GENERALI ASSET MANAGEMENT

ESG NEWS BULLETIN

December 2025

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.

INFORMATION TECHNOLOGY SECTOR – ESG RISKS & OPPORTUNITIES

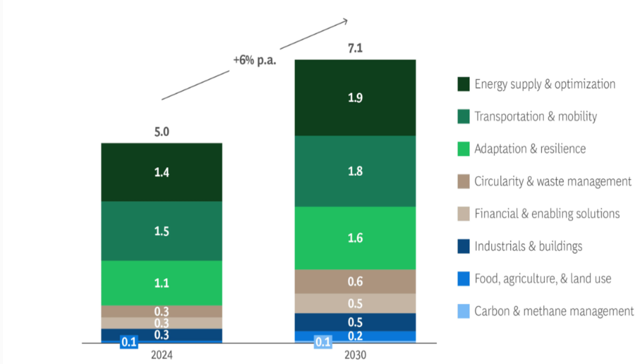
- As AI continues to evolve and scale, energy, water consumption and land use are expected to rise significantly to power and cool hyperscale data centers. Renewable energy and advanced technologies, more efficient GPUs and direct-to-chip liquid cooling, are key mitigants. The disposal and treatment of outdated components pose a growing risk related to electronic waste, as technologies quickly advance. Cybersecurity and data privacy are increasingly at risk due to emerging AI-driven threats, with companies facing stricter regulatory requirements. Labor practices in the supply chain and the sourcing of critical minerals remain major ESG risks, given the industry's dependence on suppliers operating in regions with weak labor protections and controversial sourcing practices. Human capital is a core competitive advantage in the IT sector, making the attraction, development, and retention of highly skilled talent essential.
- The primary industry opportunity lies in the development and widespread deployment of AI, which is driving demand for larger data centers, advanced software, and high-performance hardware and semis. The future of AI relies on small, specialized models trained on specific tasks, use cases and datasets to solve specific problems rather than large general-purpose models. Next breakthroughs of the industry are set to be Quantum Computing and Artificial Superintelligence.

INFORMATION TECHNOLOGY SECTOR – MACRO TRENDS

- Regulation: The EU is leading in AI regulation with the implementation of the EU AI Act. It introduces a risk-based classification system and imposes strict obligations on providers of general-purpose AI. While this positions Europe as a pioneer in ethical AI governance, it may also slow down AI innovation due to regulatory complexity. US and UK have adopted more flexible, sector-specific approaches, which offer greater agility but create legal fragmentation and uncertainty. China, meanwhile, has established a centralized and security-focused regulatory regime. These divergent approaches reflect broader geopolitical and economic priorities, with Europe prioritizing rights and safety, the U.S. favoring innovation and market freedom, and China focusing on control and national security.
- Geopolitical tensions, between the US and China are reshaping the IT industry. Ongoing trade restrictions, tariffs, and export controls have disrupted the supply and increased the cost of critical components like semiconductors and rare earth elements. The US has placed tariffs and tightened controls on Chinese tech exports, while China has restricted exports of vital raw materials. These actions have driven up production costs and prompted tech companies to diversify supply chains and boost domestic manufacturing, aiming to reduce reliance on sensitive regions. Amid ongoing uncertainty around trade regulations and resource availability, decision-makers in the global IT industry continue to navigate a shifting landscape.

CHART OF THE MONTH

Expected evolution of green markets (€trillions, 2024-2030)



Source: BCG Analysis.

The **green economy** is entering a phase of **sustained growth**, driven by proven **low-emission technologies** such as **solar, wind, batteries,** and **electric vehicles**, which are scaling globally at varying speeds. In 2024, **adaptation** and **resilience solutions** represent **over 20% of climate-related investments** (left column of the chart) expanding beyond the **Global South** into **developed markets** as **climate risks** intensify.

While **mature technologies** are gaining traction, less developed options (outlined in the blue and brown categories in the chart) like **low-carbon hydrogen** and **carbon capture** still depend heavily on **supportive regulation** and **localized incentives**. China has emerged as the dominant force in clean energy investment and deployment, outpacing other regions in manufactur-ing and innovation, while Europe and the U.S. maintain leadership in select niches.

Companies that commit to the **green economy** are seeing **tangible financial benefits**: green revenues have grown **twice as fast** as **conventional revenues** since 2020, and firms with significant **green exposure** often enjoy **cheaper capital, stronger competitiveness**, and **valuation premiums**. However, success requires **clear strategy, agile operating models**, and the ability to leverage **growth accelerators** such as **technology cost reduction, regulatory shaping**, and **access to diversified capital sources**.

These dynamics underscore that **green investments** are not only **critical for climate resilience** but increasingly represent a **compelling business opportunity**. The **market** is **large, growing**, and still **underpenetrated**, but **timing matters**—those who **act early** can capture **outsized returns**, while those who **delay** risk **falling behind** as the **transition accelerates**.

In the news this month

ESG NEWS MONITORING

- **Microsoft** (Software & Services | US) - Open AI, Microsoft face lawsuit over ChatGPT's alleged role in Connecticut murder-suicide. Associated Press
- **Intel** (Semiconductors & Semiconductors Equipment | US) and others - Intel and AMD accused of allowing chips in Russian missiles. Japan Times
- **Alphabet** (Interactive Media & Services | US) - European Commission opens probe against tech giant over market dominance using AI tools. Mint
- **ExxonMobil** (Integrated O&G | US) - ExxonMobil to slash low-carbon spending by a third, reducing its five-year investment from about $30 billion to $20 billion. Financial Times
- **BlackRock** (Asset Management & Custody Banks | US) - BlackRock lost a $5.9 billion mandate from PME due to its lack of ESG and climate commitments. Bloomberg
- **Iberdrola** (Utilities | ES) - Trump calls for cancellation of New England 1 offshore wind farm concession. Bloomberg
- **Johnson & Johnson** (Pharmaceuticals | US) - J&J vows appeal after US jury hits it with record $1.5 billion talc cancer award. The company faces lawsuits from more than 67,000 plaintiffs who say they were diagnosed with cancer. Reuters
- **Meta Platforms** (Interactive Media & Services | US) - Meta accused of creating strategy to hide scam ads linked to billions of profits from various authorities in the world that are allegedly responsible for $63 billion worth of annual damages. Reuters

SOVEREIGN

EU:

- EU moves to ease 2035 ban on internal combustion cars as auto industry faces headwinds. Associated Press
- EU allocates over €600 million for 70 decarbonization projects in transport. ESG News
- EU agrees to end Russian gas imports by late 2027. Reuters

UK - Net-zero scenario is "cheapest option" for UK. Carbon Brief

US:

- US court strikes down unlawful Trump ban on wind energy projects. ESG Today
- Trump threatens funding for states over AI regulations deemed to hinder US technological dominance. Reuters

Australia - Social media ban for children under 16. BBC

Canada - Canada unveils new rules to lower oil and gas methane emissions by 75% over 2014 levels by 2035. Reuters

REGULATION

- EU Climate Law - 2040 climate target: deal on a 90% emissions reduction and ETS2 delay. European Parliament
- EU Carbon Border Adjustment Mechanism (CBAM) - The European Commission announced measures to strengthen the CBAM ahead of its definitive regime starting January 2026. European Commission
- EU Sustainability Omnibus - European Parliament approves agreement to cut sustainability reporting and due diligence requirements. ESG Today
- EU Environmental Omnibus - European Commissions launched an Environmental Omnibus package with six legislative proposals. Politico
- CSRD & CSDDD – The European Financial Reporting Advisory Group (EFRAG) has released its finalized revision of the European Sustain-ability Reporting Standards (ESRS), cutting mandatory datapoints by 61% and eliminating all voluntary disclosures for a total reduction of over 70%. EFRAG

EXTERNAL REPORTS

- MSCI - Governments are deprioritizing climate leadership in favor of security and industrial policy, while markets, driven by transition economics, climate risk repricing, and AI-enabled data, continue advancing the energy transition despite weakening policy signals. Sustainability and climate in focus: trends to watch for 2026
- FTSE Russell – The findings of the survey, which was completed by a total of 415 asset owners around the world, found that 85% of asset owners view climate risk as a major concern. While climate remains the priority, diversity and inclusion, and human capital are also rated as important. Financial performance and risk are cited as the key motivating factors for sustainable investment by most asset owners. Thematic investment and ESG integration are still the most popular approaches, although a diversity of styles and strategies persists. Sustainable investment: plateauing or poised to growth?
- WEF - The global green economy has surpassed $5 trillion and is projected to exceed $7 trillion by 2030, driven by record investment, rapid technology cost declines, and strong growth across energy, transportation, and emerging sectors—positioning green firms for valuation premiums and competitive capital access. BCG-WEF Project

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.