FINANCIAL TIMES – 04 OTTOBRE 2025

ESG might be more resilient to backlash than critics think

di Florian Berg

The writer is senior lecturer at MIT Sloan School of Management and a trustee of the IFRS Foundation

For those concerned about the threats to the world from climate change, some of the signals this year from institutional investors and investment banks are alarming.

But there are reasons to be hopeful about the resilience of efforts to tackle environmental issues at the corporate level.

It is true that there has been a notable backing away from climate commitments by banks this year. In the US, for example, Goldman Sachs, Citibank, Wells Fargo, JPMorgan Chase and Morgan Stanley have all dropped out of the Net-Zero Banking Alliance — a group of banks bound by a pledge to reduce carbon emissions linked to their financing.

In Europe, HSBC, Barclays and UBS have left the group. And UBS and HSBC have also pushed back targets to decarbonise their operations.

There have also been pullbacks in the investment world, with the Net Zero Asset Managers alliance suspending operations.

In the US, such shifts have been driven by pressure from the current Trump administration, including the threat of antitrust lawsuits against large financial companies that joined green alliances.

More globally, there are concerns over the impact of climate commitments on economic growth.

Nevertheless, when looking at reporting on carbon emissions, ESG data and money invested in sustainable investment strategies, we can see big increases in recent years. Public companies that disclose their carbon footprint want to avoid the embarrassment of reporting higher levels each year.

The number of companies reporting on climate change has grown dramatically over the past decade. According to the Carbon Disclosure Project, that number was 4,968 in 2014, 8,361 in 2019 and more than 22,400 in 2024.

Similarly, in regulatory filings, US public companies continue to discuss the climate risks affecting their business and their record on decreasing carbon emissions.

In particular, the number of businesses that mentioned the acronym ESG — environmental, social and governance issues — in their annual 10k regulatory filings for the 2024 fiscal year was 30 per cent, climate change 47 per cent and sustainability 52 per cent.

At the same time, more asset managers are using ESG data as part of their evaluation of portfolio companies. This trend is evidenced in the statistics on the revenue received by ESG providers over the past decade.

Their revenues rose from $245mn in 2016 to $525mn in 2020 and to $1.56bn in 2024, according to Opimas.

MSCI, for instance, grew sales of ESG and climate data from $357mn in 2024 to an annualised rate of $384mn in the first half of 2025. Roughly one-third of this revenue comes from the US.

Notably, 48 of the world's 50 largest asset managers incorporate MSCI's ESG and climate data into their investment processes.

More directly, the assets held by global sustainability funds rose significantly over the past decade.

As reported by Morningstar, these have risen steadily to $3.5tn in the second quarter of 2025.

Probably the most important development on climate reporting in the past few years is the publication of reporting standards by the International Sustainability Standards Board.

In 2023, the ISSB published the IFRS S1 framework for reporting on material sustainability risks and IFRS S2 on climate-related disclosures.

The US Securities and Exchange Commission voted this year to end its defence of a rule that would have required American companies to report on climate risks, and new chair Paul Atkins has attacked the new ISSB standards as driven by "ideologues".

But so far 37 jurisdictions have adopted or plan to adopt them, including a wide range of countries such as Australia, Bangladesh, Brazil, Chile, Hong Kong, Kenya, Malaysia, Mexico, Nigeria, Pakistan and Turkey.

The standards have also been supported by key international bodies including the G7, the International Organization of Securities Commissions and the Financial Stability board.

No doubt there may be some rollbacks. Some companies have begun purging references to climate change on their websites. But the groundswell in reporting of climate risks by public companies as well as the use of ESG data by asset managers over the past decade will not be easily reversed.

Efforts to tackle climate change at the corporate and investor level will continue.