



CASE STUDY

The changing face of responsible investing in 2026

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A TIAA Company

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Moving into 2026, the broader responsible investing industry is navigating an increasingly complex environment, creating investment opportunities and risks. Despite the perceived negative news flow throughout 2025, the responsible investing landscape was surprisingly stable. Much of this stability was anchored in asset owner's expectations of continuity for responsible investing programmes, such as integration, stewardship and climate.

We believe that identifying and understanding how structural megatrends are reshaping financial markets is crucial for long term decision making. These forces include shifting to low carbon electrification, the growing climate resilience focus, the artificial intelligence (AI) boom and profound changes in global interconnectedness and demographics, all of which have responsible investing implications.

For those managing pension funds, understanding how these trends will impact responsible investing is critical for identifying the factors driving challenges, opportunities and change for responsible investment strategies.

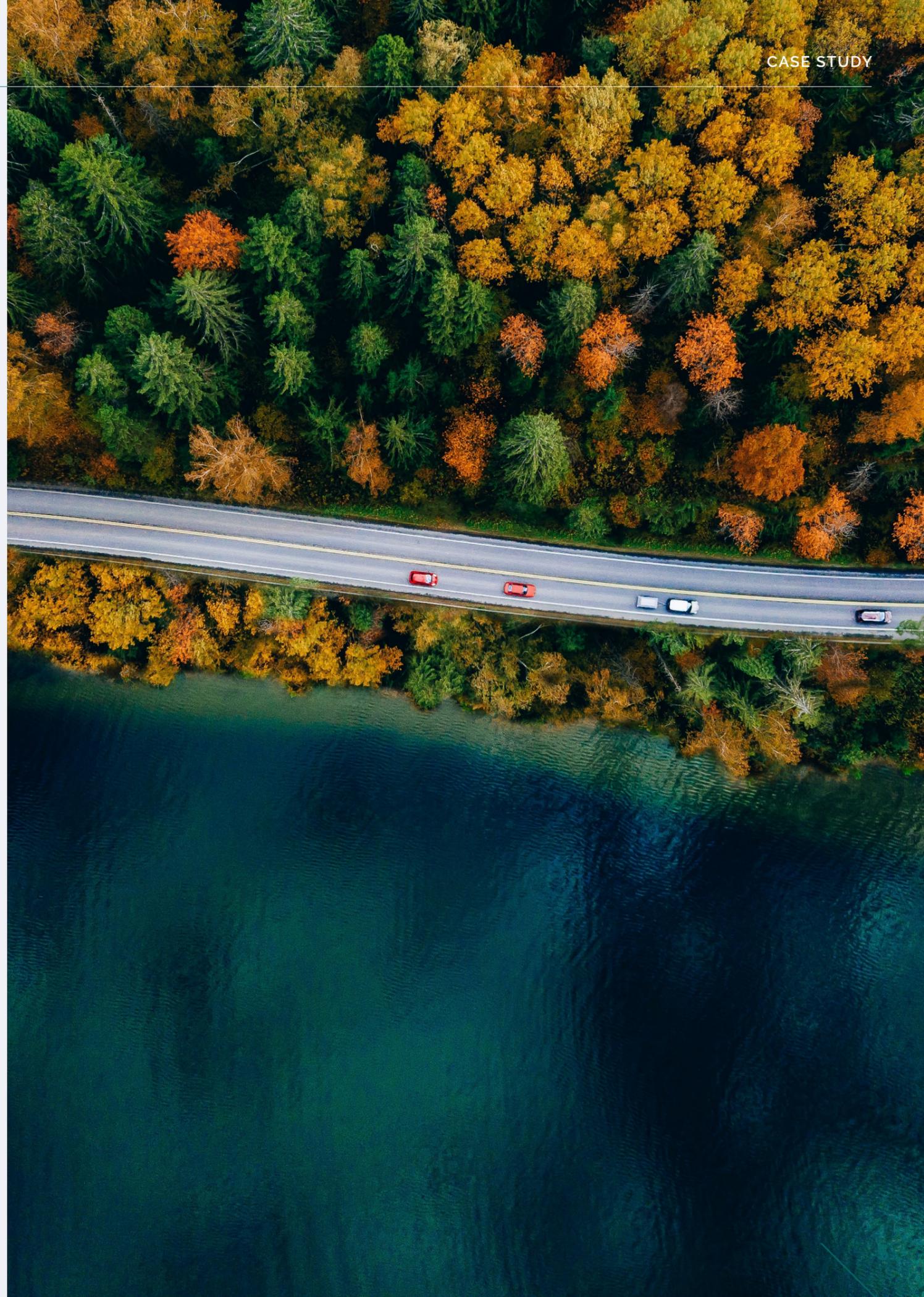
1 AI: sustainability increasingly important to capital allocation

AI demonstrates how transformative technology can be. From what appeared to be a concept only a few years ago, AI is embedded in many every-day functions from internet searches to medical diagnoses. With capital expenditure momentum expected to persist into 2026, the environmental and social implications are growing more urgent in investor conversations and decision-making.

Key financially material factors that investors should focus on include:

- Data centre energy consumption, which is projected to double by 2030.ⁱ The operational risks related to electricity and water are receiving more attention,ⁱⁱ while increased AI-driven power demand is starting to influence residential utility pricing and prompting regulatory scrutiny.
- AI adoption is set to accelerate labour market change across industries. While some enterprises may successfully reskill and reposition their workforce to realise efficiency gains and build on, or develop new, competitive advantages, others may struggle, potentially disrupting certain types of business models.

Investors participating in AI's growth are facing a more complex landscape, where sustainability aspects are more closely tied to capital allocation decisions. Shifting industry structures, labour skillsets and evolving regulatory frameworks (around data privacy for instance) add further complexity.



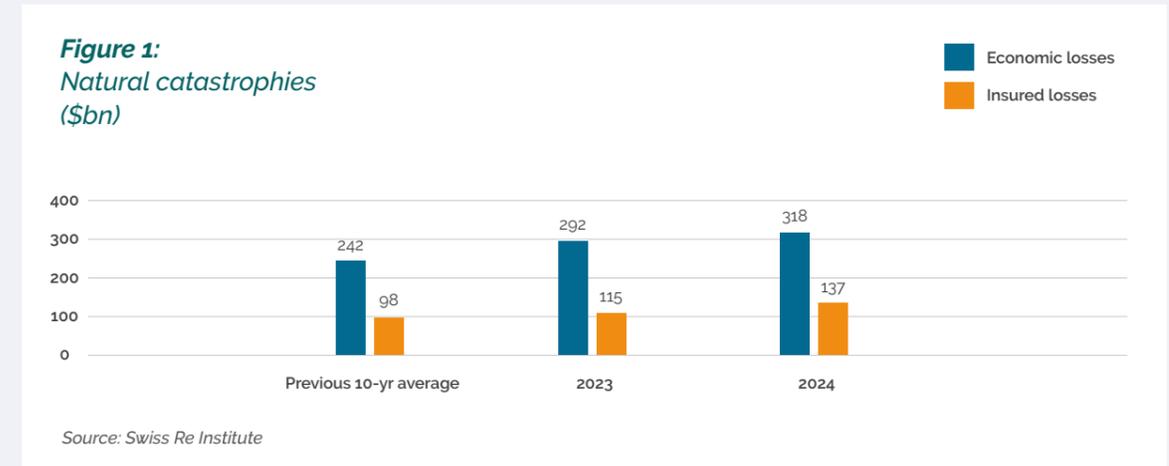
2 Climate change: shift towards pragmatic management

The energy transition to a low carbon economy continues to drive growth and create investment opportunities. We expect investors to continue focusing on climate change in the context of their fiduciary duty, with the goal of identifying mispriced financially material risks, capturing investment opportunities and future-proofing client portfolios. Climate strategies will increasingly require implementation that flexibly integrates climate alongside other investment-relevant factors.

a) Net zero strategies reset and climate scenarios get broader

We expect investors to review net zero climate strategies in 2026. Most institutional investors' decarbonisation targets were set around 2020-21 and are now coming into their five-year review windows. Investors are likely to recalibrate their net zero ambitions in the following ways:

- Balance net zero commitments with other key priorities such as energy security, affordability, geopolitical realities and portfolio risk factors such as inflation and interest-rate sensitivity.
- Continue to deploy capital in companies and assets with credible climate transition plans, particularly in hard-to-abate sectors.
- Broaden climate scenario analysis to include wider temperature ranges and stress-test portfolio resilience against these. Investors will likely focus on 1.5-2C by 2050 alongside more realistic 3C¹ outcomes and ascertain the implications of more prevalent physical risks for their projected portfolio investment returns.



b) Increased focus on physical climate risks

We expect investors to accelerate their focus on physical climate risks, as the increase in frequency and severity of extreme weather events becomes more pronounced. Examples include supply chain disruptions from floods, agricultural yield collapsing from prolonged droughts, wildfire damage to real estate and infrastructure and more than \$100 billion in losses due to hurricanes.

These events have financially material implications for investment portfolios: interrupted revenue streams, destroyed physical assets, triggered insurance claims, impaired corporate earnings and asset valuations being revised downward. According to a recent study² average monthly insurance premiums for commercial buildings, for example, could grow between 9-10% annually by 2030 in U.S. states exposed to extreme weather risks.

Investors will likely start integrating physical climate risks into asset class and asset-level risk assessments, perform more robust investment returns modelling and portfolio construction. Geographic diversification may offer limited protection as extreme weather events become globally pervasive.

3 Public fixed income opportunities and nature-based solutions gain traction

Green, social and sustainability-labelled (GSS) public fixed income bonds have hovered at over \$1 trillion in annual debt issuance since 2020, benefiting from maturing frameworks, third-party verification and issuer reporting. In fact, the debt capital raisedⁱⁱⁱ for the energy transition is considerably larger than equity capital raised, making debt markets a crucial channel for investors to direct capital towards the low carbon energy transition, but also to capture broader sustainable finance opportunities, including nature-based solutions (NbS).

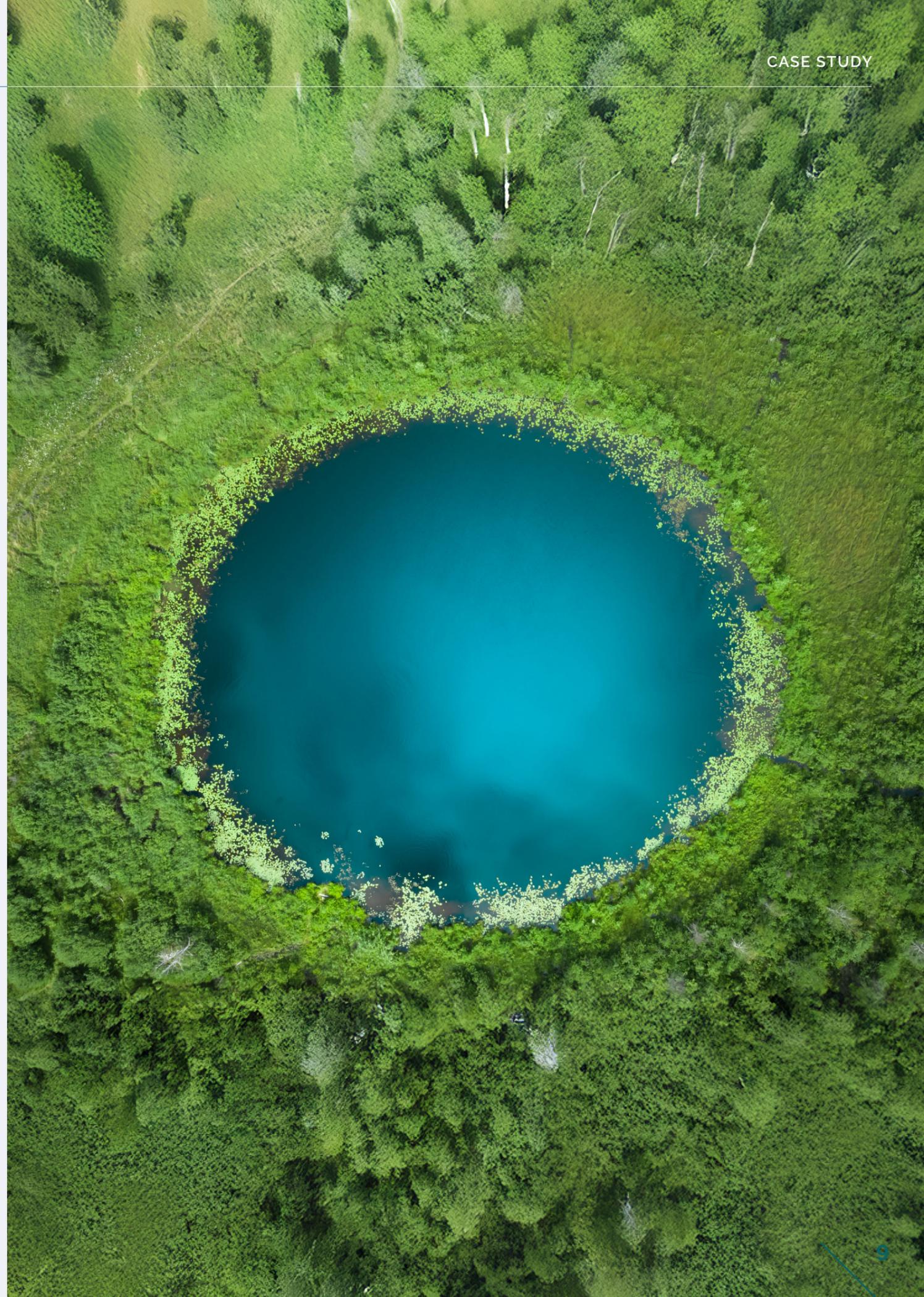
We expect nature to be a key investor theme for 2026, as severe ecosystem losses represent an increasing systemic risk to investment portfolios' risk and return balance. As investors are reassessing their portfolio exposures from the standpoint of nature-risk dependencies and impacts, investment areas such as nature-based solutions are gaining more ground.

NbS capture themes such as sustainable forestry, regenerative agriculture and ecosystem restoration, where investment opportunities are underpinned by strong fundamentals, such as:

- Investment returns less correlated with traditional financial asset classes through exposure to environmental markets, income and value appreciation and inflation hedging, which can be additive to portfolio risk diversification.
- Opportunities to benefit from improvement in biodiversity and ecosystem services, which can include carbon, water and ecosystem restoration. As an example, voluntary carbon credits are expected to grow from \$1.4 billion in 2024 towards \$35 billion by 2030, and potentially up to \$250 billion by 2050^{iv} depending on supply and demand dynamics. Other examples include the mitigation bank credit market in the U.S.
- Technological advancements such as satellite monitoring and AI-enhanced biodiversity tracking enabling impact measurement and verification, facilitating investment assessments and reporting.

ⁱThe Emissions Gap Report 2025 shows global warming based on current policies on track for 2.8C

ⁱⁱ[Climate change impact on commercial real estate | Deloitte Insights](#)



4 Navigating regional divergences in sustainable investing

Recent political crosscurrents and the risks of legal action have made asset managers more careful around how they communicate sustainability capabilities to their clients and prospects. In 2026, we expect the language around ESG to move towards greater simplification, clarity and evidence-based disclosures of financially material sustainability outcomes. Asset managers will increasingly communicate sustainability capabilities through accessible language, positive framing of goals and approaches, along with clarity over abstract terminology and jargon.

Taxonomies and labelling regimes outside the U.S. are tightening, and communication practices are shifting towards better clarity, simplicity and more inclusive language rather than opaque jargon.

In 2026, the European Union (EU) will be substantially overhauling its sustainable finance disclosure regulation (SFDR), moving from disclosure towards sustainable product categorisation and greater simplification. SFDR 2.0 aims to bring a clearer distinction between investment products with various sustainability objectives and degrees of ESG integration, while a new 'transition' category is being introduced. While it will take time for SFDR 2.0 to come into force, asset managers can start preparing for the transition by reviewing the funds in scope across areas such as the new baseline exclusions limits, data vendor capabilities for the necessary data points.

In Australia, the focus on climate transition planning and nature will continue in 2026. Mandatory climate-related disclosures will expand to more entities, requiring climate transition plans and Scope 3 emissions reporting. The government's initial consultation and work on sustainable investment labelling will inform its transposition into legislation, though its effect will likely start from 2027 onwards.

At U.S. federal level, we expect to see continued anti-ESG efforts so long as Republicans maintain control of the White House and both chambers of Congress. The Securities and Exchange Commission (SEC) looks to be changing course on its ESG disclosure requirements, particularly around climate and ESG-related shareholder proposals. At the U.S. state level, there continues to be a push and pull between anti-ESG and pro-ESG efforts among certain states.

Set up to succeed

The changes in responsible investing will provide a stronger foundation for the future. Challenges remain as investors continue to learn about the benefits of impact investing and NbS, though a concerted shift to focusing on the financial and portfolio benefits will underline the attractiveness of these strategies.

Investors must learn how to adapt to this new environment, from identifying opportunities right through to understanding how language in this segment is evolving. Investors who can navigate the changing responsible investing universe will be well-placed to capitalise on a market that continues to grow.

Nuveen's responsible investing outlook delivers expert insights into the factors shaping investment decisions globally, positioning investors to see the long-term opportunities and challenges developing.

Read more [here](#):

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Past performance does not guarantee future results.

Nuveen, LLC provides investment solutions through its investment specialists. Investing involves risk; loss of principal is possible. Past performance is no guarantee of future returns.

ⁱ Energy demand from AI – Energy and AI – Analysis – IEA

ⁱⁱ 2024 United States Data Center Energy Usage Report

ⁱⁱⁱ Source: BNEF (BloombergNEF)

^{iv} Frozen Carbon Credit Market May Thaw as 2030 Gets Closer | MSCI



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