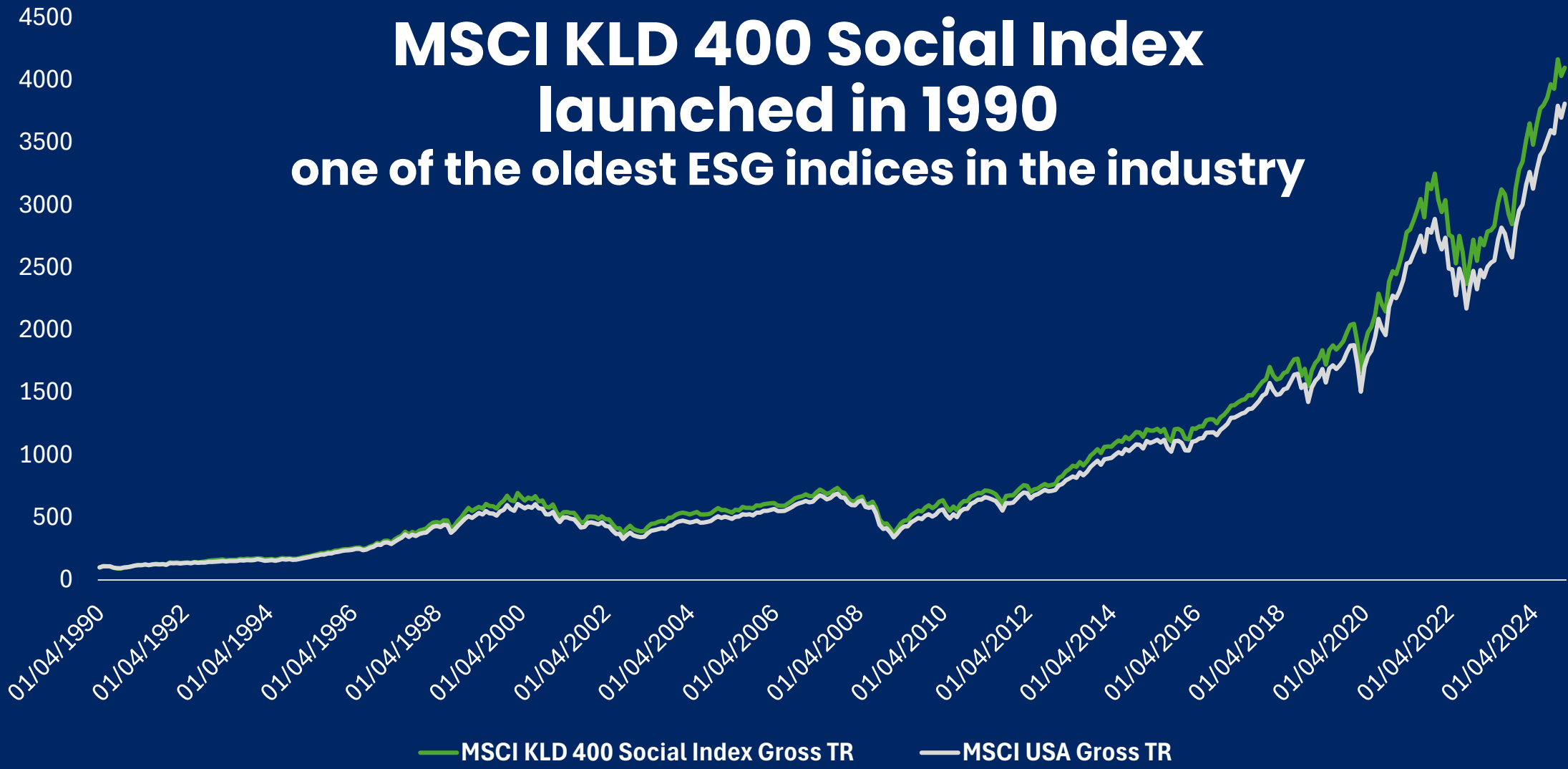
## Negative Screening (Exclusions)

UN Global Compact  
Controversial Activities

## Positive Screening

Best In Class Approach  
ESG Integration

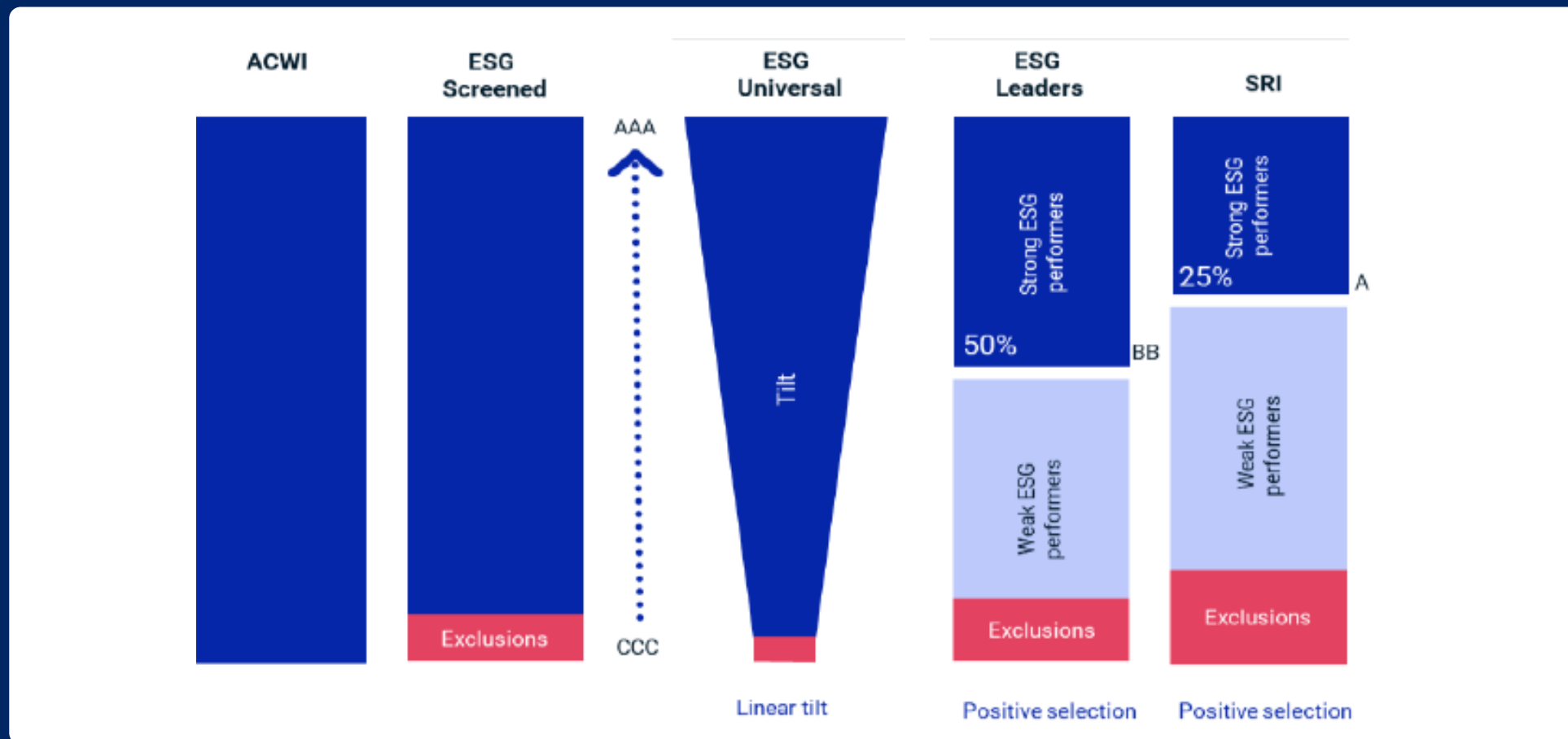
# MSCI KLD 400 Social Index launched in 1990 one of the oldest ESG indices in the industry



Source : MSCI, Candriam



# MSCI's ESG benchmark terminology & construction





# EUROPE

	MSCI Europe	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
<b>Number of Constituents</b>	414	384	412	212	101	396	272
<b>%Market Cap Removed</b>		12,3%	0,9%	50,9%	75,8%	10,1%	28,4%
<b>Sum Top 10 Weights</b>	21,0%	23,3%	22,9%	34,4%	49,6%	26,4%	22,3%
<b>Max Weight</b>	2,7%	3,1%	3,2%	5,5%	11,0%	4,3%	2,9%
<b>Tracking Error</b>	-	0,9%	0,9%	2,0%	4,9%	2,4%	2,6%
<b>10 Year Performance (ann)</b>	6,6%	6,6%	7,2%	6,8%	8,2%	6,8%	7,2%
<b>Rank 10 Year Performance</b>	7th	6th	3rd	4th	1st	5th	2nd

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%

Source: Bloomberg (Missing history for calculations was filled up with broad benchmark history), own calculations.



# USA



	MSCI USA	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
<b>Number of Constituents</b>	590	536	584	292	174	570	217
<b>%Market Cap Removed</b>		7,5%	0,7%	48,9%	75,7%	4,4%	33,5%
<b>Sum Top 10 Weights</b>	34,5%	37,3%	27,4%	43,1%	46,4%	41,0%	41,4%
<b>Max Weight</b>	6,8%	7,3%	5,2%	10,8%	23,2%	6,7%	7,2%
<b>Tracking Error</b>	-	1,1%	1,1%	2,6%	5,6%	3,2%	2,6%
<b>10 Year Performance (ann)</b>	12,5%	13,1%	12,7%	12,4%	13,5%	14,3%	13,5%
<b>Rank 10 Year Performance</b>	6th	4th	5th	7th	2nd	1st	3rd

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%

Source: Bloomberg (Missing history for calculations was filled up with broad benchmark history), own calculations.



# EUROPE

	MSCI Europe	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
Implied Temperature (C4F)	2,7	2,5	2,6	2,3	2,3	2,3	2,1
MSCI ESG Score	7,8	8	8,2	8,7	9,3	8,1	8,3
MSCI Environmental Pillar Score	6,4	6,7	6,7	6,8	6,9	7	7,1
Carbon Footprint (t CO2e/\$M EVIC)	52	43	45	35	13	30	10
Carbon Intensity - WACI (t CO2e/\$M Sales)	84	81	77	55	32	63	37
Fossil Fuel-Based Sector Exposure (NACE) %	9,9	8,4	8,1	7,8	4	3,6	4
MSCI Social Pillar Score	5,1	5,3	5,4	5,6	6,2	5,2	5,4
MSCI Governance Pillar Score	6,6	6,6	6,7	7	7,4	6,6	6,7

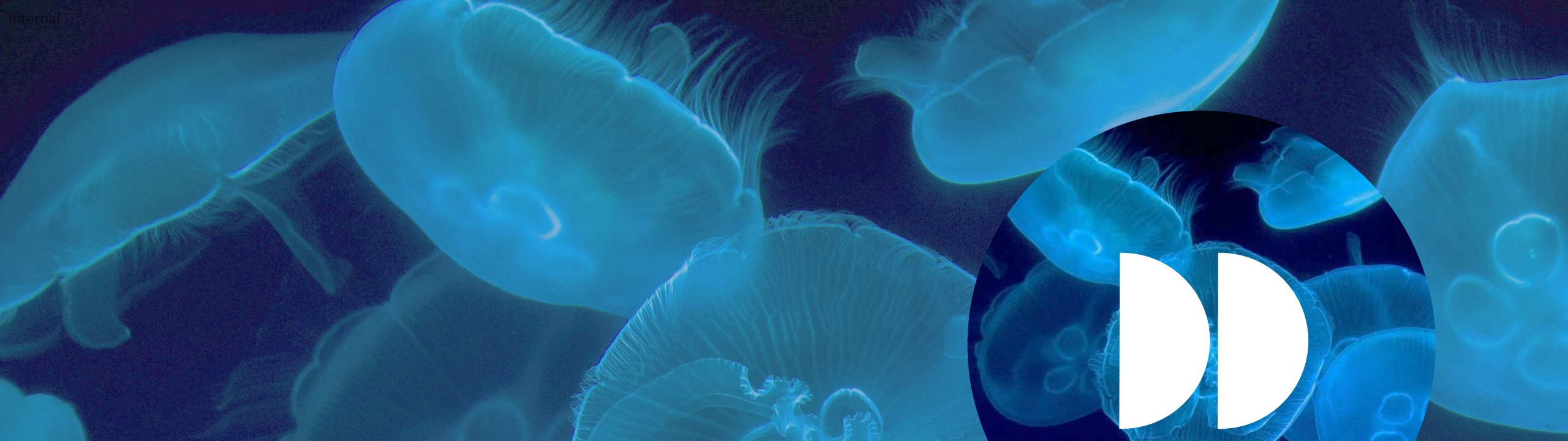


# USA

	MSCI USA	MSCI ESG Screened	MSCI ESG Universal	MSCI ESG Leaders	MSCI SRI	MSCI Climate Change	MSCI Paris Aligned
Implied Temperature (C4F)	3,9	3,8	3,9	3,6	3,9	3,6	3,5
MSCI ESG Score	6,5	6,5	6,9	7,5	8,2	6,5	6,9
MSCI Environmental Pillar Score	6,1	6,3	6,1	6,6	6,7	6,5	6,7
Carbon Footprint (t CO2e/\$M EVIC)	23,7	15,2	26,5	16,1	17,1	8,1	4,7
Carbon Intensity - WACI (t CO2e/\$M Sales)	105,4	70,1	107,7	78,9	77,2	45,3	34,7
Fossil Fuel-Based Sector Exposure (NACE) %	4,5	2,3	5	3,3	3,4	0,8	2
MSCI Social Pillar Score	4,9	4,9	5,2	5,5	5,9	4,9	5,1
MSCI Governance Pillar Score	5,4	5,3	5,7	5,5	6	5,3	5,4

Source: MSCI, C4F





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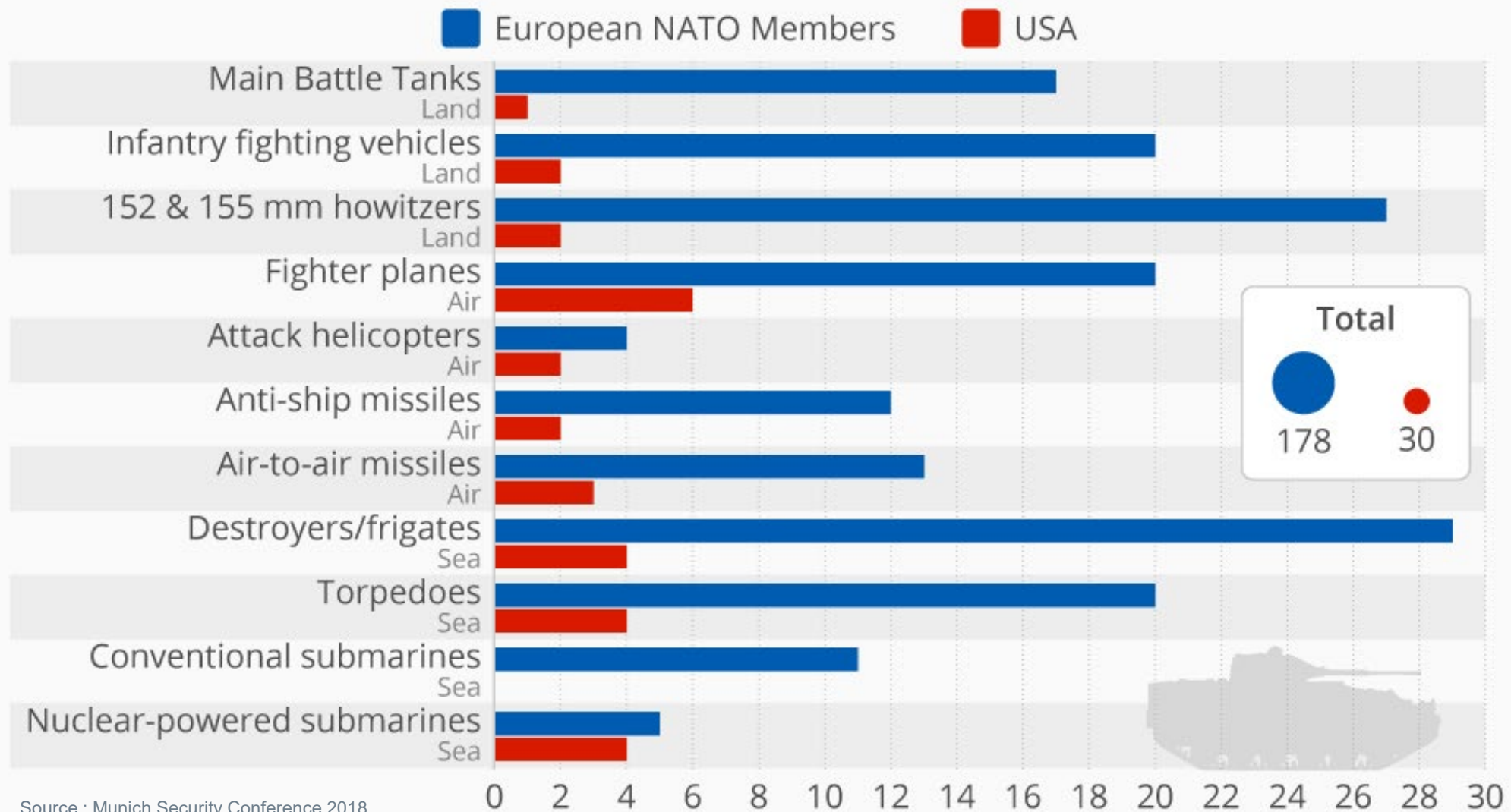
## **Defending the defensible: Is the defense sector sustainable?**





# Europe Has Six Times As Many Weapon Systems As The U.S.

Number of different weapon systems in service in 2016



Source : Munich Security Conference 2018





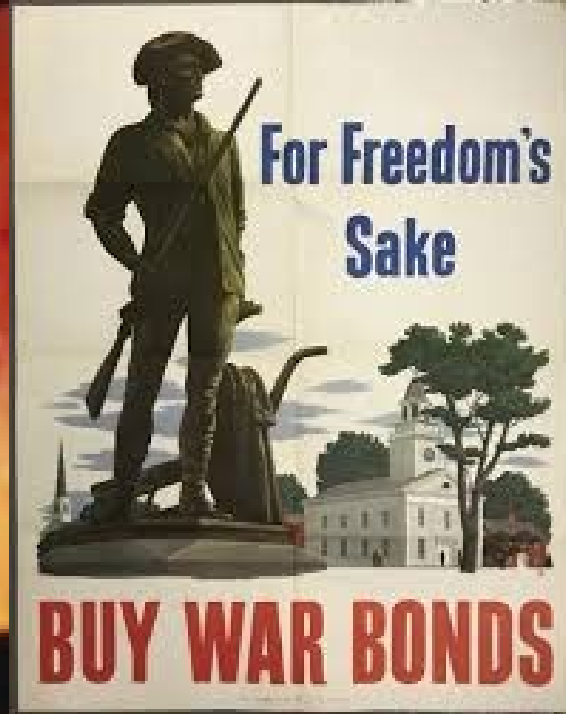
LET'S  
**ALL**  
FIGHT

**BUY WAR BONDS**



before it's **TOO LATE!**

**BUY**  
**WAR**  
**BONDS**  
and STAMPS



For Freedom's  
Sake

**BUY WAR BONDS**



*To Have  
and to Hold!*

**WAR BONDS**



Just be sure  
you put at least  
**10%** of it in  
**WAR BONDS!**

**TOP THAT 10%!**



**THIS IS MY FIGHT TOO!**

PUT AT LEAST 10%  
EVERY PAYDAY IN **WAR BONDS**



**I WANT YOU**

to **BUY**  
**WAR BONDS NOW**



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Don't Let That Shadow Touch Them

*Buy* **WAR BONDS**

**C**onviction **ANDR**esponsibility **I**n **A**sset **M**anagement





**EVALUATIE KENNISSESSIE RONDE 1**  
**Jaarcongres 2025**  
**Pensioenfederatie**



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## Management centers

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