



The Age of Grounded Sustainability

How sustainable investing is adapting to a more complex world – and what could come next

Contents

Executive summary	3
From quiet integration, hype to hard reality	4
Grounded Sustainability and systems-level change	6
Assessing commitment to ESG in fixed income	9
How power is shifting in proxy voting	11
Grounded Sustainability	12
What might the future look like?	14



Sustainable investing is not disappearing. It's maturing.

The past five years have exposed both the promise and limits of what capital markets can achieve. In the immediate aftermath of COP26, expectations surged. Commitments multiplied, ambition ran high and many believed private finance could compensate for policy gaps and accelerate systemic change.

The asset management industry has been on its own journey, with enthusiastic sustainability claims rightly leading to increased regulatory scrutiny.

Geopolitical conflict, an energy crisis, legal scrutiny and diverging political attitudes have all forced a recalibration. This has not been a failure of intent, but a collision with reality.

The rapid adoption of artificial intelligence is perhaps the clearest illustration of the wider recalibration underway. It is a subject that inspires both extraordinary optimism and profound unease: promises of scientific breakthroughs and productivity gains sit alongside concerns about energy demand, social disruption, resilience and even humanity's relationship with increasingly powerful machines.

These questions deserve a report of their own. Yet they also reinforce a central lesson for sustainable investing: that progress is rarely straightforward, and that navigating trade-offs matters. AI is moving at lightning speed, and it is no surprise that the conversation is increasingly moving towards guardrails. It is also important that we are vigilant about how this evolves, and also that we ensure risks of locking-in assets which are at risk of being stranded either due to technological change or the energy transition are mitigated.

It is from this context that Aberdeen is calling for a new era of what we have coined 'Grounded Sustainability.'

Grounded sustainability is evidence-led, financially material and aligned with client mandates. It recognises trade-offs rather than obscuring them and is clear about the different levers available to investors: where we can exercise direct influence through capital allocation, research and stewardship; where we can contribute through collective action and better market standards; and where durable progress ultimately depends on public policy, regulation or client mandate design.

It is about doing sustainability deliberately, credibly and at scale, without over-promising or retreating from responsibility.

Grounded sustainability also takes into consideration the nuances with sustainable investment, and the contradictions which can sometimes occur.

Nothing encapsulates the contradictions within sustainable investment as much as the differences between ratings agencies. Aberdeen research shows that around half of listed companies simultaneously receive both favourable and unfavourable ESG assessments from different providers. We look at this in more detail later, but fundamentally it illustrates that ESG ratings are valuable inputs but not substitutes for investment judgement.

What is important to remember is that retail money sits at the end of almost every investment chain. Pension schemes, insurance portfolios and discretionary mandates ultimately represent individual outcomes. Encouragingly, we find far more alignment than might be expected – more of which later.

Grounded sustainability offers a more durable path forward, one that brings sustainability back to commercial principles and embeds it within real-world decision-making and business outcomes. This report does not claim to have all the answers. But it tries to ask better questions, test assumptions and outline practical ways the industry can progress – by grounding sustainability in commercial reality.

What do we mean by "grounded sustainability"?

"Grounded sustainability means applying sustainability with a clear purpose, robust evidence and accountability. It includes integrating financially material environmental and social factors into investment decisions, delivering the sustainability objectives specified by clients, and pursuing measurable positive impact where that is an explicit part of the mandate. It recognises trade-offs, distinguishes between different investment objectives and is honest about what investors can achieve alone."



Peter Branner

Chief Investment Officer,
Aberdeen Investments

From quiet integration, hype to hard reality



Dan Grandage
Chief Sustainable
Investment Officer,
Aberdeen Investments

After COP26, sustainable investment surged. Expectations were high, pledges were ambitious, and many believed capital markets could play a decisive role in addressing climate change and broader environmental and social challenges. But recent shocks and market realities have tempered that optimism.

Over the past five years, conflicts, the global energy crisis, and the resurgence of populist politics have created a more fragmented, unpredictable and idiosyncratic environment. For example, coal use rose during the energy crisis, even as renewable deployment consistently exceeded expectations. This highlights the growing regional and thematic divergence. With this complex backdrop, sustainable investment must balance long-term systemic goals with the constraints imposed by mandates, markets, regulation and reality. Ambition alone isn't enough. It must be combined with pragmatism.

This applies across public and private markets. In real assets, sustainability considerations are often physically grounded: in the resilience of buildings, transport and energy systems, and in the quality of the data used to assess their outcomes.

Sustainability is expressed through physical assets and measurable operating outcomes. Infrastructure such as the Silvertown Tunnel in London brings questions of resilience, mobility and environmental impact into the same investment decision. In economic infrastructure, credible assessment also depends on consistent data: not simply whether an asset supports a sustainability objective, but what it delivers in practice. Importantly, the investment approach must also align with clients' financial objectives and constraints, otherwise commitments risk becoming empty promises.

A similar dynamic is playing out in collaborative industry groups like the Net Zero Asset Managers (NZAM) initiative, which we remain a proud signatory of. Initially, in the post-COP26 momentum, there was strong pressure to sign up to firm-wide climate targets. But as geopolitical and market realities set in, many asset managers found themselves unable to deliver on those commitments across all mandates. This wasn't a failure of ambition, but a mismatch between system-level objectives and mandate-level authority. The practical lesson is that real-world outcomes must align with the client promise. To be clear, where clients want outcome-led objectives, this should be reflected in mandates.

This is where effective policy can make a significant difference. Recent European initiatives to align climate objectives with industrial competitiveness and energy security reflect growing recognition that markets alone cannot deliver the transition at scale. Together, they signal a shift from fragmented initiatives to coordinated, state-backed action, while offering companies and investors the long-term policy clarity that has been missing.

Forward-looking considerations of material environmental and social risks are fully consistent with long-term value creation. What cannot be justified is pursuing sustainability outcomes that are disconnected from financial objectives, unless explicitly agreed with clients. This is the essence of 'grounded sustainability': integrating environmental and social factors when they are material to value, and doing so with clarity, discipline, and alignment to mandates. Policy is the missing link. Without it, companies struggle to act without breaching fiduciary duties or losing market share. With it, sustainability themes become investable, scalable and defensible.

A recalibration is needed to find an equilibrium, where sustainability is seen as a fundamental tool for making better investment decisions, rather than being wrapped up in unrealistic expectations. The sector needs to evolve from idealism to pragmatism, grounded in legal clarity, mandate alignment and financial materiality.



The foundations of Grounded Sustainability

Grounded Sustainability draws on a number of ideas we have explored previously. Together, they provide an important foundation for the more pragmatic and durable approach discussed in this report.

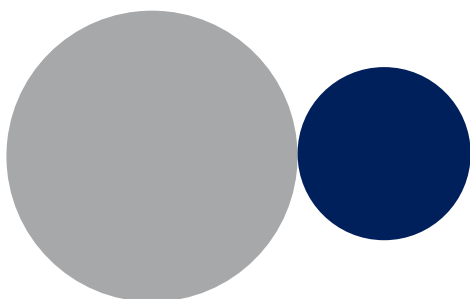
Several topics that are closely related to this discussion have been explored in detail elsewhere and are therefore not covered extensively here. These include our views on:

- **Why holdings matter more than screens in sustainable investing**, including the limitations of exclusion-based approaches and the case for forward-looking, holdings-level analysis.
- **Why stewardship outcomes matter more than engagement activity**, including the industry's shift from measuring stewardship by volume towards assessing real-world outcomes and investment relevance.
- **Why differences between ESG ratings providers matters for investors**, including the implications for investment decision-making, risk assessment and active judgement.

Readers interested in these topics can find our detailed thinking in the following Aberdeen Investments insights:

- 📄 **Sustainable investing: why holdings matter more than screens (June 2026)**
- 📄 **Stewardship outcomes: why investors should look beyond engagement numbers (July 2026)**
- 📄 **Judgement matters when ESG ratings clash (July 2026)**

Rather than repeating those arguments, this report builds on them. Its purpose is to bring together wider industry developments, investor sentiment, stewardship, climate transition, private markets and policy considerations to examine what a more pragmatic and durable approach to sustainable investing may look like over the years ahead.



Grounded sustainability and systems-level change



Herman Bots
Global Head of Equities,
Aberdeen Investments

Grounded sustainability also requires a clearer view of where investors can genuinely influence change. Investors can act directly through research, capital allocation, stewardship and voting. They can contribute through collaboration, standard-setting and policy engagement.

But they cannot deliver system-wide outcomes alone, particularly where progress depends on public policy, regulation, technology readiness or client mandate design. One weakness of earlier ESG narratives was the tendency to blur those boundaries, creating expectations that portfolios could deliver outcomes they were not designed or authorised to achieve.

This is why financial materiality is central to our approach. The ISSB sustainability disclosure standards have helped reinforce the relevance of sustainability-related risks and opportunities to enterprise value, providing a useful anchor for investment decision-making. At the same time, we continue to see value in understanding broader environmental and social impacts, particularly where those impacts may become financially material over time.

The key is clarity of purpose: where mandates are focused on financial outcomes, sustainability analysis must be grounded in financially material risks and opportunities; where clients want explicit sustainability outcomes, those objectives should be agreed and reflected in mandate design.

What investors actually think: evidence from the ground up

Aberdeen's view is that demand for sustainable investments is not fading but maturing. Evidence from both retail investors and institutional clients indicates that sustainability considerations remain relevant.

Aberdeen's research shows that despite headlines around an ESG "backlash," retail interest remains strong. Aberdeen research, conducted by Opinium amongst 2,000 UK representative adults between 4-8 September 2026 shows:

76%

expect sustainability factors to be factored into decision-making, either in how a business operates or how a fund invests

57%

are interested or very interested in sustainable credentials when considering investment opportunities

55%

actively consider sustainability criteria when choosing their investments

Aberdeen's research also highlights that while climate-related issues are still important to UK retail investors, governance practices come out strongly in their thinking, with the research showing that when investments are being chosen:

74%

believe it is important or very important for companies to have high standards of business practices, including anticorruption practice

71%

believe the strength of corporate governance practices should be actively considered

67%

believe good supply chain practices and periodic third-party auditing should be actively considered

73%

believe strong tax transparency should be actively considered when determining a company or fund to invest in

In addition to poor corporate governance, the survey also highlights UK retail investors strong consensus against social issues such as intensive farming (64% would avoid investments associated with this) and predatory lending practices (65% would avoid investments related to such practices).

It's also important to highlight that climate-related issues still matter to UK retail investors, with renewable energy (important to 64% when considering investments) and environmental protection (important to 66%) still key in their thinking, even if 41% say they would consider investment in fossil fuels.



AI is a test of sustainability trade-offs

Public attitudes to artificial intelligence illustrate why a more grounded approach is needed. Some 46% of UK adults believe the increasing use of AI will be more harmful than beneficial to the UK over the next ten years, compared with 20% who believe it will be more beneficial. At the same time, people recognise clear opportunities, with 25% identifying making everyday tasks easier as AI's biggest potential benefit, while 12% cite improved public services and 11% point to productivity and economic growth.

The tension lies in how those benefits are delivered. Some 43% believe AI's environmental and social impacts are sufficiently significant that they should slow or limit its expansion, while 22% believe its benefits are likely to outweigh those impacts if managed responsibly. AI therefore offers a clear example of grounded sustainability in practice, neither embracing a technology uncritically nor rejecting it outright, but assessing its potential value alongside its demands on electricity, water and infrastructure and its implications for jobs, privacy and misinformation.

These findings should also be viewed as a snapshot in time. In just days since this research was conducted in September 2026, the debate around AI intensified markedly. A researcher left Anthropic, warning that leading AI companies were "gambling with our lives". Shortly afterwards, Dario Amodei, chief executive of Anthropic, publicly called for the pace of frontier AI development to slow.

AI has become a debate about far more than technology. It is now forcing difficult conversations about growth, resilience, resource use, trust and risk. That is precisely why grounded sustainability matters: not to choose sides, but to navigate trade-offs with clarity and judgement.

This evolution in how investors think about sustainability is also evident in Aberdeen's annual Ethical Survey of retail investors. Aberdeen's survey has shown that measures like business practices, corporate governance, supply chains, and labour practices have steadily declined in rank over the past five years when asked to consider their top ethical priorities.

While governance, labour standards and supply chain practices remain important, the way institutional investors prioritise these factors has evolved. Recent global surveys

of asset owners and managers show that sustainability remains firmly embedded in investment decision-making, but is increasingly approached through a financial lens. Around 85% of institutional investors now integrate sustainability criteria into their processes, according to a survey by BNP Paribas, while financial performance and risk management have become the primary drivers of sustainable investment decisions.

At the same time, those institutional investors are becoming more targeted in how these considerations are applied. Rather than relying on broad ESG frameworks, there is a clear shift towards specific themes such as climate transition, energy resilience and governance quality, alongside a growing focus on data quality, implementation and outcomes.

We have undertaken a detailed analysis of institutional sentiment over the last five years, via a review of previous reports, surveys and articles, and what is clear is that institutional investor sentiment has not "collapsed" so much as it has moved from broad-based ESG enthusiasm to more selective, financially anchored, and regionally uneven adoption. In other words, to grounded sustainability.

In 2021–2022, surveys showed fast expansion in sustainable investing, strong belief that ESG could support performance, and rising net-zero alignment. By 2023–2024, the mood shifted from "why ESG?" to "how exactly do we do it, with better data, clearer mandates and less greenwashing risk?" By 2025–2026, the dominant tone was not retreat but refinement: sustainability remained relevant, but investors wanted stronger evidence on returns, risk reduction, transition credibility and implementation discipline.

A second consistent theme is that "ESG" as a label has weakened in some markets, while sustainable investment as a risk/return discipline has stayed durable. The most recent surveys show financial performance and risk management now ranking among the main motivations for sustainable investing, while concerns about data quality, regulatory flux, political backlash and greenwashing have increased. In other words, investors look less tolerant of broad ESG branding, but still materially interested in climate risk, governance quality, transition opportunities and resilience themes.





Are fund flows the wrong signal? Integration vs labels

Fund flows into sustainable-labelled funds have become the industry's shorthand for judging sentiment. Rising flows are taken as endorsement; outflows as rejection. But this framing risks misunderstanding what is actually changing. Sustainable investing is increasingly misread as a product choice, when in practice it is evolving into a process expectation. Labelled fund flows capture only a narrow slice of behaviour at the most explicit end of a much broader spectrum of capital.

Indeed at Aberdeen, sustainable investing will often reflect a client choice, with discretionary mandates tailored to client needs. Aberdeen Investments saw sustainable total net positive inflows of £2.8bn across 2025; generally demonstrating Institutional shift from 'sustainable' products to complex and highly bespoke segregated mandates, aligned with their own philosophies and principles. Meanwhile, over a third of our fixed income mandates are discretionary run sustainable mandates.

So discretionary and segregated mandates arguably tell a more revealing story than product-level fund flows. Increasingly, sustainability considerations are embedded directly into mandate design, portfolio construction and risk frameworks, rather than allocated through distinct "sustainable" products. In this context, declining flows into narrowly defined sustainable labels might not signal rejection; they often reflect investors choosing integration over categorisation. For many clients, sustainability is no longer something they buy separately – it is something they expect to be embedded into mandates as a matter of course.

But while not the full picture, fund-flow data does provides useful context. According to Morningstar, Europe now accounts for the vast majority of global sustainable fund assets, around 85% of total sustainable AUM¹.

Taken together, this is not a market in retreat. Investors have not stepped back from sustainability; they have become more discerning, seeking products that are credible, rigorous and transparent.

Rather than abandoning sustainability, investors are demanding greater transparency and choice. Open-text feedback repeatedly calls for clearer disclosure, better explanation of holdings, more explicit thresholds and clearer distinctions between different "shades" of sustainable investing, something we have been incorporating in our reporting. This includes stronger fossil-fuel rules, where support for tighter revenue thresholds has remained consistent since 2018, alongside a more nuanced understanding of transition pathways and the role of engagement. Investors are asking for credibility, not purity.

The implication is clear: flows into dark-green or impact funds do not tell the whole story. Sustainability-labelled funds play an important role in transparency and choice, but investing beyond them is not a rejection of sustainability. It reflects a market moving toward integration as default.

¹ Source: Morningstar Sustainability's Global Sustainable Fund Flows 2025, February 2026.

The Stewardship Gap

Assessing commitment to ESG in fixed income



Kate McGrath
Head of ESG, Fixed Income,
Aberdeen Investments

Unfortunately, active ownership in the fixed income space remains stubbornly low – despite its size and scale. Data from the HSBC Sustainability Sentiment Survey (7 July 2025) suggests that 42% of bondholders still do not engage on ESG issues, though this represents an improvement from the 61% rate reported earlier in 2024. But with the size and the scale of the bond market – it is ultimately half the industry – we believe there is much that needs to be done.

Active ownership in the fixed income sector remains an exception rather than a norm, with a lack of robust research or published policies. We often find that our fixed income active engagement with non-listed issuers is the first time they've discussed ESG topics with an external stakeholder.

Yet it stands to reason that debt doesn't just sit quietly in the background – it comes due. And when it does, companies have to come back to the market, cap in hand. That's the moment when ESG stops being a slide in a deck and starts being a real conversation.

With a large chunk of corporate bonds maturing on short cycles, issuers don't get a free pass. They have to keep showing up. For investors, that creates repeat opportunities to ask the hard questions: what's improved? what hasn't? and why should we fund you again?

And there are plenty of those moments coming. Around \$2.6 trillion of corporate debt is due to mature in 2026 alone, part of a broader wave of refinancing over the next few years. In other words, the window to hold companies to account isn't occasional – it's constant.

ESG isn't optional – it's priced

This isn't just about principles. It's about price.

Credit markets are increasingly baking ESG into the cost of capital. Companies that take sustainability seriously tend to refinance more cheaply. Those that don't can expect to pay for it – either through wider spreads or, in some cases, limited access to funding altogether.

That creates a very direct incentive. Improve your ESG performance, or accept a higher bill. Simple as that.

Scale matters – and it's growing

The shift is being amplified by the scale of the market itself.

Sustainable bond issuance has now pushed past \$1 trillion a year. Every one of those deals is more than a funding exercise – it's a structured moment to engage. Investors aren't just allocating capital; they're shaping expectations, setting conditions and pushing for forward-looking commitments.

Bit by bit, deal by deal, sustainability is being hardwired into how capital flows.



Case studies – From pressure to progress:

DP World

This is what that looks like in practice.

Aberdeen has been engaging with DP World since 2019, focusing on labour standards across a complex, global operation. Early conversations surfaced familiar gaps – patchy contractor transparency, inconsistent standards and questions around fair pay.

Then came 2022 and the P&O Ferries redundancies. Engagement stepped up. Expectations became clearer and firmer: rebuild union relationships, tighten oversight and put responsible workforce practices at the centre, not the margins.

What followed wasn't overnight change, but it was steady progress. Over the next few years, DP World strengthened its human rights framework, improved contractor due diligence and got more serious about governing labour risk.

And then came the shift.

In 2026, DP World explicitly recognised Aberdeen's engagement as a driver behind elevating "fair working practices" to a strategic priority. That's translated into a group-wide baselining exercise covering around 120,000 employees – looking closely at wages, protections and working conditions to bring greater transparency and consistency.

The journey, at a glance:

2019	Gaps identified in contractor disclosure and labour standards
2022	Engagement escalated following P&O Ferries redundancies, with a focus on rebuilding union relationships
2023–2024	Stronger human rights governance and closer monitoring of labour practices
2025	Improved oversight of contractors and better identification of labour risks
2026	A step change – global baselining of workforce practices and clear recognition of investor impact

The takeaway

Refinancing forces the conversation. Pricing makes it tangible. Scale accelerates it. And sustained engagement turns pressure into progress.

Stewardship at a crossroads:

How power is shifting in proxy voting



Stuart Riddick
Senior Sustainable
Investment Manager,
Aberdeen Investments

Shareholder voting is one of the main ways investors influence how companies are run. It shapes decisions on board appointments, pay, strategy and how companies respond to environmental and social risks. This makes recent developments in proxy voting more important than they might first appear.

In recent proxy seasons, fewer shareholder proposals on environmental, social and governance (ESG) topics reached company ballots, and those that did attracted less support. But beneath that apparent decline, the foundations of investor stewardship are shifting in ways that could change who really holds influence.

One shift is growing interest in **pass-through voting**. Instead of asset managers voting on their clients' behalf, these clients can now set voting instructions themselves. This moves decision making closer to the end investor and reduces the concentration of voting power in large fund managers, particularly within pooled funds. While this can strengthen democratic input, it also makes outcomes harder to predict and more complex for companies to engage with.

At the same time, a new approach to retail voting is emerging in the US. Regulators have allowed companies to introduce systems where retail shareholders can give standing instructions to vote automatically with management's recommendations. This could increase participation among individual investors, who historically vote infrequently. However, if this is widely adopted, it risks dampening challenge on governance and sustainability issues and entrenching management power.

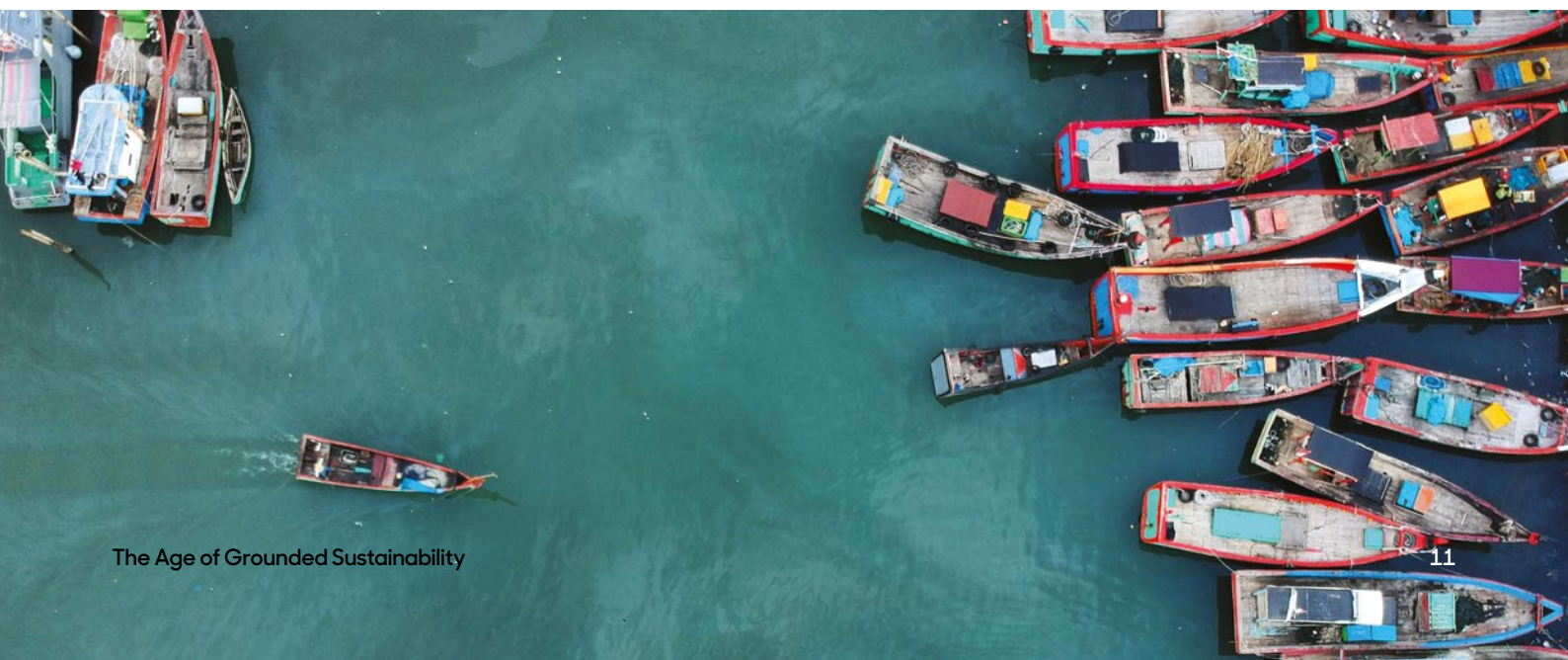
These changes come amid heightened scrutiny of stewardship more broadly. Proxy advisers have faced criticism for their influence, even though most institutional investors already customise voting policies. Reflecting this, Glass Lewis plans to discontinue standard benchmark recommendations from 2027, shifting responsibility further towards investors themselves.

For investors, the implication is clear. Stewardship is about more than mechanics and vote counts. As power shifts between boards, managers and end investors, maintaining effective oversight, meaningful engagement and long term accountability will be essential to protect and enhance long term value.

An issue for passive investors

Active ownership is also a crucial issue when it comes to passive investing. We are seeing a growing trend for active overlays on passive mandates – and our institutional SDR funds are a great example of having a deliberate engagement strategy on top of a passive fund.

As we see the structural move towards passive, investors are increasingly waking up to the need to have input over passive investment strategies to ensure alignment with their approaches and beliefs. In other words: just because it's a passive investment doesn't mean that there isn't a role for active managers.



Grounded Sustainability

Climate Transition Assessment Insights July 2026



Nick Gaskell

Senior Sustainable Investment Manager,
Aberdeen Investments

The heatwave that overcame London Climate Action Week underscored that the world has moved beyond a credible 1.5°C pathway, sharpening investor attention on physical climate risks and adaptation.

Yet the energy transition continues to accelerate, with clean-tech investment reaching \$2.3trn in 2025. Scale remains a challenge, as \$6.3trn of annual investment to 2030 is required to meet Paris goals. Scaling capital depends on ambition, credible strategies and durable capex plans, supported by technology readiness and policy support.

Following the 2021 Glasgow COP, portfolio decarbonisation gained traction, but relying on portfolio carbon intensity metrics alone has severe limitations: carbon data is backward-looking, emissions are often driven by sector weights, and climate solutions and transition leaders often reside in high-emitting sectors. This calls for a more comprehensive, forward-looking approach.

Building on the PAII IIGCC Net-Zero Investment Framework, we developed a proprietary Climate Transition Assessment to evaluate energy transition fundamentals from the bottom up. The assessment combines a data-driven result with active research to assess the credibility and durability of company targets, disclosure, strategies and investment plans.

Taking a Sector View: Global Emissions are Highly Concentrated

Global emissions follow the 80/20 rule. Direct operational emissions are concentrated in energy, materials, utilities and industrials. In MSCI World, these sectors represent 21% of index weight but contribute 83% of financed emissions¹. A similar relationship exists within Aberdeen Investments holdings, where high materiality companies account for 79% of emissions exposure but just 27% of weighted holdings exposure.

Results differ materially between sectors. Utilities have the most "Aligned" business models, with 96% rated "Committed" or better, while the energy sector is dominated by companies that are "Not Aligned". This reflects the higher technology readiness and policy support available to electric utilities.



¹ Source: The MSCI Sustainability Institute Net-Zero Tracker, July 2026

Applying the Assessment to Identify Transition Leaders in Energy

The energy transition can be broadly characterised as a shift towards electrification. Electrification accounts for around 25% of the energy system and closer to 32% on a useful energy basis, with China advancing faster due to its clean-tech supply chain and critical minerals dominance.

Despite oil and gas transition challenges, the Climate Transition Assessment helps us identify energy-sector leaders aligned with our fundamental transition views. For example, TotalEnergies achieves an "Aligned" result due to its focus on electrification solutions through its Integrated Power division, spanning renewable energy, battery storage, gas power generation and power trading.

The company achieved industry-leading taxonomy-aligned green capex of 27% in 2025 and supports its strategy with emissions reduction and near-term electrification sales mix targets, demonstrating continuity across ambition, targets, disclosure, strategy and capex.

Conclusion

The energy transition is slower than many hoped, making physical risk assessments and adaptation frameworks more critical, yet the transition continues to accelerate.

Frameworks like our Climate Transition Assessment provide a more grounded approach to integrating climate change into our investment decisions, helping us identify credible transition strategies across both climate solutions and hard-to-abate sectors.

Uneven decarbonisation progress means investors must increasingly account for both physical climate risks and more nuanced transition frameworks.

Private markets and grounded sustainability – price of money matters as much as fuel once did

We can not ignore the role of sustainable investment in private markets. For example, in infrastructure, we have learned how to finance clean electricity cheaply. Alternative energy is now funded much like roads or airports: long term investments with relatively low financing costs. Yet the parts of the system that make this power usable – storage, grid capacity and stability – are often financed on far riskier terms. That drives up costs across the whole energy system.

In today's energy system, the price of money matters as much as fuel once did. Clean energy is capital intensive, meaning most costs are paid upfront. When critical system assets are financed expensively, those costs ripple through to consumers as higher bills, volatility and emergency interventions. Lowering financing costs for the assets that keep the system reliable has a powerful effect on affordability and on how fast decarbonisation can happen.

This is why a whole system approach matters. Governments have reduced risk for renewable generation, but too often left the enabling infrastructure exposed to uncertainty. The result is visible across Europe: grid bottlenecks, curtailment and renewable projects that cannot fully use the power they produce. Clean energy only delivers value if there is space on the network and time to shift power between hours, days and seasons.

For long term investors like Aberdeen, sustainable infrastructure is therefore about much more than renewable power alone. It spans a broad spectrum of real world assets that support everyday life while lowering emissions. That includes electric trains that reduce congestion and pollution, biomethane plants that turn waste into low carbon fuel, and digital infrastructure that connects rural communities through broadband. These investments may look different on the surface, but they share a common feature: they provide essential services over long periods and benefit from stable, predictable revenues when risks are allocated sensibly.

This approach also aligns with Europe's competitiveness challenge. Reliable, affordable infrastructure underpins lower energy bills, economic growth and social cohesion. When assets such as grids, storage or transport are financed on long dated, availability based contracts rather than exposed to short term market swings, they become suitable for core and core plus capital – and cheaper for society as a whole.

The lesson is simple. Paying for resilience upfront is cheaper than managing crises later. Sustainable investment works best when it focuses on the attributes the system actually needs: availability, durability and the right infrastructure in the right place. Cheap renewables combined with expensive system support do not produce a cheap energy system. Aligning finance, infrastructure and policy around space, time and the price of money does. Because that's grounded in reality.

What might the future look like?



Looking ahead, we believe sustainable investing will not be defined by retreat or resurgence, but by recalibration.

The next phase will be quieter, more pragmatic and ultimately more durable. Sustainability will remain central to investment decision-making, but it will increasingly be framed in terms that resonate with economic reality: resilience, security and competitiveness.

Climate transition, supply-chain fragility, energy independence and demographic change are already shaping corporate strategy and capital allocation.

Below we outline six predictions for sustainable investing through to 2030:

1. Sustainability will be reframed around resilience, security and competitiveness

By 2030, sustainability will be discussed less in moral or aspirational terms and more through the lens of resilience, economic security and competitiveness. Climate transition, supply-chain disruption, energy affordability and geopolitical fragmentation are already reshaping capital allocation decisions.

Research by Aberdeen shows that the world's largest economies will need to spend around \$64 trillion on physical infrastructure by 2050¹, just to keep up with energy demands and to support economic resilience.

AI will intensify these infrastructure demands, offering opportunities for greater productivity and better public services while increasing the importance of reliable, resource-efficient power, water and digital infrastructure.

Investors and companies alike are increasingly focused on how sustainability considerations protect long-term earnings, safeguard access to critical resources and strengthen resilience against shocks. This framing is likely to make sustainability more durable, depoliticised and relevant to a broader set of stakeholders, anchoring it firmly within mainstream investment analysis.

2. Governance will become the dominant ESG differentiator

Governance is set to become the clearest and least contested component of ESG by the end of the decade. In a world defined by volatility and complexity, investors will place greater emphasis on board quality, management credibility, capital discipline and risk oversight.

Evidence from credit markets already shows that governance failures are the most consistent driver of downgrades, valuation shocks and long-term underperformance. As environmental and social debates remain subject to political and regional divergence, governance will increasingly act as the anchor of sustainable investment approaches across asset classes.

3. Policy support will be selective and aligned to strategic objectives

The next phase of sustainability will be shaped by selective, not universal, policy intervention. Governments are increasingly aligning sustainability initiatives with strategic goals such as industrial competitiveness, energy security and economic resilience.

This means investors should expect clear policy backing in areas like electricity networks, electrification, critical minerals and defence-adjacent technologies – while other sectors receive less consistent support. Navigating this uneven policy landscape will become a critical capability for investors, reinforcing the need for grounded expectations about what markets, companies and governments can realistically deliver.

¹ Source: Aberdeen Investments, June 2025



4. Energy transition investment will exceed fossil fuels – but unevenly

Global investment in the energy transition is likely to continue exceeding investment in fossil fuels through to 2030, but progress will remain highly uneven across regions. Capital will flow most rapidly where economics, infrastructure and policy alignment support deployment, while other regions will experience slower transitions shaped by affordability, energy security and political realities.

Rather than linear pathways to net zero, investors will plan for a longer, more volatile transition that includes setbacks as well as breakthroughs. This more grounded expectation reflects how energy systems evolve in practice, not in policy scenarios.

5. Social factors will play a more central role in shaping sustainability outcomes

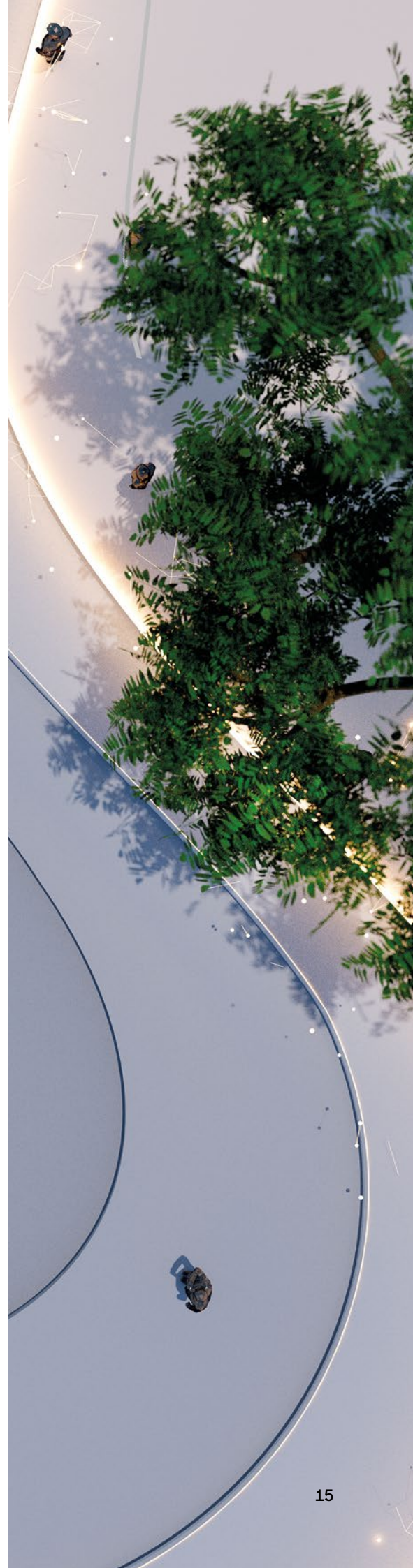
Social considerations will increasingly influence how sustainability strategies are designed and judged. Labour availability, demographic change, supply-chain resilience, human rights and financial capability are becoming more financially material as companies compete for talent, manage reputational risk and navigate shifting societal expectations.

A transition perceived as unfair or exclusionary is unlikely to sustain political or public support. As a result, sustainability approaches that fail to incorporate social dimensions will face growing scrutiny from investors, regulators and communities alike.

6. Integration will become the default, while labels become sharper and clearer

By 2030, ESG integration will be a baseline expectation rather than a point of differentiation. Investors will increasingly assume that material sustainability risks and opportunities are embedded across active strategies, regardless of whether funds carry a sustainability label.

At the same time, labels will become more precise and tightly regulated, improving transparency but not eliminating divergence in underlying approaches. Labels will remain important tools for choice and disclosure, but they will not substitute for investor understanding. The industry's challenge will be to explain clearly how different approaches sit along a spectrum of capital rather than treating sustainability as a niche category.



Conclusion – reframing the conversation

Sustainability is not disappearing; it is simply entering a more grounded, disciplined phase. The task ahead is not to rekindle hype, but to reframe the conversation so that sustainability is understood as part of sound financial decision-making rather than an ideological add-on.

The industry now faces a critical opportunity to rebuild trust with clients, the public and policymakers by speaking clearly about what sustainability can achieve – and what it cannot. That begins with acknowledging trade-offs, being transparent about mandates, and demonstrating

how sustainability integration strengthens long-term value creation.

To communicate more effectively, asset managers must move sustainability out of the back pages of their annual reports, but without pushing it unrealistically to the front. It belongs in the mainstream of investment thinking, occupying a credible middle ground.

We believe the asset management industry should focus on four actions to drive the conversation forward:

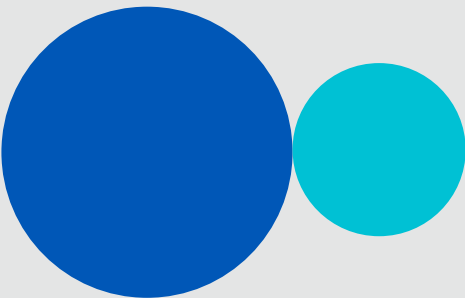
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|---|---|
| 1 | Recognise that sustainability issues are neither universally material, nor linear in impact. |
| 2 | Be clear and speak plainly. Do not conflate a focus on financial materiality with advocacy or sustainable outcomes. |
| 3 | Focus on demonstrable outcomes, not just intentions and statistics. |
| 4 | Strive for clarity, and ensure documented alignment of interests between Asset Owner intentions and asset management actions. |

The asset management industry is fighting for relevance, and nothing is more urgent than telling this story better.

Imagine a world where pension statements clearly illustrate the real-world impact of underlying investments – especially in real assets where outcomes are tangible.

Labels will continue to matter for transparency, but they cannot replace informed judgement. Our research suggests investors want to look beyond labels, recognising the diversity that still exists within them. We need to help them.

Sustainability is a spectrum of capital, not a niche – and it's time we communicated it that way.



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Past performance does not predict future returns. The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.

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