

Global Sustainable Fund Flows: Q1 2025 in Review

Record-high outflows amid new geopolitical challenges and an intensifying ESG backlash.

Morningstar Sustainalytics

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Key Takeaways

- ▶ Global sustainable open-end and exchange-traded funds experienced record-high outflows in the first quarter of 2025 amid new geopolitical challenges and an intensifying environmental, social, and governance backlash. Investors withdrew an estimated USD 8.6 billion, contrasting with the restated inflows of USD 18.1 billion in the previous quarter.
- ▶ Europe suffered its first quarter of net outflows since at least 2018. Redemptions amounted to about USD 1.2 billion, contrasting with the restated inflows of USD 20.4 billion in the last quarter of 2024.
- ▶ Investors in the United States pulled money from sustainable funds for the 10th consecutive quarter, with withdrawals reaching USD 6.1 billion. Asia also bled money, while Canada and Australia/New Zealand attracted net new money.
- ▶ Global sustainable fund assets slid marginally to USD 3.16 trillion at the end of March, reflecting weakness in the US equity market.
- ▶ Product development slowed further, with 54 new sustainable funds launched globally over the quarter.
- ▶ Rebranding activity accelerated. In Europe, 335 sustainable products changed names, including 116 that dropped ESG-related terms, ahead of the EU's antigreenwashing rules related to fund names.
- ▶ About 94 European products were liquidated or merged, while US fund closures reached a new quarterly high of 20.
- ▶ In the UK, 94 funds have so far adopted an official sustainability label, representing USD 47 billion of assets. These account for 20% of UK-domiciled funds claiming sustainability characteristics.
- ▶ ESG investors are navigating a complex and politicized regulatory landscape. In the US, federal climate rollbacks clash with state-level responses. The EU's shift toward growth and security blurs the Green Deal's message. Asia remains steady with a consistent climate focus.

The Global Sustainable Fund Universe

The global sustainable fund universe encompasses open-end funds and exchange-traded funds that, through their prospectus or other regulatory filings, claim to focus on sustainability, impact, or environmental, social, and governance factors.¹ (See the Appendix for more details on how we define the global sustainable fund universe.) The global universe is divided into three segments by domicile: Europe, the United States, and Rest of World. There is more-granular data available in this report for Canada, Australia and New Zealand, and Japan. Meanwhile, China, Hong Kong, India, Indonesia,

¹ Note: Our definition of "sustainable fund" is not based on any regulatory framework, nor does it meet the criteria of any particular regulatory framework. The term "sustainable" in Morningstar products is currently under review to align with market expectations. See Appendix for further details.

Malaysia, Singapore, Taiwan, Thailand, and South Korea are grouped under Asia ex-Japan because of their relatively low levels of assets.

This report examines recent activity in the global sustainable fund universe and details regional flows, assets, and launches for the first quarter of 2025. A summary is provided in Exhibit 1.

Exhibit 1 Global Sustainable Fund Statistics

Region	Flows	Flows	Assets		Funds	
	Q1 2025	Q4 2024	USD Billion	% Total	#	% Total
Europe	-1.2	20.4	2,669	84	5,475	74
United States	-6.1	-4.3	330	10	510	7
Asia ex-Japan	-0.9	2.8	71	2	634	9
Canada	0.3	-0.1	37	1	327	4
Australia/New Zealand	0.3	0.4	31	1	256	3
Japan	-0.9	-1.1	21	1	226	3
Total	-8.6	18.1	3,159		7,428	

Source: Morningstar Direct. Data as of March 2025, excluding money market funds, funds of funds, and feeder funds. For Canada and the US, the number of funds includes funds of funds and feeder funds (these are, however, excluded from flow and asset calculations). For Japan and South Korea, the number of funds, flows, and assets includes funds of funds and feeder funds.

Global sustainable funds registered record-high redemptions² of USD 8.6 billion in the first quarter of 2025, driven by the United States and, to a lesser extent, Europe. These redemptions follow restated inflows of USD 18.1 billion in the fourth quarter of 2024.

Notably, Europe suffered its first quarter of net outflows since we started tracking this universe in 2018. Withdrawals amounted to USD 1.2 billion, contrasting with the restated inflows of USD 20.4 billion in the last quarter of 2024.

The United States suffered its 10th consecutive quarter of withdrawals, reaching USD 6.1 billion in the last three months. Asia ex-Japan also bled money, registering redemptions of USD 918 million, following a restated inflows of USD 2.8 billion in the fourth quarter of 2024. Meanwhile, outflows from Japan extended to the new year but improved to under USD 900 million, from USD 1.1 billion in the previous quarter.

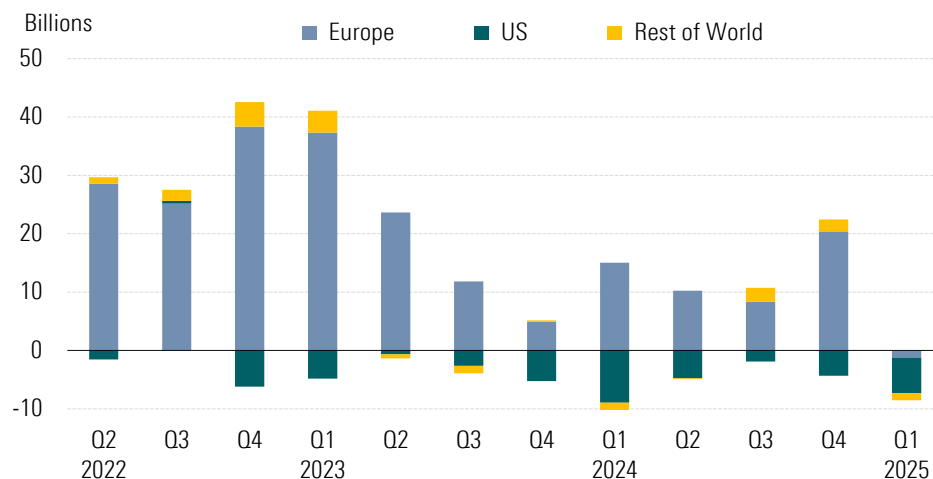
By contrast, investors in Canada and Australia/New Zealand poured net new money into sustainable funds. Each market garnered inflows of around USD 300 million.

Calculated as net flows relative to total assets at the start of a period, the organic growth rate of the global sustainable fund universe slid to negative 0.27% in the first quarter from the restated 0.54% three months earlier. By comparison, the broader global fund universe had a positive organic growth rate of

² Global sustainable funds registered small outflows of USD 89 million in the fourth quarter of 2023.

0.90% in the first quarter. Flows into that universe were USD 530 billion, a decline from USD 847 billion in the previous quarter.

Exhibit 2 Quarterly Global Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

A key explanation for the global outflows in the first quarter of 2025 was modest—yet meaningful—redemptions in Europe. Up to last quarter, European sustainable funds had consistently attracted positive quarterly flows, including in the fourth quarter of 2023, when conventional funds experienced redemptions. In the past quarter, however, for the first time since at least 2018, European sustainable funds suffered outflows, in contrast with the strong inflows registered by their conventional peers.

Several interconnected factors help explain this reversal. First, an increasingly complex geopolitical environment—shaped in part by President Donald Trump's return to the White House—has deprioritized sustainability concerns in Europe, including climate goals.³ In addition, Trump's anti-climate agenda⁴ and anti-ESG policy measures such as an executive order targeting diversity, equity, and inclusion,^{5, 6} have introduced new legal risks. These developments have prompted asset managers in the U.S. to adopt a more cautious global approach in promoting their ESG credentials⁷ and supporting sustainability issues.⁸ For some European investors, the rollback in ESG commitments by US firms has created hesitation, undermining the sense of global alignment on climate and sustainability goals. This hesitation is further compounded by an evolving European regulatory agenda and ESG fund landscape, while persistent performance concerns—particularly in already challenged sectors such as clean energy—continue to weigh on investor appetite for sustainability strategies.

³ Hancock, A. "Brussels under pressure to curb green agenda in response to Trump." *Financial Times*. Jan. 26, 2025.

⁴ Walling, M. "What to know about Trump's first executive actions on climate and environment." *Associated Press*. Jan. 27, 2025.

⁵ Vosburg, K. and Bioy, H. "DEI Rollbacks: Impact on ESG Risk Ratings and Broader Implications for Investors." *Morningstar Sustainability*. March 19, 2025.

⁶ Kerber, R. "As 'Fearless Girl' sponsor retreats, so do diversity fund flows." *Reuters*. March 12, 2025.

⁷ Kerber, R. "BlackRock quits climate group as Wall Street lowers environmental profile." *Reuters*. Jan. 9, 2025.

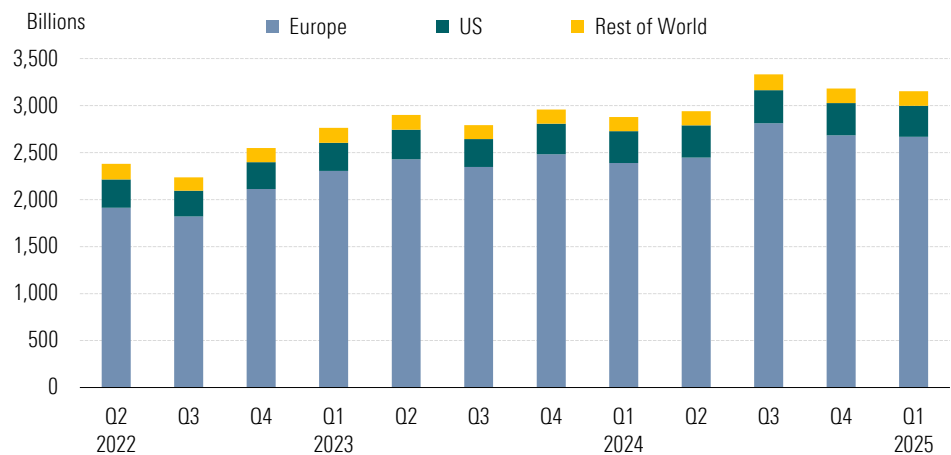
⁸ Stewart, L. "Proxy Voting: Asset Managers Lose Appetite for ESG Resolutions." *Morningstar*. Jan. 30, 2025.

Global Assets Slid Marginally to USD 3.16 Trillion in a Declining Market

As of March 2025, global sustainable fund assets retreated marginally by 0.7% to USD 3.16 trillion, from USD 3.18 trillion three months earlier. For context, the Morningstar Global Market Index lost 1.4% over the first quarter, while the Morningstar Core Bond Index posted a 2.5% gain.

Europe takes up 84% of global sustainable fund assets, followed by the United States at 10%.

Exhibit 3 Quarterly Global Sustainable Fund Assets (USD Billion)

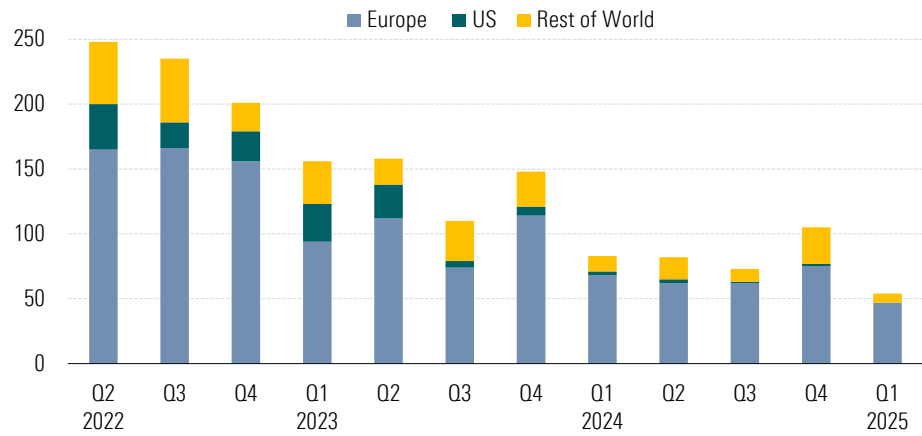


Source: Morningstar Direct. Data as of March 2025.

Global Fund Launches

Amid the economic and political headwinds, sustainable product development reached a record low in the first quarter of 2025, with only 54 new sustainable funds introduced worldwide, compared with the revised 105 in the previous quarter. These numbers, however, will likely be revised upward in the next report as additional launches are identified.

Exhibit 4 Global Sustainable Fund Launches Per Quarter



Source: Morningstar Direct. Data as of March 2025.

BlackRock Tops the League Assets Table

In Exhibit 5, we list the top asset managers that market sustainable funds globally. BlackRock, the world's largest manager, dominates the sustainable investing space with about USD 403 billion of assets in ESG-focused and sustainable open-end funds and ETFs. UBS is in a distant second with a total AUM of USD 179 billion, closely followed by Amundi's USD 178 billion.

Exhibit 5 Top Asset Managers by Global Sustainable Fund Assets and First-Quarter Flows

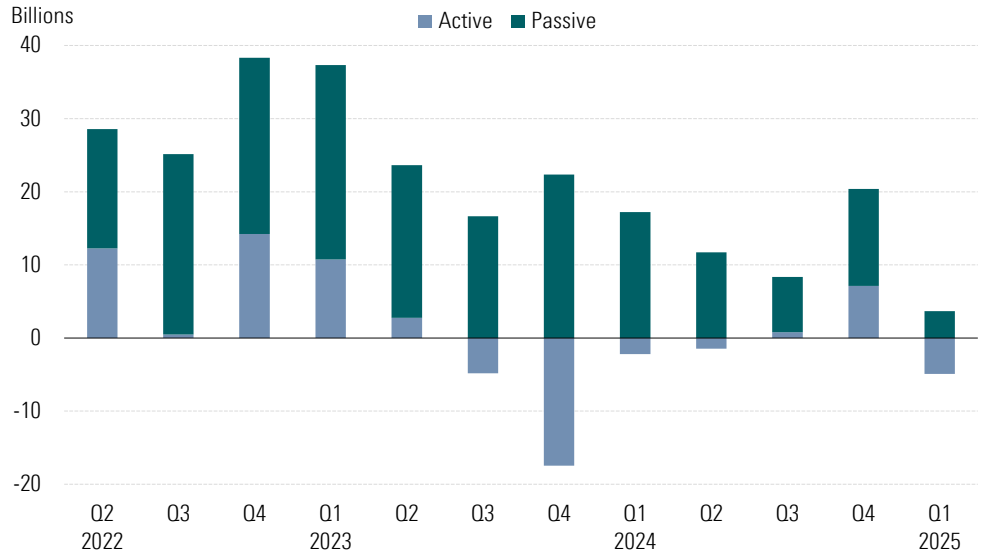
<i>Overall</i>			<i>Actively Managed</i>			<i>Passively Managed</i>		
Firm	Total Assets (USD Billion)	Flows (USD Million)	Firm	Total Assets (USD Billion)	Flows (USD Million)	Firm	Total Assets (USD Billion)	Flows (USD Million)
BlackRock (incl. iShares)	402.8	2,274	BlackRock (incl. iShares)	110.6	-1,876	BlackRock (incl. iShares)	292.2	4,150
UBS (incl. Credit Suisse)	178.9	-3,000	Natixis	81.1	1,898	UBS (incl. Credit Suisse)	105.2	-2,684
Amundi (incl. Lyxor)	177.6	-3,065	Amundi (incl. Lyxor)	79.9	-592	Amundi (incl. Lyxor)	97.7	-2,472
Swisscanto	103.1	2,784	UBS (incl. Credit Suisse)	73.7	-316	Vanguard	54.7	671
DWS (incl. Xtracker)	99.2	-4,638	Nordea	71.4	3,766	Northern Trust	50.9	1,423
BNP Paribas	86.8	2,194	KBC	58.3	1,508	Swisscanto	46.3	1,568
Natixis	83.8	1,937	Swisscanto	56.9	1,216	DWS (incl. Xtracker)	44.5	-3,214
Nordea	71.4	3,766	DWS (incl. Xtracker)	54.7	-1,424	Handelsbanken	35.6	-681
KBC	58.3	1,502	BNP Paribas	52.5	329	BNP Paribas	34.3	1,865
Vanguard	58.1	671	Allianz Global Investors	50.5	895	State Street	27.5	-855
Northern Trust	56.2	1,395	Pictet	40.0	-1,826	Legal & General	22.8	1,269
Allianz Global Investors	50.5	895	JPMorgan	37.1	708	Länsförsäkringar	22.0	-338
Pictet	41.2	-2,002	Royal London	36.8	451	Invesco	17.5	-669
Handelsbanken	40.1	-541	Parnassus	34.8	-2,222	Cathay Securities Invest. Trust	12.7	1,532
JPMorgan	38.1	853	Union Investment	34.4	-97	Morgan Stanley	10.7	95
Morgan Stanley	37.7	-370	Goldman Sachs (incl. NN IP)	30.2	-597	HSBC	9.7	-8
Royal London	36.9	446	Vontobel	28.0	-329	Capital Investment Trust	8.5	268
Parnassus	34.8	-2,222	AXA IM	27.7	-777	Storebrand Fonder	8.2	-252
Union Investment	34.4	-97	Dimensional	27.6	479	Scottish Widows	8.2	212
State Street	32.6	-1,227	Robeco	27.3	-762	Mercer Global Investments	8.0	37

Source: Morningstar Direct. Data as of March 2025.

Quarterly Statistics Per Domicile**Europe****European Sustainable Fund Flows Turn Negative for the First Time**

In the first quarter of 2025, European-domiciled sustainable funds experienced their first net outflows since we started tracking this universe in 2018. Total redemptions totaled an estimated USD 1.2 billion, dragged by outflows from active strategies, which bled almost USD 5.0 billion. Passive funds garnered USD 3.7 billion, an all-time low and a 72% decline compared with the restated USD 13.3 billion three months earlier.

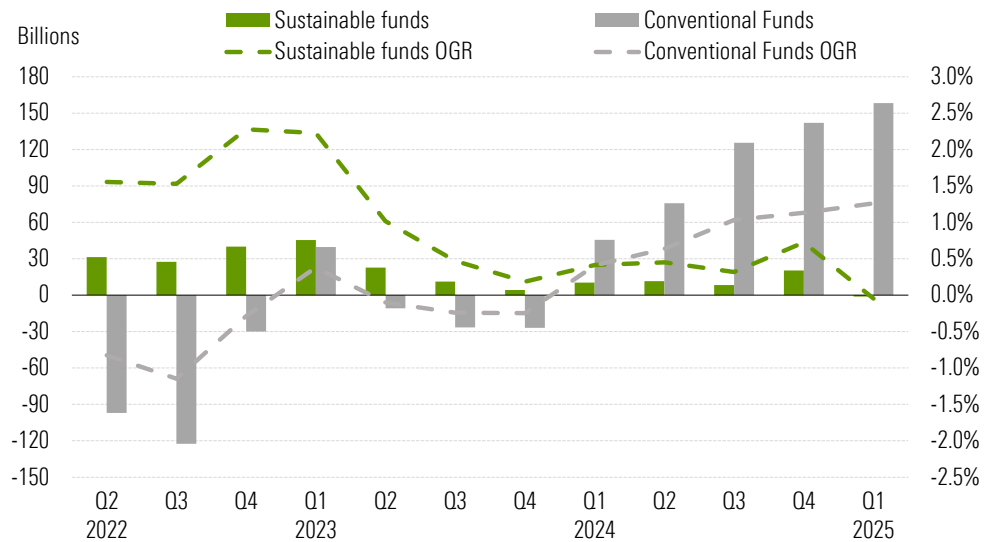
Exhibit 6a European Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

Withdrawals from sustainable funds translated into an organic growth rate⁹ of negative 0.05%. This compares unfavorably with the conventional fund universe's positive organic growth rate of 1.26% over the same period. European conventional funds amassed USD 162 billion in new money.

Exhibit 6b European Sustainable Fund Flows Compared With Conventional Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

⁹ The organic growth rate is calculated as net flows relative to total assets at the start of a period.

Up to the fourth quarter of 2024, European sustainable funds had consistently attracted positive quarterly flows, including in the fourth quarter of 2023, when conventional funds experienced redemptions. In the past quarter, however, for the first time since at least 2018, European sustainable funds suffered outflows, in contrast with the strong inflows registered by their conventional peers.

Several factors help explain this reversal. First, an increasingly complex geopolitical environment has deprioritized sustainability concerns in Europe, including climate goals.¹⁰ Attention has shifted toward economic growth, competitiveness, and defense. Meanwhile, Trump's anti-climate agenda and anti-ESG policy measures such as an executive order targeting diversity, equity, and inclusion, have introduced new legal risks for companies. These developments have led asset managers in the U.S. to adopt a more cautious global approach in promoting their ESG credentials¹¹ and sustainable investment products. For some European investors, the rollback in ESG commitments by US firms has created hesitation, undermining the sense of global alignment on climate and sustainability goals. This hesitation is further compounded by an evolving European regulatory agenda and ESG fund landscape, while persistent performance concerns— particularly in already challenged sectors such as clean energy— continue to weigh on investor appetite for sustainability strategies.

Flows By Asset Class

Equity funds were the biggest flow detractors among sustainable funds in the first quarter of the year, shedding USD 9.2 billion, marking also their very first quarter of withdrawals since 2018. Outflows from allocation funds deepened to USD 5.1 billion, from USD 4.2 billion in the previous quarter. By contrast, inflows to sustainable fixed-income funds reached their highest level in a year, ending the first quarter with USD 14 billion of new money. Changes in sustainable fund flows over the past three months deviated from those seen in the broader market, where most asset classes registered net new subscriptions.

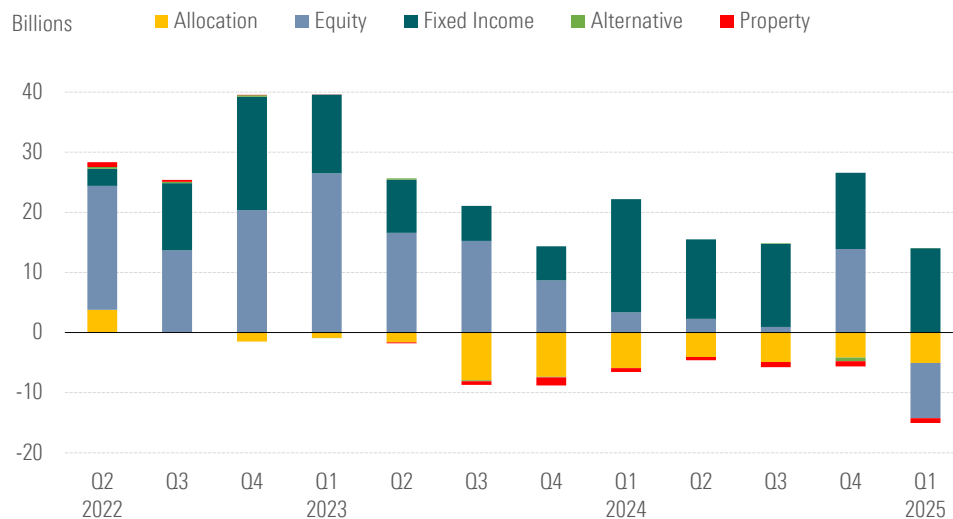
¹⁰ Ross, A. "Can sustainable investing survive Trump 2.0?" *Financial Times*. Jan. 16, 2025.

¹¹ Kerber, R. "Exclusive: JPMorgan asset management unit quits industry climate coalition." *Reuters*. March 21, 2025.

Exhibit 7 European Sustainable Fund Flows Compared With Conventional Fund Flows by Asset Class

USD Billion	Sustainable Funds		Conventional Funds		Overall Fund Universe	
	Q1 2025	Q4 2024	Q1 2025	Q4 2024	Q1 2025	Q4 2024
Allocation	-5.1	-4.2	5.8	5.9	0.7	1.8
Alternative	0.0	-0.6	2.5	0.5	2.5	-0.1
Commodities	0.0	-0.1	5.1	-1.9	5.1	-1.9
Convertibles	-0.1	-0.3	-1.0	-0.4	-1.2	-0.7
Equity	-9.2	13.9	80.7	73.2	71.5	87.1
Fixed Income	14.0	12.7	69.2	65.3	83.2	78.0
Miscellaneous	-0.1	-0.2	2.4	1.2	2.2	0.9
Property	-0.8	-0.8	-2.0	-2.7	-2.8	-3.6
Total	-1.2	20.4	162.6	141.1	164.1	165.1

Source: Morningstar Direct. Data as of March 2025.

Exhibit 8 European Sustainable Fund Flows by Asset Class (USD Billion)

Source: Morningstar Direct. Data as of March 2025.

Leaders and Laggards

Among the biggest flow detractors in the first quarter of 2025 was **iShares Environment & Low Carbon Tilt Real Estate Index (UK)**, from which investors redeemed a total of USD 1.4 billion. The passive strategy weighs securities based on factors including green building certification, energy usage, and carbon emissions intensity.

Two ETFs in the worst-selling sustainable fund table, **Xtrackers S&P 500 Equal Weight ESG ETF** and **JPMorgan US Research Enhanced Index Equity (ESG) ETF**, featured in the bestselling fund table in the previous quarter. The two funds shed a combined USD 1.5 billion after registering USD 3.5 billion of net new money in the fourth quarter of 2024.

Exhibit 9a Bottom 10 European Sustainable Fund Flows in Q1 2025

Fund Name	Net Flows (USD, Million)
iShares Environment & Low Carbon Tilt Real Estate Index Fund (UK)	-1,422
iShares MSCI USA SRI ETF	-1,180
LBPAM ISR Actions USA 500	-1,076
Handelsbanken Norden Index Criteria	-1,015
Amundi S&P 500 Screened ETF	-926
Xtrackers MSCI World ESG ETF	-909
BNP Paribas Low Carbon 100 Europe PAB®	-854
Xtrackers S&P 500 Equal Weight ESG ETF	-776
Xtrackers MSCI USA ESG ETF	-770
JPMorgan US Research Enhanced Index Equity (ESG) ETF	-750

Source: Morningstar Direct. Data as of March 2025.

Meanwhile, another BlackRock fund, **iShares MSCI USA Screened ETF**, topped the table of bestselling sustainable funds in the first quarter. The ETF excludes companies involved in controversies and controversial business activities such as controversial, civilian, and nuclear weapons, tobacco, palm oil, and arctic oil and gas, as well as companies that derive revenues from thermal coal power and the extraction of select fossil fuels. In addition, the index targets a minimum 30% reduction in carbon emissions intensity relative to the underlying parent index.

Also among the bestselling funds last quarter were two BNP Paribas ETFs that recently adjusted their strategies. **BNP Paribas Easy MSCI Europe Filtered Min TE** and **BNP Paribas Easy MSCI North America ESG Filtered Min TE** are designed to have at least 20% lower emissions intensity than their respective parent indexes, while maintaining a better ESG score and excluding the bottom 10% companies with the lowest ESG scores.

Exhibit 9b Top 10 European Sustainable Fund Flows in Q1 2025

Fund Name	Net Flows (USD, Million)
iShares MSCI USA Screened ETF	2,387
DNCA Invest Alpha Bonds	1,399
Nordea North American Responsible Enhanced Equity Fund	1,343
BNP Paribas MSCI Europe Filtered Min TE	1,337
L&G MSCI Europe Climate Pathway ETF	1,031
BNP Paribas Sustainable World ETF	862
BNP Paribas North America ESG Filtered Min TE	805
Swiss Life Equity Responsible Switzerland All Cap	778
Allianz Floating Rate Notes Plus VarioZins	777
Amundi MSCI World Climate Paris Aligned ETF	776

Source: Morningstar Direct. Data as of March 2025.

In the first quarter of 2025, the top 10 bestselling asset managers collectively netted USD 18.5 billion in aggregate inflows, half the previous quarter's subscriptions. BlackRock, usually at the top of the leaderboard and which registered USD 14.5 billion in the last three months of 2024, didn't feature in the first-quarter 2025 leaderboard at all. Nordea took first place with aggregate inflows of around USD 3.5 billion, followed by Swisscanto and BNP Paribas. Meanwhile, DWS was the worst-selling firm in the first quarter, with total redemptions of USD 4.5 billion, followed by Eurizon and Amundi.

Exhibit 10 Top and Bottom 10 European Sustainable Fund Providers by Flows in Q1 2025

Inflow	Net Flows	Outflow	Net Flows
Firm	(USD Million)	Firm	(USD Million)
Nordea	3,468	DWS (incl. Xtrackers)	-4,475
Swisscanto	2,792	Eurizon	-2,616
BNP Paribas	2,492	Amundi (incl. Lyxor)	-2,595
Natixis	2,107	Pictet	-2,014
Northern Trust	1,798	LBP AM	-1,591
KBC	1,466	UBS (incl. Credit Suisse)	-1,471
Legal & General	1,314	State Street	-1,023
Swiss Life	1,179	ABN AMRO	-800
Allianz Global Investors	972	Handelsbanken	-794
JPMorgan	884	Montrusco Bolton Investments	-643

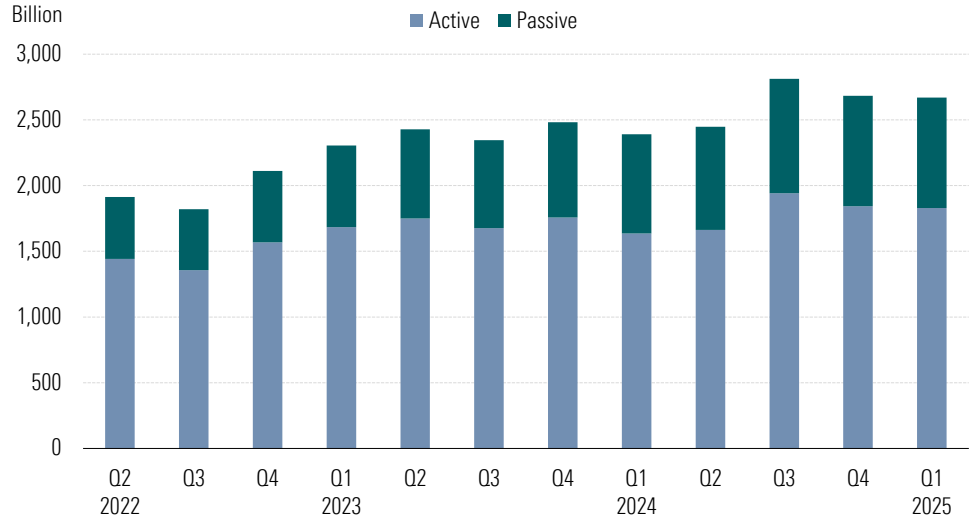
Source: Morningstar Direct. Data as of March 2025.

European Sustainable Fund Assets

The total assets of European sustainable funds held steady, ending the first quarter at USD 2.7 trillion. For context, the Morningstar Global Market Index lost 1.4% over the first quarter, while the Morningstar Europe Index gained 1.8%, and the Morningstar Core Bond Index returned 2.5%.

Passive strategies take up almost one third of the regional sustainable fund space, which at the end of March 2025 accounted for about 20% of the total European-domiciled open-end fund and ETF universe.

Exhibit 11a European Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

BlackRock, UBS, and Amundi Continue to Dominate the European Sustainable Fund Landscape

Presented below are the foremost asset managers distributing sustainable funds across Europe. BlackRock, the global leader in asset management, continues to dominate the sustainable investing arena, managing a substantial USD 348 billion in ESG-focused open-end assets and ETFs in Europe as of March 2025—a 7.5% decrease compared with the last quarter of 2024. In a distant second is UBS, which also saw its sustainable fund assets decrease slightly in the first quarter of 2025. Amundi conversely experienced a minor increase in assets to USD 174 billion.

Exhibit 11b Top Asset Managers by Sustainable Fund Assets in Europe

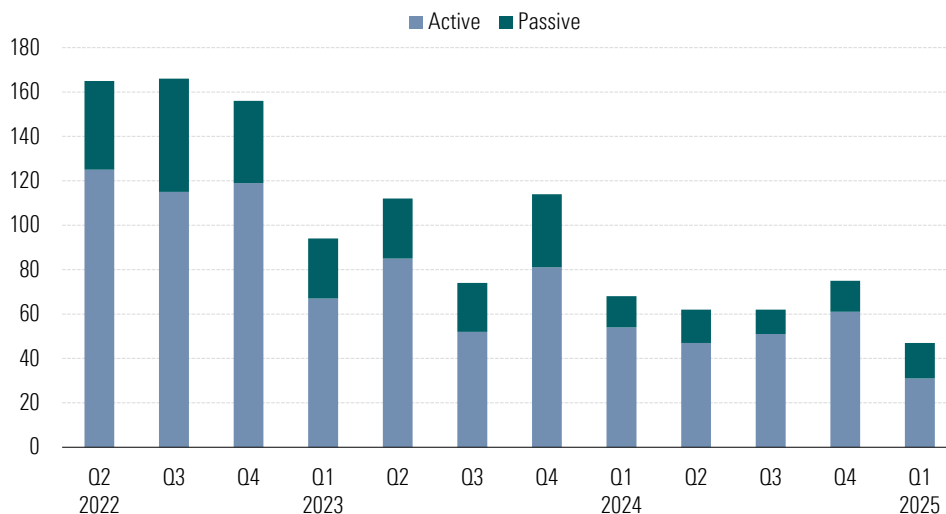
Total Assets		Active Assets		Passive Assets	
Firm	(\$ Billion)	Firm	(\$ Billion)	Firm	(\$ Billion)
BlackRock (incl. iShares)	348.3	BlackRock (incl. iShares)	106.9	BlackRock (incl. iShares)	241.4
UBS (incl. Credit Suisse)	175.0	Natixis	80.0	UBS (incl. Credit Suisse)	101.7
Amundi (incl. Lyxor)	174.4	Amundi (incl. Lyxor)	75.6	Amundi (incl. Lyxor)	98.8
Swisscanto	103.1	UBS (incl. Credit Suisse)	73.3	Northern Trust	48.4
DWS (incl. Xtrackers)	93.5	Nordea	58.1	Swisscanto	46.3
BNP Paribas	86.6	Swisscanto	56.8	DWS (incl. Xtrackers)	39.3
Natixis	82.6	DWS (incl. Xtrackers)	54.2	Handelsbanken	38.0
Nordea	58.1	BNP Paribas	52.3	BNP Paribas	34.3
Northern Trust	53.4	Allianz Global Investors	50.2	State Street	24.6
Allianz Global Investors	50.2	KBC	41.7	Legal & General	20.2
Handelsbanken	42.5	Pictet	39.7	Vanguard	16.9
KBC	41.8	Royal London	36.8	Invesco	10.0
Pictet	41.0	JPMorgan	36.5	HSBC	9.8
JPMorgan	37.6	Union Investment	34.4	Storebrand Fonder	8.2
Royal London	36.9	Goldman Sachs (incl. NNII)	30.3	Scottish Widows	8.2
Union Investment	34.4	Vontobel	28.0	Mercer Global Investment	8.0
Goldman Sachs (incl. NNII)	30.5	Robeco	27.9	OP	5.0
State Street	29.9	AXA IM	27.3	VanEck	4.2
Vontobel	28.0	LBP AM	24.6	Deka	3.9
Robeco	27.9	Schroders	23.3	Länsförsäkringar	3.8

Source: Morningstar Direct. Data as of March 2025.

Sustainable Fund Launches

Facing headwinds from rising regulatory standards and subdued investor appetite, launches of sustainable funds in Europe reached a new low of 47 over the past three months, despite an uptick (75 new funds) seen in the last quarter of 2024. As we continue to analyze the data and identify additional launches, we expect this number to be adjusted upward in the next report.

The cooldown of sustainable fund launches in recent quarters compared with previous years reflects a normalization of product development activity after three years (2020-22) of high growth, during which many asset-management firms hastened to build their core sustainable fund ranges to meet the growing demand. Asset managers have also become more cautious in their development of new ESG and sustainable strategies because of greenwashing accusations and uncertainty around regulations. The European Union's Sustainable Finance Disclosure Regulation, or SFDR, is still under review. Meanwhile, asset managers have been busy assessing the impact of the European Securities and Markets Authority's fund naming guidelines on their fund ranges and implementing the necessary changes to comply with the new rules.

Exhibit 12 European Sustainable Fund Launches

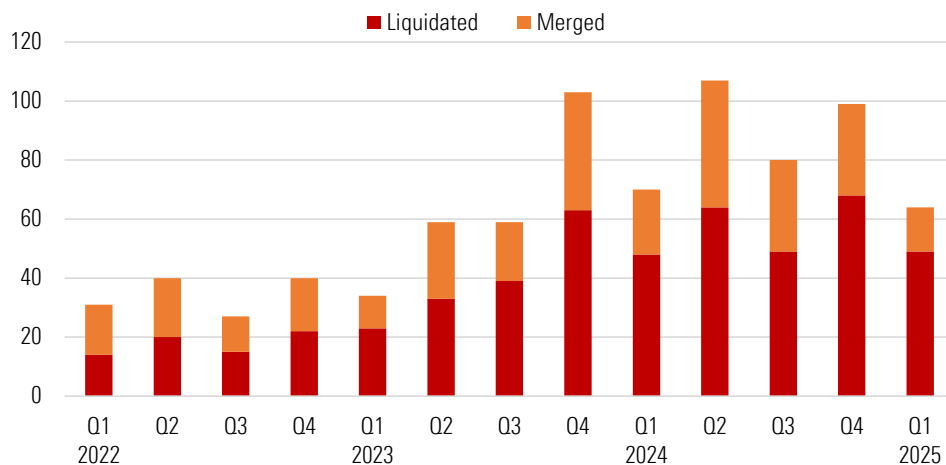
Source: Morningstar Direct. Data as of March 2025.

For more details on SFDR read: [SFDR Article 8 and Article 9 Funds: Q1 2025 in Review](#).

New sustainable funds launched in the first quarter include a range of **Swisscanto ESGeneration SDG ETFs**. Their approach is based on ESG factor-related exclusions, a positive selection of companies that meet the UN Sustainable Development Goals, and a reduction of CO2 intensity compared with their parent benchmarks. Another new noteworthy launch is **iShares Energy Storage & Hydrogen ETF**, an Article 8 fund that invests in companies that are expected to drive the innovation and viability of energy storage and hydrogen economy solutions, and those that manufacture specialty materials and chemicals for the end products, such as batteries and fuel cells. The fund excludes companies involved in certain business lines/activities deemed to have negative environmental and/or social outcomes.

Sustainable Fund Closures

In the first three months of 2025, 64 European sustainable funds were closed, including 49 that were liquidated and 15 that merged. This is less than the number of closures seen in most recent quarters, but higher than levels recorded a couple of years ago. This trend reflects a maturation of the sustainable fund market. The sustainable fund industry has grown and become more competitive. Funds that struggle to attract assets or deliver good returns are increasingly prone to closing down. We view this as a natural evolution of the industry, where only the better-performing and popular strategies will survive.

Exhibit 13 European Sustainable Fund Closures

Source: Morningstar Direct. Data as of March 2025.

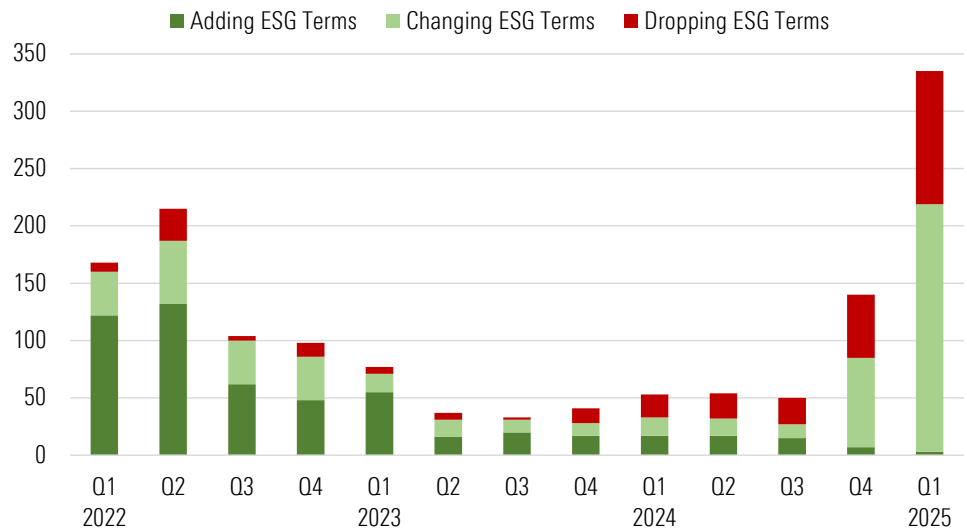
A Notable Pickup in Rebranding, With Most Removing and Swapping Different ESG Key Terms

Fund launches and closures are not the only activities reshaping the European landscape of sustainable funds. Asset managers have also been rebranding funds by adding, dropping, or changing ESG-related terms, reflecting changes (or no changes) in investment objectives and portfolios. The strong activity of adding ESG-related terms to fund names observed between 2019 and 2022 abated in 2023 to give way to a new trend of funds dropping and changing ESG terms.

As seen in the exhibit below, rebranding activity grew in the last quarter of 2024 and reached a new high in the first quarter of 2025 as asset managers rushed to implement two new antigreenwashing rules: the naming and marketing rules of the [Sustainability Disclosure Requirements](#) in the UK and the [ESMA fund naming guidelines](#) in the EU. Asset managers offering UK-domiciled ESG funds had until April 2, 2025, to comply with the aforementioned rules, while those marketing ESG funds in the EU have until May 21, 2025, to meet the new requirements¹² or change names. In May 2024, we [identified](#) around 4,300 EU funds falling within the scope of the guidelines.

In the first quarter 2025, an estimated 335 funds with ESG-related terms in their names rebranded, including 216 that changed an ESG-related term for another, 116 that dropped their ESG terms altogether, and only three that added ESG terms.

¹² The requirements for funds using ESG or sustainability terms in their name include (1) a minimum of 80% of investments that meet environmental or social characteristics or sustainable investment objectives and (2) exclusions as set by EU regulation for Paris-aligned benchmarks, or PABs, and climate-transition benchmarks, or CTBs. The PAB exclusions are particularly impactful as they would rule out investments in companies deriving a certain level of revenues from fossil fuels. Additionally, funds with the key term "sustainable" in their names will need to invest "meaningfully" in sustainable investments, and funds using "transition" or "impact"-related terms are subject to specific qualitative requirements.

Exhibit 14 European Sustainable Fund Name Changes

Source: Morningstar Direct. Data as of March 2025. Based on 1,501 European ESG funds adding, dropping, or changing sustainability- or ESG-related terms in their names between 2022 and Q1 2025. This excludes money market funds, funds of funds, and feeder funds.

The number of funds changing ESG-related terms in their names more than doubled in the past three months, many being passive strategies. In this category, we include funds that replaced, added, or removed certain ESG-related terms in combination (or not) with other ESG-related terms. For example, **HSBC Developed World Lower Carbon ESG Tilt Equity Index** was formerly known as HSBC Developed World Sustainable Equity Index. While the tracked index remained unchanged, the term "sustainable" in the fund name was replaced by "lower carbon ESG tilt." The underlying index features improved ESG scores and reduced exposure to carbon emissions and fossil fuel reserves compared with the parent benchmark.

iShares MSCI USA ESG Enhanced CTB ETF added "CTB" (climate-transition benchmark) to its previous name, iShares MSCI USA ESG Enhanced ETF, to make the climate element, which was already part of the strategy, more visible. Meanwhile, **Northern Trust Pacific Low Carbon Plus Equity Index FGR** was formerly known as Northern Trust Pacific SDG Screened Low Carbon Index FGR. The fund dropped "SDG" from its name to reflect the fact that the underlying index no longer mandates a tilt of the aggregated sustainable impact revenue of the constituent securities toward certain predefined Sustainable Development Goals.

Meanwhile, an estimated 116 funds removed ESG-related terms completely, compared with 55 in the previous quarter. Examples include **Candriam Equities Oncology** (formerly known as Candriam Equities Oncology Impact). The Article 9 fund's strategy is unchanged. It seeks "to generate a positive social impact over the long term, by selecting companies that address certain societal challenges and mobilize resources in the fight against cancer. The management team makes discretionary investment choices based on economic/financial analyses but also on the basis of Candriam's internal analysis of ESG criteria."

Another example is Article 8 fund **PGIM European Corporate Bond** (formerly known as PGIM European Corporate ESG Bond Fund), which has removed ESG language from its primary investment objective. The fund no longer mentions that it applies ESG principles in the selection of securities, but it continues to "analyze securities based on ESG criteria established by PGIM Fixed Income's ESG committee. The fund also continues to avoid investing in issuers that engage in activities that are not in compliance with certain socially responsible investment criteria set forth by the ESG Committee."

Meanwhile, a group of Article 8 Amundi thematic ETFs removed the term ESG-screened from their names without making any changes to the strategy. The strategies, which include **Amundi MSCI Robotics & AI ETF** (formerly known as Amundi MSCI Robotics & AI ESG Screened ETF) and **Amundi MSCI Disruptive Technology ETF** (formerly known as Amundi MSCI Disruptive Technology ESG Screened ETF), continue to apply a best-in-class approach by excluding companies "involved in certain controversial businesses or with relatively low ESG controversies and ratings scores." This approach results in "the reduction by at least 20% of the initial investment universe (expressed in number of issuers)."

Finally, the only three funds we identified as having added ESG-related terms to their names include **Auris X Allianz Global Equities ESG** (formerly known as Auris X AllianceBernstein Global Equities), **Fidelity European Smaller Companies ESG** (formerly known as Fidelity European Smaller Companies), and **EdenTree Global Sustainable Government Bond** (formerly known as EdenTree Global Select Government Bond).

We should identify more rebranded funds in the following months, beyond the May 21, 2025, deadline, due to an expected delay in data collection.

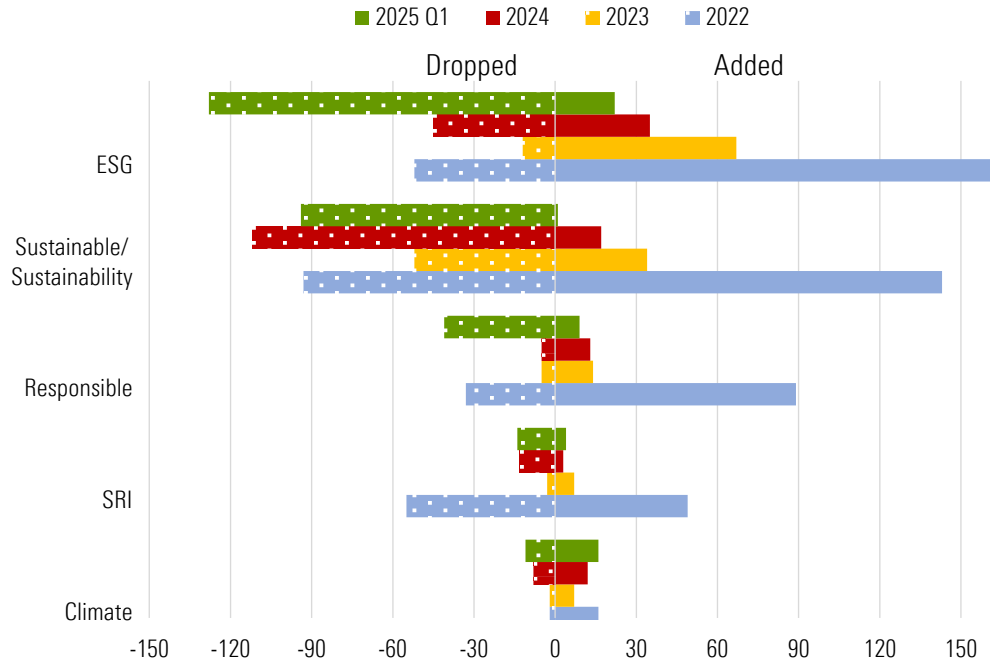
ESG and Sustainable Top the Most Popular Key Terms Removed

This section looks more closely at the evolution of the ESG- and sustainability-related terms used in European fund names in recent years and months to find out which ones are gaining popularity and which ones are losing ground.

As seen in the exhibit below, in the first quarter of 2025, ESG became the most removed term, overtaking sustainable or sustainability. The vast majority (96 out of 128) of the funds dropping the ESG term were passive strategies, with aggregated AUM totaling USD 94 billion. Examples include **iShares MSCI USA Screened ETF** (formerly known as iShares MSCI USA ESG Screened ETF), **Northern Trust Emerging Markets Screened Equity Index FGR** (formerly known as Northern Trust Emerging Markets Custom ESG Equity Index), and **BNP Paribas Easy MSCI Europe Filtered Min TE** (formerly known as **BNP Paribas Easy MSCI Europe ESG Filtered Min TE**).

Meanwhile, the words sustainable or sustainability were dropped by over 90 funds while added by only one in the past three months. The word climate saw 16 additions compared with 11 removals during the same period. Terms related to a transition theme, including transition, CTB, improver, and evolve, also gained popularity as almost 30 funds adopted such terms.

Exhibit 15a ESG- and Sustainability-Related Terms With the Most Frequent Changes

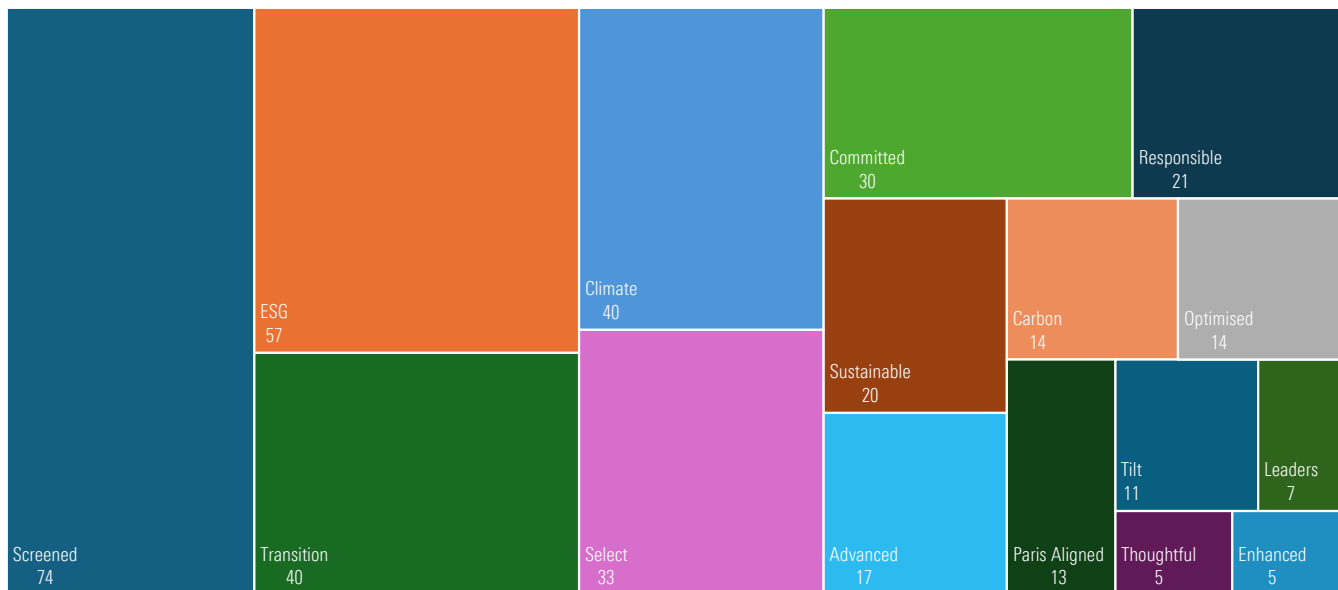


Source: Morningstar Direct. Data as of March 2025. Based on 1,501 European ESG funds adding, dropping, or changing sustainability- or ESG-related terms in the fund names between 2022 and Q1 2025. Among funds that added ESG key terms, we included those that were not launched as ESG funds but became ESG funds after they added ESG terms, as well as funds that began as ESG funds but swapped their original ESG terms for other ESG-related terms. Similarly, funds that dropped ESG key terms include those that removed key terms and funds that swapped their original ESG terms for other terms. Data excludes money market funds, funds of funds, and feeder funds.

In total, we estimate that more than 640 European funds with ESG-related terms in their names (or 14%)¹³ have rebranded in the past 15 months, including more than 590 (12%) that have dropped or changed ESG terms. Screened is the most popular term added by funds, followed by ESG, transition, and climate. Meanwhile, new words have emerged to replace contentious terms and signal differentiation and, in practice, ESG considerations. These words include select, committed, advanced, optimized, leaders, tilt, thoughtful, and enhanced.

¹³ Numbers exclude money market funds, funds of funds, and feeder funds.

Exhibit 15b A Sample of ESG-Related Terms Most Frequently Added by European Funds That Changed Names Between January 2024 and March 2025



Source: Morningstar Direct and Morningstar Sustainalytics Research. Data as of March 2025. About 10% of the funds included in this sample use two terms, which we accounted for twice here. Newly incepted funds are excluded.

How Will Name Changes Impact Morningstar's Universe of Sustainable Funds?

In the upcoming months, we will continue tracking changes in fund names and strategies. Our objective is to determine which funds no longer meet the criteria for inclusion in our universe of sustainable funds. It's important to note that the removal of an ESG-related term from a fund's name won't automatically result in the fund being removed from our universe. Our criteria for inclusion consider factors beyond just the fund name, including the investment objective and policy. While we anticipate that many more funds will remove ESG terms from their names and reflect this change in the language used to describe the investment objective in prospectuses, we don't expect as many funds to be removed from our universe.

SDR's Sustainability Labels Face a Laborious Start

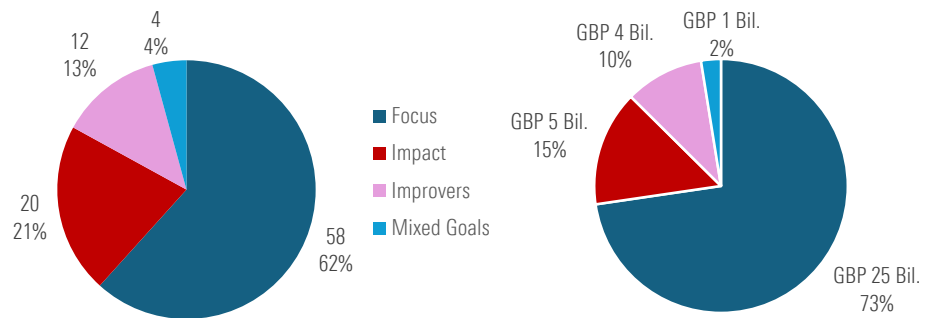
As previously mentioned, similar to the ESMA fund naming guidelines, the UK's [Sustainability Disclosure Requirements](#) have also contributed to the reshaping of the European sustainable fund landscape. Since July 31, 2024, asset managers of UK-domiciled funds can opt for one of four sustainability labels created by the UK regulator, and since April 2, 2025, they have to provide consumer-facing disclosures for all UK funds making sustainability claims, whether the funds are labeled or not.

As of this writing, according to Morningstar Direct data and public announcements, 94 funds have adopted a sustainability label, representing USD 47 billion (GBP 35 billion) of assets under management. The labeling regime has proved challenging to implement and has had a low initial uptake.

As shown in the exhibit below, focus is the dominant label, with 58 adopting funds (representing 62% of all labeled funds). Housing USD 33 billion (GBP 25 billion) in assets, focus funds account for almost three

fourths (73%) of total labeled-fund assets. The second most adopted label is impact, being used by 20 funds (21%), with USD 6.7 billion (GBP 7 billion in assets) (15%). The last two labels, improvers (12 funds, 13% of assets) and mixed goals (4 funds, 4% of assets) account for 10% and 2% of the labeled-fund assets, respectively.

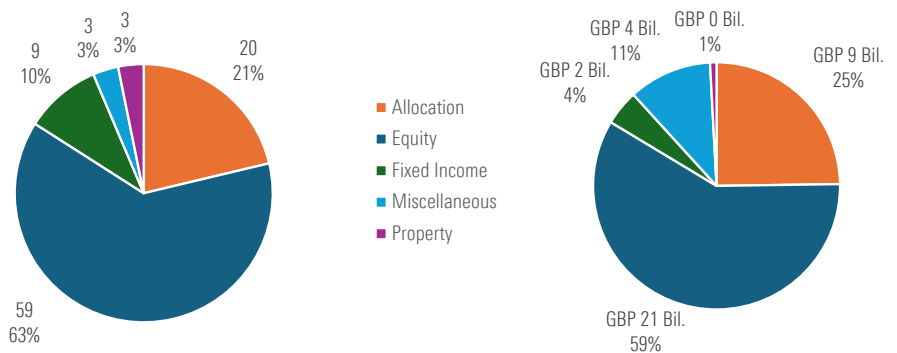
Exhibit 15c Breakdown of UK Sustainability-Labeled Funds Approved So Far by Count (Left Chart) and Assets (GBP Million, Right Chart)



Source: Morningstar Direct, Morningstar Sustainalytics Research. Data as of April 18, 2025.

All labeled funds are actively managed. There are no labeled index-tracking funds. In terms of asset class, the majority (59) of labeled funds are equity strategies, followed by allocation, with 20 funds. Choice in the fixed-income space is currently limited, with only nine bond funds, representing just 4% of the total labeled-fund assets.

Exhibit 15d Breakdown of UK Sustainability-Labeled Funds by Broad Asset Class (Count)



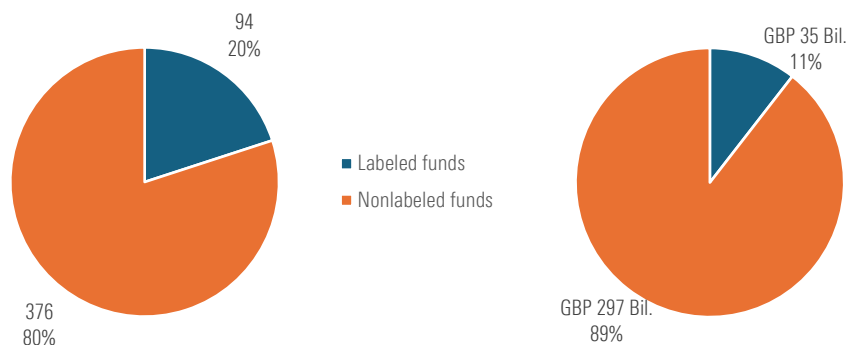
Source: Morningstar Direct, Morningstar Sustainalytics Research. Data as of April 18, 2025.

Label adoption will continue this year, but we do not expect it to exceed 150-200 funds. The level of adoption will depend on investor demand and product development.

Meanwhile, 376 UK-domiciled funds are classified in our database as "non-SDR labeled" with consumer-facing documents. Currently, the nonlabeled fund universe is therefore 4 times larger than the labeled-fund universe and offers a variety of strategies with sustainability characteristics. About half of

nonlabeled funds use ESG-related terms in their names, including ESG, responsible, and climate. Examples include **Baillie Gifford Global Alpha Paris-Aligned** and **UBS Global Equity Climate Transition**. More than half (55%) of UK nonlabeled funds are included in Morningstar's sustainable fund universe.

Exhibit 15e UK Funds With Sustainability Characteristics, Labeled vs. Nonlabeled (Number of Funds and AUM)



Source: Morningstar Direct, Morningstar Sustainalytics Research. Data as of April 18, 2025. Funds of funds are included in the nonlabeled fund universe.

For more details on the UK SDR, read: [UK Sustainability Disclosure Requirements—Labeled and Nonlabeled Fund Landscape | Morningstar](#)

European Regulatory Update

As first Corporate Sustainability Reporting Directive (CSRD)-compliant reports are being issued, the European Commission published, on Feb. 26, 2025, its [Omnibus package](#), proposing major revisions to key sustainability regulations. These proposed changes would notably scale back the CSRD, the EU Taxonomy Regulation, and the Corporate Sustainability Due Diligence Directive, or CSDDD.

- ▶ **The proposed amendments to the CSRD** would exempt approximately 80% of the companies currently in scope from reporting obligations. This significantly reduces the number of companies required to publish sustainability reports under the existing Non-Financial Reporting Directive—at least until the inclusion of large unlisted and non-EU companies (with an estimated 7,000 companies ultimately remaining in scope). Beyond the scope reduction, the content requirements are also set to be simplified. The European Financial Reporting Advisory Group has been mandated to propose streamlined reporting standards by Oct. 25, 2025, currently under consultation. Notably, a value-chain cap will limit disclosure obligations for companies with fewer than 1,000 employees, based on the voluntary small and medium enterprise standard. These proposed changes are still subject to debate and approval by the European Parliament and Council. However, both institutions have already approved the "stop the clock" amendment, deferring the application of CSRD reporting requirements for companies due to report in 2026 and 2027 (waves 2 and 3). This delay provides legislators more time to refine standards and requirements.
- ▶ **Under the proposed changes to the EU Taxonomy**, only companies with over 1,000 employees and annual turnover above EUR 450 million would remain subject to mandatory

taxonomy reporting. Entities below this threshold would be exempt. Reporting templates for both financial and nonfinancial companies will be streamlined, with reduced "do no significant harm" criteria and the potential introduction of materiality thresholds. Reporting on operating expenses will also be limited. Companies may report partial alignment for activities that meet some, but not all, technical screening criteria. As a result, the number of taxonomy reporters with eligible revenues could decline by 33% to 50%, potentially excluding USD 24 billion in revenue and USD 5 billion in capital expenditures from the current framework. The European Commission has also announced an upcoming simplification of technical screening criteria, which may mitigate some of the potential impact on the investment universe. These proposals are not yet adopted.

- **The revised CSDDD proposal** refocuses due-diligence obligations primarily on direct business partners, with assessments of indirect partners required only when there is credible risk evidence. Key changes include the removal of EU-wide civil liability provisions, with reliance on national-level legal frameworks instead; the alignment of climate transition planning with CSRD, meaning no binding obligation to implement a Paris-aligned plan; the elimination of the mandate to terminate business relationships upon due diligence failures; and due-diligence effectiveness reviews extended from annually to once every five years. The first phase of CSDDD implementation is now expected in 2028, following a one-year delay under the "stop the clock" amendment.

The Omnibus package may not be the final move to recalibrate sustainability rules in light of shifting economic and security priorities. The European Commission issued a [white paper](#) (consultation was open until April 22) foreshadowing a Defence Omnibus Simplification Proposal by June 2025, which could further address barriers to finance — particularly ESG-related investments.

Other upcoming regulatory milestones include: [ESMA's fund naming guidelines](#), to be implemented on May 21, and the SFDR review, expected in the fourth quarter of the year.

Meanwhile, in the UK, the Sustainability Disclosure Technical Advisory Committee [submitted its final recommendations](#) in December 2024, supporting endorsement of IFRS S1 and S2 with minimal changes. However, a widely anticipated 12-week consultation on UK Sustainability Reporting Standards, originally expected in Q1 2025, has not yet been launched — making the intended 2026 application unlikely.

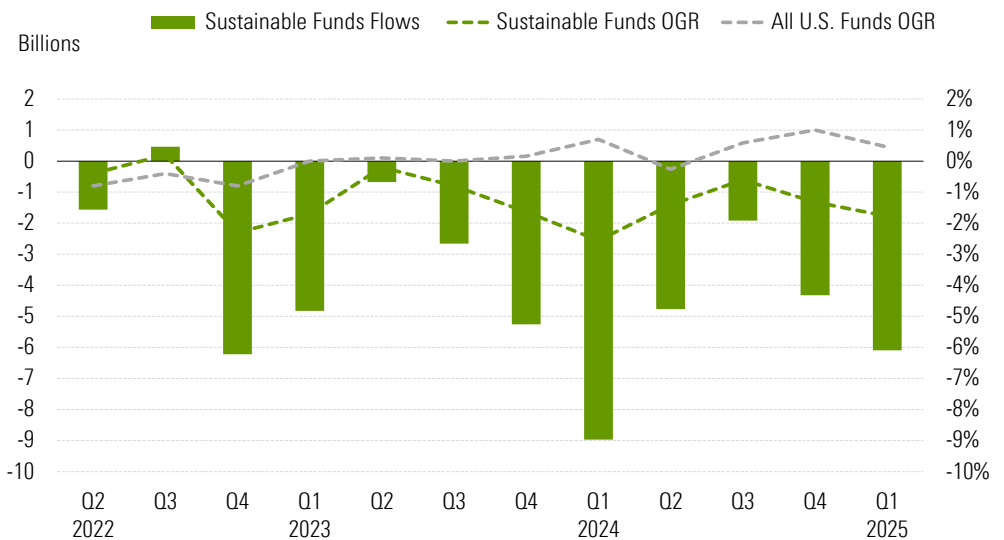
Also, as previously mentioned, the April 2, 2025, deadline for compliance with the Sustainability Disclosure Requirements' naming and marketing rules has now passed. The Financial Conduct Authority has postponed publication of its policy statement on extending SDR and investment labels to portfolio managers. Originally expected in the second quarter of 2025, the statement was delayed (no new date was communicated). On Feb. 14, 2025, the FCA [updated its webpage](#), stating that it will take additional time to ensure that the extension delivers "good outcomes for consumers, is practical for firms, and supports sector growth."

United States

Withdrawals Deepen Further

US-domiciled sustainable funds continued to see outflows for a tenth consecutive quarter, with USD 6.1 billion pulled in the first quarter of 2025. This represents a roughly 40% increase in withdrawals from the previous quarter, where investors withdrew USD 4.3 billion. As a result, the organic growth rate of US sustainable funds slid further to negative 1.8% from the previous quarter's negative 1.3%. In comparison, the broad US fund market registered inflows of USD 138 billion, compared with USD 296 billion, representing an organic growth rate of 0.45%.

Exhibit 16a US Funds' Quarterly Flows: Sustainable vs. All US Funds (USD Billion)

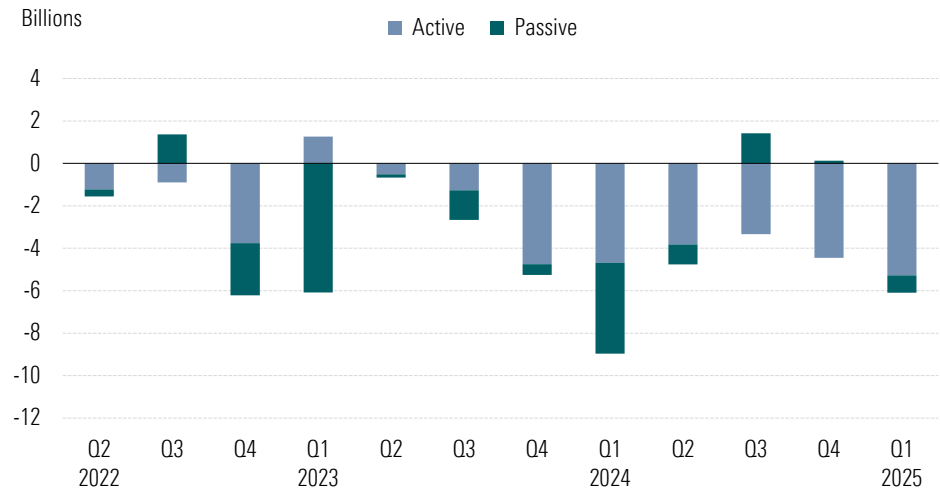


Source: Morningstar Direct. Data as of March 2025.

The continued loss of appetite among US investors for sustainable funds can be partly attributed to an anti-ESG backlash, which has intensified since the return of President Trump to the White House. The new administration's anti-climate stance and anti-ESG policy measures, such as an executive order targeting DEI, have introduced new legal risks for companies. In this environment, many US asset managers have scaled back their ESG commitments and adopted a more cautious approach to promoting their sustainability credentials and sustainable investment products. At the same time, persistently high interest rates continue to weigh on segments of the market, including clean energy and other green stocks.

In the first quarter, actively managed funds contributed to USD 5.2 billion of the sustainably fund outflows, while passive funds lost USD 800 million.

Exhibit 16b US Sustainable Fund Flows (USD Billion)

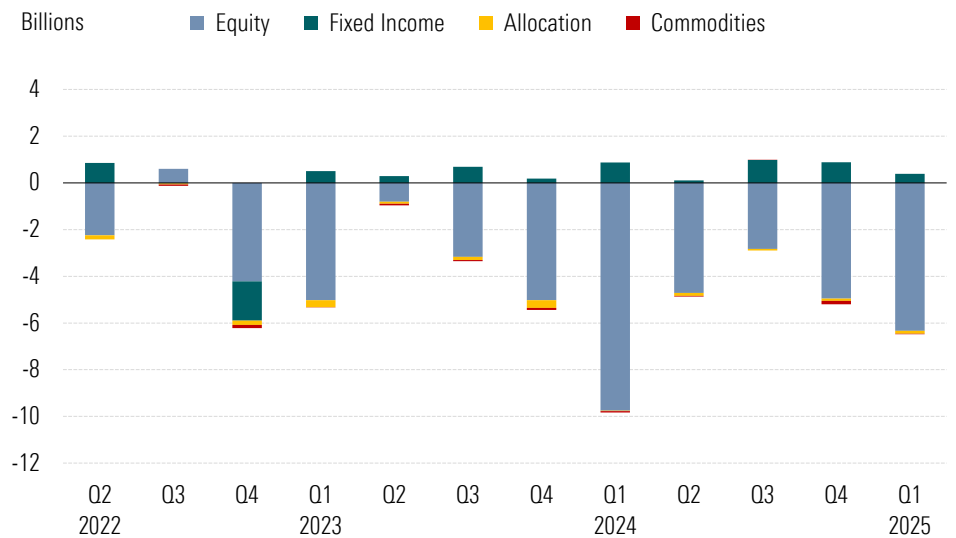


Source: Morningstar Direct. Data as of March 2025.

Flows by Asset Classes

Sustainable bonds continued to contribute positively to flows into the US sustainable fund universe in the first quarter, adding USD 380 million, but that's less than in the previous two quarters. Meanwhile, equities continued to bleed money, losing USD 6.3 billion, USD 1.0 billion more than in the last quarter of 2024.

Exhibit 16c US Sustainable Fund Flows by Asset Class (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

Flow Leaders and Laggards

In the first quarter of 2025, **Parnassus Core Equity** once again led the table of the largest outflows, amounting to more than USD 1.6 billion. The fund focuses on investing in US large-cap companies with sustainable competitive advantages, quality management, and positive ESG performance. These new redemptions come on top of the USD 8 billion withdrawals experienced since 2022. Despite this, the fund remains the largest sustainable fund in its category, with USD 26.8 billion in assets at the end of March.

Brown Advisory Sustainable Growth and **Invesco MSCI Global Climate 500 ETF** took second and third place in terms of outflows, bleeding USD 566 million and USD 525 million, respectively.

Exhibit 17a Bottom 10 US Sustainable Fund Flows

Fund Name	Net Flows (USD Million)
Parnassus Core Equity Fund	-1,635
Brown Advisory Sustainable Growth Fund	-566
Invesco MSCI Global Climate 500 ETF	-525
Nuveen Large Cap Responsible Equity Fund	-514
Calvert Equity Fund	-475
Xtrackers MSCI USA Selection Equity ETF	-403
Invesco MSCI North America Climate ETF	-272
Xtrackers MSCI Emerging Markets Climate Selection ETF	-265
Parnassus Mid Cap Fund	-233
iShares ESG MSCI KLD 400 ETF	-230

Source: Morningstar Direct. Data as of March 2025.

Meanwhile, DWS' **Xtrackers MSCI USA Climate Action Equity ETF** was the standout performer in terms of inflows in the first three months of the year, with USD 410 million of net new money. The ETF prioritizes investments with lower carbon emissions and robust ESG characteristics. After bleeding USD 12.5 billion since 2022, **iShares ESG Aware MSCI USA ETF** added USD 322 million in the first quarter of 2025. The ETF invests in firms with favorable ESG characteristics, after applying sector and norm-based exclusions.

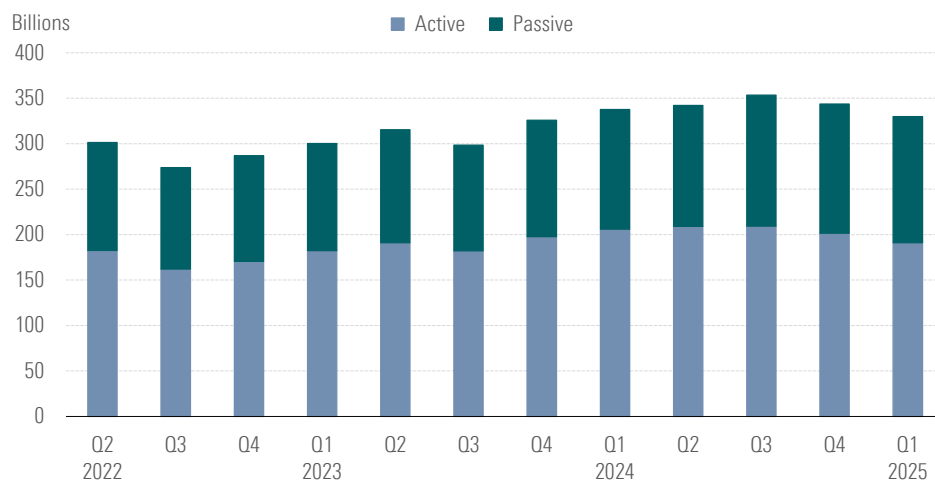
Exhibit 17b Top 10 US Sustainable Fund Flows

Fund Name	Net Flows (USD Million)
Xtrackers MSCI USA Climate Action Equity ETF	410
iShares ESG Aware MSCI USA ETF	322
iShares ESG Aware MSCI EAFE ETF	245
Calvert Bond Fund	198
iShares Paris-Aligned Climate MSCI USA ETF	183
Vanguard ESG U.S. Stock ETF	152
Calvert Short Duration Income Fund	133
Xtrackers S&P 500 ESG ETF	102
Neuberger Berman Sustainable Equity Fund	95
First Trust NASDAQ® Clean Edge® Smart Grid Infrastructure Index Fund	81

Source: Morningstar Direct. Data as of March 2025.

Assets

In the first quarter, assets in US sustainable funds fell by 4% to USD 329 billion at the end of March. This is the second consecutive quarterly decline, explained by the continued outflows, reduced number of funds, and poor market performance. For context, the Morningstar US Market Index slid by 4.6% over the period, while the Morningstar Global Market Index lost 1.4%.

Exhibit 18 US Sustainable Fund Assets (USD Billion)

Source: Morningstar Direct. Data as of March 2025.

BlackRock and Vanguard Remain in the Top

BlackRock, the world's largest manager, continues to lead the list of asset managers marketing ESG and sustainable open-end funds and ETFs, with USD 57.6 billion under management. Vanguard stands in second position with USD 37.1 billion after overtaking Parnassus and Morgan Stanley (which owns the Calvert brand) in the fourth quarter of 2024.

Exhibit 19 Top Asset Managers by Sustainable Fund Assets in the US

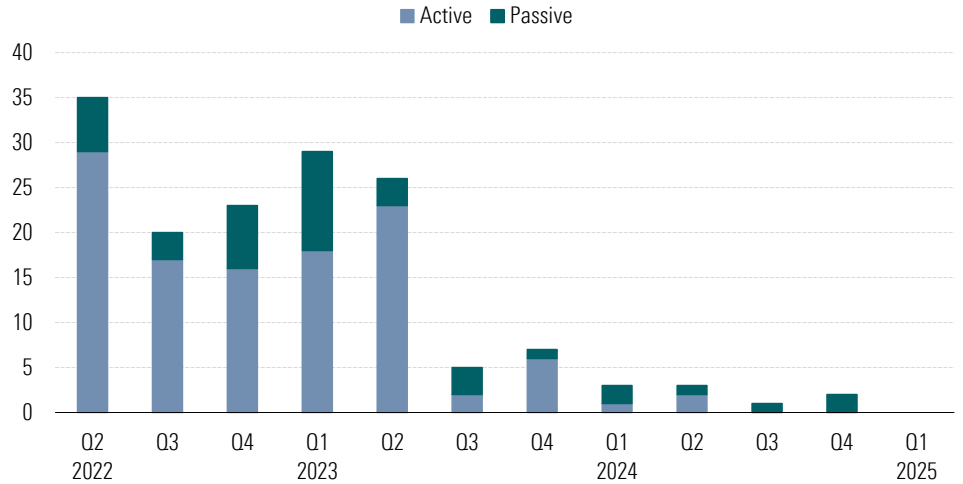
Overall		Actively Managed		Passively Managed	
Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)	Firm	Total Assets (USD Billion)
BlackRock (incl. iShares)	57.6	Parnassus	34.8	BlackRock (incl. iShares)	53.2
Vanguard	37.1	Morgan Stanley (incl. Calvert)	24.7	Vanguard	35.5
Morgan Stanley (incl. Calvert)	35.4	Nuveen	15.9	Morgan Stanley (incl. Calvert)	10.7
Parnassus	34.8	Dimensional	15.7	Invesco	6.7
Nuveen	22.2	Brown Advisory	9.4	Nuveen	6.3
Dimensional	15.7	Franklin Templeton	9.2	DWS (incl. Xtrackers)	5.4
Brown Advisory	9.4	Amundi (incl. Lyxor)	9.1	Fidelity	5.1
Invesco	9.3	Impax	7.9	First Trust	4.3
Franklin Templeton	9.2	Eventide	5.6	State Street	2.1
Amundi (incl. Lyxor)	9.1	American Century	5.6	Northern Trust	1.9
Impax	7.9	BlackRock incl. iShares	4.4	Praxis Mutual Funds	1.7
Fidelity	7.1	Boston Trust Walden	4.3	Global X	1.0
Eventide	5.6	Community Capital	3.7	Green Century	0.8
American Century	5.6	AllianceBernstein	3.3	New York Life	0.8
DWS (incl. Xtrackers)	5.6	Invesco	2.6	TCW	0.7
First Trust	4.3	Neuberger Berman	2.5	Kraneshares	0.6
Boston Trust Walden	4.3	PIMCO	2.4	Jackson	0.4
Community Capital	3.7	Domini	2.1	Flexshares	0.4
AllianceBernstein	3.3	Fidelity	2.1	VanEck	0.3
Praxis Mutual Funds	2.8	RBC	2.0	Amplify	0.2

Source: Morningstar Direct. Data as of March 2025.

No New Sustainable Fund Launches

In the first quarter of the year, no new US sustainable funds were added to the universe. This continues the trend observed in recent quarters, as the number of ESG and sustainability-focused funds launched in the US has steadily diminished.

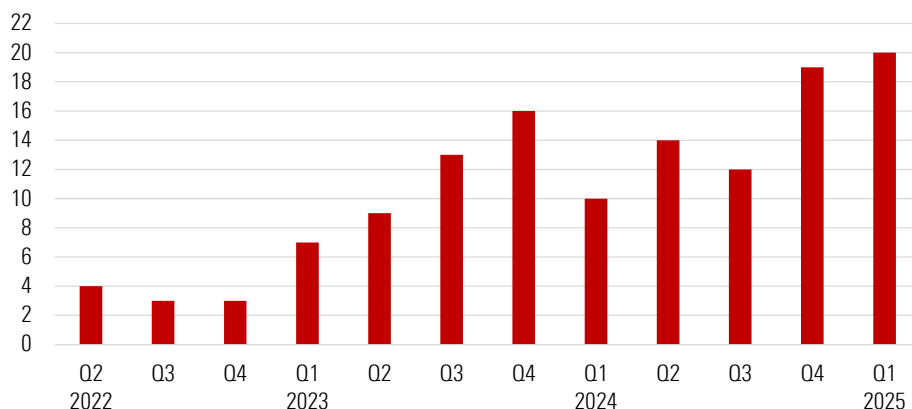
Exhibit 20 US Sustainable Fund Launches



Source: Morningstar Direct. Data as of March 2025.

Fund Closures

The first quarter of 2025 saw an extended wave of shutdowns in the US sustainable fund universe, with 20 new closures. The list of closures includes a mix of exposures across ESG topics, including broad sustainability, climate transition, renewable energy, and sustainable infrastructure, with major players like PGIM, Goldman Sachs, and Amundi contributing to the closures. Examples include **PGIM ESG Short Duration Multi-Sector Bond**, **Amundi Climate Transition Core Bond**, **JPMorgan Sustainable Infrastructure ETF**, and **Goldman Sachs Future Real Estate and Infrastructure Equity ETF**.

Exhibit 21 US Sustainable Fund Closures

Source: Morningstar Direct. Data as of March 2025.

In addition to sustainable fund closures, four funds dropped their ESG-focused mandates in the last three months, bringing the total number of sustainable open-end and ETFs in the United States to 510 at the end of the first quarter. The funds that shed their ESG designations are **Franklin ClearBridge Enhanced Income ETF** (formerly ClearBridge Dividend Strategy ESG ETF), **Thrivent Small-Mid Cap Equity ETF** (formerly Thrivent Small-Mid ESG ETF), **Aristotle Core Bond** (formerly Aristotle ESG Core Bond Fund), **NYLI MacKay High Income ETF** (formerly NYLI MacKay ESG High Income ETF) and **Nationwide BNY Mellon Core Plus Bond** (formerly Nationwide BNY Mellon Core Plus Bond ESG).

Regulatory Update

In the United States, the Securities and Exchange Commission recently [opted](#) not to defend its 2024 climate disclosure rule in court, leaving its fate uncertain. Companies are still required to disclose material climate risks under older guidance from 2010, and US firms operating internationally may remain subject to other jurisdictions' rules. Several states, including California, New York, and Illinois, are advancing their own climate disclosure laws. California's SB 253 and SB 261, which require scope 1, scope 2, and later scope 3 emissions disclosures and climate risk reporting, are among the most developed and subject to ongoing litigation.

The SEC also [extended](#) the compliance deadlines for ESG-related fund naming rules to 2026. The rule seeks to prevent fund names from misleading investors about investment strategies and associated risks. Under the updated timeline, larger fund groups managing more than USD 1 billion in assets must comply by June 11, 2026, while smaller fund groups have until Dec. 11, 2026. Funds with names that suggest a focus on ESG themes—using words such as sustainable, green, or socially responsible—will be required to invest at least 80% of their assets in alignment with those themes.

Separately, on March 12, a member of the Senate Banking Committee [introduced](#) the Prevent Regulatory Overreach from Turning Essential Companies into Targets Act, or the Protect USA Act, of 2025. This piece of legislation seeks to exempt US companies deemed vital to national interests from having to comply with certain foreign sustainability regulations, such as the EU's Corporate

Sustainability Due Diligence Directive. Critics argue that the CSDDD's requirements—including alignment with the EU's net-zero carbon targets and the imposition of steep penalties for noncompliance—go beyond what .S law mandates and constitute an inappropriate extension of foreign regulatory power.

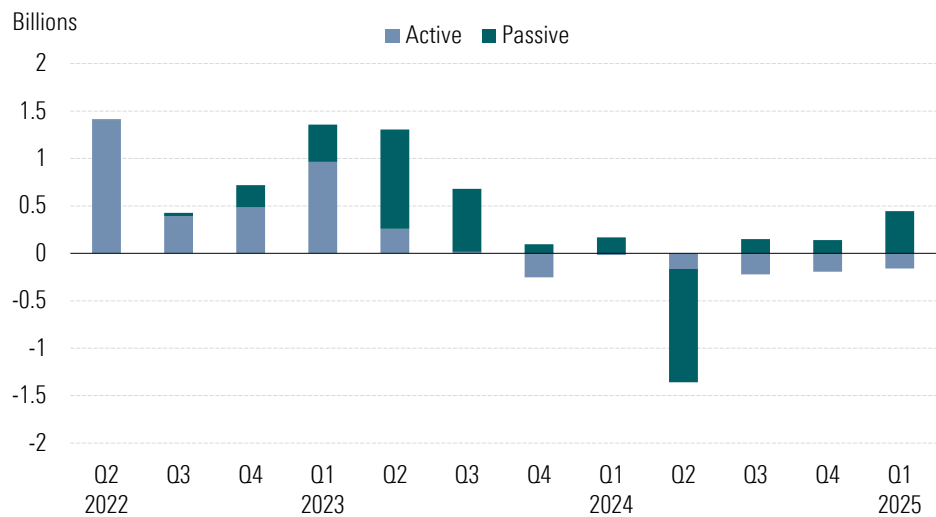
Finally, we have observed a sweeping regulatory rollback of diversity, equity, and inclusion initiatives under the President Donald Trump administration. On Jan. 20, [Executive Order 14151](#) was signed, directing the elimination of all DEI-related mandates and programs within the federal government, which the administration labeled as "radical and wasteful." The next day, Executive Order 14173 was issued, repealing Executive Order 11246, a long-standing mandate requiring nondiscrimination and affirmative action by federal contractors. The new order prohibits DEI programs in federal contracting and emphasizes a shift toward merit-based hiring. In the private sector, major corporations such as Walmart, Lowe's, and Meta have begun scaling back their DEI commitments, citing pressure from the evolving federal landscape. For more on this topic, read: [DEI Rollbacks: Impact on ESG Risk Ratings and Broader Implications for Investors](#).

Canada

Flows

Flows to Canada's sustainable fund universe experienced a notable uptick in the first quarter of 2025 to USD 285 million compared with the restated USD 52 million in redemptions in the previous quarter, as passive strategies pocketed almost USD 445 million. Meanwhile, outflows from the active funds reduced to USD 160 million.

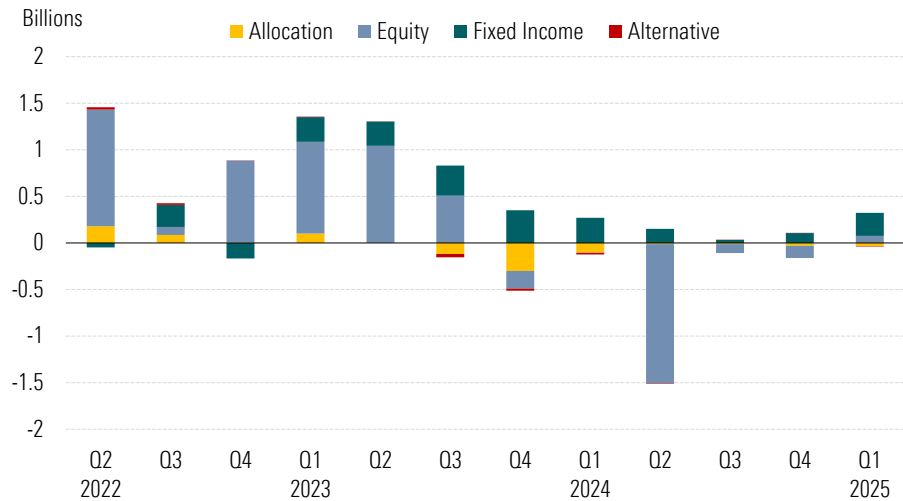
Exhibit 22a Canada Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

With USD 247 million of net new money, fixed-income funds attracted the bulk (87%) of the inflows into the Canadian sustainable fund universe in the first quarter. That more than doubled the restated USD 108 million three months earlier. Equity funds put a halt to their redemptions after registering a minor inflow of USD 76 million. Meanwhile, withdrawals from allocation strategies continued and reached USD 33 million from the restated USD 29 million in the previous quarter.

Exhibit 22b Canada Sustainable Flows by Asset Class (USD Billion)

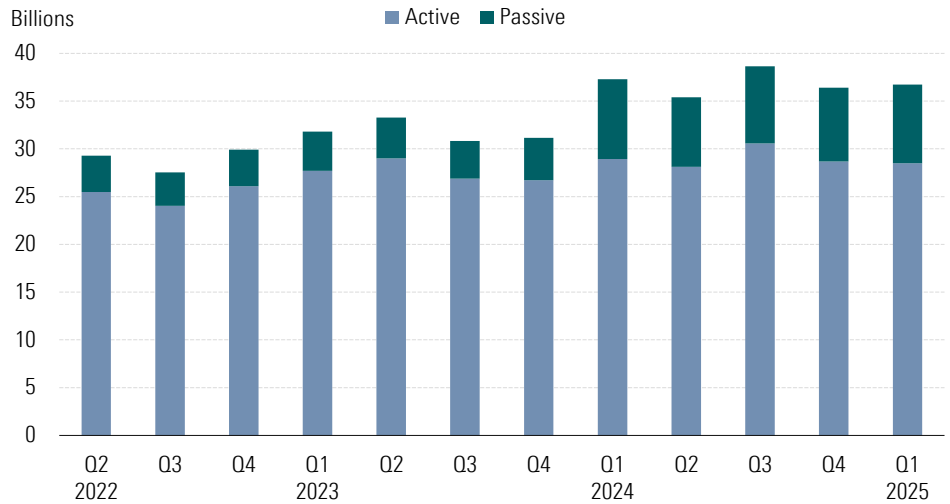


Source: Morningstar Direct. Data as of March 2025.

Assets

Despite the flow recovery, assets invested in Canadian sustainable funds continued to decline. As of March 2025, total assets in Canadian sustainable funds slid to USD 36.7 billion, a 0.9% gain compared with the restated USD 36.4 billion in the last quarter of 2024. For context, the Morningstar Canada Index gained 1.6% over the period.

Exhibit 23 Canada Sustainable Fund Assets (USD Billion)

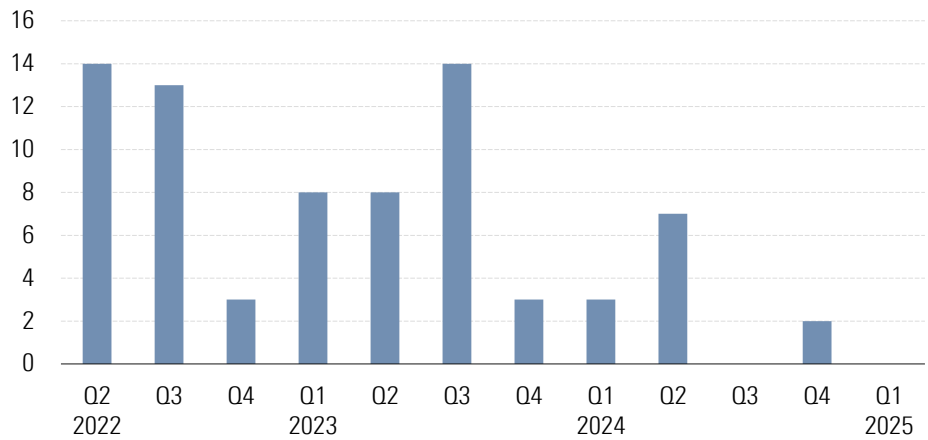


Source: Morningstar Direct. Data as of March 2025.

New Launches and Closures

The first quarter of 2025 saw no new launches of sustainable funds in Canada, while four passive strategies were closed: **CI Bio-Revolution Index ETF**, **Global X Carbon Credits ETF**, **Global X S&P Green Bond Index ETF**, and **Ninepoint Carbon Credit ETF**.

Exhibit 24 Canada Sustainable Fund Launches



Source: Morningstar Direct. Data as of March 2025.

Regulatory Update

In Canada, [two national sustainability standards](#)—CSDS 1 (general ESG) and CSDS 2 (climate)—took effect in January 2025. These are closely based on IFRS S1 and IFRS S2 but include generous transitional relief. CSDS 1 will only become mandatory in 2027, and CSDS 2 defers scope 3 and

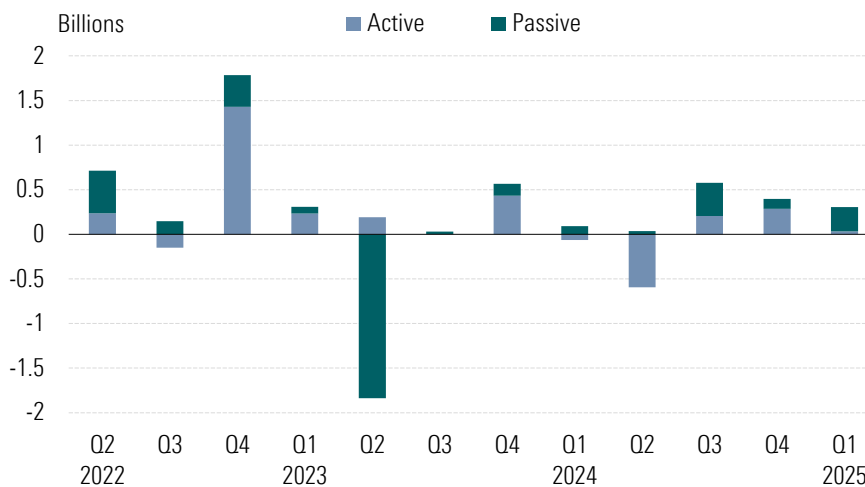
quantitative scenario analysis disclosures until 2028. These delays reflect Canadian regulators' aim to allow companies more time to prepare. Additionally, the Canadian framework does not yet require third-party assurance and allows more flexibility in determining materiality thresholds.

Australia and New Zealand

Flows

For the first quarter of 2025, there were positive net flows into the Australasian (Australia and New Zealand) sustainable fund universe of around USD 305 million. This was marginally lower compared with the restated net inflows of USD 396 million in the last quarter of 2024. The first quarter's inflows were driven by passive strategies, which saw net inflows of USD 272 million. Australasian active sustainable funds experienced net inflows of USD 33 million over the period.

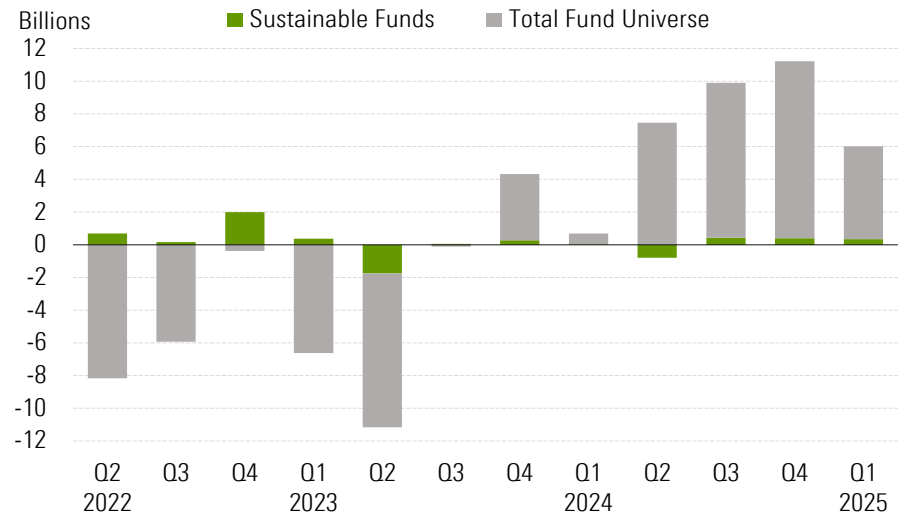
Exhibit 25 Australia and New Zealand Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

By comparison, the total mutual fund and ETF universe for Australia and New Zealand experienced net inflows of over USD 6.0 billion, driven primarily by passive strategies, which received net inflows of around USD 4.7 billion, while active strategies saw net inflows of USD 1.2 billion. This was lower than the fourth quarter of 2024, which saw restated net inflows of USD 11.2 billion, with USD 6.1 billion into passive strategies and USD 5.1 billion into active strategies.

Exhibit 26 Australian and New Zealand Fund Flows in the Broader Market (USD Billions)

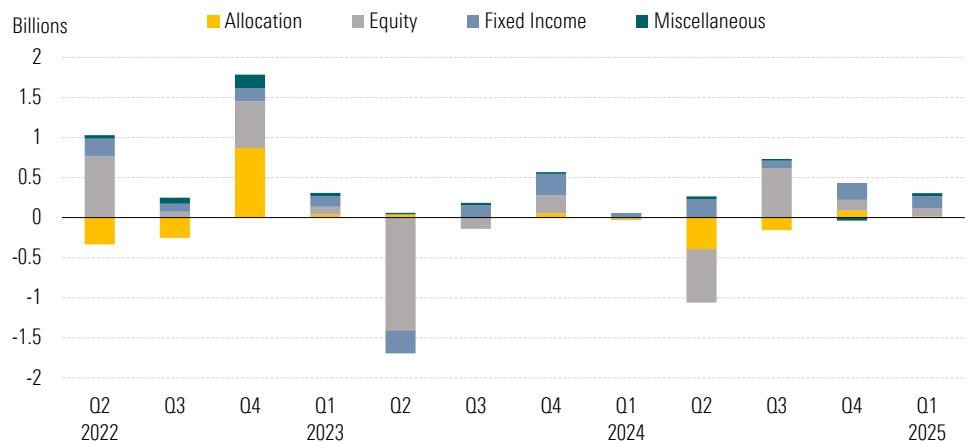


Source: Morningstar Direct. Data as of March 2025.

Flows by Category

In the Australasia region for the first quarter of 2025, fixed-income strategies saw net inflows of USD 148 million, followed by equity strategies' USD 106 million. Miscellaneous strategies (infrastructure, property, alternatives, commodities, and so on) attracted USD 36 million of fresh money. Allocation funds registered net inflows of USD 14 million.

Exhibit 27 Australia and New Zealand Sustainable Flows by Asset Class (USD Billion)

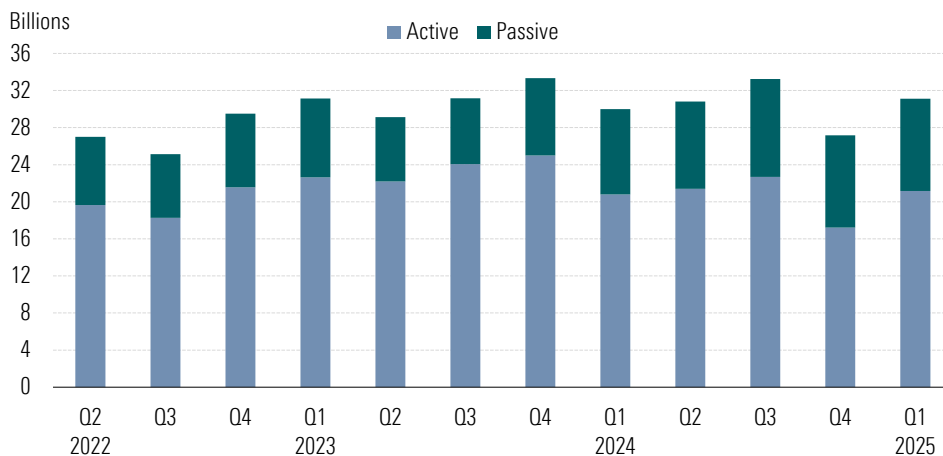


Source: Morningstar Direct. Data as of March 2025.

Assets

The total size of Australasian sustainable funds was estimated at USD 31 billion as of March 31, 2025, which was almost USD 4 billion higher than the universe's restated size as of Dec. 31, 2024. Over the quarter, around 40% of strategies reported inflows, 39% saw outflows, and 21% had no reported flows.

Exhibit 28 Australia and New Zealand Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

The Australian sustainable fund market remains quite concentrated, with the top 10 firms accounting for 68% of total assets in sustainable funds, a figure that has been stable since the end of the first quarter of 2024.

The top 10 fund houses by sustainable fund assets are listed below. Dimensional Fund Advisors had the highest market share as of March 31, 2025, followed by Betashares and Vanguard. State Street climbed to ninth on the list as its asset base extended its gains to eclipse U Ethical.

Exhibit 29 Top Australian and New Zealand Fund Houses by Sustainable Assets

Firms	% Market Share
DFA Australia Limited	17.1%
BetaShares Capital Ltd	12.1%
Vanguard Investments Australia Ltd	8.7%
BlackRock Investment Management (Australia) Limited	5.9%
Australian Ethical Investment Ltd	5.3%
Pendal Institutional Limited	4.7%
Russell Investment Group Limited	4.4%
Mercer Investments (Australia) Limited	4.0%
State Street Global Advisors (Aus) Ltd	3.4%
U Ethical	2.7%

Source: Morningstar Direct. Data as of March 2025

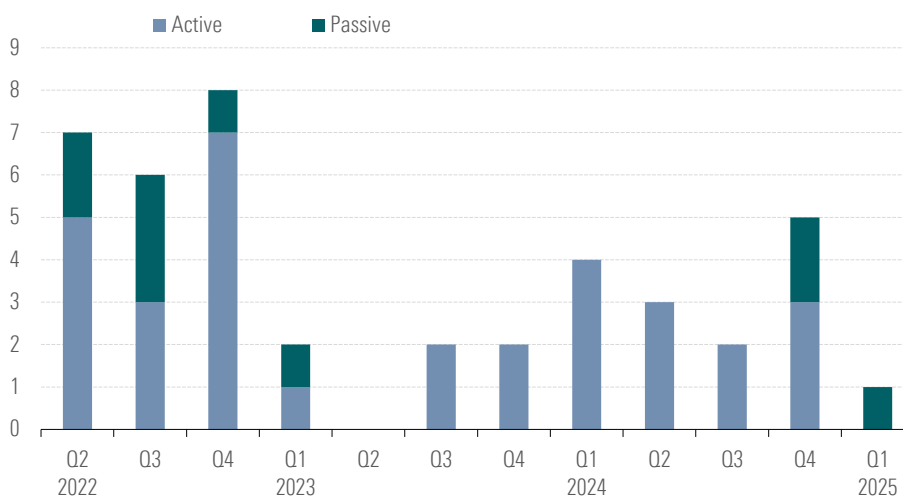
Launches

There was only one new sustainable fund launched in Australia and New Zealand during the first quarter of 2025, **VanEck Gold Bullion ETF**. Meanwhile, six sustainable funds closed over the same period, indicating tough conditions for fund houses in general as margin pressures have crept up. The funds that closed were **Mirova Global Sustainable Equity**, **Neuberger Berman Global Sustainable Equity**, **Betashares Future of Food ETF**, **Betashares Solar ETF**, **ASB Investment Funds Positive Impact**, and **BlackRock Global Impact (Aust)**. Three of these funds closed within three years after launch.

The pattern of closures also follows that from the prior year, when 19 funds closed in 2024, and is in stark contrast to 2023, when only three funds closed.

As of the end of March 2025, we counted 256 strategies in our Australasian sustainable fund universe, which was down from 261 as at the end of December 2024.

Exhibit 30 Australia and New Zealand Sustainable Fund Launches



Source: Morningstar Direct. Data as of March 2025.

Regulatory Update

In March 2025, the Australian Securities and Investments Commission [published](#) the details of its sustainable reporting requirements for companies, registered schemes, registrable superannuation entities, and retail corporate collective investment vehicles. The ASIC also published an accompanying [guide](#). A key area of reporting is the preparation of climate statements, which must include:

- ▶ The entity's financial risks or opportunities relating to climate.
- ▶ The metrics and targets, including scope 1 to scope 3 greenhouse gas emissions.
- ▶ Details of the entity's governance, strategy, or risk management concerning these risks and measures.

Most notably, the climate resilience (called climate-related scenario analysis) disclosure requires companies to set out at least two mandated scenarios:

- ▶ An increase in global average temperature of 1.5 degrees Celsius above preindustrial levels.
- ▶ An increase in global average temperature well exceeding 2.0 degrees Celsius above preindustrial levels.

Australia's sustainability reporting requirements are predominantly focused on climate, whereas regions like the UK are broader in their focus on ESG. Australia is yet to adopt industry-specific disclosures, which is the norm in the UK. Australia is still developing its tools for standard emissions reporting, whereas the UK's Department for Environment, Food & Rural Affairs has one for companies.

Meanwhile, the Australian Sustainable Finance Institute reached a major milestone by completing and submitting the [initial version of the Australian Sustainable Finance Taxonomy](#) to the federal government on Feb. 14, 2025. Developed through two rounds of public consultation—most recently ending in December 2024—the taxonomy is a key step toward creating a unified sustainable finance framework. Its joint release with the government is expected by mid-2025, in line with goals outlined in the Sustainable Finance Roadmap published by the Treasury in June 2024. That [road map](#) also proposes a new labeling and disclosure regime for sustainable investment products, designed to bring clarity to a fragmented market. Public consultations on this framework began in early 2025, with implementation targeted for 2027.

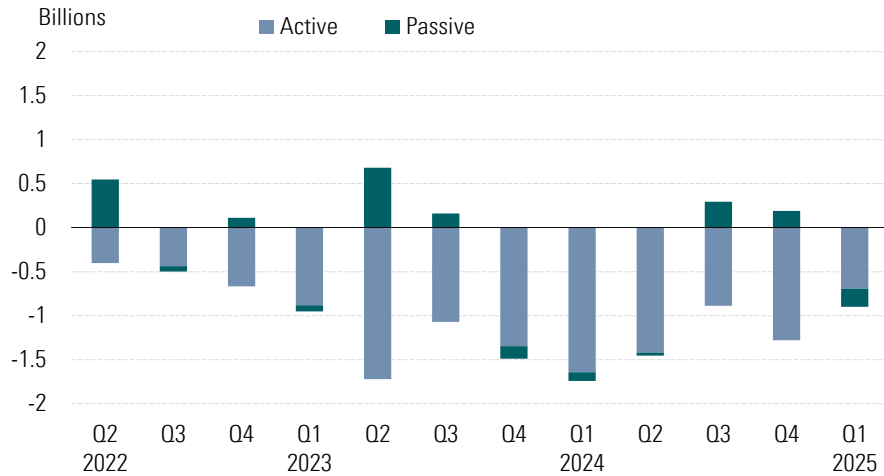
Across the Tasman Sea, New Zealand's Climate Reporting Entities have begun publishing their first climate-related disclosures in accordance with the Financial Markets Conduct Act 2013. These reports follow the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. In December 2024, the Ministry of Business, Innovation & Employment released a discussion paper proposing updates to the framework, with [public consultations](#) concluding on Feb. 14, 2025. Key proposals include raising reporting thresholds for listed issuers, reassessing director liability provisions to reduce legal risks, and permitting New Zealand subsidiaries of multinationals to file their parent company's climate disclosures—potentially streamlining reporting obligations.

Japan

Flows

In the first quarter of 2025, the Japanese sustainable funds landscape continued to bleed money, seeing its eleventh-consecutive quarter of outflows, with net withdrawals from both active and passive funds amounting to a total of USD 900 million. This contrasts with the broader Japanese fund landscape, which registered inflows of more than USD 43 billion in the first quarter of 2025. **Next Funds MSCI Global Climate 500 Japan Selection Index ETF** was the top contributor to the outflows for the quarter, shedding USD 319 million, following its successful launch in December 2024 when it attracted USD 516 million of new money.

Exhibit 31 Japan Sustainable Fund Flows (USD Billion)

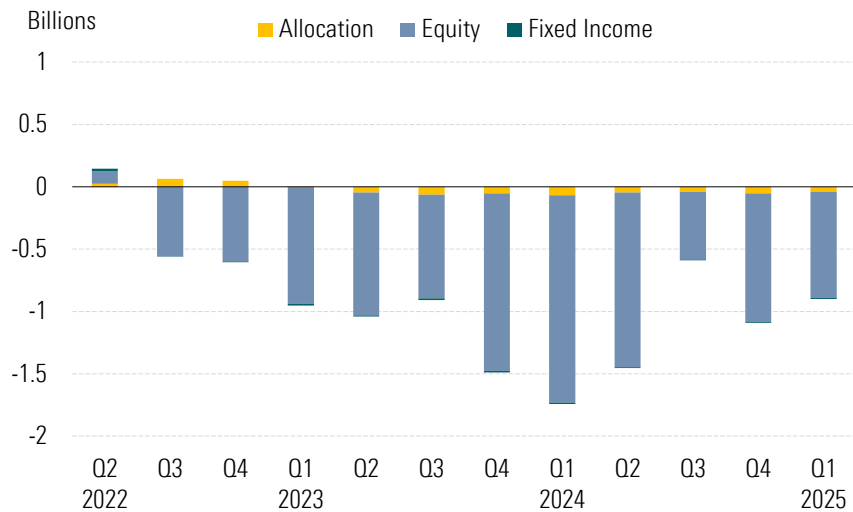


Source: Morningstar Direct. Data as of March 2025.

It should be noted that there is a possibility of double-counting at the global level. We include Japan-domiciled funds of funds and feeder funds in this review to better reflect the actual flow situation in the Japanese fund market, as many Japanese funds of funds are invested in European funds.

Most of the outflows from Japanese sustainable funds continued to come from equity strategies, as these represent 95% of the country's total assets in sustainable funds. Of the 20 funds hit the worst by withdrawals, 19 were equity funds.

Exhibit 32 Japan Sustainable Fund Flows by Asset Class (USD Billion)

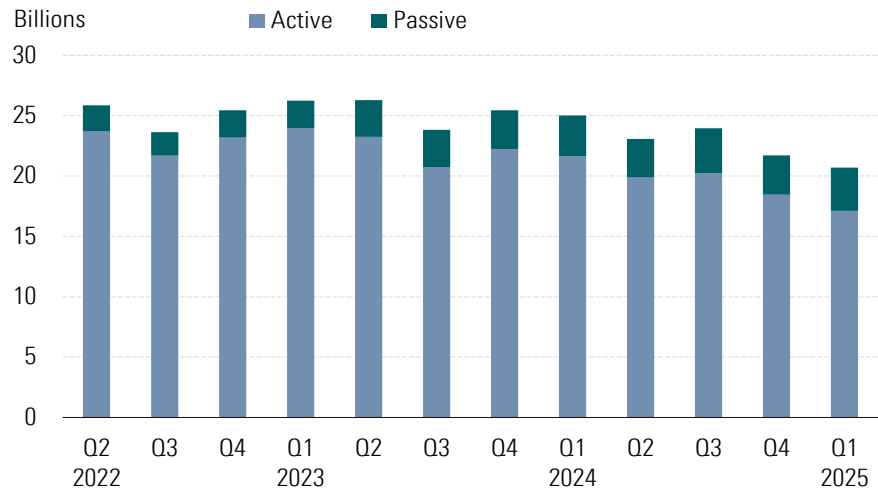


Source: Morningstar Direct. Data as of March 2025.

Assets

Total assets in Japan-domiciled sustainable funds totaled USD 20.6 billion at the end of the first quarter. Actively managed funds represented the predominant share, accounting for 83% of total assets within the sustainable fund category.

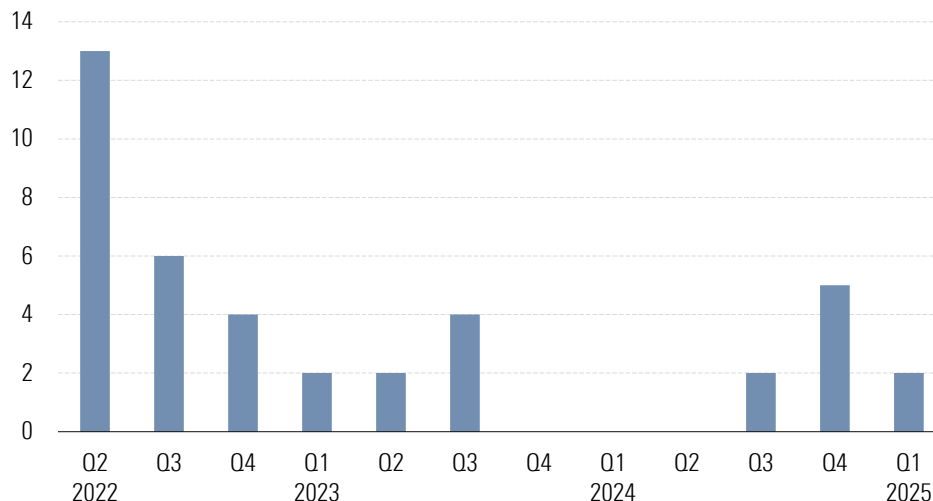
Exhibit 33 Japan Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

Launches

The Japanese sustainable fund market saw the inception of two new products in the past three months, namely **AMOne Mizuho Sustainable Fund Series Robeco Smart Energy** and **Pictet-Water**. The former invests globally in companies that provide technologies for clean energy production, distribution, power management infrastructure, and energy efficiency. The strategy integrates sustainability criteria as part of its stock selection process. Pictet-Water invests in equities of global companies providing water supply or processing services, water technology, or environmental services.

Exhibit 34 Japan Sustainable Fund Launches

Source: Morningstar Direct. Data as of March 2025.

Meanwhile, five Japanese sustainable funds were liquidated in the past three months, including **Pictet iTrust All Megatrend**, **BlackRock World Equity Impact Investment**, **Amundi Fund World Equity Next Generation Education Related**, **Amundi Next Generation Education Related**, and **SOMPO SRI Open**.

Regulatory Update

On March 5, 2025, the Sustainability Standards Board of Japan issued its [first sustainability disclosure standards](#), and while these are heavily based on the International Sustainability Standards Board's IFRS S1 and IFRS S2, there are important differences to be aware of. For instance, it does not mandate the use of the Sustainability Accounting Standards Board's industry-specific metrics but allows companies instead to select or adapt metrics that are more relevant to their business model, operational environment, and local context. It also allows for simplified, staged, narrative disclosure of a transition plan. Finally, there is no hard commitment to make these new reporting standards mandatory beyond voluntary disclosures in fiscal-year 2026.

Also noteworthy is the Government Pension Investment Fund's reaffirmation of its commitment to ESG principles with the publication of a [new sustainability investment policy](#). Japan's pension fund, the world's largest with USD 1.7 trillion of assets, states that "reducing the negative impacts of sustainability-related issues on capital markets is essential for a universal owner like GPIF to pursue long-term investment returns." Among its principal initiatives, the GPIF "promotes sustainability investment for all assets, given that sustainability-related issues do not impact only specific companies or asset classes." For such purpose, the fund aims to select or combine various sustainability approaches according to asset characteristics, including ESG integration, engagement/exercise of voting rights, ESG index investment, ESG active fund investment, investment considering impact, sustainability-related risk analysis (climate change), and collaboration with related organizations.

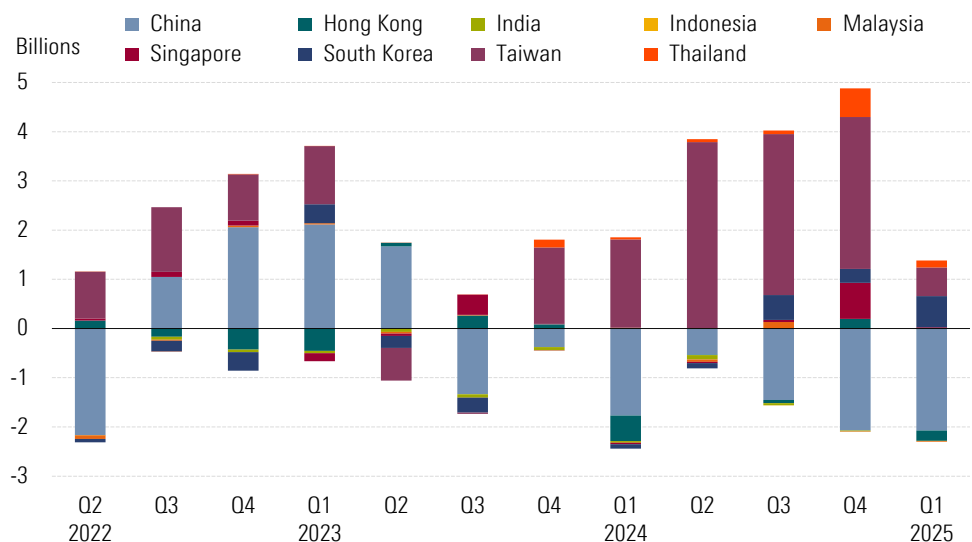
Asia ex-Japan

We used the most recent data available within the past quarter for funds whose full quarterly data were unavailable at the time of publication. Because China's data was not available, we used fourth-quarter 2024 data as a proxy for first-quarter 2025 data in every exhibit of this section. In fourth-quarter 2024, China-domiciled sustainable funds registered withdrawals of USD 2.1 billion. This represents the sixth consecutive quarter of outflows and the highest quarterly outflows since the second quarter of 2022. China sustainable funds bled a total of USD 5.8 billion over 2024, primarily from equity and allocation funds. The highest single-fund outflow over the year was from **ChinaAMC CSI New Energy Vehicles ETF**, which tracks an index comprising the largest 50 China A-share listed companies that have battery, charger, new electric vehicles, or related businesses.

Flows

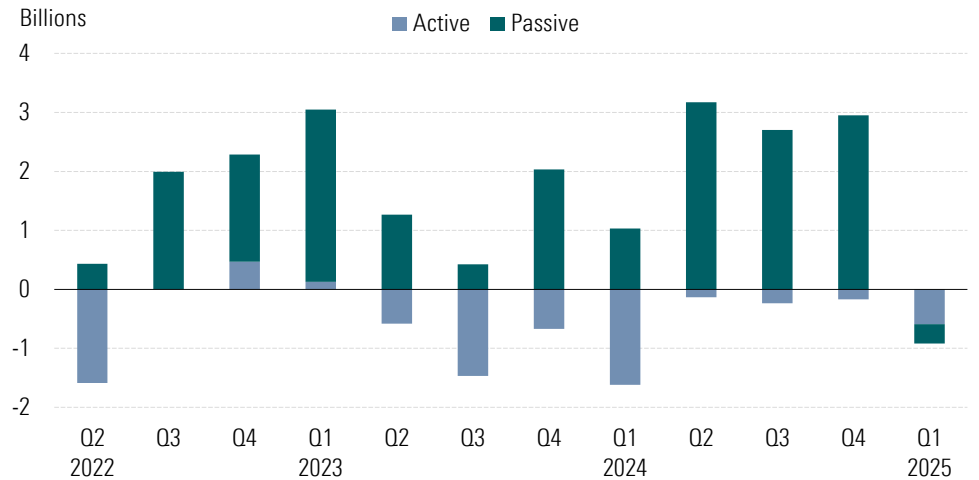
Excluding China, the Asia ex-Japan region saw USD 1.2 billion in net inflows during the first quarter of 2025, driven by South Korea, Taiwan, and Thailand. South Korea experienced USD 632 million in net inflows over the period, most of which were directed into **KIM Credit Focus ESG Feeder Bond**, the largest sustainable fund in the country. Taiwan-domiciled sustainable funds, meanwhile, continued their streak of consecutive inflows reaching back to fourth-quarter 2023 despite the market's third-largest sustainable fund, **CTBC Enhanced Yield 15+ Year Investment Grade Senior US Developed Markets Corporate ESG Screened Bond ETF**, registering its first quarter of outflows since its June 2024 launch. Thailand's sustainable funds also continued to garner inflows, bringing in USD 142 million in the first three months of 2025, thanks in part to the government's push to promote these products. Flows were positive across asset classes, though fixed income funds attracted the highest volume. The three funds with the most inflows over the period were all sovereign debt strategies: **K ESG Sovereign Instruments**, **KKP Government Bond Thailand ESG**, and **Bualuang Sovereign Instruments Thailand ESG**.

Exhibit 35 Asia ex-Japan Sustainable Fund Flows by Country (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

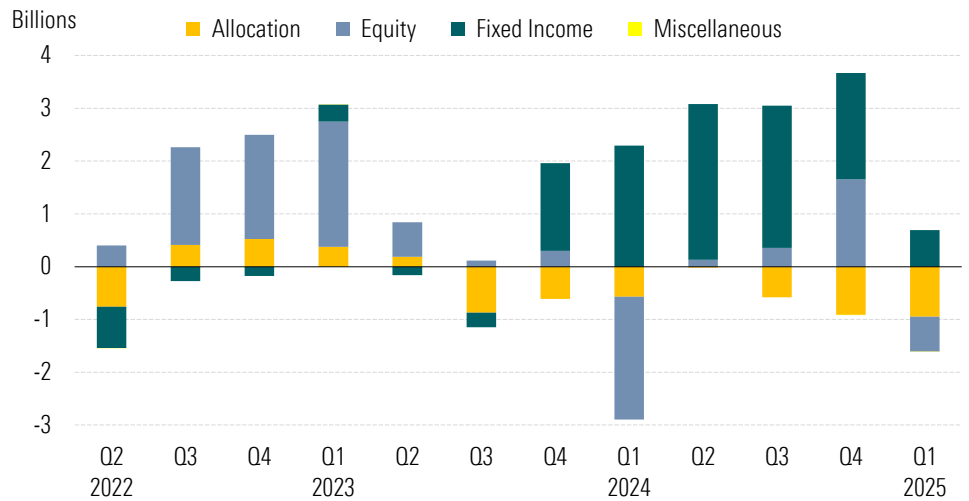
Exhibit 36 Asia ex-Japan Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct. Data as of March 2025.

Across the Asia ex-Japan region, fixed income was the only asset class that attracted positive flows during the first quarter of 2025, and this marks the sixth consecutive quarter of inflows for Asia ex-Japan sustainable bond funds. This reflects global trends, with investors pouring money into fixed-income offerings as central banks initiated easing policy rates over the period amid challenging macroeconomic conditions. Meanwhile, sustainable allocation funds continued to bleed money, while sustainable equity funds suffered withdrawals after three quarters of positive flows.

Exhibit 37 Asia ex-Japan Sustainable Fund Flows by Asset Classes (USD Billion)



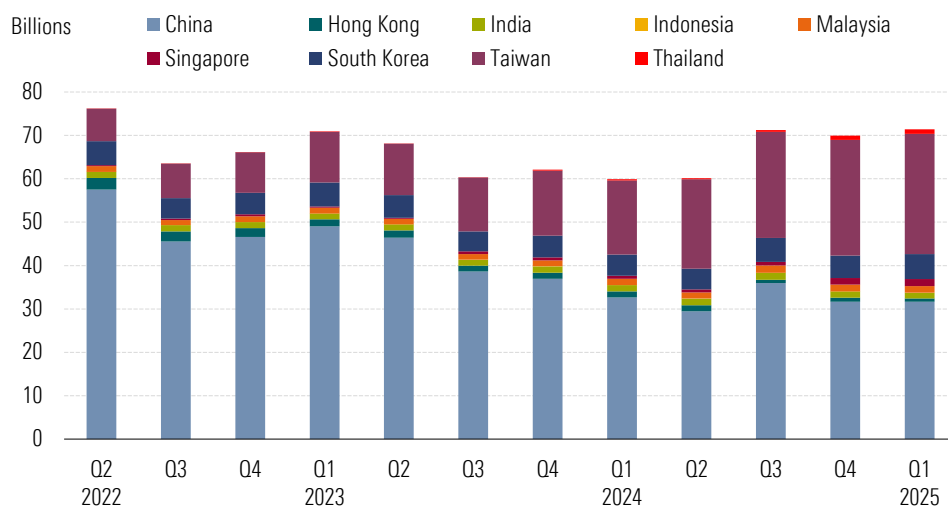
Source: Morningstar Direct. Data as of March 2025.

Assets

Total sustainable fund assets in Asia ex-Japan (including China) expanded by about 2% over the first quarter of 2025 to USD 71.4 billion. Taiwan's sustainable fund market share is now well over one third

(38%) of the region's total assets, up from just 14% at the end of 2022. The market share of mainland China has declined over the period to 45% from 70%. Taiwan inches closer to becoming the largest sustainable fund market in the region. Singapore- and Thailand-domiciled sustainable funds continued to expand in the first quarter and have been among the fastest-growing markets over the past three years, while Hong Kong saw its sustainable fund assets shrink by over 15% in the first quarter and by over two thirds since their peak of USD 2.7 billion in the second quarter of 2022.

Exhibit 38 Asia ex-Japan Sustainable Fund Assets (USD Billion)

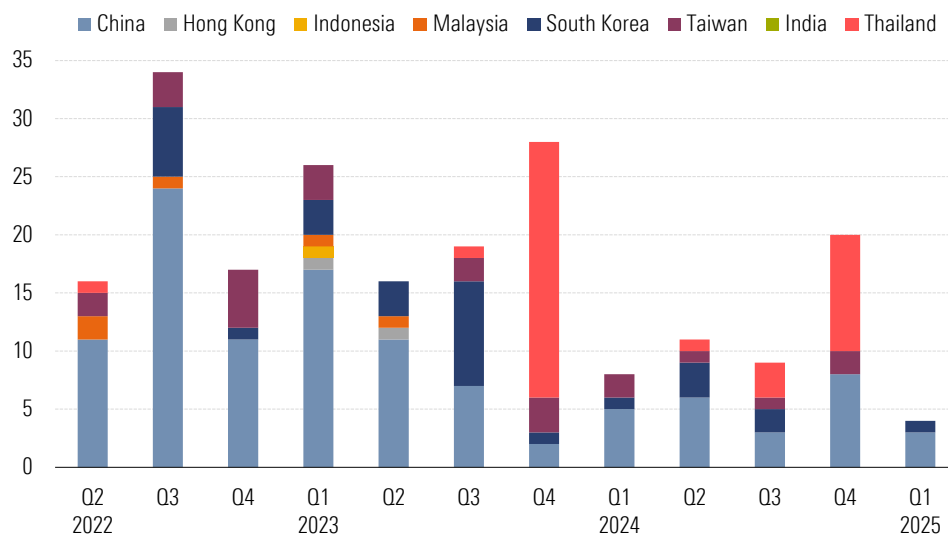


Source: Morningstar Direct. Data as of March 2025.

Both active and passive Asia ex-Japan sustainable fund assets grew in the first quarter of 2025, and their representation of roughly 60/40 in favor of passives remained unchanged quarter over quarter.

Launches

Only four sustainable funds were launched between January and March 2025, the lowest amount since the second quarter of 2019. Three launches were in China: new energy ETFs **ChinaAMC ChiNext New Energy** and **Fullgoal SSE STAR New Energy**, and allocation fund **Orient Low-Carbon Economy Mixed**. The latter aims to capture investment opportunities in industries and related companies involved in or benefiting from the transition to carbon neutrality. It invests across five fields: low-carbon technology, green energy transformation, green transportation, low-carbon lifestyle, and industrial production and manufacturing carbon reduction. The remaining launch was Korea-domiciled **Barings Monthly Payment Global High Yield Feeder Bond Fund of Funds** in late March.

Exhibit 39 Asia ex-Japan Sustainable Fund Launches

Source: Morningstar Direct. Data as of March 2025.

Regulatory Update

In the first quarter of 2025, regulatory and government bodies continued to advance ESG-related initiatives relevant to Asia ex-Japan asset managers.

In Hong Kong, the Mandatory Provident Fund Schemes Authority issued a [circular letter](#) detailing updated information disclosure guidelines for MPF scheme brochures. The new requirements include disclosures of the constituent fund's ESG focus, ESG investment objectives and/or strategies, relevant risks associated with the ESG focus, and mechanisms to monitor and measure attainment of the ESG focus. The MPFA aims to improve scheme members' understanding of these products through the enhancements, and MPF trustees have until the end of September 2025 to implement them.

Hong Kong also began applying [new climate disclosure requirements](#) from Jan. 1, 2025, to all listed companies. Scope 1 and scope 2 emissions must now be disclosed. Starting in 2026, companies in the Hang Seng Composite LargeCap Index will also report on scope 3 emissions and other climate metrics in line with IFRS S2. Unlike the ISSB, Hong Kong adopts a phased approach: for smaller issuers, disclosures beyond scopes 1 and 2 remain on a comply-or-explain basis, and global-emerging-markets-listed companies are encouraged but not required to follow the enhanced guidance. Hong Kong's implementation preserves ISSB alignment but adjusts stringency and timing based on company size and listing status.

In Singapore, [climate disclosure rules](#) officially came into effect for listed companies as of Jan. 1, 2025. These rules are based on ISSB's IFRS S2 and require the disclosure of scope 1 and scope 2 emissions. Scope 3 reporting begins in 2026. Large unlisted companies will join from 2027. However, Singapore has not mandated broader sustainability disclosures under IFRS S1 yet. A key local distinction is the phased approach and the allowance for parent-level reporting under specific conditions. Furthermore,

Singapore's early focus is solely on climate (IFRS S2), while general ESG topics (IFRS S1) remain on a comply-or-explain basis.

In Korea, the Financial Supervisory Service and Korea Financial Investment Association launched a [task force](#) to revise the guidelines on how asset managers should exercise their voting rights on corporate governance topics like board elections, executive remuneration, and mergers and acquisitions. The revisions are meant to improve transparency and thus accountability to investors on voting decisions. The revised guidelines are expected to be rolled out by the end of the second quarter of 2025.

Thailand's Securities and Exchange Commission released a flurry of ESG-related updates. In January, the SEC announced [enhancements](#) to its ESG product platform, including the addition of information regarding sustainable and responsible investing funds. In March, it announced special [tax deductions](#) for local investors in sustainability-focused funds known as Thailand ESG Extra Funds that are part of a broader effort to revive the domestic stock market (the Morningstar Thailand Index lost 17% in the first three months of 2025). In April, the SEC [elaborated](#) on the criteria for these Thai ESG X funds, stipulating a minimum of 80% of assets in Thai securities with sustainability or environmental attributes, and at least 65% of which in ESG-related equities. The first batch of funds is set to be approved by the end of April and launched the following month. ■■■

Appendix—Defining the Global Sustainable Fund Universe

The global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability, impact, or environmental, social, and governance factors.

Our definition differs from the EU's Sustainable Finance Disclosure Regulation, which defines "sustainable investments" at a holdings level.¹⁴ Our definition isn't based on any regulatory framework, nor does it meet the criteria of any particular regulatory framework.

Our universe of sustainable funds is based on intentionality rather than holdings. To identify intentionality, we relied on a combination of fund names (a strong indicator of intentionality) and information found in fund documents. The fund's documents should contain enough details to leave no doubt that ESG concerns figure prominently in the security selection and portfolio construction process.

The global sustainable fund universe does not contain the growing number of funds often referred to as "ESG integrated funds," which formally consider ESG criteria in the investment process and engage with portfolio holdings but do not make ESG considerations the focus of the investment process.

Furthermore, the global sustainable fund universe doesn't include funds that employ limited exclusionary screens such as controversial weapons, tobacco, and thermal coal (combined with an ESG integration approach or not). We, however, include ESG-screened passive funds in our universe as typically the exclusions are the sole purpose of the strategy.

Finally, when calculating flows and assets, we exclude feeder funds and funds of funds to avoid double-counting. We make an exception for Japan and South Korea to better reflect the actual flow situations there, as many Japanese funds of funds are invested in European funds. Money market funds are excluded from all markets.

To identify sustainable funds in their respective regions, analysts use the [Sustainable Investment—Overall data point](#) in Morningstar Direct. We also use the Sustainable Investment Overall Start Date data point to account for repurposed funds, where relevant.

¹⁴ Article 2(17) of SFDR defines the term *sustainable investment* as:

- An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy;
- Or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration, and labor relations, or an investment in human capital or economically or socially disadvantaged communities;
- Provided that such investments do not significantly harm any of those objectives;
- And provided that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff, and tax compliance.

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