

Your monthly sustainability digest – October 2025

"Ten years on from the Paris Agreement which united 195 countries around climate action, the world looks very different. A pandemic, surging inflation, and the Ukrainian war have shaken global stability. Instead of the post-Paris call for a "World War II-style" mobilization against climate change, we're witnessing a re-militarisation. Yet despite all this, decarbonization is accelerating. Renewables now generate over 40% of global electricity and attract twice as much investment as fossil fuels; US solar power has grown 200-fold in two decades. But the sceptics were right in one sense: decarbonization couldn't be imposed from above; it had to be driven by market forces. As Christiana Figueres, one of the architects of the Paris Agreement put it: "It's not about climate politics anymore; it's about climate economy." Central to this new climate economy is artificial intelligence – transforming our world at breathtaking speed. As AI adoption grows, ensuring it develops within a sustainable, responsible framework is essential. We'll explore these themes at November's PRI in Person in Brazil – so you can expect a recap next month. Until then!"



Laura Kaliszewski

Global Head of Client Sustainable Investing

In the news this month

1 Why pension funds are still pushing for climate action

Despite a decline in climate action among many financial sectors, pension funds have maintained their commitment to address climate risks. The asset owner coalition is far better placed to stay the course. Its members do not face the same competition law constraints as banks and insurance providers. They have a fiduciary duty to consider long-term climate impacts allowing them to explore impactful investing strategies.

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2 Lawmakers vote to delay final negotiations on sustainability Omnibus

The European Parliament has postponed final negotiations on the sustainability Omnibus, revealing significant political divisions among lawmakers. The upcoming discussions in November may lead to more comprehensive legislation on simplification package.

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3 ESG might be more resilient than critics expect

Despite alarming signals from institutional investors retreating from climate commitments, there is a growing trend of companies disclosing their carbon emissions and integrating ESG data into their investment strategies, indicating resilience in addressing environmental issues.

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4 Defending Defense is the hot new strategy in ESG investing

The Europe's aerospace and defense sector has tripled in value since the Ukraine conflict began, as financial institutions shift their approach to viewing defense as a "public good". The European Commission plan to attract €800 billion in private investments to bolster defense spending while acknowledging that the sector is increasingly recognized as a viable investment opportunity.

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5 The long road ahead: Engaging with hard-to-abate sectors

As investors look to tackle their portfolio emissions, the highest-emitting companies are front of mind. A small number of large emitters often make up a significant proportion of an investor's financed emissions, so tackling these firms is a key engagement target.

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6 Pre-COP roundup: Investors have "no more excuses" over adaptation

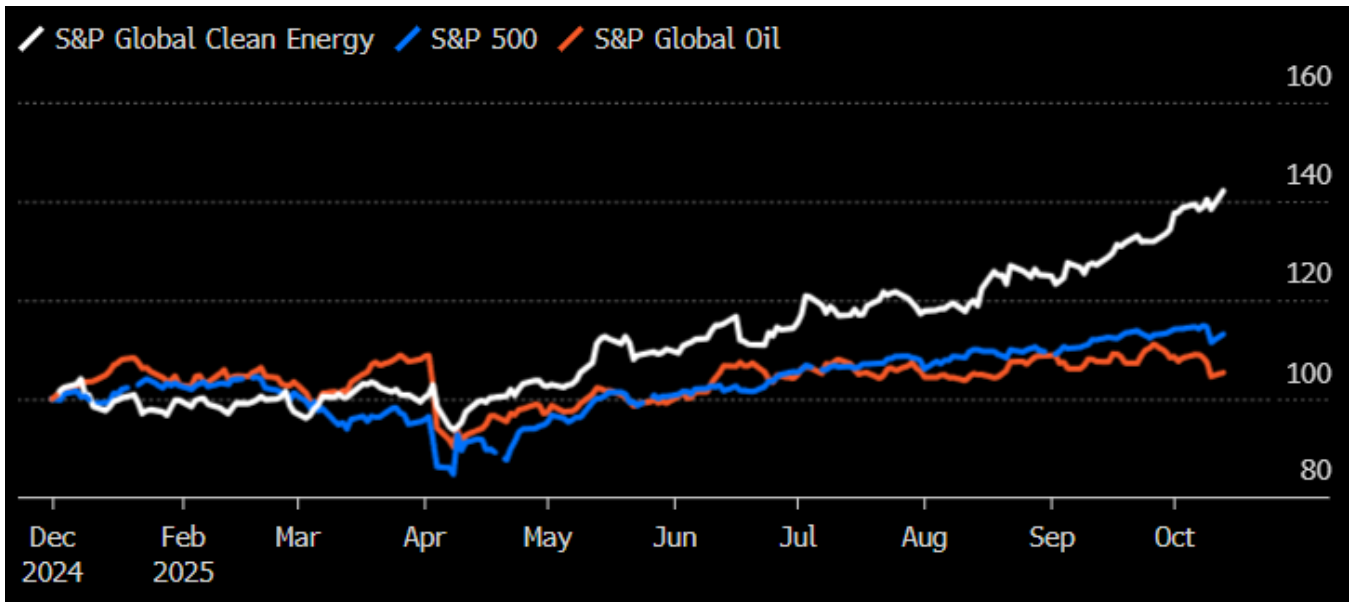
The UN Framework Convention on Climate Change (UNFCCC) has called on investors to urgently support climate adaptation funding, noting that national adaptation plans are prepared and ready for investment. Although there has been progress, significant barriers continue to hinder the mobilization of essential financing.

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Chart of the month

Green Stocks Are Outperforming

Renewables are key to achieving energy security



Source: Bloomberg

What does this chart show?

The S&P Global Clean Energy Transition Index has surged close to 50% since US President Donald Trump's April tariff announcements. That compares with the roughly 35% gain delivered by both the S&P 500 Index and gold over the same period.

Why is this important?

Admittedly, the Trump administration's decision to end the tax credits granted under his predecessor's mandate to renewable energy producers and to suspend the granting of permits for wind and solar projects in the One Big Beautiful Act is causing uncertainty among energy producers in the United States.. However, the S&P Global Clean Energy Index, and the renewable energy sector in general, is not limited to the United States. The chart clearly shows that the transition to renewable energy is continuing in China, India, and Europe.

Furthermore, energy demand, fueled in part by data centers and the AI boom, the transition to green mobility, and the relocation of industry to the United States and Europe, shows no signs of slowing down. Abundant, available renewable energy at a price that is economically and socially acceptable to economic agents is essential for a successful transition away from fossil fuels. For instance, solar energy (according to the IREA, the global weighted average LCOE for solar PV fell by 89% between 2009 and 2020 and continued to decrease into the 2020s) is not only becoming more affordable but is also often the cheapest source of new electricity generation in many parts of the world. The trend is expected to continue as technology advances and economies of scale are realized. Also, as AI technologies advance, the demand for renewable energy sources will be crucial to sustainably meet the growing energy needs.

If you have a question about the newsletter, contact the Client Sustainable Investing Team clientsustainableinvesting@natixis.com

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The Big Picture



Sustainable Funds Beat Traditional Funds in First Half of 2025

- Sustainable funds outperformed traditional funds in the first half of 2025, driven by sustainable funds' greater exposure to investments in Europe and elsewhere globally.
- Assets under management in sustainable funds grew to a new high of \$3.92 trillion as of June 30, up 11.5% from December 2024.
- First-half inflows to sustainable funds totaled \$16 billion, as assets added in the second quarter more than offset small outflows in the first three months of the year. However, this is tracking below prior years and traditional funds continue to see stronger inflows.

Source: Morgan Stanley Institute for Sustainable Investing

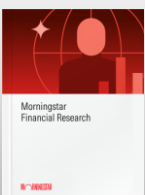
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Sustainable Investment Survey



- 72% of investors still integrate ESG factors, although many practice "greenhush" by minimizing messaging. Greenhushing" has become a bigger trend than "greenwashing".
- 66% of impact investors aim for market-rate returns, challenging the notion of concessionary performance.
- Capital continues to flow into private equity, venture capital, and infrastructure, focusing on climate, energy, and agriculture, despite ongoing misperceptions, definitional confusion, and measurement challenges

Source: PitchBook Survey 2025

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Global Sustainable Fund Flows: Q3 2025 in Review

- Global sustainable open-end and exchange-traded funds registered net outflows of about USD 55 billion in the third quarter of 2025. Despite this, global sustainable fund assets rose by about 4% in the third quarter to USD 3.7 trillion, supported by stock market appreciation.
- Sustainable funds in the United States saw net outflows for the 12th consecutive quarter, totaling over USD 5 billion in the last three months. Despite the continued withdrawals, US sustainable fund assets still grew to USD 367 billion, matching their 2021 peak.
- Fixed income stood out as the only asset class gathering new money, with net subscriptions of about USD 12.5 billion, globally.

Source: Morningstar

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How to talk to corporates about climate (and make sure they listen)


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Source: Responsible Investor

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Key insights from our investment managers



My Sustainable Corner At Ostrum

- Social bonds finance projects with positive social impacts **requiring transparency in fund usage to enable tangible change** for investors.
- In a disrupted economic context, marked by unemployment and pressure on healthcare systems, **social risks have gained significance**.
- **Banks play a crucial role in the development of the social economy**, representing 26% of social bond issuances in 2024.

Source: Ostrum

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Additional publications from our investment managers

> [ESG Newsletter](#)

(Flexstone Partners)

> [AI Working Group of the One Planet Sovereign Wealth Funds Network](#)

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> [USD 15 million to Bright, accelerating sustainable energy in Mexico](#)

(Mirova)

> [Creating Sustainable Value](#)

(Mirova)

Quote of the month :

“[Collective Initiatives] can help you to understand the style, their approach, their sophistication, and it could help you to identify potential new managers for the future. It’s a powerful tool for us and owners to actually supervise and monitor what managers do”

- Valeria Piani, Phoenix Group’s stewardship head, UK’s largest long-term savings and retirement business

Sustainable Investing at Natixis Investment Managers.

One goal, many paths.

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