ESG NEWS BULLETIN

February, 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.

BANKS SECTOR – ESG RISKS & OPPORTUNITIES

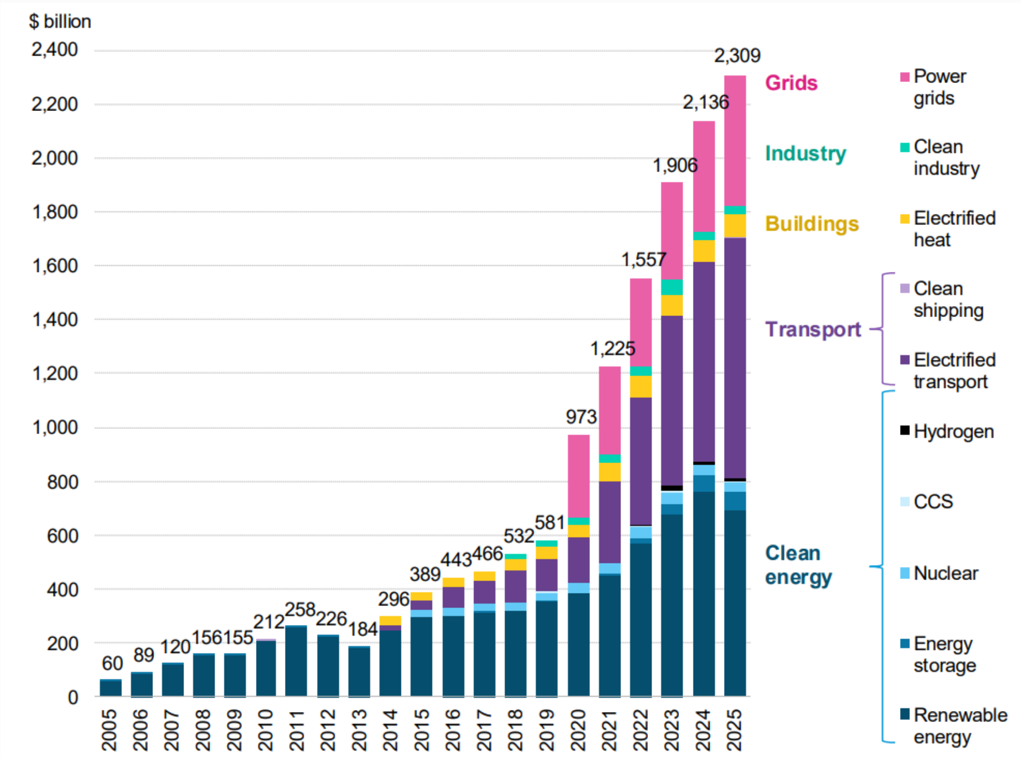
- Governance controversies remain the primary source of scrutiny from stakeholders and environmental risks are becoming financially material for banks.
- Banks continue to operate under two opposing forces: (i) a mixed pushback against ESG commitments, and (ii) a simultaneous increase of ESG risk impact materialization reflected in the reinforced scrutiny over social and governance issues and the rise of financial impacts linked to climate risks. Institutions are shifting toward quieter compliance-driven ESG strategies ("*greenhushing*").
- Nonetheless, ESG remains a strategic lever. Regulatory momentum, biodiversity loss, and data governance challenges are reshaping risk profiles. Growth in sustainable finance, particularly biodiversity-linked lending and climate adaptation infrastructure, offers new revenue streams. Advances in AI-driven digitalization help meet evolving ESG commitments, while microfinance and inclusive banking expand access and support underserved communities.
- Banks that adopt targeted, risk-aware ESG strategies can balance compliance with innovation, positioning themselves to capture long-term value amid short-term volatility.

BANKS SECTOR – MACRO TRENDS

- The dissolution of the Net-Zero Banking Alliance in October 2025 underscores a broader global retreat from ESG commitments, as banks scale back climate and DEI pledges under intensifying political pressure.
- The current focus in Europe is better integrating climate-related assessments into traditional credit risk evaluations. EU supervisors increasingly ask institutions to demonstrate how they evaluate climate and nature-related risks. This approach may lead to increased provisioning and higher collateral requirements, as requested by the ECB.
- The EU CSRD Omnibus simplification have created additional challenges for banks. These institutions often lack access to comprehensive corporate data, making it more difficult to manage compliance and conduct thorough risk assessments. This situation is especially pronounced in countries like Italy, where the market is characterized by a high concentration of SMEs.
- US and UK banks face less regulatory pressure, risking higher reputational damage driven by stronger shareholders scrutiny contrasting with lower transition risk due to regulatory rollback from previous ESG commitments. In the US, the SEC's climate disclosure rule was paused amid legal challenges, while California introduced fragmented mandates.
- Nonetheless, banks continue to support the green transition, with global issuance of green and sustainability bonds expected to remain close to $1 trillion.

CHART OF THE MONTH

Global investment in energy transition, by sector



Source: BloombergNEF. CCS refers to carbon capture and storage

Global investment in energy-transition technologies rose 8% to a record USD 2.3 trillion in 2025, driven primarily by electrified transport, renewable energy, and power-grid expansion. Electrified transport led with USD 893 billion as EV adoption and charging-network buildout accelerated, especially in Asia and Europe, while renewable energy attracted USD 690 billion—still the second-largest sector despite a decline tied to weaker activity in China. Power-grid investment surged to USD 483 billion as operators worked to integrate new generation capacity, whereas hydrogen and nuclear saw slight pullbacks. Other segments—energy storage, CCS, clean shipping, electrified heat, and clean industry—continued to expand, signalling broadening investor interest across the transition ecosystem. However, despite hitting an all-time high, overall growth is slowing: 2025 marked the first year of single-digit expansion since 2019, underscoring rising capital constraints and the need for stronger policy support to sustain momentum.

China remained the world's largest market for energy-transition investment in 2025, directing USD 800 billion into the sector—34% of the global total, more than twice the U.S. figure, more than the next six countries combined, and representing the highest investment-to-GDP ratio among major markets. Yet when the U.S., EU, and UK are considered together, their combined USD 918 billion outpaced China's, reflecting an increasingly competitive landscape in which the lead has alternated each year since 2021.

The global ranking of top markets saw limited changes: the U.S., Germany, and the UK remained in second to fourth place, while India continued its rise by overtaking France, and Italy and Japan moved ahead of Brazil. Saudi Arabia entered the top ten for the first time, driven by a surge in renewable and grid investment that displaced Canada. As a bloc, the EU maintained its position as the second-largest market, deploying USD 455 billion in 2025—surpassing the U.S.'s USD 378 billion and reinforcing its central role in the global energy-transition investment landscape.

In the news this month

ESG NEWS MONITORING

- TotalEnergies (Integrated O&G | FR) - France filed a major climate lawsuit against TotalEnergies, alleging the company has not met environmental and human rights standards required by the 2017 duty of vigilance law. Plaintiffs demand halting new O&G projects, production cuts, and that Scope 3 emissions be included in risk assessments, actions that could set a precedent for limiting fossil fuel growth. AFP
- Microsoft (Software & Services | US) - A Guardian investigation found that ICE expanded its use of Microsoft's Azure cloud and AI-enabled analytics, renewing concerns about the human-rights risks of tech companies. The scrutiny comes as Anthropic was blacklisted from U.S. federal agencies after refusing Pentagon demands to allow mass-surveillance and autonomous-weapon uses. The Guardian; Reuters
- Enel (Utilities | IT) - Enel presented its 2026–2028 Strategic Plan, increasing planned investments to €53 billion, ca. €10 billion more than in the prior plan, with focus on renewables, grid modernization, and accelerated electrification initiatives. ESG Today
- Bayer (Pharmaceuticals | DE) - Bayer proposed a $7.25 billion settlement to resolve U.S. lawsuits over Roundup's alleged cancer risk, aiming for long-term payouts and cost certainty, final approval depends on court and claimant acceptance. Reuters
- Johnson & Johnson (Pharmaceuticals | US) - Johnson & Johnson was found liable for contributing to a woman's ovarian cancer, awarding her family $250,000, amid 67.000 of similar lawsuits alleging risks tied to its talc baby powder. Reuters
- BP (Integrated Oil & Gas | GB) – ACCR, alongside asset owners managing €219 billion, has submitted a resolution for BP's AGM requesting clear justification for the company's increased investment in oil and gas projects. The proposal asks BP to provide strong evidence that these investments will yield greater shareholder value than expanding renewable energy initiatives. Reuters
- Deutsche Bank (Investment Banking & Brokerage | DE) - German prosecutors raided Deutsche Bank's offices in a money-laundering investigation linked to business with Russian Roman Abramovich. Financial Times
- Danone (Food Products | FR) – Danone expanded its infant formula recall in Europe due to cereulide contamination. Danone estimates the recall could cost €35–70 million in Q1, while analyst projections range from millions to over €1 billion. Insurance Journal
- Iberdrola (Utilities | ES) - Federal judge authorised the 806MW Vineyard Wind offshore project to resume construction after the Trump administration halted work in December 2025, citing national security concerns. MSN
- ArcelorMittal (Steel | LU) - ArcelorMittal has committed to a €1.3 billion investment to build a large-scale electric arc furnace to produce green steel at its Dunkirk steel plant. The decision signals a major step in the company's effort to shift away from coal-based blast furnaces toward lower carbon steelmaking powered by electricity and hydrogen. ArcelorMittal

In the news this month

SOVEREIGN

World :

- The Net Zero Asset Managers (NZAM) initiative has been relaunched after a year-long suspension with over 250 signatories but under a weakened governance framework. Despite the weaker rules and pressure from 42 asset owners urging managers to recommit to NZAM, just 12 U.S. firms re-signed compared with 44 U.S. members at the time of the suspension. Reuters; Brunel Pension Partnership
- Only 35 countries out of 85 attending the Responsible AI in the Military Domain (REAIM) summit signed a commitment to 20 principles on AI. These included affirming human responsibility over AI-powered weapons. China and the U.S. opted out. Reuters
- The latest IPBES report, approved by 150 governments, concludes that every sector of the economy ultimately depends on natural systems and that accelerating biodiversity loss now represents a direct threat to business continuity. Companies can either lead the transition to nature-positive models or risk "extinction" themselves as degraded ecosystems undermine economic activity. BBC

EU:

- A draft policy paper circulated internally suggests that the Commission is considering defining a single "common reference scenario" based on a 4C temperature increase outcome. Europe Says
- Experts warn that the EU is not ready for increasing climate impacts such as floods, wildfires, and heat waves, which now threaten people and infrastructure. Though Europe has ambitious emission goals, adaptation remains underfunded and disorganized, with annual climate damages reaching €45 billion—five times more than in the 1980s. Reuters
- A new European Commission study warns that continued exposure to per and polyfluoroalkyl substances (PFAS) at current levels could cost the EU roughly EUR440bn by 2050. The analysis finds that regulating PFAS at source by 2040 would save EUR110bn. In comparison, treating the polluted water could cost over EUR1trillion. European Commission

UK:

- The UK government's solar and onshore wind auction awarded 6.2 GW, including a record 4.9 GW of solar and 1.3 GW of onshore wind. Combined with January's offshore wind results, the government has now delivered a record 201 projects, generating 14.7 GW of new clean power. UK.GOV
- Britain's National Wealth Fund (NWF) has launched a five-year strategy focused on ten sectors, including CCS, the power grid, battery production, ports, nuclear, energy storage, and green steel, to advance economic growth and clean energy. The fund will invest £4–5 billion annually until 2030/31. Reuters

US:

- The Trump administration repealed the EPA's 2009 "endangerment finding," the scientific determination that greenhouse gases pose a threat to public health and welfare and the legal foundation of nearly all U.S. federal climate regulations. Reuters
- A federal judge has struck down Texas's 2021 anti-ESG law, ruling that the state cannot penalize companies for reducing reliance on fossil fuels or for associating with groups that support climate action. Reuters
- The president's administration is rolling back nearly $30 billion in clean energy funding that was approved during Joe Biden's term. Those funds are expected to be redirected toward natural gas and nuclear energy instead. ESG Today

Germany – The European Commission has approved a €3 billion German State-aid scheme to boost domestic clean-technology manufacturing, supporting investments in net-zero technologies and critical raw materials. The initiative offers grants, tax incentives, interest-rate subsidies, and loan guarantees until FY 2030 under the EU's Clean Industrial Deal. European Commission

Spain - Spain has announced plans to ban social media access for children under 16, joining a fast-growing list of countries (Australia, France, Denmark, Austria and UK) moving toward strict age-based digital restrictions. BBC

China - China is rapidly expanding its energy infrastructure to support growing industries like AI, robotics, and advanced materials. In 2025 alone, it added 543 GW of new capacity—already surpassing the total U.S. power system and exceeding India's entire installed base from 2024 by 12%. Bloomberg

In the news this month

REGULATION

- EU Omnibus I – The European Council approved the simplification of the the directives on corporate sustainability reporting (CSRD) and corporate sustainability due diligence (CS3D) by reducing the reporting burden and limiting the trickle-down effect of obligations on smaller companies. The Omnibus I simplification package reduces complexity and unnecessary barriers, cuts red tape, enhances efficiency and introduces more flexibility for companies that remain subject to its scope with the aim to boost EU competitiveness, especially in a constantly changing geopolitical framework. European Council
- European Sustainability Reporting Standards (ESRS) - The European Securities and Markets Authority (ESMA) has expressed concerns over proposals by the European Financial Reporting Advisory Group (EFRAG) to grant permanent relief to companies from disclosing certain sustainability information under the ESRS. ESMA argues that such permanent exemptions could undermine the effectiveness and credibility of the EU's sustainability reporting framework, especially CSRD. Funds Europe
- EU SFDR - ICMA supports the EU's proposed SFDR 2.0 shift to simpler fund categories and streamlined disclosures but warns that unclear rules—especially around use-of-proceeds bonds, fossil-fuel exclusions, and category thresholds—could create inconsistencies, including making the Transition category stricter than the Sustainable one. The association urges clearer guidance and alignment to avoid distortions in bond-market implementation. ICMA
- EU Deforestation Regulation - The European Commission has confirmed that it will not reopen or rewrite the core text of the EU Deforestation Regulation (EUDR), which is scheduled to enter into force in December 2026 after another delay. Instead, the Commission plans to introduce targeted simplifications to ease implementation and adjust the list of covered products. Euractiv
- EU Climate Law – The EU has amended its climate policy to aim for a 90% net reduction in GHG emissions by 2040 from 1990 levels. Member states may use international carbon credits after 2036 for up to 5%, but only high-quality units from Paris-aligned countries, outside the ETS, with safeguards against undermining EU interests, are allowed. Every two years, the European Commission will assess progress and, depending on the findings, it can propose further policy changes. ESG News
- UK PFAS Plan - The UK Government has released its first PFAS Plan, presenting a national strategy to reduce exposure to "forever chemicals." Covering more than just drinking water, the plan aims to identify sources, monitor spread, and cut emissions across sectors. The government will also expand surveillance across consumer products, including testing food packaging. UK.GOV
- EU Emissions Trading System (ETS) – The European Commission is reportedly preparing a proposal that would significantly weaken the EU Emissions Trading System for power and industry (EU ETS 1). The Commission wants to slow the reduction in allowances, effectively raising the number of available certificates compared with existing plans. This would allow Europe's industrial emitters to produce more CO_2 for longer, delaying decarbonisation timelines. FinanzNachrichten

In the news this month

EXTERNAL REPORTS

- Morningstar - Global sustainable funds recorded an estimated $27billion in net outflows in Q4 2025, compared with restated outflows of nearly $55 billion in the previous quarter. Redemptions by large UK institutional investors—reallocating from pooled ESG funds into bespoke ESG mandates—accounted for much of the outflow in both quarters. For the whole of 2025, global sustainable funds saw $84 billion in net outflows, in contrast to the $38 billion in inflows recorded in 2024. Despite the outflows, global sustainable fund assets rose by about 4% in the fourth quarter to $3.9 trillion, supported by stock market appreciation. Q4'25 and FY 2025 global sustainable fund flow
- BloombergNEF – Global investment across the energy transition landscape continued to rise in 2025 despite supply chain disruptions and geopolitical tension, underscoring the sector's resilience. The strongest momentum came from electrified transport, which remained the single largest investment category with $893 billion (+21% YoY) spent on electric vehicles and charging infrastructure. Looking ahead, BloombergNEF's base case Economic Transition Scenario projects that annual global investment in the energy transition will average $2.9 trillion over the next five years. Energy Transition Investment Trends
- Scientific Research - The International AI Safety Report 2026 highlights a significant increase in reasoning capabilities, though translating AI model performance into practical applications remains challenging due to immature metrics. Some AI risks—such as sophisticated cyberattacks and non-consensual image creation—have become more prominent in 2025. The impact of AI on employment is mixed, with junior workers notably affected. Regarding governance, more tech companies have issued frontier AI safety frameworks, but their effectiveness is still uncertain.
- MainStreet Partners - Global GSS bond issuance reached $1 trillion in 2025 and a historic reinvestment cycle emerging as more than €250 billion matured. Green Bonds continued to dominate, increasing their share to 58%, while Social Bonds declined to 13%. Sustainability Bonds grew to 26% of total issuance, whereas Sustainability-Linked Bonds fell to just 3%. Europe's share of global issuance declined from 52% in 2021 to 39% in 2025, while Asia's share more than doubled to 31%. The proposed SFDR 2.0 framework introduces 5% Taxonomy Alignment "safe harbor," allowing products to qualify as Sustainable or Transition products. This change is expected to benefit GSS Bonds, particularly Green Bonds, which offer a clear and efficient path to compliance. Green, Social and Sustainability Bonds Market Trends

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.