# European pension funds double down on ESG as US asset managers face political fallout



European pension funds are increasingly committing to sustainable investment strategies, even as some major asset managers in the United States scale back their environmental, social, and governance (ESG) initiatives due to political pressures. This divergence highlights a significant trend in the asset management landscape, characterised by European investors reinforcing their dedication to sustainability amidst a backdrop of political pushback in the US.

Several large European pension funds have adopted a more scrutinous approach toward their asset managers, particularly those perceived to be compromising on ESG principles. The UK’s People’s Pension, valued at £33 billion, and the €60 billion PME fund from the Netherlands are notable examples. Both have reviewed or withdrawn investments from managers whose climate records have fallen short of their expectations. According to Daan Spaargaren, a responsible investment strategist at PME, foreign asset managers are increasingly scrutinised as European funds demand accountability related to sustainability. This observation is echoed by Lars Dijkstra, chief investment officer at PGGM, who emphasises that risk, returns, and sustainability must be aligned to fulfil fiduciary responsibilities.

Indeed, the recent behaviour of Denmark’s AkademikerPension indicates a marked shift in attitudes. The pension fund terminated a DKr3.2 billion mandate with State Street, citing profound discrepancies in their approaches to climate risk and investing. Anders Schelde, the chief investment officer at AkademikerPension, identified an impending downgrade in ESG ratings as a crucial factor. Such manoeuvres suggest that asset managers now face growing expectations to deliver not only financial returns but also sustainable practices.

While these developments highlight a proactive stance from European investors, the situation in the US remains complex. Many American asset managers have been retreating from ESG engagements, largely due to intense political backlash. A campaign led by Republican state officials targeting firms like BlackRock resulted in a substantial withdrawal of funds, around $13.3 billion, reflecting a broader sentiment that has seen political figures challenge the integration of ESG criteria within investment mandates. A report from ShareAction underlines this disconnect, revealing that out of 76 asset managers reviewed, many did not meet basic sustainability standards, contrasting sharply with the performance of their European counterparts.

The consequences of this divide are palpable. European firms demonstrate a significant advantage in sustainability practices, with Nordic investment houses like Nordea and Axa Investment Managers performing exceptionally well compared to US giants like BlackRock and State Street, which received low grades for their ESG commitments. As André Ranchin, an investment consultant at Hymans Robertson, notes, asset managers are under increasing pressure to clarify their sustainability actions and articulate the rationale behind them.

Despite the gloomy landscape for ESG in some regions, optimism persists among industry veterans. David Blood, senior partner at Generation Investment Management, believes that these temporary setbacks will only strengthen the resolve for sustainable investments in the long run. This sentiment is further supported by the broader commitment to sustainability seen in European regions, where supportive regulations, such as the EU’s Taxonomy and the Sustainable Finance Disclosure Regulation, facilitate a conducive environment for ESG engagement.

Nevertheless, the continuing trend of outflows from ESG investments in the US serves as a cautionary tale. Morningstar recently reported record redemptions, totalling $8.6 billion globally in the first quarter of 2025, amidst heightened geopolitical tensions and an anti-ESG sentiment. This dynamic presents a challenge for shorter-term investors who remain wary of sustainable funds despite the evident long-term benefits associated with climate-conscious investments.

In parallel to these developments, religious groups and community funds in the UK, such as the Diocese of East Anglia, have remained active advocates for climate-centric policies, reflecting a broader societal push towards sustainability that cannot be overlooked. As systemic pressures shape the future of asset management, the divergence between European and US firms will likely have lasting ramifications on the global stage, instigating a reevaluation of investment practices in the face of climate change.

In conclusion, while European pension funds reinforce their commitment to sustainable investing, the challenges faced by US asset managers amidst political retreat make for a complex investment environment. Ultimately, this scenario underscores the necessity for investment firms to adapt their strategies to align with evolving expectations around sustainability, balancing short-term pressures with the long-term imperative for responsible investment.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5, 6
2. Paragraphs 1, 5
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4. Paragraph 5, 6
5. Paragraphs 2, 3, 6
6. Paragraphs 2, 5, 6
7. Paragraphs 2, 5

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## Bibliography

1. <https://www.ft.com/content/ac825fec-e1d2-486c-bb6b-26537a52eff6> - Please view link - unable to able to access data
2. <https://www.ft.com/content/ac825fec-e1d2-486c-bb6b-26537a52eff6> - European pension funds are intensifying their commitment to sustainable investing despite a retreat among U.S. asset managers due to political pressures and anti-ESG sentiment. Major European funds like the UK’s People’s Pension, the Dutch PME and PGGM, and Denmark’s AkademikerPension are scrutinizing and in some cases terminating relationships with asset managers who fail to meet ESG expectations. For instance, PME is reviewing a €5bn mandate with BlackRock over its climate record, and AkademikerPension ended a DKr3.2bn partnership with State Street due to ESG misalignment. These shifts reflect a broader divergence between European and U.S. investment strategies, as confirmed by ShareAction’s report which shows U.S. giants like BlackRock and Vanguard scoring poorly on ESG engagement. European firms like Nordea and BNP Paribas were among the best performers. The growing gap is also observable in proxy voting behavior and stewardship offerings. Meanwhile, global ESG fund redemptions hit $8.6bn in Q1 2025, driven by U.S. market outflows. Industry veterans like David Blood of Generation Investment Management remain optimistic, viewing this as a recurring temporary backlash that ultimately leads to stronger sustainable investment trends.
3. <https://www.ft.com/content/9306c8f2-530d-45ca-a830-4d26e5a90509> - In response to a Republican-led campaign against BlackRock's emphasis on ESG (Environmental, Social, and Governance) factors, red state investment funds have withdrawn approximately $13.3 billion from the asset management firm. This movement represents about one-tenth of 1% of BlackRock's $10 trillion in assets under management. Some state pension funds still maintain considerable investments with BlackRock despite the withdrawals. Major withdrawals include the Texas Permanent School Fund pulling $8.5 billion. BlackRock has attempted to respond by increasing its Republican lobbying presence and co-hosting events in Texas, but has also faced reduced industry participation commitments. BlackRock continues to dispute these divestments, calling them 'irresponsible.' Nevertheless, BlackRock has seen substantial net inflows since the campaign began. The campaign's effectiveness varies, influencing states like Kentucky and North Carolina differently. Concerns have also been raised about Texas's laws mandating divestments from firms deemed unfriendly to fossil fuels, potentially harming the state's business climate and revenue.
4. <https://www.reuters.com/sustainability/sustainable-finance-reporting/europe-stands-firm-against-us-driven-esg-backlash-2024-04-12/> - Europe's finance industry remains steadfast in its commitment to environmental, social, and corporate governance (ESG) investments despite political pressures that have caused some U.S. counterparts to retreat from their green agendas. In contrast to the U.S., where conservative politicians have successfully diluted ESG regulations, Europe benefits from supportive regulations and strong consumer interest. European investors hold seven times more sustainable fund assets than U.S. investors after five consecutive quarters of U.S. outflows. Europe's robust ESG framework includes the EU's Taxonomy, Sustainable Finance Disclosure Regulation, and Corporate Sustainability Reporting Directive. Broad political and public support in Europe for climate action, compared to the U.S., has helped maintain the region's ESG momentum. Despite some pushback leading to diluted regulations, European investor demand remains substantial. Initiatives such as the Glasgow Financial Alliance for Net Zero rely heavily on European membership for their survival, highlighting Europe's crucial role in global ESG efforts.
5. <https://www.ft.com/content/6aae8765-3250-4474-8838-c8217dc74a01> - US asset managers are increasingly facing a difficult balancing act in maintaining sustainability policies that cater to both conservative American clients and environmentally focused European investors. Republican-led states have withdrawn billions in funds from managers perceived as overly committed to environmental, social, and governance (ESG) issues, prompting several major US firms to exit climate alliances and reduce support for green shareholder resolutions. This shift has triggered backlash from European pension funds, many of which are now reassigning substantial mandates to more ESG-aligned European firms. A recent UN PRI study underscores a widening gap in climate engagement between asset owners and asset managers, with owners generally adopting stronger environmental practices. European firms like France’s Amundi are benefitting: it recently secured £20bn from the UK’s People's Pension after the fund cut ties with US-based State Street. Similar moves are being made by Denmark’s AkademikerPension and the Dutch fund PME, with concern over US managers' retreat from ESG principles. This shift suggests a broader market restructuring, rewarding managers who align more closely with clients' sustainability goals, as key investors in both Europe and parts of the US, like California and New York, prioritize climate-conscious investment strategies.
6. <https://time.com/6589713/esg-investment-slowdown-what-to-know/> - ESG (environmental, social, and governance) practices are facing challenges, including political backlash from U.S. Republicans and underperformance of clean energy funds, leading to reduced investment. However, some sustainable funds outperformed the broader market, and ESG investing grows in regions like Europe. While global net withdrawals from ESG funds totaled $2.5 billion last quarter, indicating decreased investment, Europe continued to see gains. The resistance in the U.S. contrasts with Europe's long-standing focus on climate change. The U.S. is gradually establishing regulatory frameworks, which could enhance confidence in ESG investments. Despite the ebb and flow, ignoring ESG principles poses significant risks for businesses amidst evolving market and regulatory landscapes.
7. <https://www.ft.com/content/3ce06a6f-f0e3-4f70-a078-82a6c265ddc2> - Two major asset managers, JPMorgan Asset Management (JPMAM) and State Street Global Advisors (SSGA), have chosen to exit Climate Action 100+, an investor group that pressures companies to reduce their carbon emissions. BlackRock, the world's largest money manager, has decided to scale back its involvement by transferring it to a smaller international arm. This move significantly weakens the group's ability to leverage shareholder influence to promote decarbonization among companies, with none of the five largest asset managers fully supporting the initiative. The withdrawal highlights a divide between large US-based asset managers, which face pressure from Republicans over climate issues, and their counterparts in Europe and smaller firms that still support climate coalitions. The second phase of Climate Action 100+, which demands more proactive measures in reducing greenhouse gases rather than just climate disclosures, has been cited as a reason for the pullouts, with SSGA and BlackRock stating that the new requirements conflict with their voting and fiduciary principles. Despite these challenges, Climate Action 100+ has seen growth in membership, particularly from smaller asset managers and European firms.