Responsible Investment Pension Fund Outlook

Tracking the responsible investment path

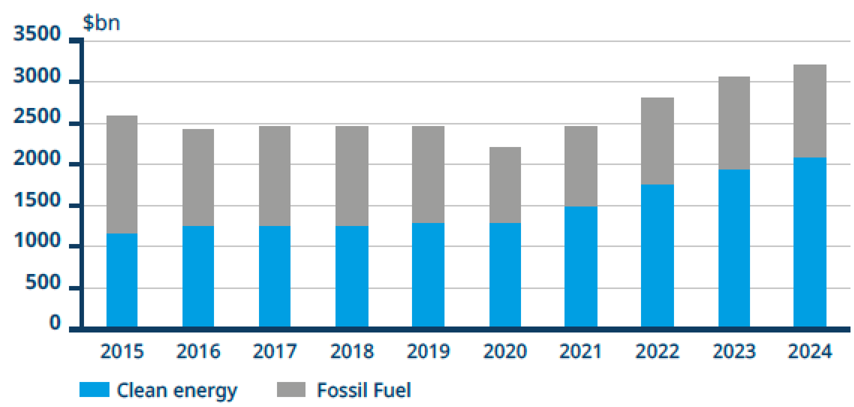
The responsible investment landscape has seen profound evolution in recent years, driven by a combination of tightening regulation, shifting market dynamics, and growing urgency around environmental, social, and governance (ESG) considerations. In 2024, assets under management (AUM) in responsible investment funds grew modestly, reaching €57 billion by Q3—well behind the broader non-ESG fund growth of €98 billion in Europe. Despite this, responsible investment funds maintained their market position, with Article 8 and Article 9 funds accounting for 59% of total ESG assets, up from 56% the previous year.

One clear signal of market maturity is the continued decline in new fund launches. This trend reflects a consolidation phase in the ESG space, shaped heavily by regulatory scrutiny and new frameworks. Notably, the European Securities and Markets Authority (ESMA) has introduced guidelines requiring greater transparency in ESG disclosures. These minimum standards aim to combat greenwashing and help investors assess sustainable credentials more clearly. As compliance becomes more demanding, only funds with robust ESG integration are likely to thrive.

Energy Transition

A significant area of growth is the energy transition, where clean energy investments now outpace fossil fuels by a 2:1 ratio. This trend is driven by government incentives such as the U.S. Inflation Reduction Act, the EU Green Deal, and China's "Made in China" strategy. Geopolitical changes, like the return of protectionist policies under the Trump administration, may simultaneously encourage green energy competitiveness while increasing production costs that could hinder climate efforts.

Figure 1: Global investment in clean energy and fossil fuels

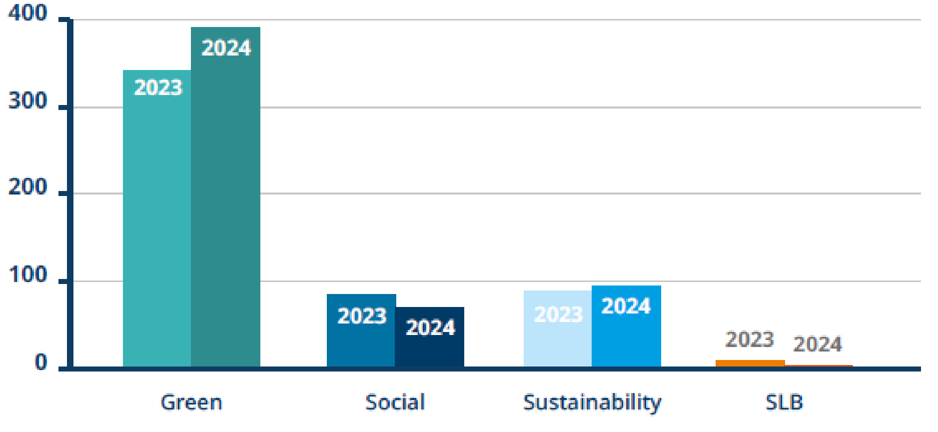


Source: IEA, World Energy Investment report, May 2024

The GSS+ Debt Market

The Green, Social, and Sustainability (GSS+) bond market surpassed $5 trillion in cumulative issuance by the end of 2024. Green bonds make up 80% of this volume, with Europe leading and Africa seeing a 412% increase in green bond issuances. Upcoming EU Green Bond Standards and refined ESG disclosures are expected to support further growth, along with the development of sector-specific performance indicators.

Figure 2: Aligned GSS+ volumes recorded an increase of 7% in the H1 2024 compared to H1 2023 ($bn)



Source: Climate Bond Initiative

Emerging and Developing Economies (EMDEs)

Emerging and developing economies (EMDEs) are key to climate mitigation, expected to attract $5 trillion in clean energy investment. However, climate damages are mounting, estimated at $300 billion annually and projected to reach $1.8 trillion by the century's end. Clean technology advancements—like improved battery storage and grid optimization—are promising, but innovations like green steel remain economically unviable without stronger policy support.

China's Influence on Decarbonisation Goals

China's role is central to global decarbonization. It leads global renewable energy manufacturing, holding 80% of solar capacity, 60% of wind, and 70% of EV battery production. Yet, its emissions rose in 2023 due to increased coal use. This highlights the challenges in balancing industrial growth with climate goals. At the same time, corporations are stepping up. Over 2,000 companies joined the Science Based Targets Initiative in 2024, and Scope 1 and 2 emissions reporting has become nearly universal among S&P 500 companies. Scope 3 disclosure, while improving, still lags.

The crucial role of corporates in the energy transition

Corporates are also intensifying their ESG efforts. In the first nine months of 2024 alone, over 2,000 companies joined the Science Based Targets Initiative (SBTi), reflecting rising corporate accountability. Scope 1 and 2 emissions are now disclosed by nearly all S&P 500 firms, while Scope 3 disclosure—related to supply chain emissions—has reached 73% and continues to rise. This shift is being driven not just by regulatory mandates but by investor expectations and the realization that climate risk can materially impact business operations and valuations.

Innovative emerging metrics for investors

Looking ahead, digital and technological advancements like artificial intelligence are expected to enhance energy efficiency. AI can optimize grid operations, improve energy storage, and support the scaling of decentralized clean energy systems. On the investor side, new ESG metrics are emerging. Pension funds and asset managers are adopting tools like transition scores—which assess a portfolio's alignment with net-zero goals—and more nuanced social metrics covering human rights and human capital.

The rising awareness of responsible investment among pension funds

Private markets are proving to be a vital channel for ESG-aligned investments. According to the 2024 Amundi/CREATE survey, many pension funds are channeling assets into private equity and private debt vehicles that target social and environmental impact. These asset classes allow for targeted exposure to “pure-play” ESG companies and direct thematic investments. Around 56% of pension fund respondents aim for a “triple bottom line” (financial, social, and environmental returns), while 78% say the ability to meet both financial and ESG objectives is now the top criterion in manager selection.

The influence of geopolitical factors on pension fund’s investment strategy

However, geopolitical dynamics remain a risk. In the U.S., several states have introduced legislation to limit ESG considerations in public pension investments. While major U.S. asset managers have retreated from ESG in the wake of Donald Trump’s return to politics, some pension funds are doubling down. For instance, the UK’s People’s Pension pulled £28 billion from State Street and redirected it to more ESG-aligned managers like Amundi and Invesco.

Pension funds resilience in responsible investment

In March 2025, a coalition of 26 financial institutions—including CalPERS and CalSTRS—launched a campaign urging asset managers to better engage with companies on climate risk. These moves demonstrate that pension funds, even amid political resistance, are committing to sustainability and corporate accountability.

Conclusion

In conclusion, while the global path to responsible investment faces regulatory, economic, and political hurdles, pension funds are emerging as key actors in sustainable finance. Their focus on long-term, ESG-aligned strategies reflects a growing consensus on the urgency of climate action. However, current global policies still fall short of climate goals, with the UN warning that we are on track for a 2.9°C rise by 2100 unless action intensifies. The future of responsible investment will depend on how swiftly markets and policymakers close this critical gap. To address these challenges, regulatory bodies are stepping in with concrete measures. On 24 February 2025, the Mandatory Provident Fund Schemes Authority (MPFA) issued a circular mandating enhanced disclosure requirements for ESG Constituent Funds (ESG CFs). Guidelines in the circular emphasize the need for clear, specific disclosures regarding ESG objectives, investment strategies, risks, and performance metrics. Trustees are expected to monitor ESG outcomes, disclose methodologies, and provide educational resources to scheme members. These measures aim to increase transparency, accountability, and informed decision-making in ESG investing.

About Amundi

Amundi, the leading European asset manager, ranking among the top 10 global players[1], offers its 100 million clients - retail, institutional and corporate – a complete range of savings and investment solutions in active and passive management, in traditional or real assets. This offering is enhanced with IT tools and services to cover the entire savings value chain. A subsidiary of the Crédit Agricole group and listed on the stock exchange, Amundi currently manages more than €2.2 trillion of assets[2].

With its six international investment hubs[3], financial and extra-financial research capabilities and long-standing commitment to responsible investment, Amundi is a key player in the asset management landscape.

Amundi clients benefit from the expertise and advice of 5,700 employees in 35 countries.

[1]Source: IPE "Top 500 Asset Managers" published in June 2024 based on assets under management as of 31/12/2023.
[2]Amundi data as at 31/03/2025.
[3]Paris, London, Dublin, Milan, Tokyo and San Antonio (via our strategic partnership with Victory Capital).

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