ESG in 2025: Between Backlash & Resilience

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Retrospective of the year 2025

Author Biography

André Godoi is a doctoral candidate at HEC Montréal researching the incorporation of ESG factors into professional investment management. More broadly, he is interested in sustainability and the relationship between businesses and society. Before the doctorate, he worked in the performance management team of Petrobras, a Brazilian energy company, supporting the high administration to monitor the businesses and to be prepared to talk with investors.

January 20, 2025

American withdrawal from the Paris Agreement

April 1, 2025

Ending the federal fuel charge in Canada

September 2025

USD 3.7 trillion in sustainable funds (Morningstar Sustainalytics)

December 10, 2025

New GRI Draft Standards on Workforce Human Rights Disclosure

If you're involved with ESG and sustainable development, it is very likely that you started 2025 concerned with what would come of Donald Trump's new administration in Washington. Not surprisingly, one of his first acts as president was to remove the United States once more from the Paris Agreement, among other measures devised to boost oil and gas production. The shifting political waters of 2024 have also touched the other side of the Atlantic, and the changed composition of the European parliament paved the way for a revision of the European Green Deal key regulations in 2025. The discussion about overhauling the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU taxonomy for Sustainability Activities, an effort said to "streamline, not deregulate," has been a second hot topic of the year in ESG.

Backward & Forward Climate Action

In Canadian home soil, the ESG year started with the exit of banks from the Net Zero Banking Alliance (NZBA), following the move of the six largest US banks. As they exited the alliance, Canadian banks stated that they would keep their climate commitments and continue to develop their climate strategies, and that they [...] are now equipped to evolve outside the alliance. Despite the vows, some setbacks in climate engagement and reporting have been observed over the year, which were credited to the 2024 amendments to the competition law that raised the requirements on environmental claims and opened the way for judicial action by consumers and investors. With the accumulated exits of not only banks but also of asset managers and of insurance companies from the alliances under the Glasgow Financial Alliance for Net Zero (GFANZ), the organization overhauled its structure, lowered the threshold for membership, and changed the focus to drive capital for the energy transition.

As the year progressed, so did Trump's administration reversal of climate action. Some of the main moves we've seen this year included watering down incentives for clean energy, moving to repel the cornerstone of USA's federal government's capacity to regulate greenhouse gases, and leaving climate disclosure rules in the limbo of uncertainty. USA's Security Exchange Commission also gave the green light for the Texas Stock Exchange to operate, a new trading platform with less stringent listing standards that some call "anti-woke" exchange. Likely because of the toxicity of the term ESG in the USA, the CFA Institute changed the name of the "ESG certificate" to "Sustainable Finance certificate," even though the curriculum remains the same. In Canada, both the domestic political climate and a revised relationship with its neighbor from the South stimulated a rollback in environmental policies in the first months of Mark Carney's mandate as prime minister.

Despite the setbacks in climate action promoted by Trump's administration, advancements observed in other countries and regions seem to leave the United States isolated in climate denialism. Just a few days after Trump saying in the United Nations General Assembly that, in his opinion, "climate change it's the greatest con job ever perpetrated on the world," China announced their target to reduce their GHG emissions by 7-10% from peak levels by 2035, and European Union environment ministers agreed to reduce GHG emissions by 90% until 2040, compared with 1990 levels, a legally-binding obligation that is expected to be soon ratified by the European parliament. China's announcement was particularly important because it was the first time that this country committed to an absolute target for reducing emissions. The country is the world's largest emitter of greenhouse gases and is likely to register its first year of GHG emissions reduction by the end of 2025. During COP 30 in Brazil, despite the lack of agreement on a roadmap to transition away from fossil fuels, some progress was observed in terms of financing for the adaptation of developing countries and for forest preservation.

ESG Resilience & Maturity

These reversals advancements in climate action and nature preservation are announced as we keep unveiling the declining state of nature. Not only we did registered record temperature in 2024, but it was also the first year that we surpassed the 1.5°C mark above the 1850-1900 average. In 2025, we have surpassed the 7th planetary boundary, which is ocean acidification beyond the safe limit, indicating further decline in Earth's health and capability to support life. In this context, new reports about the impact of climate change on the economy have been released. Examples are the one published by the World Economic Forum, the one published by the European Environment Agency, and the third annual disclosure of climate-related risks by the Bank of Canada. These reports elaborate on how the increasing frequency and intensity of severe weather events, and the long-term shifts in climate patterns, impacts on human health, agriculture, and infrastructure, leading to additional costs and inflation, and to lower productivity and GDP. They also argue that investing in adaptation and in lowering emissions pays off considerably. On a gender-related note, The Gender Snapshot report by UN Women elaborates on how climate change affects women more than men.

Amid the growing impacts of climate change, investors and corporations reaffirm their interest in ESG issues. Morgan Stanley's 2025 Sustainable Signals survey found that 4 in 5 institutional investors around the globe expect to increase the proportion of sustainable assets in their portfolio, indicating the strong financial performance of sustainable investments and its maturity as an investment strategy as the main reasons. Despite significant outflows in the third quarter of 2025, Morningstar Sustainalytics indicated a record U$ 3.7 trillion dollars allocated in sustainable funds globally by September this year. As for Canada, research from the Montréal-based Millani consulting company reports that "Climate transition strategies, science-based targets, Indigenous economic inclusion, and board-level accountability continue to define responsible investment priorities." On the corporate side, research by Accenture indicates that "90% of the world's 4000 largest companies (G4000) are connecting decarbonization efforts to business value," while Millani identified that a record 76% of companies that comprise the Canadian S&P/TSX Composite Index released a sustainability report in 2024.

On the standards front, ESG also continues to mature. The International Sustainability Standards Board (ISSB) eased climate reporting requirements for financial firms in response to challenges identified in their implementation, and taken the baton from the Taskforce on Nature-related Financial Disclosures (TNFD) regarding the development of disclosure requirements for nature-related risks and opportunities. ISO released its Biodiversity norm, providing a framework for organizations to measure, manage, and report on their relationship with nature. The Global Reporting Initiative (GRI) released new draft standards for workforce human rights disclosure, and the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) released its Conceptual Foundations discussion paper, now under discussion with stakeholders. Once finalized, this work will provide a conceptual framework for the development of inequality- and social-related impacts disclosures. The Canadian Sustainability Standards Board (CSSB) released ISSB-aligned standards for sustainability-related disclosure in December 2024, which remain voluntary as the Canadian Securities Administrators halted the work of making them mandatory due to developments in the US and Europe. Despite the halted work on this front, advances in the development of the Sustainable Investment Taxonomy have been announced.

So ....
What's Next?

As the year comes to an end, so does the revision of the European Green Deal, which hopefully will serve as a simplification that ultimately allows sustainability to become more pervasive in corporate cycles. In Canada, while many controversies remain, we might also be reaching the end of climate-policies rollback with the preservation of the industrial carbon pricing and the vows to respect the commitments of the Paris and the Montréal-Kunming agreements. The greenwashing law was also eased and is expected to diminish the uncertainty for business.

As we look back into 2025 and approach 2026, we can ask ourselves: will the winds of ESG backlash keep blowing? We shouldn't be dismissive about the power of the White House and associated forces to keep them going, but we also have strong reasons to believe in ESG resilience. In the context of accentuating climate change, 2025 has seen many signs of it: regulations streamlining, standards evolving, and investors and companies reaffirming their interest in sustainability. As 2026 appears on the horizon, this resilience amid our enduring environmental and social problems indicates that ESG and sustainable finance have yet much to deliver.For the Penner Institute members and the communities engaged with sustainable finance in Montréal and elsewhere, I'd say that we have plenty of work ahead.

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