GENERALI ASSET MANAGEMENT

ESG NEWS BULLETIN

January, 2026

Generali Asset Management's ESG team presents their exclusive monthly sector analysis, which includes a detailed overview of ESG risks and opportunities alongside the sector's macro trends, plus a summary of the most significant industry news worldwide of the month.

MATERIALS SECTOR – ESG RISKS & OPPORTUNITIES

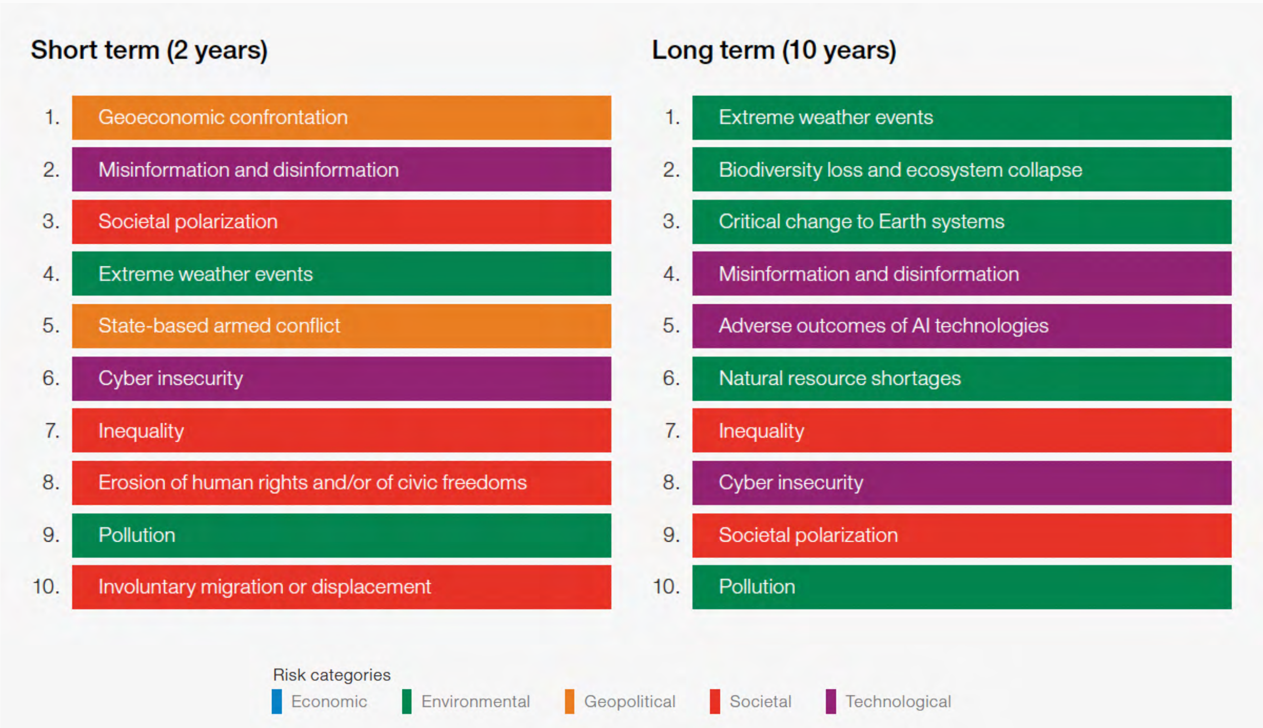
- Metals & Mining (M&M) – Risks include GHG emissions, water use, and community impact. Opportunities lie in low-carbon metals (e.g., copper for electrification), recycling, and responsible sourcing.
- Construction materials - High CO2 emissions from cement production and fossil fuel reliance are major risks. Opportunities include carbon capture (e.g., CCUS), alternative fuels, and green cement innovation.
- Steel - Steel production is highly carbon-intensive, especially via blast furnaces. Opportunities include transitioning to electric arc furnaces (EAF), using green hydrogen, and increasing scrap recycling.
- Chemicals - Toxic emissions, high energy use, and lifecycle impacts are key risks. Opportunities include green hydrogen, bio-based chemicals, and circular economy solutions.
- Paper & Pulp (P&P) - Risks include deforestation, water use, and biodiversity loss. Opportunities lie in certified sustainable forestry (FSC), recycled paper, and bio-based packaging.

MATERIALS SECTOR – MACRO TRENDS

- Metals & Mining (M&M) – Metals' demand remains underpinned by the energy-transition, AI and infrastructure cycles, while Chinese oversupply, trade tensions and tariffs reshape global flows. Copper is emerging as the key bottleneck driving sector M&A, and persistent supply-chain risks continue to support prices and margins.
- Construction materials - Europe is nearing a cyclical trough, with a recovery expected toward 2027. Construction volumes have fallen sharply, but large scale infrastructure plans (e.g., Germany's €500bn package and improving momentum in Italy, the UK, France and Spain) point to higher volumes, hence absolute emissions. Carbon intensity should continue trending downwards, although adoption of Next Gen concrete is slowed by stringent standards and industry conservatism. Labor shortages and affordability constraints remain headwinds.
- Steel – Steel demand tracks construction and manufacturing, with tariffs, infrastructure spending and Ukraine reconstruction as key drivers. Decarbonisation remains capital intensive and lagging due to conversion challenges and efficiency gaps. Companies face mounting pressure to meet 2030 targets, with carbon pricing, CBAM and investor scrutiny accelerating action. The EU's industrial strategy (safeguard measures) aims to build a green steel markets for vis-à-vis Chinese traditional steel oversupply.
- Chemicals - Chinese overcapacity and EU competitiveness issues persist; tariffs and reshoring shape investment decisions, with EU and German stimulus offering some relief and a shallow cyclical recovery anticipated.
- Paper & Pulp (P&P) - Demand is shifting from print to packaging, with growth in hygiene and e-commerce packaging. Energy costs and fibre availability are key macroeconomic factors.

CHART OF THE MONTH

Global risks ranked by severity, short term (2 years)
and long terme (10 years)



Source: WEF Global Risks Perception Survey 2025-2026.

The 2026 Global Risk Perception Survey (GRPS) introduces an important **recalibration** in how global decision makers and academia **assess environmental** and **climate related risks**, revealing a **widening gap** between the **short term** de prioritization of environmental risks and their persistent **long-term** dominance.

Across the **two year horizon, all major environmental risks decline** both in their ranking and in their absolute severity scores compared to last year's survey. **Extreme weather** events fall from #2 to #4, pollution from #6 to #9, while **Biodiversity loss and ecosystem collapse** and **Critical change to Earth systems** drop by five to seven positions. These findings suggest that, relative to **geopolitical, macroeconomic** and **technological risks**, environmental issues are receiving reduced near term prioritization among survey respondents. From an investment standpoint, this shift indicates a **potential misalignment** between **perceived short term threats** and the **real world manifestation of environmental risk**—particularly as climate- driven disruptions continue to affect supply chains, insurance costs, infrastructure resilience and commodity markets. Lower short term perception may translate into under allocation of capital toward environmental resilience at precisely the time when **adaptation needs are accelerating**.

Despite the short term decline in attention, **environmental risks** continue to **define the long term landscape**. Over a **10 year horizon, half of the top 10 global risks are environmental. Extreme weather** remains the single **highest ranked** risk for 2036, with **Biodiversity loss and ecosystem collapse** and **Critical change to Earth systems** maintaining their positions as #2 and #3, respectively. Nearly three quarters of respondents anticipate a **"turbulent"** or **"stormy" decade** driven primarily by **environmental destabilization.**The sharpest deterioration in perceived severity over the long term is attributed to Biodiversity loss and ecosystem collapse, underscoring **growing awareness** of the **systemic** and **irreversible nature of nature-related risks**.

In the news this month

ESG NEWS MONITORING

- Microsoft (Software & Services | US) - Microsoft launched the Community First AI Infrastructure initiative, committing to ensure its expanding AI datacenter footprint is developed responsibly and with benefits for communities. ESG Today
- BP (Integrated O&G | GB) – BP has announced a major write down of up to $5bn in its low carbon and gas transition businesses, signaling a deeper strategic pivot back toward fossil fuels under its new chair, Albert Manifold. The Guardian
- Shell (Integrated O&G | GB) and other - Follow This and 23 institutional investors with €1.5 trn in assets filed resolutions for the 2026 AGMs of Shell and BP, requesting to disclose how they plan to create shareholder value in a world of declining O&G demand. Follow This
- Bayer AG (Pharmaceuticals | DE) – The U.S. Supreme Court will review Bayer's appeal to limit lawsuits over Roundup's alleged cancer risks, potentially affecting around 65,000 pending cases and billions in liabilities. Bayer has already paid about $10 billion in settlements. Reuters
- Ørsted (Utilities | DK) - US judge lets Orsted resume Rhode Island offshore wind project that Trump halted. Reuters
- BNP Paribas (Banks | FR) - A U.S. judge upheld a $20.75 million verdict against BNP Paribas for financing Sudan's regime despite sanctions, rejecting the bank's attempt to overturn the ruling. The decision increases pressure on BNP to settle, as thousands of similar claims could push potential liability into the billions. Money Control

SOVEREIGN

World - The World Meteorological Organization confirmed that 2025 was among the three warmest years ever recorded. 2025 completed the first three-year period in which average global temperatures exceeded 1.5°C above pre-industrial levels. Reuters

EU:

- Wind and solar power (30%) overtook fossil fuels (29%) in the EU's electricity mix for the first time in 2025, marking a major milestone in the region's energy transition. Reuters
- The EU plans to require public procurement of key green technologies - batteries, solar and wind components, electric vehicles, power cables and EV chargers - to be «made in Europe» to boost local industry and lower reliance on China. Reuters
- The Commission changed "controversial weapons" to "prohibited weapons," allowing companies linked to nuclear deterrence, depleted uranium, or white phosphorus to qualify for Article 8/9 ESG funds. Financial Times
- Recent evidence indicates that climate risks lead to increased borrowing costs, with higher transition risk resulting in 7–12% higher repo rates. Lenders serving carbon-intensive clients now face a liquidity premium. Bloomberg

UK:

- UK and EU to develop 100GW of new hybrid offshore wind projects that link wind capacity to cross-border grids. ESG News
- UK homes to get £15bn for solar and green tech over the next 5 years to cut energy bills. BBC
- Britain has set a new clean energy record by procuring 8.4GW of offshore wind, marking the largest single project in British and European history. Carbon Brief

US:

- US has officially exited the Paris Agreement for second time under the Trump administration. ESG News
- Trump has withdrawn the US from 66 international organizations, including the UN Framework Convention on Climate Change and the Intergovernmental Panel on Climate Change, key bodies for global climate action. BBC

Germany – Germany unveiled a €3bn subsidy program to revive EV demand, including Chinese brands, and it is expected to support the purchase of 800.000 vehicles by 2029. CNEVPOST

France - France's National Assembly approved a bill to ban social media access for children under 15, as concerns grow about the impact of platforms. The bill passed the lower house and now moves to the Senate. BBC

Japan - Japan is close to restarting the 8.2 GW Kashiwazaki-Kariwa nuclear plant, the world's largest, aiming to cut fossil fuel imports, stabilize power prices, and advance climate goals. ESG News

REGULATION

- UN Biodiversity Beyond National Jurisdiction – UN treaty to protect biodiversity in international waters has officially entered into force, establishing the first legally binding global framework to govern the high seas. It is a critical step toward the global "30 by 30" target to protect 30% of the oceans by 2030, though currently only about 8% is protected. Reuters

EXTERNAL REPORTS

- Artemis - 2025 shattered all catastrophe bond records, with annual issuance surging 45% year-on-year to an unprecedented $25.6 billion, marking the first time issuance exceeding $20 billion. A record $7 billion in Q4 issuance capped the strongest year ever, bringing the outstanding market to $61.3 billion, up 24%. Catastrophe bond issuance breaks Q4 and full year records
- United Nations – The UN reports that many global water systems have reached critical limits, making previous «normal» conditions unattainable. «Water bankruptcy» occurs when water use and pollution exceed safe and renewable limits, with irreversible damage to resources like wetlands and lakes. Since the 1990s, over half of large lakes have shrunk, 35% of natural wetlands have disappeared since 1970, and nearly four billion people face severe water scarcity each year. Drought-related losses total $307 billion annually. World enters era of "global water bankruptcy"
- Academic Research - SFDR did not meaningfully change investor or mutual fund behavior, nor did it increase flows into Article 8 or Article 9 funds or improve portfolio sustainability. The disclosures added little new information: even before SFDR, funds later labeled Article 9 were already attracting more inflows than Article 8 funds, and Article 8 more than Article 6. This indicates investors already knew which funds were more sustainable prior to the regulation. The effects of regulating greenwashing
- WEF - The Global Risks Report 2026 outlines growing uncertainty, with risks increasingly linked to ESG priorities. Environmental concerns are being deprioritized for the short term, even as climate impacts worsen; extreme weather and ecosystem collapse remain long-term threats. Climate instability, social fragmentation, technological change, and geopolitical tension are becoming more interconnected. Global Risks Report 2026

THE ESG TEAM AT GENERALI ASSET MANAGEMENT

Our ESG team is comprised of 15 specialists who sit at the intersection of ESG analysis and research, and active engagement.

The team is structured around two key pillars – analytical coverage of ESG risks and opportunities from an investment point of view, and a tailor-made client service, designed to respond to investor needs and sustainability mandates.

This dual focus allows the team to integrate ESG factors at every stage of decision-making, translating thematic research, engagement inputs and quantitative filters into concrete investment actions.