GENERALI ASSET MANAGEMENT

ESG NEWS BULLETIN

May, 2026

Generali Asset Management's ESG team presents their exclusive monthly sector analysis, which includes a detailed overview of ESG risks and opportunities alongside the sector's macro trends, plus a summary of the most significant industry news worldwide of the month.

CONSUMER STAPLES – ESG RISKS & OPPORTUNITIES

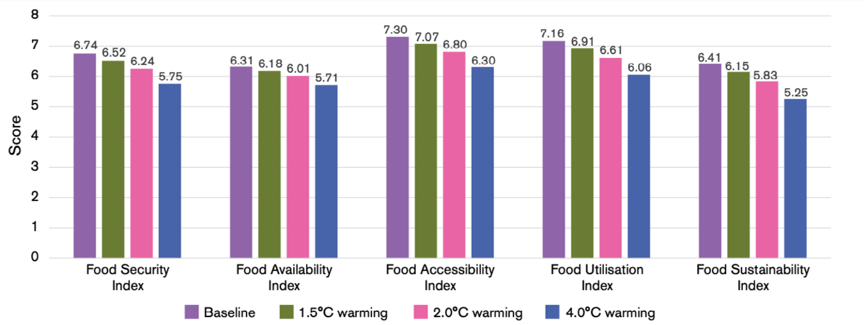
- Exposure to climate transition and physical risks, as well as deforestation, biodiversity loss, and plastic pollution, is increasing costs related to capital expenditure, compliance, and supply chain restructuring and raising regulatory and litigation risks.
- Product safety and quality risks remain high, with exposure to recalls, litigation, and reputational damage. Human rights issues in global supply chains, such as child labour and poor working conditions, require stronger traceability and compliance systems.
- Governance weaknesses, including corruption, unethical sourcing, and insufficient compliance, can result in fines, reputational damage, and restricted market access, particularly given complex global supply chains.
- ESG opportunities are driven by next-generation products (e.g. alternative proteins and reduced-risk tobacco), shifting consumer preferences toward more sustainable and healthier options, and the adoption of digital and AI technologies, supporting innovation and efficiency gains.

CONSUMER STAPLES – MACRO TRENDS

- Global population growth to 9–11 billion by 2050 is expected to significantly increase food demand, while the EU targets a 10% reduction in food waste during processing/manufacturing and 30% at retail/consumption by 2030.
- Digitization and AI adoption are accelerating alongside urbanization, with 75% of the global population expected to have internet access by 2030, supporting data-driven consumption and supply chain optimization.
- Innovations in food systems will be critical to ensuring sustainable production, reshaping the agrifood landscape in response to rising consumer demand for health and environmental sustainability.

CHART OF THE MONTH

Average overall FSI scores and scores by pillar, under different warming pathways



Source: IIED (Institutional Institute for Environment and Development), March 2026

Rising temperatures are weakening food security and are expected to worsen it further, with the Food Security Index (FSI)—which measures access to sufficient, safe, and nutritious food across availability, affordability, utilisation, and stability—declining across all scenarios and reaching its lowest levels under +4°C warming. Impacts are most severe in accessibility and utilisation, driven by lower crop yields (e.g. ~6% wheat loss per +1°C) and climate extremes. As a result, 8–80 million additional people could face hunger by mid-century, with risks concentrated in vulnerable regions.

In the news this month

ESG NEWS MONITORING

- BP (Integrated O&G | GB) – BP has removed chair Albert Manifold less than a year after his appointment over governance, oversight, and conduct concerns, amid reports of board tensions over his leadership style and interactions. The move adds to ongoing instability at BP, following multiple leadership changes, investor pressure, and recent organisational restructuring under new CEO Meg O'Neill. Financial Times
- Nordea Bank (Banks | FI) – Nordea has updated its defence sector guidelines to allow greater investment flexibility, including permitting exposure to nuclear weapons only for NATO-related systems and supporting areas such as drones and surveillance technology when responsibly developed. The framework shifts away from strict exclusions toward a more nuanced, case-by-case approach, reflecting an effort to balance sustainability principles with evolving geopolitical and security considerations. Nordea
- Deutsche Bank (Investment Banking & Brokerage | DE) – Deutsche Bank has delayed the implementation of its coal financing restrictions, extending the deadline for existing clients to present credible transition plans and reduce thermal coal exposure below 50% from 2025 to 2027. While transition plans remain a prerequisite for new clients and financing of new or expanded coal projects continues to be prohibited, the revised timeline reflects the bank's effort to remain aligned with an evolving regulatory environment while positioning itself as a transition partner. Deutsche Bank

SOVEREIGN

World – Developed countries provided a record $136.7 billion in climate finance in 2024, up 3% from 2023, supporting clean energy and adaptation efforts while extending their $100 billion annual commitment first met in 2022. Countries now aim to reach $300 billion annually by 2035, though future totals may be affected by U.S. contributions, and current UN rules exclude major economies like China from the count. Reuters

EU – The European Commission is considering stricter measures to limit minors' access to social media, citing evidence of negative mental health impacts linked to addictive platform design and harmful content exposure. While existing regulation already targets platform accountability, proposed measures include a minimum age requirement and stronger age-verification tools, signalling a potential shift toward restricting younger users' access to better protect them in the digital environment. EC

UK – The UK has announced a ban on new North Sea oil and gas drilling licences while introducing a future sliding tax system to balance climate goals with investor stability and energy security. The move reflects an attempt to manage the transition to net zero without major economic disruption, drawing mixed reactions from unions, industry, and environmental groups. London Daily

US – The SEC has formally proposed scrapping its 2024 climate disclosure rules, marking a significant rollback of mandatory climate reporting requirements for listed companies. The agency argues that such disclosures exceed its mandate and impose excessive costs, reaffirming a return to a stricter materiality-based approach. The move highlights growing regulatory divergence between the US and Europe and is likely to face legal challenges. ESG Today

REGULATION

- EU Deforestation Regulation (EUDR) – The European Commission has confirmed that the EUDR will proceed largely unchanged, while introducing targeted simplifications estimated to reduce compliance costs by ~75%, mainly benefiting smaller operators. Notably, the review exempts leather products from the regulation's scope, while maintaining strict due-diligence requirements for key commodities linked to deforestation. The move reflects a shift toward more pragmatic implementation without delaying timelines, with the regulation set to apply from end-2026 for large companies. ESG Today
- Sustainable Finance Disclosure Regulation (SFDR) – The European Parliament is pushing for stricter and more prescriptive reforms of the SFDR compared to the European Commission's original proposal, aiming to strengthen transparency, comparability, and anti-greenwashing safeguards. The draft introduces mandatory PAI disclosures across all product categories, enhanced engagement transparency, and higher minimum standards while maintaining the three-tier classification system. The proposal signals a clear shift toward more demanding disclosure and investment requirements, although it may also increase constraints for market participants. ESG Today

EXTERNAL REPORTS

- Morningstar – Global sustainable funds returned to net inflows in Q1 2026, gathering an estimated $3.5 billion after outflows in the previous quarter, mainly driven by a recovery in Europe. European sustainable funds attracted $9.1 billion, helped by strong passive inflows, while US sustainable funds remained under pressure, posting their 14th consecutive quarter of outflows at $4.3 billion. Despite the improvement in flows, total sustainable fund assets fell around 10% to $3.51 trillion due to market volatility, and product launches dropped to just 17 globally, pointing to still fragile momentum amid political backlash and geopolitical uncertainty. Since the end of 2018, global sustainable fund assets have grown nearly sixfold from $600 billion. Global Sustainable Fund Flows: Q1 2026
- Copernicus – Europe experienced its second most severe heatwave on record, with widespread temperature anomalies, record ocean warming, and unprecedented wildfire activity. At the same time, glaciers continued to shrink and snow cover reached near-record lows, highlighting the accelerating physical impacts of climate change across multiple systems. While regional hydrological patterns remained mixed, the overall trend points to increasing frequency and intensity of extreme climate events, reinforcing the growing materiality of physical climate risks for both economies and financial markets. European State of Climate 2025 Report

THE ESG TEAM AT GENERALI ASSET MANAGEMENT

Our ESG team is comprised of 15 specialists who sit at the intersection of ESG analysis and research, and active engagement.

The team is structured around two key pillars – analytical coverage of ESG risks and opportunities from an investment point of view, and a tailor-made client service, designed to respond to investor needs and sustainability mandates.

This dual focus allows the team to integrate ESG factors at every stage of decision-making, translating thematic research, engagement inputs and quantitative filters into concrete investment actions.