

Your monthly sustainability digest – July/August 2025

# TALKING TRANSITION



# SUMMER EDITION



*"I'm often asked why we focus on 'transition' rather than simply 'sustainability'. For me, "transition" means addressing a crucial gap And that is how to abate sectors such as steel, cement, chemicals which are essential to the global economy, but at the same time are traditionally excluded from ESG strategies. That's where transition finance comes in: it provides credible pathways to help these hard-to-abate sectors move toward sustainability. This approach isn't just important—it's essential. If we want sustainable finance to deliver real-world impact, it must evolve to include these sectors. Of course, transition finance is still an emerging space. We're missing clear definitions and metrics, but the field is advancing quickly, supported by new tools and frameworks that are shaping its development. Something to reflect on as we, in Europe at least, begin to enjoy the summer break. Wishing you all a wonderful holiday, see you in September!"*

**Laura Kaliszewski**

Global Head of Client Sustainable Investing

## In the news this month

### 1 Ambitions, targets and aspirations: Asset owners grapple with climate solutions conundrum

Global asset owners are increasingly setting ambitious climate targets. However, challenges such as regulatory barriers, greenwashing concerns, and varying definitions of what constitutes a climate solution complicate the achievement of these goals

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### 2 ESG funds must be 'transparent' on defence investments, experts warn

Sustainable funds investing in defense stocks must provide "tangible evidence" of the use of these weapons, as more asset managers drop exclusion criteria amid growing investments in the sector. Transparency and due diligence are crucial to address ethical concerns and potential reputational risks.

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### 3 Dutch pension fund PME on ensuring alignment with asset managers

PME is reassessing its asset manager selection and assessment processes to align with sustainability values, focusing on substantive actions rather than just basic ESG criteria., highlighting the importance of clear long-term commitments while balancing financial returns with sustainability objectives.

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### 4 Top central banker defends climate work after US pushback

A senior central banker defended the work on climate change by financial supervisors, acknowledging that past risks from global warming were underestimated. Despite pushback from the US, the Network for Greening the Financial System emphasizes the significant economic impacts of climate-related risks on global GDP

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### 5 European Commission to launch call for evidence on environmental Omnibus

The call for evidence will include the Green Claims Directive and the EU Deforestation Regulation. This initiative aims to tackle climate change and biodiversity loss through stakeholder input and potential transformations of regulations.

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### 6 U.S. Companies Are Still Investing in Sustainability – But Aren't Talking About it: Survey

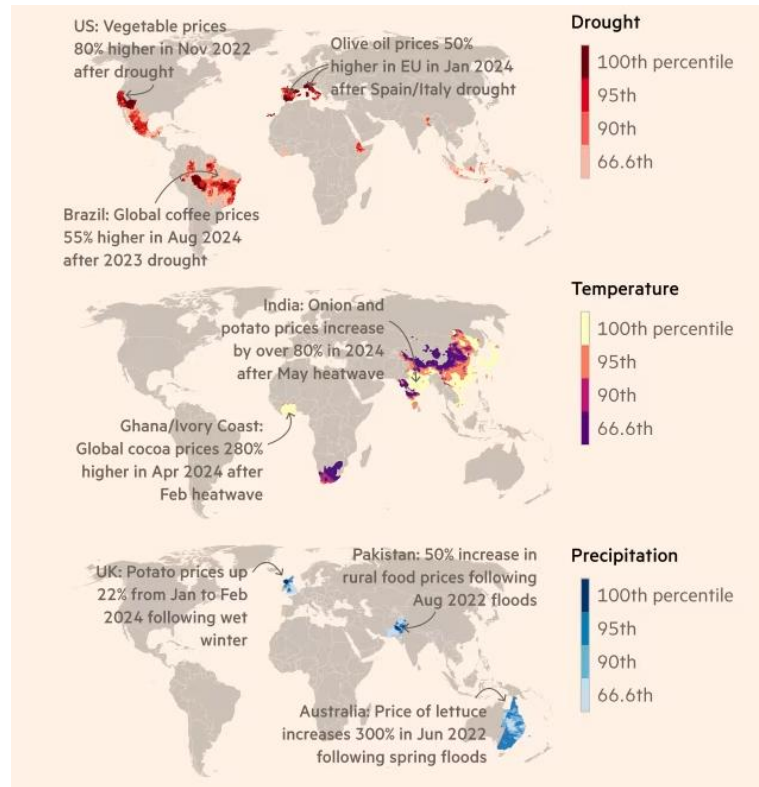
A majority of large U.S. companies are maintaining or increasing their investments in ESG initiatives, viewing sustainability as a key driver of competitive advantage and growth, despite a trend of decreased public communication about these efforts amid political scrutiny.

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# Chart of the month

## Extreme weather drives food price surges across the globe

Unusual climatic events are directly linked to short-term spikes in cost of basic foodstuffs



Source: Barcelona Supercomputing Center, Financial Times

### What does this chart show?

According to a study by the Barcelona Supercomputing Center, there is a direct link between climatic events - the frequency, intensity and earliness of which are being exacerbated by global warming - and sharp short-term food price rises in basic foodstuffs. For example, the price of olive oil jumped by 50% in January 2024 as a result of droughts in Spain in 2022 and 2023.

### Why is this important?

While 2024 is the hottest year on record, exceeding the threshold of 1.5°C of global warming compared with the pre-industrial era, the most ambitious limit set by the Paris Agreement, the material impact of global warming on harvests is likely to continue to be reflected in occasional spikes in inflation.

The globalisation of trade and its corollary, the concentration of agricultural production by country, act as a transmission belt for inflation. All it takes is a spark at the other end of the world, triggered by a fire, drought or flood, to fuel a surge in prices. We all remember the shortage of Dijon mustard in France in 2022 as a result of the drop in mustard seed production in Canada, which was partially destroyed by the heat dome stuck over Western Canada in the summer of 2021.

The impact of global warming on harvests goes beyond the economic sphere, since it also raises questions about the food sovereignty of states, potentially threatens the stability of the global financial system by maintaining high inflation, due to the weight of food in inflation, and could cause political and social instability, or even riots, among the most disadvantaged, who spend a relatively larger proportion of their budget on food than others.

# The Big Picture



## Global Sustainable Fund Flows: Q2 2025 in Review

- Global sustainable open-end and exchange-traded funds recorded an estimated net USD 4.9 billion in the second quarter of 2025, a notable rebound from the record-high restated redemptions of USD 11.8 billion in the first quarter.
- This turnaround was driven by a recovery in fund flows in Europe, despite geopolitical and regulatory uncertainties
- Natixis IM #2 for actively managed by Sustainable AUM, and #6 overall Sustainable AUM
- Renaming activity in Europe reached a record high in Q2 (close to 600 funds), as asset managers rushed to implement the EU's ESMA fund naming guidelines.

Source: Morningstar July 2025

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## Sustainability - The Long View



- A recent JP Morgan research paper has estimated that up to \$5.2trn of mandates could be impacted by sustainability considerations in the short term, and up to \$11.7trn in the long term.
- Recent mandate reallocations from asset owners underscore a strong focus on Climate Change: the future of sustainable investing may see a reduced regulatory drive, effectively positioning asset owners as "guardians of the temple" of sustainable investing.
- European Asset Managers: Poised for Success? The European asset management industry is well-positioned to capitalize on a more complex sustainable investing landscape as they outperform their American and Asian counterparts

Source: JP Morgan July 2025

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## Sustainable Signals: Corporates 2025

- 88% of companies globally view sustainability as a long-term value creation opportunity, up three percentage points from 2024.
- More than 80% of companies say they can measure returns on investment for sustainability-related projects.
- More than half of companies have experienced physical climate-related impacts in the past year and, in response, 80% say they are prepared to increase resilience measures.

Source: Morgan Stanley Institute for Sustainable Investing July 2025

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## The ESG arms race: How responsible investors are navigating defence


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Source: Responsible Investor

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# Key insights from our investment managers



## Creating Sustainable Value Mirova

### Macro Outlook:

- United States: what impact will the Big Beautiful Deal have?
- Customs duties are back in the news.
- The euro under scrutiny: its high level against the dollar could penalise European growth.

Source: Mirova

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## Additional publications from our investment managers

### > [B\(ey\)ond green](#)

(Mirova)

### > [Impact Research Series #1 – Biodiversity](#)

(Mirova)

### > [Transitions – Equity markets](#)

(Ostrum Asset Management)

### > [My Sustainable Corner](#)

(Ostrum Asset Management)

### > [Ossiam Food For Biodiversity shortlisted for 'Best Sustainable Investment ETF' at the Sustainable Investment Awards 2025](#)

(Ossiam)

## Quote of the month :

**"There are many climate targets that are being backtracked on that there was never any real planning to achieve in the first place. So what we are seeing is not really a shift in ambition but a shift in transparency"**

- Saskia Straub, climate policy analyst, NewClimate Institute

**Sustainable Investing at Natixis  
Investment Managers.**

One goal, many paths.

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