MANAGER RESEARCH |

Global Sustainable Fund Flows: Q2 2026

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Morningstar Manager Research

Kenneth Lamont
Principal

Monika Calay
Director

Alyssa Stankiewicz
Principal

Claire Zhang
Analyst

Shamir Popat
Senior Analyst

Juri Yanagi
Analyst

Stephanie Ting
Associate

Lia Mitchell
Senior Analyst

Kimberly Hart
Director

Mahi Roy
Analyst

Key Takeaways

Global sustainable funds, excluding China, attracted an estimated USD 3.7 billion in net inflows in the second quarter of 2026. First-quarter inflows have been restated to USD 800 million following the incorporation of China's first-quarter data, which are reported with a one-quarter lag. The second-quarter estimate excludes China's flows because these were not available at the time of publication.

Europe remained in positive territory, gathering USD 3.5 billion, although inflows slowed from a restated USD 8.2 billion in the first quarter. Passive sustainable strategies attracted USD 11.4 billion, while active funds recorded USD 7.8 billion in outflows.

US sustainable funds returned to positive territory for the first time since 2022, attracting nearly USD 3.0 billion. Index-tracking funds drove the recovery.

Elsewhere, flows remained under pressure. Canada recorded USD 481 million in net outflows, Japan lost USD 235 million, and Australia and New Zealand recorded approximately USD 120 million in outflows through May. Asia ex-Japan recorded outflows led by Taiwan, although China's second-quarter flows were not yet available.

Global sustainable fund assets rose to an estimated USD 3.73 trillion from USD 3.50 trillion at the end of the first quarter. The USD 230 billion increase substantially exceeded quarterly inflows, indicating that market appreciation was the principal driver.

Product development remained subdued, with 32 new sustainable funds launched globally. Asia ex-Japan accounted for 16 launches, Europe for 13, and the US for three; no new funds were launched in Japan, Australia, or New Zealand.

Source: Morningstar Direct. Data as of June 30, 2026, except for Australia and New Zealand, which reflect data through May 31, 2026. For China, second-quarter flows are excluded and shown as zero, while second-quarter assets under management reflect the March 31, 2026, quarter-end figure because of the reporting lag.

Introduction

The global sustainable fund universe encompasses open-end funds and exchange-traded funds that, through their prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors. (See the Appendix for more details on how Morningstar defines the global sustainable fund universe.) The global universe is divided into three segments by domicile: Europe, the US, and the Rest of the World. There is more granular data available in this report for Canada, Australia/New Zealand, and Japan. Meanwhile, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan, Thailand, and South Korea are grouped under Asia ex-Japan because of their relatively low level of assets.

Please note that, to ensure the timely delivery and relevance of this global report while maintaining data completeness, data for China are presented with a one-quarter lag (t-3 months). New to this edition, data for Australia and New Zealand are presented with a one-month lag (t-1 month).

The Global Landscape

The Global Sustainable Fund Universe

This report examines recent activity in the global sustainable fund universe and details regional flows, assets, and product launches during the second quarter of 2026. A summary is provided in Exhibit 1.

Owing to reporting lags, Australia and New Zealand data cover the period through May 31, 2026, while China's second-quarter flows are excluded and its assets under management reflect the previous quarter-end figure. **These timing differences affect all global figures presented in this report.**

Global sustainable funds attracted an estimated USD 3.7 billion in net inflows during the quarter. This estimate excludes China, for which second-quarter flows data was not yet available. With China's first-quarter data now available, we have revised the global net inflow estimate for the first quarter to USD 800 million.

At the end of the second quarter of 2026, global sustainable fund assets stood at an estimated USD 3.73 trillion, recovering from USD 3.5 trillion at the end of the previous quarter. The USD 230 billion increase in global assets considerably exceeded the USD 3.7 billion in quarterly net inflows, indicating that market appreciation was the principal driver of asset growth.

Exhibit 1 Global Sustainable Fund Statistics

	Flows (USD Bn)		AUM (USD Bn)	
Region	Q2 2026	Q1 2026	Q2 2026	Share (%)
Europe	3.5	8.2	3,132	84
United States	3.0	−4.3	398	11
Asia ex-Japan, ex-China	−1.9	−2.0	55	1
Canada	−0.5	0.4	43	1
Australia and New Zealand	−0.1	0.4	40	1
Japan	−0.2	−0.2	23	1
China	Not Available Yet	−1.7	43	1
Global Total	**3.7**	**0.8**	**3,734**	**100**

Source: Morningstar Direct. Data as of June 30, 2026, except for Australia and New Zealand, which reflect data through May 31, 2026. For China, second-quarter flows are excluded and shown as zero, while second-quarter assets under management reflect the March 31, 2026, quarter-end figure because of the reporting lag. Flows and assets exclude funds of funds.

Global Assets Reach USD 3.7 Trillion

Global sustainable funds attracted an estimated USD 3.7 billion in net inflows in the second quarter of 2026, extending the rebound from the first quarter after a rough 2025. The US turned positive after 14 straight quarters of outflows, while Canada, Japan, and Australia/NZ, along with most of Asia ex-China, continued to see outflows. Overall, the modest global gain masks a mixed regional picture, with the US recovery offsetting continued weakness elsewhere.

At the end of the second quarter of 2026, global sustainable fund assets reached USD 3.73 trillion, recovering from a decline to USD 3.5 trillion. The global total should still be described as an estimate because China's June AUM was not available and the figure uses its March quarter-end assets. Australia/NZ data extends only through May.

Exhibit 2 Quarterly Global Sustainable Fund Flows

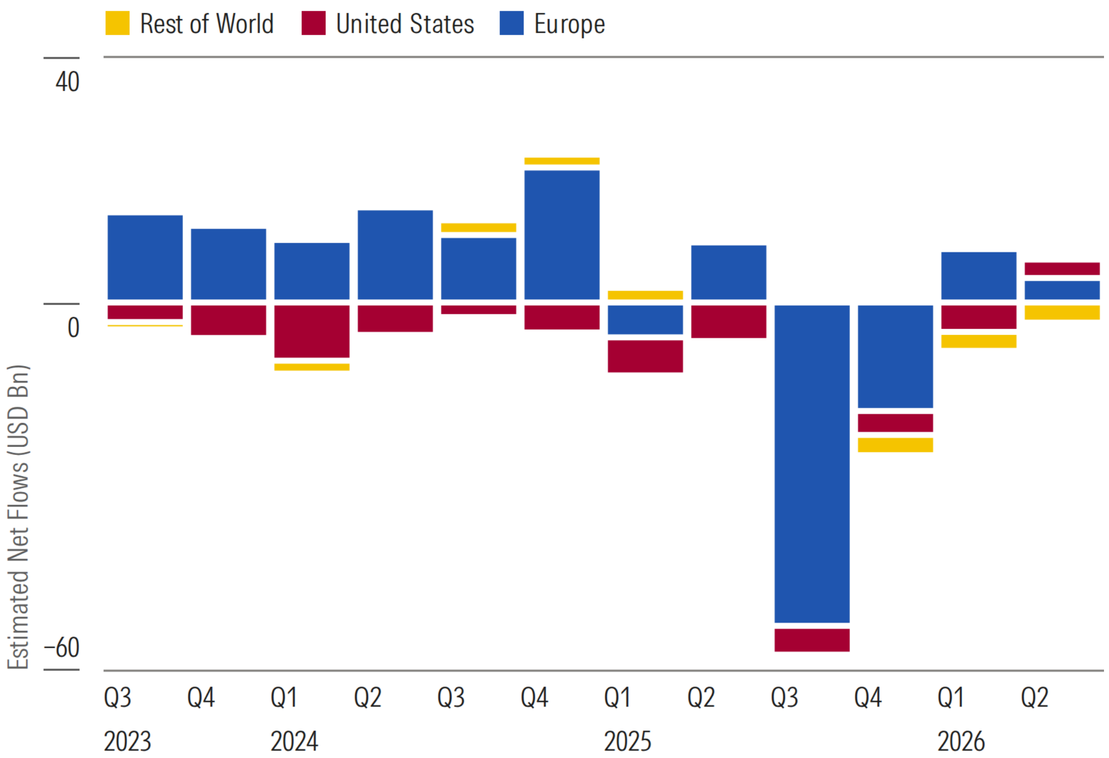
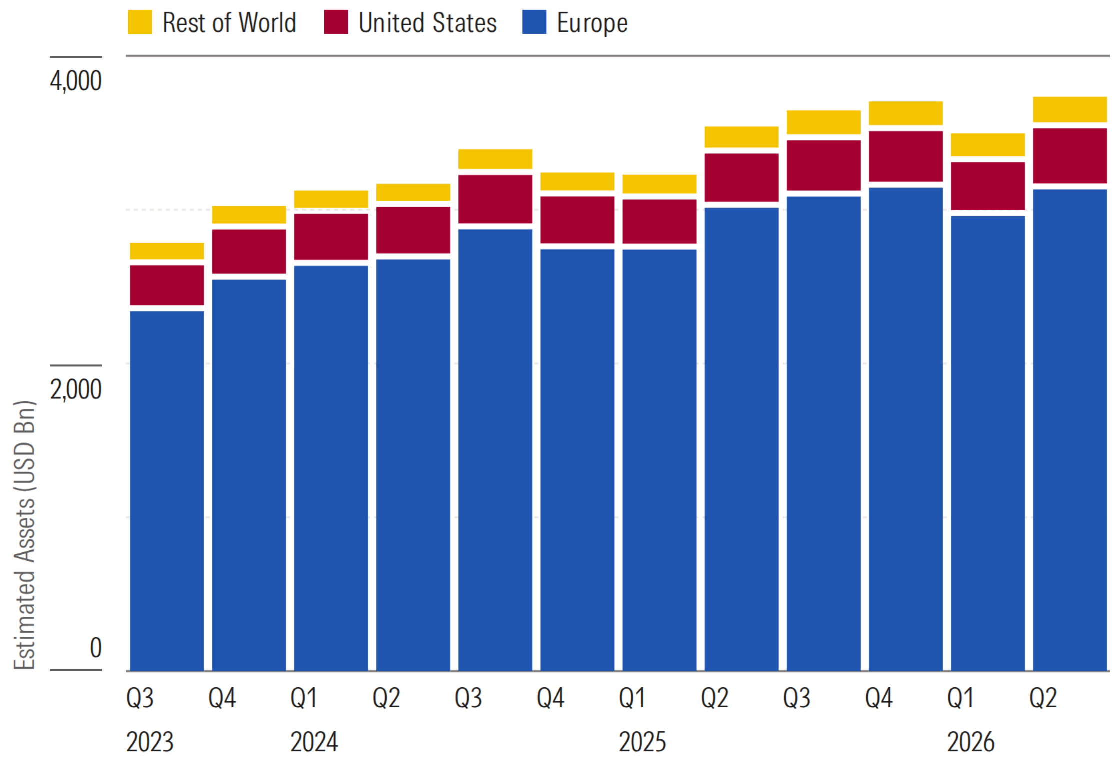


Exhibit 3 Quarterly Global Sustainable Fund Assets



Source: Morningstar Direct. Data as of June 30, 2026, except for Australia and New Zealand, which reflect data through May 31, 2026. For China, second-quarter flows are excluded and shown as zero, while second-quarter assets under management reflect the March 31, 2026, quarter-end figure because of the reporting lag. Flows and assets exclude funds of funds.

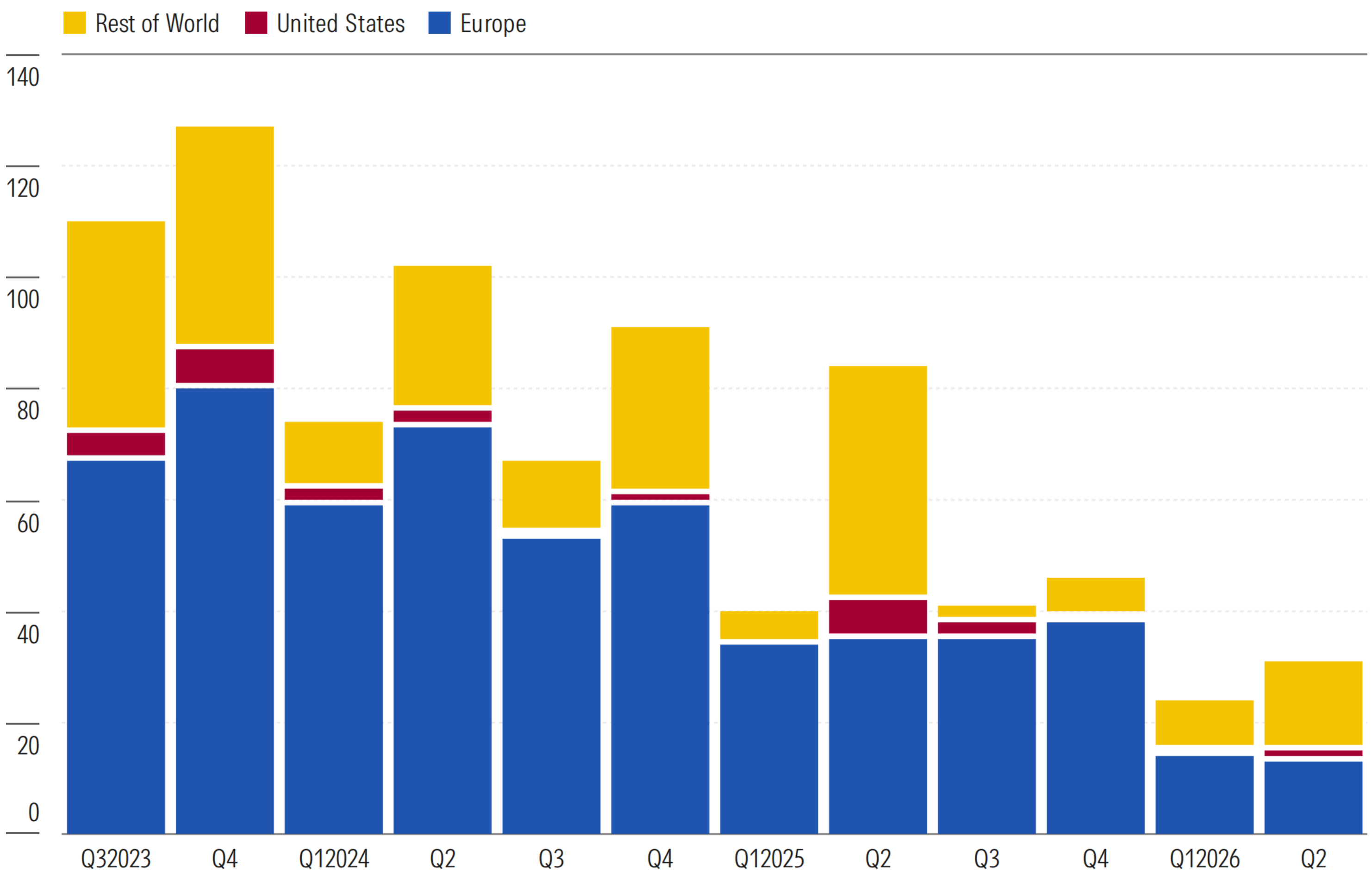
Product Development Activity Remains Subdued

Product development activity in the sustainable funds space remained notably subdued in the second quarter of 2026, with 32 new sustainable funds launched globally.

The largest share of new launches came from Asia ex-Japan, where 16 new sustainable funds were incepted, while Europe contributed 13. Three new sustainable funds were launched in the US.

No new funds were launched in Japan, Australia, or New Zealand in the second quarter.

Exhibit 4 Quarterly Global Sustainable Fund Launches



Source: Morningstar Direct. Data as of June 30, 2026.

The European Landscape

European Sustainable Fund Flows Remain Positive in Q2

European-domiciled sustainable funds remained in positive territory in the second quarter of 2026, attracting USD 3.5 billion in net inflows, following a restated USD 8.2 billion in the first quarter. Passive strategies continued to drive demand, gathering USD 11.4 billion, while active funds recorded outflows of USD 7.8 billion.

By asset class, sustainable fixed-income funds led the way with USD 14.4 billion in net inflows, benefiting from the broader demand for bonds across the European fund market as geopolitical uncertainty weighed on risk appetite. By contrast, sustainable equity funds shed USD 9.3 billion. This diverged from the wider equity market, where inflows remained strong but were overwhelmingly directed toward passive funds offering broad US, global, and technology exposure.

Exhibit 5 European Sustainable Fund Flows by Investment Style
USD Billion

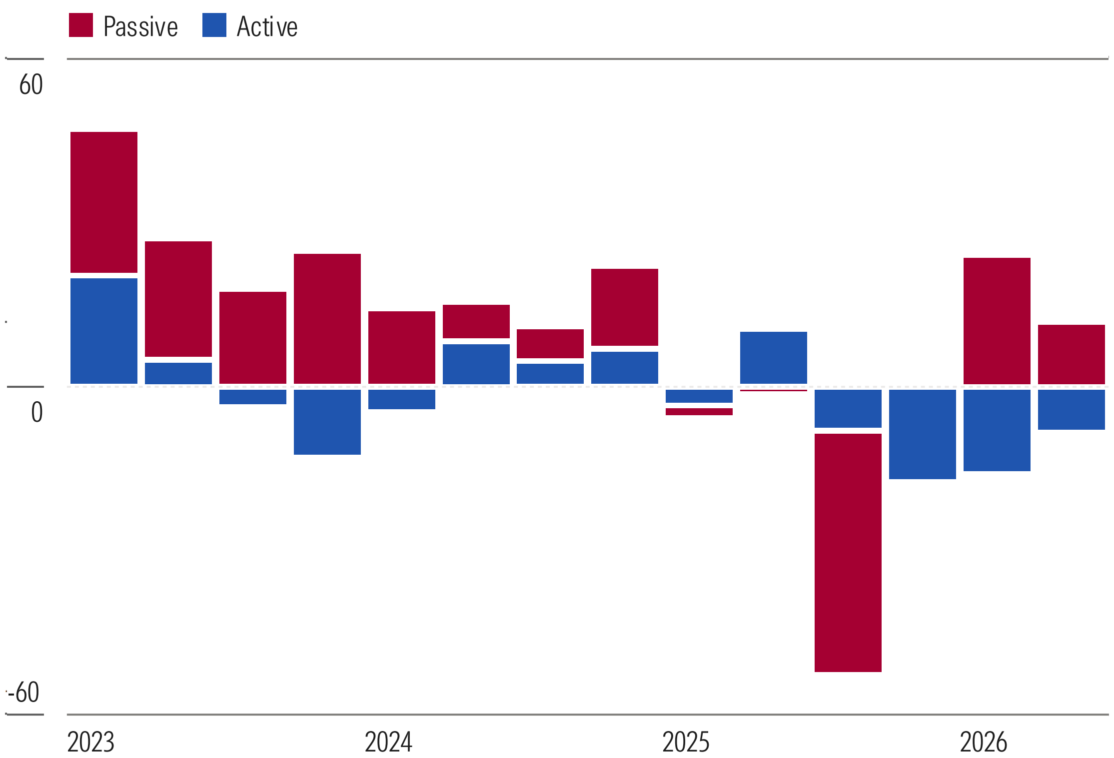
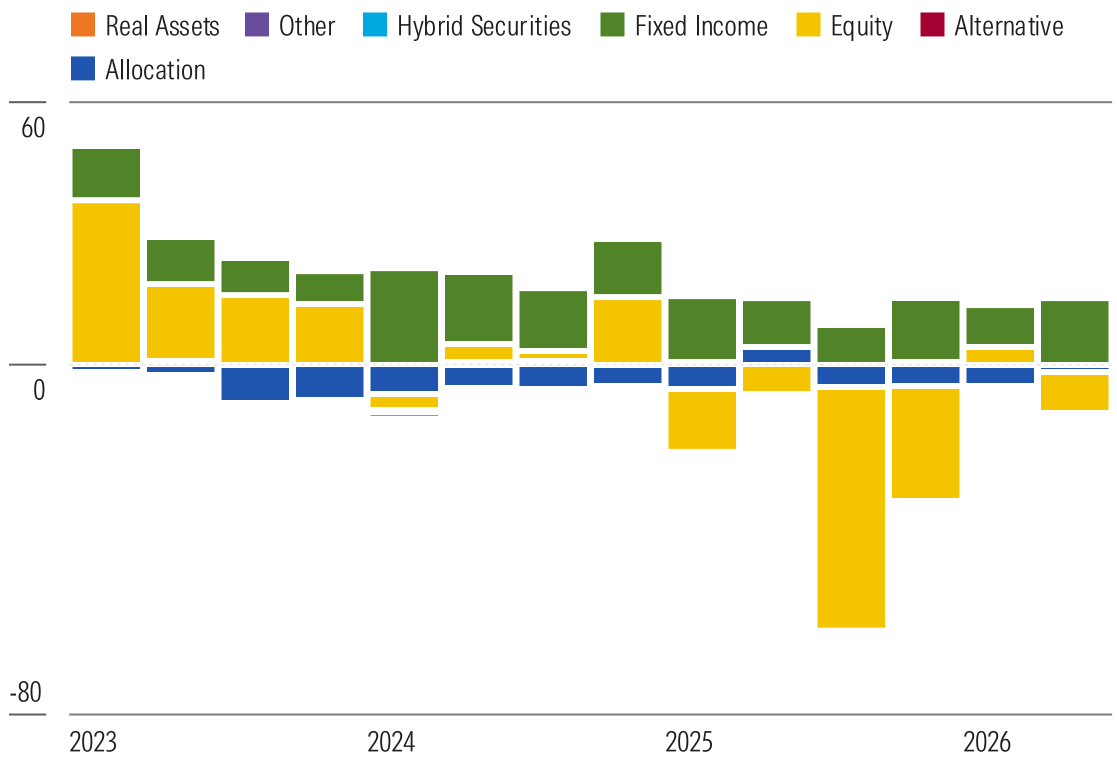


Exhibit 6 European Sustainable Fund Flows by Asset Class
USD Billion



Source: Morningstar Direct. Data as of June 30, 2026. Flows exclude funds of funds.

Winners and Losers

The newly launched ABN AMRO FGR—Portfolio Classic EuroTilt ESG Equities attracted USD 4 billion in inflows during the quarter, while screened thematic strategies such as iShares MSCI Global Semiconductors ETF and VanEck Space Innovators ETF each attracted more than USD 1 billion apiece, benefiting from investor enthusiasm around artificial intelligence and the space sector, respectively.

Exhibit 7 Top European Sustainable Fund Flows in Q2 2026

Rank	Fund Name	Net Flows (USD Million)
1	ABN AMRO FGR Portf Cl EuroTilt ESG Eq G	4,047
2	iShares MSCI ACWI Screened ETF USD Acc	2,485
3	iShares MSCI Global Semicondctrs ETF$Acc	1,670
4	Coutts Emerging Markets Eq Idx C USD	1,448
5	Amundi Fds Global Equity A EUR C	1,225
6	Allspring Lux Glb Eq Enh Inc X USD GDist	1,171
7	CM-AM Convictions Euro S	1,124
8	VanEck Space Innovators ETF A USD Acc	1,009
9	KBC Renta Eurorenta B Acc	995
10	JPM US Research Enh Eq Act ETF USD Acc	924

On the outflow side, TM Brunel Global Sustainable Equity was shuttered as part of the government's "Fit for the Future" reforms but was transitioned to other sustainable mandates at pension pools. Elsewhere, several climate equity funds suffered significant net outflows, such as Amundi S&P 500 Climate Paris Aligned ETF, which shed USD 2.7 billion over the second quarter of 2026.

Exhibit 8 Bottom 10 European Sustainable Fund Flows in Q2 2026

Rank	Fund Name	Net Flows (USD Million)
1	TM Brunel Global Sustainable Eq A Inc	-5,670
2	Amundi S&P 500 ClmtPrsAlgdETFAcc	-2,699
3	Coutts US Equity Index Fund C USD D	-1,781
4	CM-AM Europe Growth RC	-1,287
5	iShares MSCI EM CTB Enh ESG ETF USD Acc	-1,003
6	SWC (CH) IEF Switzerland Ttl Resp GT CHF	-987
7	SWC (CH) IPF I IEF Wld(exCH)Resp NAH1CHF	-872
8	BNP Paribas Easy ESG Enh Wld ETF R € Cap	-829
9	Allianz Global Sustainability A USD	-731
10	JPM Glb Rsh Enh Idx Eq Prs AlgndS1accUSD	-680

Source: Morningstar Direct. Data as of June 30, 2026.

BlackRock Leads European Sustainable Fund Flows as Brunel Wind-Down Drives Outflows

The 10 bestselling asset managers collectively recorded approximately USD 19 billion in net inflows in the second quarter. BlackRock topped the leaderboard for the second quarter in a row with USD 6.8 billion in inflows. Nordea followed with USD 2.4 billion, and Natixis ranked third with USD 1.6 billion.

On the outflow side, Thesis (Tutman) recorded the largest redemptions in the group, driven almost entirely by the wind-down of the TM Brunel fund range. Brunel Pension Partnership was one of two UK Local Government Pension Scheme pools rejected under the UK government's "Fit for the Future" pooling reform and ordered to disband.

All 10 Brunel client funds selected new pooling partners in October 2025. We understand this was a one-off, policy-mandated client migration tied to LGPS consolidation, concentrated in a single sponsor relationship, rather than evidence of organic redemptions or performance-driven flight.

Elsewhere, Eurizon (Intesa Sanpaolo's asset management arm) lost USD 1.7 billion spread across its sustainable range.

Exhibit 9 Top and Bottom 10 European Sustainable Fund Providers by Flows in Q2 2026

Firm	Net Inflows (USD Million)	Firm (Outflows)	Net Outflows (USD Million)
BlackRock (incl. iShares)	6,835	Thesis	-5,677
Nordea	2,400	Eurizon	-1,714
Natixis	1,600	Swisscanto	-1,470
ABN AMRO	1,422	Goldman Sachs (incl. NNIP)	-1,360
Allspring	1,183	Degroof Petercam	-1,355
State Street	1,166	Royal London	-963
DWS (incl. Xtrackers)	1,149	First Sentier Investors	-926
Amundi (incl. Lyxor)	1,142	UBS (incl. Credit Suisse)	-849
Allianz Global Investors	1,104	Baillie Gifford	-703
LBP AM	1,076	Mercer Global Investments	-700

Source: Morningstar Direct. Data as of June 30, 2026. Flows exclude funds of funds.

European Sustainable Fund Assets Rebounded in Q2 2026

Following a first-quarter decline driven by equity market weakness amid the conflict in the Middle East, European sustainable fund assets rebounded to near-record levels in the second quarter. Passive funds' share of assets also continued to rise, increasing to 33% in the second quarter of 2026 from 28% in the first quarter of 2023.

In terms of broad asset classes, equity funds continue to dominate, representing the majority of European sustainable fund assets (65%). Sustainable bond funds take up 22% of the total, followed by allocation funds. These proportions are broadly similar to those seen at the end of the first quarter of 2026.

Exhibit 10 European Sustainable Fund Assets
USD Billion

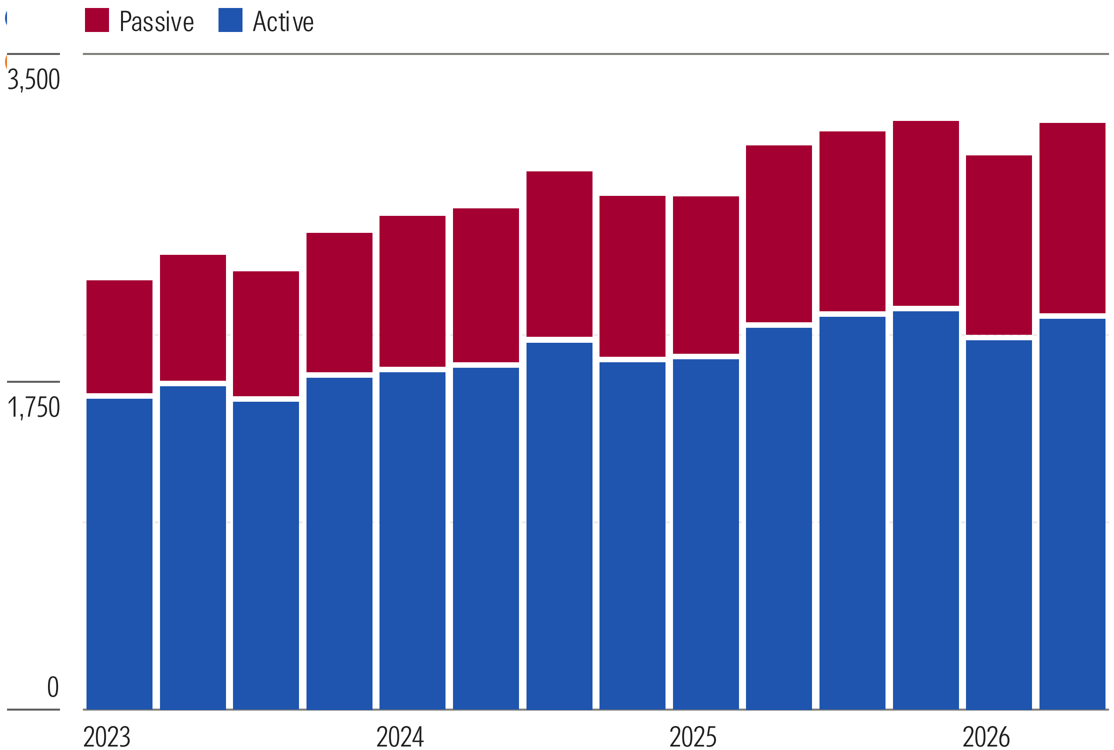
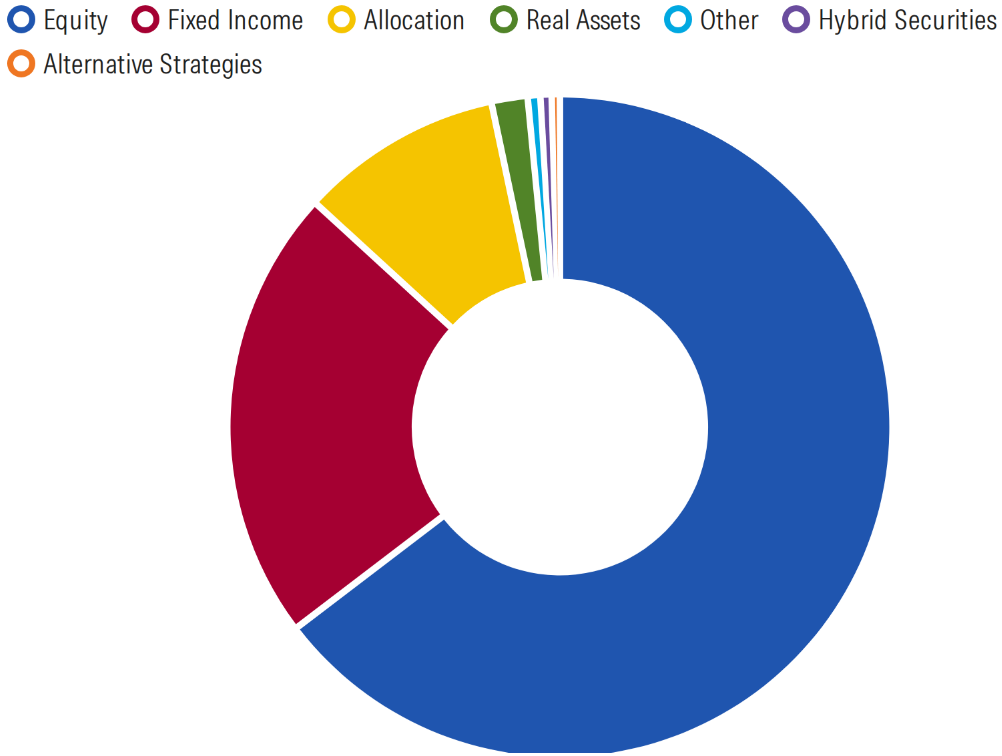


Exhibit 11 European Sustainable Fund Asset Breakdown
USD Billion



Source: Morningstar Direct. Data as of June 30, 2026. Assets exclude funds of funds.

BlackRock Retains the Top Spot in European Sustainable Fund Assets

Presented below are the foremost asset managers distributing sustainable funds in Europe. As of June 2026, BlackRock remains the leading manager of ESG-focused open-end assets and ETFs in Europe, overseeing USD 391 billion. Amundi followed in second place with USD 243 billion in sustainable fund assets, and UBS ranked third with USD 215 billion.

Exhibit 12 Largest Sustainable Fund Managers

Overall – Firm	Total AUM (USD Bn)	Actively Managed – Firm	Active AUM (USD Bn)	Passively Managed – Firm	Passive AUM (USD Bn)
BlackRock (incl. iShares)	391.3	BlackRock (incl. iShares)	124.7	BlackRock (incl. iShares)	266.6
Amundi (incl. Lyxor)	242.8	Nordea	110.2	Amundi (incl. Lyxor)	138.9
UBS (incl. Credit Suisse)	215.1	Amundi (incl. Lyxor)	103.9	UBS (incl. Credit Suisse)	133.3
BNP Paribas	137.5	BNP Paribas	87.4	Swisscanto	63.3
Swisscanto	127.4	UBS (incl. Credit Suisse)	81.8	Northern Trust	63.0
DWS (incl. Xtrackers)	113.9	Natixis	76.4	Handelsbanken	52.3
Nordea	110.2	Swisscanto	64.1	DWS (incl. Xtrackers)	51.7
Natixis	79.1	DWS (incl. Xtrackers)	62.2	BNP Paribas	50.2
Northern Trust	68.9	Allianz Global Investors	55.8	Legal & General	25.5
Handelsbanken	58.4	KBC	48.9	State Street	21.9

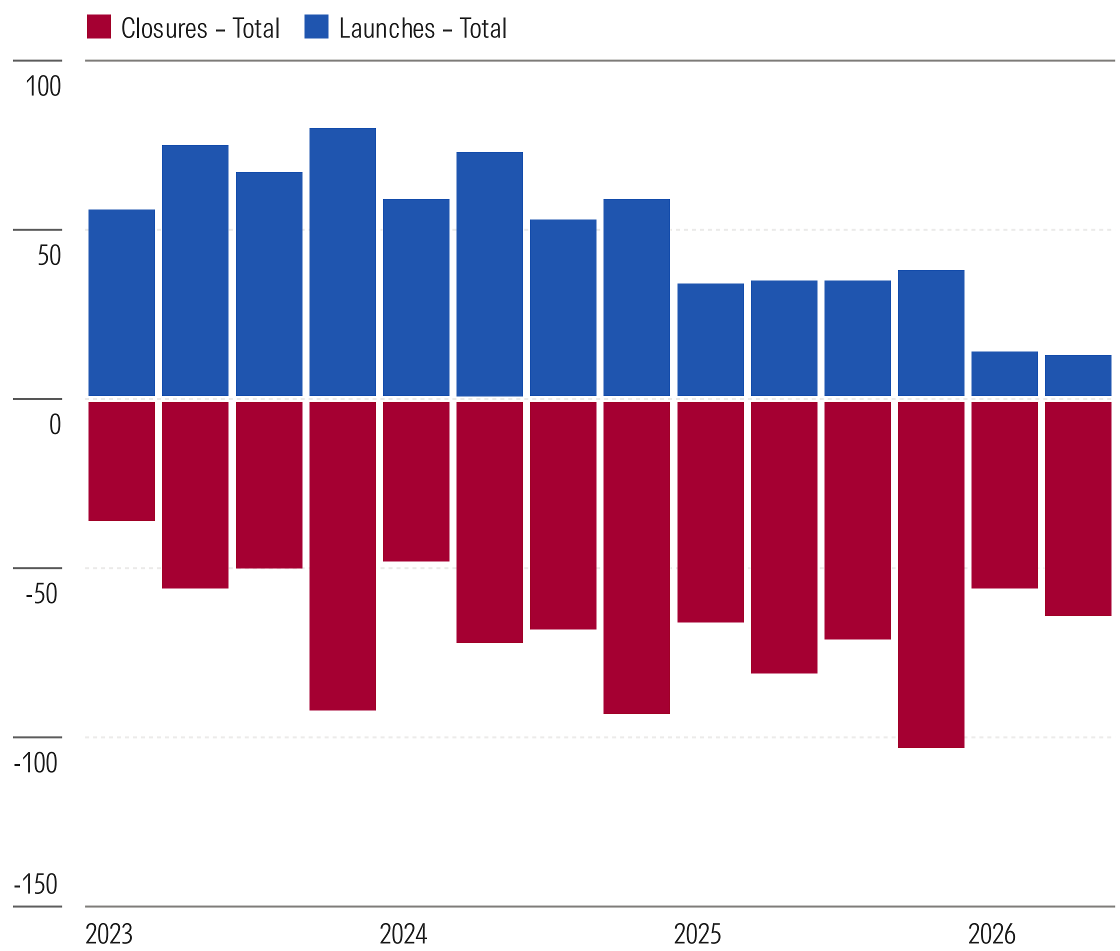
Source: Morningstar Direct. Data as of June 30, 2026. Assets exclude funds of funds.

Sustainable Fund Launches Remain Muted

Launches of sustainable funds domiciled in Europe fell to just 13 in the second quarter of 2026, down sharply from a restated 38 in the fourth quarter of 2025 and reaching a new low for the series. Closures hit 64 in the second quarter of 2026, slightly up on the 56 closures in the first quarter of 2026. The continued low level of sustainable fund launches reflects the challenging backdrop for ESG and sustainable investments.

The cooldown in 2024 and 2025, compared with previous years, reflects a normalization of product development activity after three years (2020–22) of high growth, during which many asset management firms hastened to build their core sustainable fund ranges to meet growing demand. Asset managers have also become more cautious about developing new ESG and sustainable strategies because of greenwashing accusations and uncertainty around regulations (see Regulatory Update section). In early 2026, the emphasis remains on consolidation and rationalization of existing fund ranges rather than new product launches.

Exhibit 13 European Sustainable Fund Launches and Closures



Source: Morningstar Direct. Data as of June 30, 2026.

Regulatory Update

The future of Sustainable Finance Disclosure Regulation continues to be the focus of sustainable finance policy discussions in the EU. In June, the Council agreed on its position, setting its negotiating mandate for trilogues later in the year. The Council position aligns with the Commission's three categories—transition, ESG basics, and sustainable—each with a 70% investment threshold. Similarly, the Council also moved to delete entity-level Principal Adverse Impact disclosures; however, in contrast to the Commission, the Council proposes greater product-level PAI requirements for funds in the transition and sustainable categories. While sovereign debt is generally treated as not counting toward the contribution threshold in both the Commission and Council positions, the Council added a targeted pathway for these to be included in the 70% threshold for insurance and pension products in the transition category. The Council also extended the timeline for application, increasing the Commission's proposal of 18 months to 24 months. These differences and others will be the elements that need to be addressed during trilogues to agree a final version of the revised SFDR.

Following the Omnibus I package finalized in late 2025, the ESAs have opened consultations on simplifying the EU taxonomy. ESMA, EIOPA, and EBA were each tasked with providing advice on targeted aspects of the disclosure framework. After these consultations close in August, the ESAs expect to deliver final technical advice in October.

In the UK, the FCA included in its quarterly consultation proposed changes to the climate disclosure rules for asset managers, life insurers, and FCA-regulated pension providers. Following its 2025 review of the rules, the FCA suggested removing TCFD product reporting requirements and replacing them with more targeted and outcome-based rules. The new rule would require firms to consider whether climate risks and/or opportunities could be materially relevant to the financial performance or return of the product and disclose such risks and/or opportunities to retail clients. The FCA is expected to finalize any changes later this year.

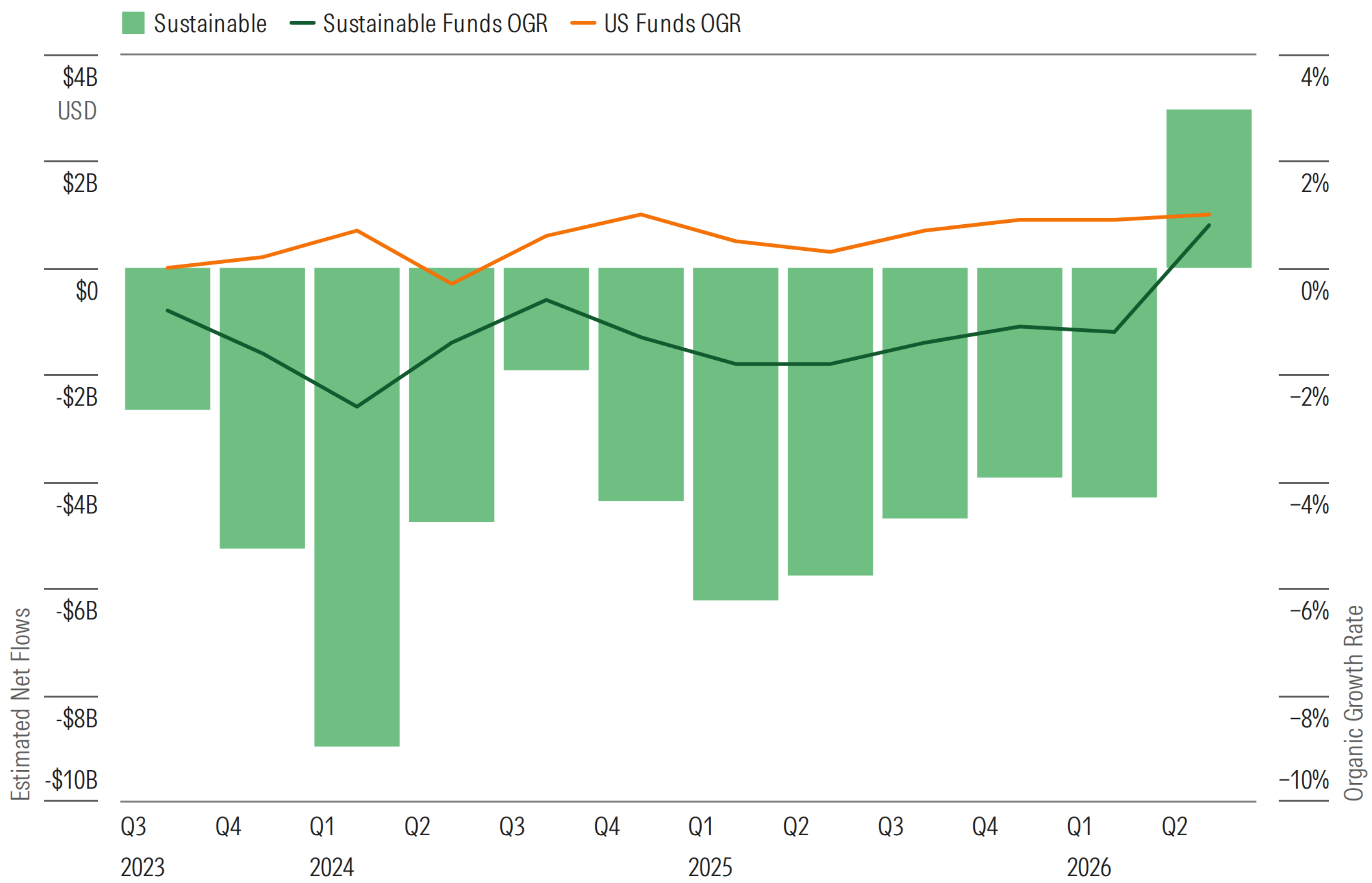
The US

Sustainable Fund Flows Turn Positive in Q2 2026

US sustainable funds returned to positive territory in the second quarter of 2026, attracting nearly USD 3 billion in net inflows after 14 consecutive quarters of outflows. This translated into an organic growth rate of 0.8%.

Conventional funds also continued to attract strong investor demand, gathering USD 356 billion during the quarter, up from USD 337 billion in the previous quarter, corresponding to an OGR of 1.0%.

Exhibit 14 US Funds' Quarterly Flows—Sustainable Versus All US Funds



Source: Morningstar Direct. Data as of June 30, 2026. Flows and assets exclude funds of funds. The organic growth rate helps to put the magnitude of net flows into perspective. It measures net flows as a percentage of total assets at the start of a given period.

Passive Strategies Drive Sustainable Fund Flow Recovery in Q2 2026

Sustainable fund flows turned positive in the second quarter of 2026, driven by passive strategies, which attracted USD 6.5 billion. Active funds continued to see outflows, although redemptions moderated to USD 3.6 billion in the second quarter.

Sustainable funds across equity and fixed income saw net inflows in the second quarter of 2026, attracting roughly USD 1.5 billion each. For fixed-income funds, this extended their positive trend, while it marked a reversal of sentiment for equity funds. Demand in other asset classes was flat.

Exhibit 15 US Sustainable Fund Flows by Investment Style

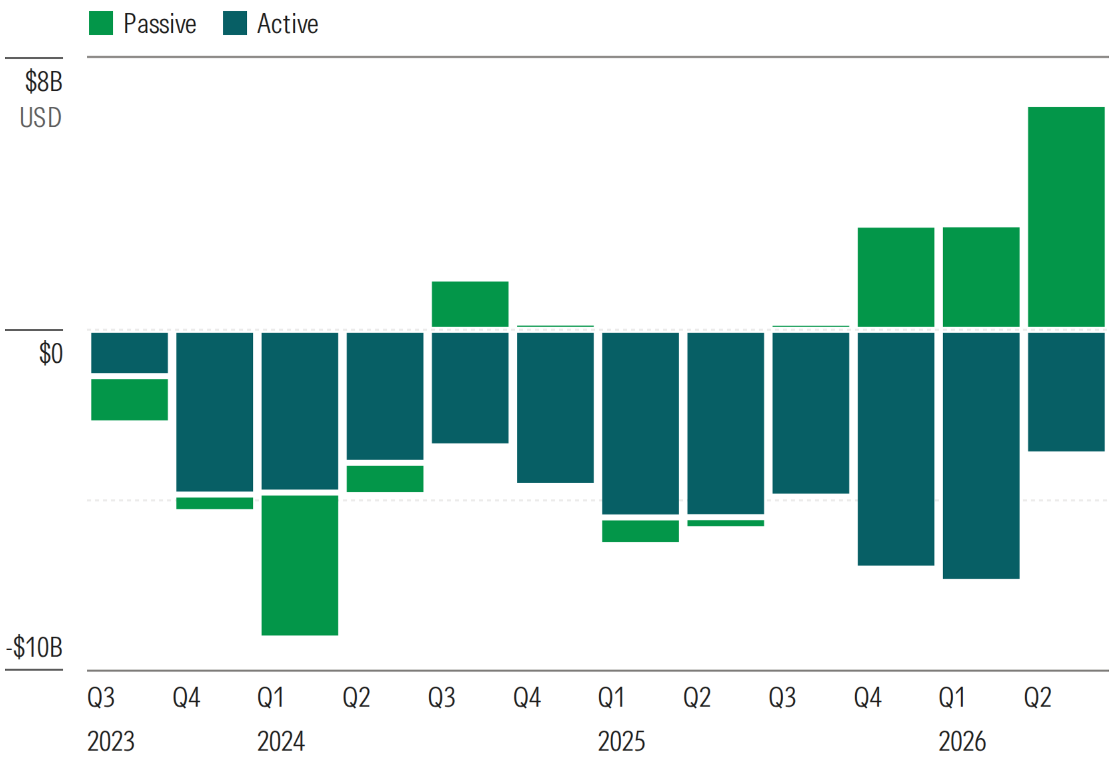
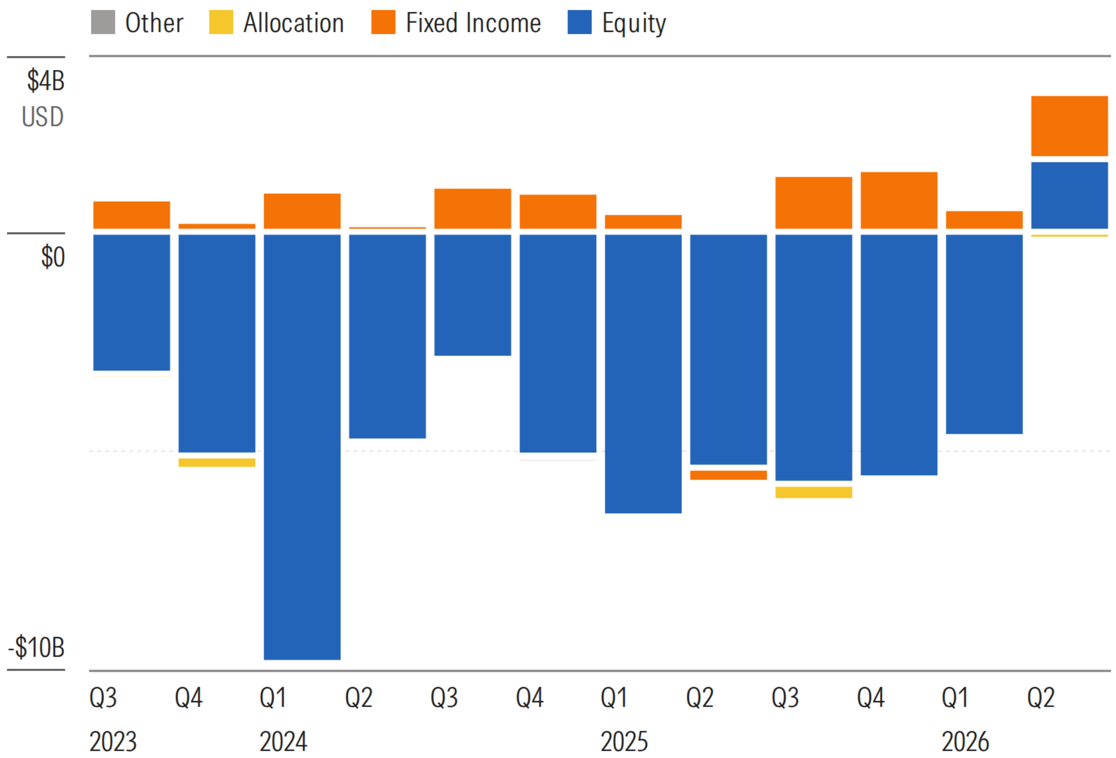


Exhibit 16 US Sustainable Fund Flows by Asset Class



Source: Morningstar Direct. Data as of June 30, 2026. Flows and assets exclude funds of funds.

Clean Energy for AI Powers Inflows

First Trust Nasdaq Clean Edge Smart Grid Infrastructure recorded its fourth consecutive quarter of inflows, attracting USD 3.1 billion in the second quarter of 2026. Investor demand continued to reflect interest in energy transition infrastructure and technologies supporting rising power usage from AI and data centers.

Exhibit 17 Top US Fund Flows in Q2 2026

Rank	Fund Name	Net Flows (USD Million)
1	First Trust NASDAQ Clean Edge Smart Grid Infra Index	3,096
2	Neuberger Quality Equity	1,570
3	Invesco MSCI North America Climate ETF	736
4	Nuveen Core Impact Bond	579
5	iShares ESG Aware MSCI USA ETF	561
6	iShares Global Clean Energy ETF	514
7	iShares ESG Aware MSCI USA Small-Cap ETF	362
8	iShares ESG Advanced MSCI EAFE Index ETF	300
9	iShares ESG Aware MSCI EAFE ETF	238
10	iShares ESG U.S. Aggregate Bond ETF	232

Parnassus Core Equity recorded the largest sustainable fund outflows in the second quarter of 2026, with USD 1.9 billion in redemptions. Continued outflows have contributed to a cumulative USD 14.3 billion in net outflows since the end of 2018, causing the fund to lose its position as the largest sustainable US fund and rank second by assets.

Exhibit 18 Bottom 10 US Sustainable Fund Flows in Q2 2026

Rank	Fund Name	Net Flows (USD Million)
1	Parnassus Core Equity	−1,938
2	Brown Advisory Sustainable Growth	−875
3	Calvert Small-Cap	−422
4	Calvert Equity	−420
5	Nuveen Large Cap Responsible Equity	−339
6	American Century Large Cap Equity	−261
7	Impax Large Cap	−259
8	iShares ESG Aware MSCI EM ETF	−217
9	Putnam Sustainable Leaders	−192
10	Nuveen ESG Large-Cap Growth ETF	−189

Source: Morningstar Direct. Data as of June 30, 2026.

Sustainable Fund Assets Rise as Equity Strategies Continue to Dominate

US sustainable fund assets rose to nearly USD 398 billion at the end of June. This represented a new high-water mark for the category and a 13% increase from the USD 350 billion recorded at the end of March, supported by positive market performance and renewed investor demand.

Equity continued to dominate sustainable fund assets in the second quarter of 2026, accounting for 85% of total assets. Fixed income represented 14%, while allocation and other funds accounted for approximately 1% and less than 0.2%, respectively.

Exhibit 19 US Sustainable Fund Assets

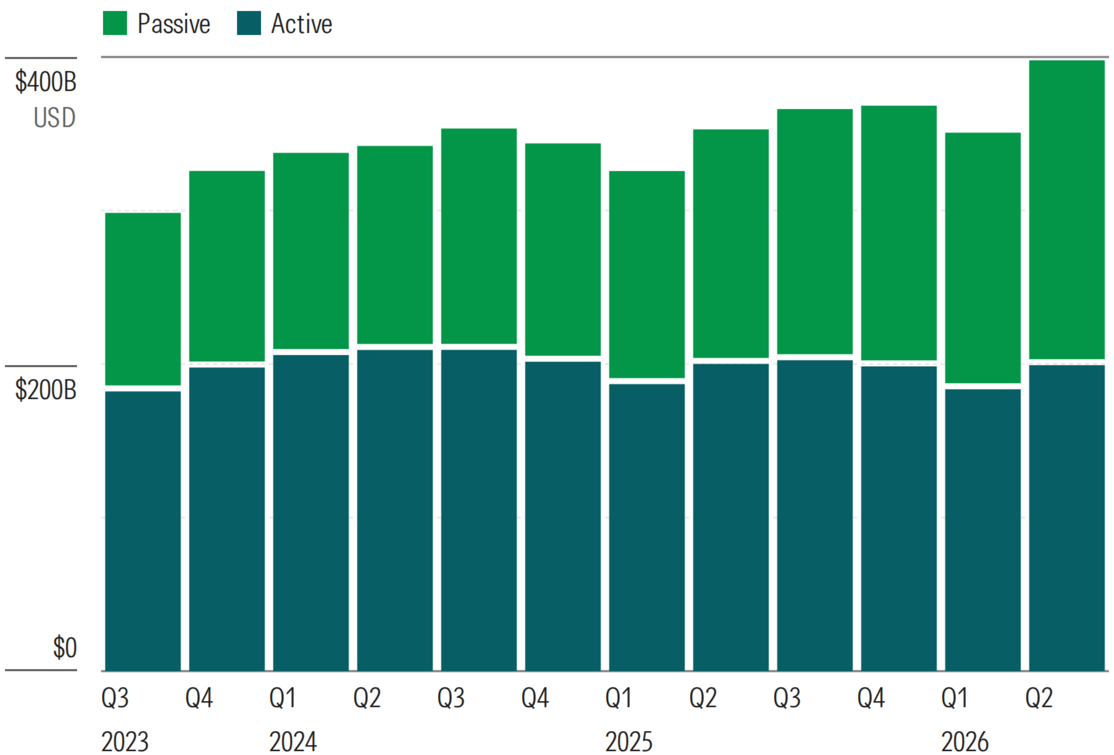
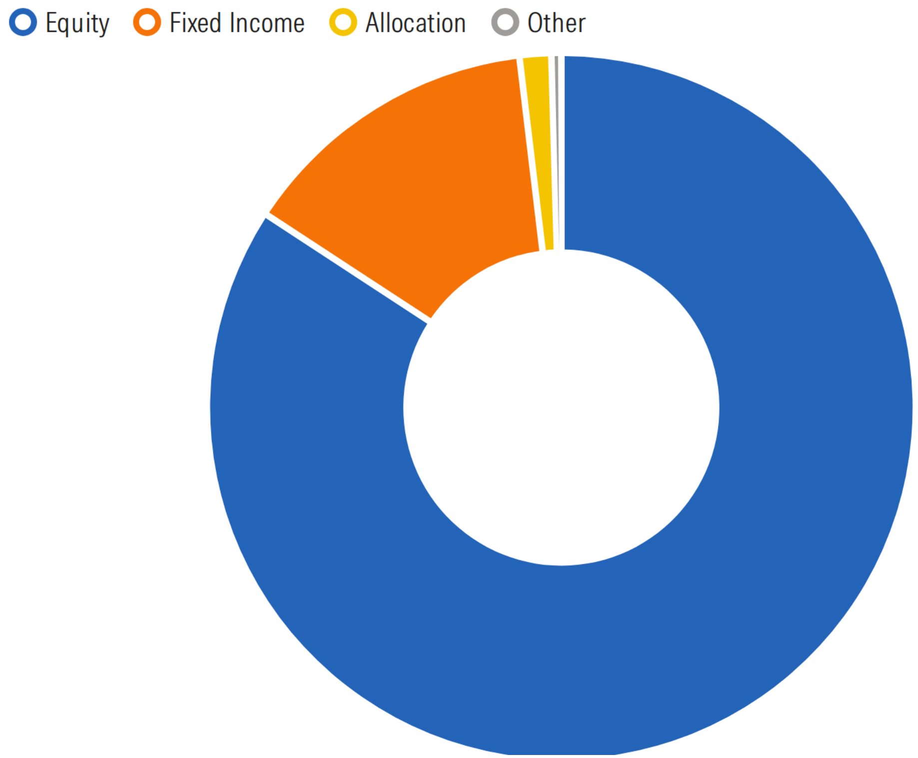


Exhibit 20 US Sustainable Fund Asset Breakdown



Source: Morningstar Direct. Data as of June 30, 2026. Flows and assets exclude funds of funds.

US Sustainable Manager Rankings Largely Unchanged

There was little movement in the leaderboard of US sustainable fund managers, with BlackRock (including iShares), Vanguard, and Morgan Stanley (including Calvert and Eaton Vance) retaining their positions as the top three. Their respective sustainable fund assets under management increased to USD 76.1 billion, USD 50.7 billion, and USD 36.6 billion. The remainder of the top 10 also remained largely unchanged, with Parnassus and Nuveen rounding out the top five.

Exhibit 21 Largest Managers by Sustainable Fund Assets in the US

Overall – Firm	Overall - AUM (USD Bn)	Active - Firm	Active - AUM (USD Bn)	Passive - Firm	Passive - AUM (USD Bn)
BlackRock (incl. iShares)	$76.1	Parnassus	$33.2	BlackRock (incl. iShares)	$73.1
Vanguard	$50.7	Morgan Stanley (incl. Calvert, Eaton Vance)	$22.7	Vanguard	$48.7
Morgan Stanley (incl. Calvert, Eaton Vance)	$36.6	Dimensional	$20.4	First Trust	$15.1
Parnassus	$33.2	Nuveen	$18.1	Morgan Stanley (incl. Calvert, Eaton Vance)	$14.0
Dimensional	$26.9	Victory Capital	$14.3	Invesco	$9.1
Nuveen	$20.4	Impax	$8.3	Nuveen	$8.8
First Trust	$15.2	Eventide	$7.8	DWS (incl. Xtrackers)	$7.9
Victory Capital	$14.3	Franklin Templeton	$7.2	Fidelity	$7.5
Fidelity	$11.4	Brown Advisory	$6.4	Everence	$2.3
Invesco	$11.2	Neuberger	$5.9	Northern Trust	$2.2

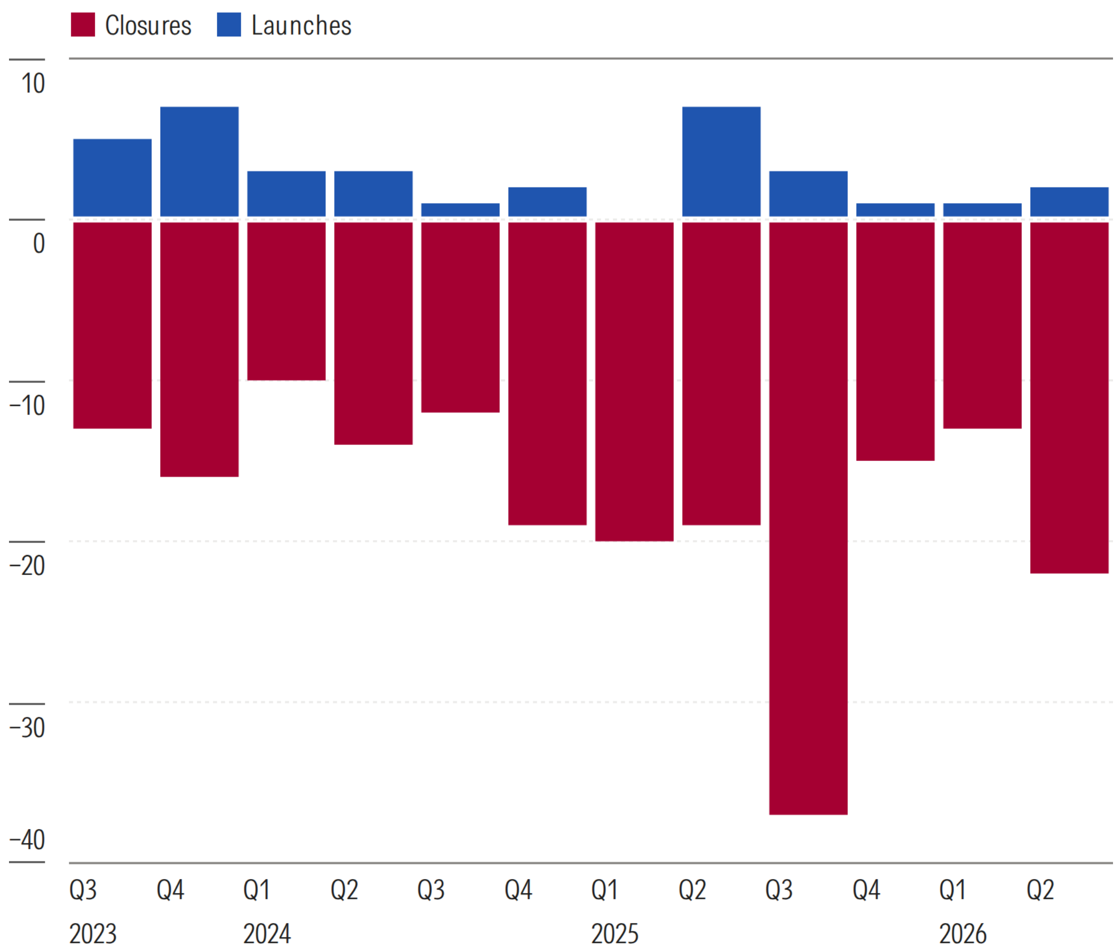
Source: Morningstar Direct. Data as of June 30, 2026. Flows and assets exclude funds of funds.

Fund Closures Continue, While Launches Are Muted

The second quarter of 2026 saw three new sustainable fund launches in the US: Praxis Impact International ETF, Defiance Autism Impact ETF, and 7RCC Spot Bitcoin and Carbon Credit Futures ETF. Meanwhile, 22 sustainable funds closed during the second quarter, up from 13 in the first quarter, reflecting continued consolidation across the sustainable fund universe as asset managers adjust their product lineups.

The four largest sustainable fund closures in the second quarter of 2026 held a combined USD 156 million in assets prior to liquidation or merger. These included Neuberger Municipal Impact (USD 76.8 million), Putnam ESG Ultra Short ETF (USD 36.5 million), JNL/AB Sustainable Global Thematic (USD 26.5 million), and Calvert Global Small-Cap Equity (USD 16.2 million).

Exhibit 22 US Sustainable Fund Launches and Closures



Regulatory Update

Regulatory uncertainty continued to shape the US sustainable investing landscape during the second quarter of 2026. In May, the SEC proposed rescinding its 2024 climate-related disclosure rule; if finalized, this would remove the climate-specific reporting framework before it takes effect and leave companies subject to existing principles-based disclosure requirements.

In April, the DOL issued guidance stating that proxy advisory firms could be investment advice fiduciaries under Erisa. This comes after President Donald Trump's Executive Order 14366 directed the SEC, FTC, and DOL to examine the practices around proxy advisory firms within their regulatory perimeters. Plan sponsors may utilize the services of proxy advisory firms when managing the shareholder rights, including advice on how to vote shares held by the plan. This guidance emphasizes the duties of prudence and loyalty that underpin Erisa fiduciary duties, highlighting the relevance of these for any advice provided by proxy advisory firms. For plan sponsors, the guidance underscores the duty to monitor their appointed plan fiduciaries and service providers.

While legal proceedings surrounding California's SB 253 and SB 261 are ongoing, the relevant regulatory authority of the California Air Resources Board published a bulletin in late June regarding the deadline for the first greenhouse gas emissions reporting that is required by SB 253. Originally due by Aug. 10, the bulletin explains that CARB will be proposing limited changes to the reporting regulations. Recognizing that this may delay finalizing the package, it will simultaneously propose a three-month deferral in the reporting deadline, moving the deadline to Nov. 10.

Canada

Canadian Sustainable Fund Flows Turn Negative in the Second Quarter

Canadian sustainable funds recorded USD 481 million in net outflows in the second quarter, reversing USD 443 million in first-quarter inflows. Active funds drove the decline, while passive strategies attracted USD 534 million in net new money.

Net outflows spanned all major asset classes, led by equity funds, which shed USD 305 million. Fixed-income funds saw USD 127 million in net withdrawals, marking their first quarter of outflows since 2022.

Exhibit 23 Canadian Sustainable Fund Flows by Investment Style

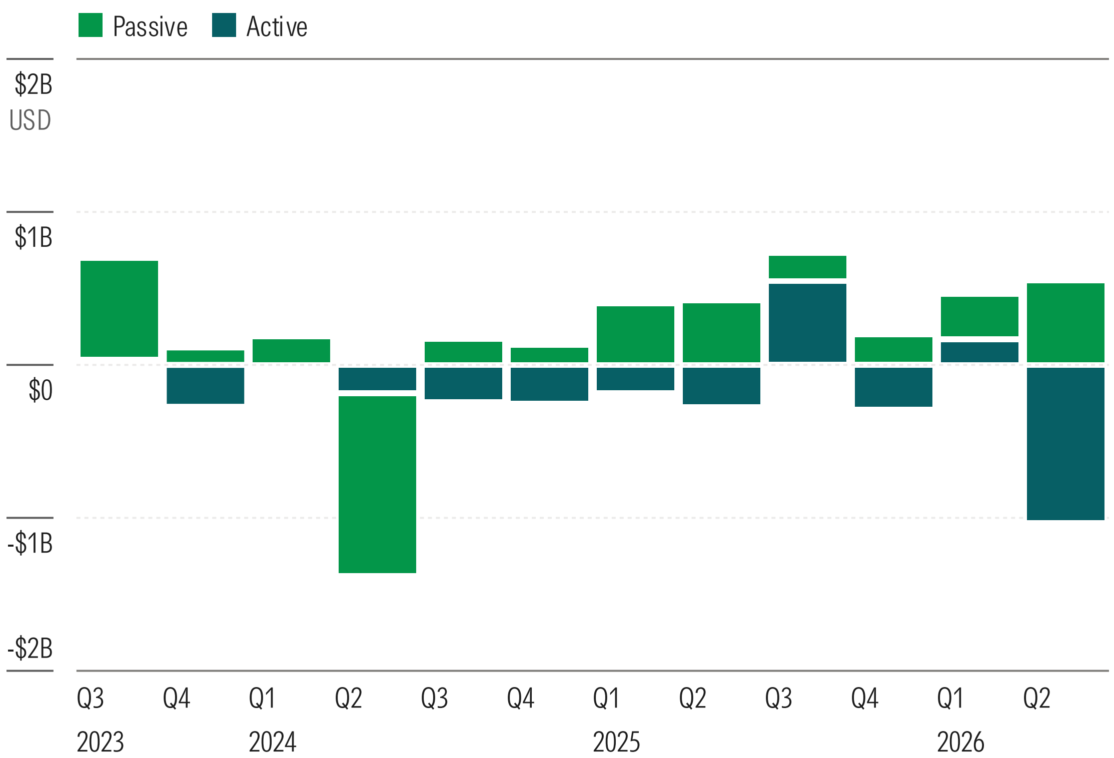
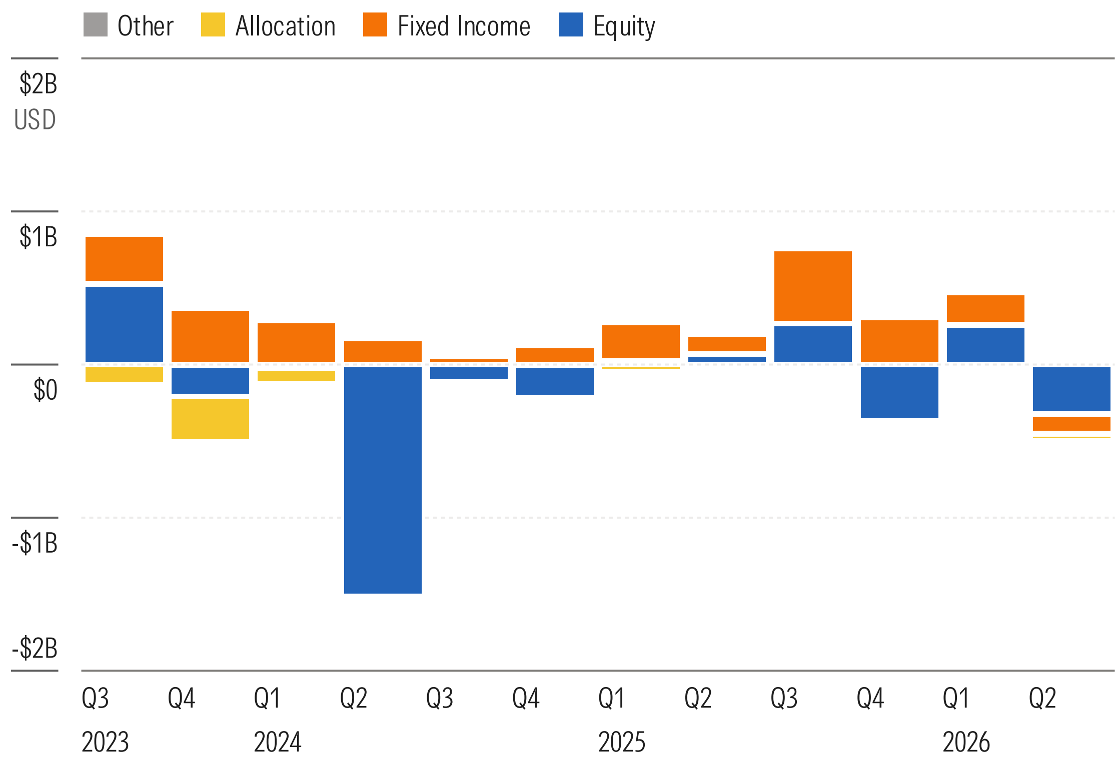


Exhibit 24 Canadian Sustainable Fund Flows by Asset Class



Source: Morningstar Direct. Data as of June 30, 2026.

Canada Sees No New Sustainable Fund Launches for Second Consecutive Quarter

Canadian sustainable fund assets rose 2.8% in the second quarter to USD 43.4 billion, as market appreciation offset net redemptions. The increase trailed the broader Canadian equity market, which gained 6.7% over the same period.

Product development remained stalled for a second consecutive quarter, with no new sustainable fund launches. Three funds were obsoleted during the period, including two closures and one merger.

Exhibit 25 Canadian Sustainable Fund Assets

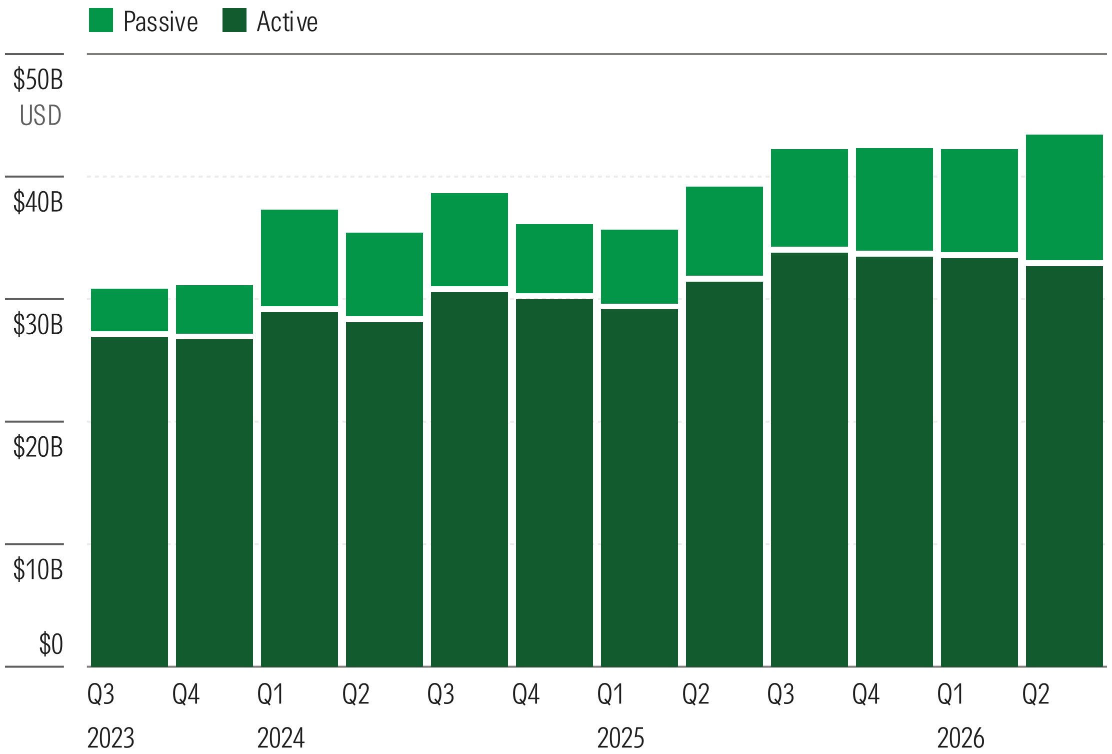
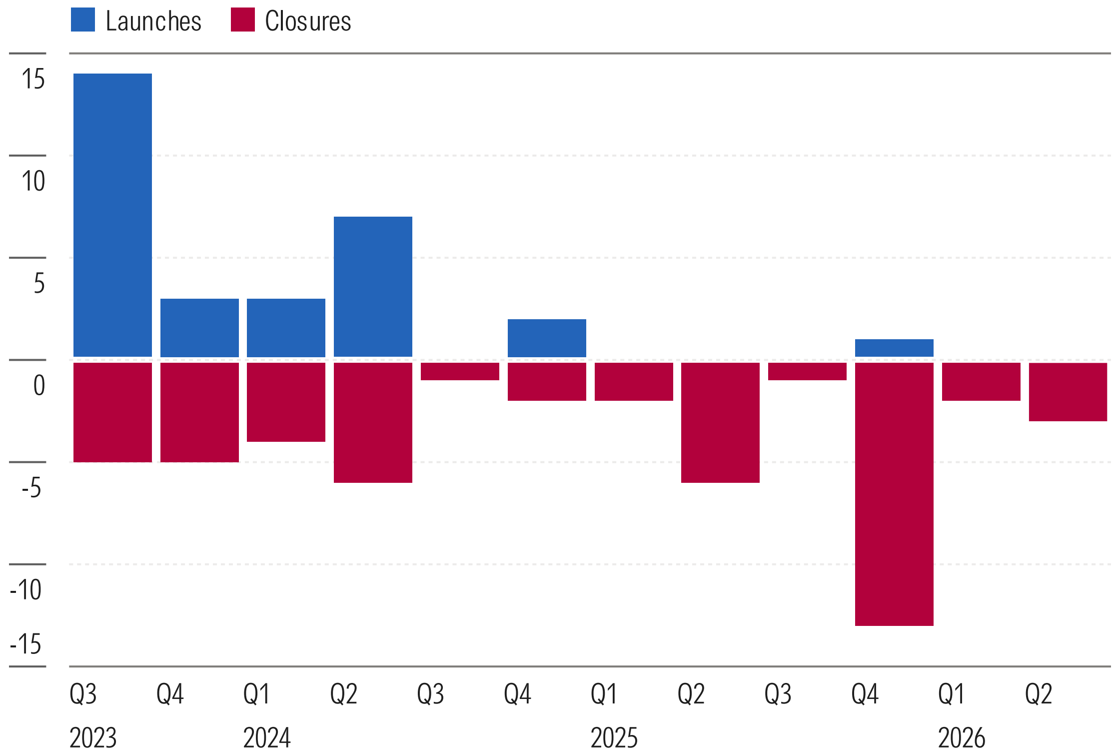


Exhibit 26 Canadian Sustainable Fund Launches and Closures



Source: Morningstar Direct. Data as of June 30, 2026. Canadian equity market return as measured by the Morningstar Canada Target Market Exposure Index.

Passive Invesco ETF Lifts CI Investments to Top of Firm Inflows

Invesco S&P 500 ESG Index ETF topped sustainable fund inflows in the second quarter, gathering USD 335.9 million. The fund's momentum pushed CI Investments to the top of provider inflows following its 2026 acquisition of Invesco's Canadian fund business.

Exhibit 27 Top 10 Canadian Sustainable Funds by Quarterly Flows

Fund	Net Flows (USD Million)
Invesco S&P 500 ESG Index ETF	336
NEI Emerging Markets Fund	263
NEI Canadian Bond Fund	166
NEI ESG Canadian Enhanced Index Fund	164
NEI US Equity RS Fund	118
CI Global Climate Leaders Fund	96
Invesco ESG NASDAQ 100 Index ETF	52
NBI Sustainable Canadian Equity Fund	51
Mackenzie Greenchip Global Environmental All Cap Fund	38
Desjardins RI Dev ex-USA ex-Canada Net-Zero Emissions Pathway ETF	29

Exhibit 28 Top 10 Firms by Quarterly Canadian Sustainable Fund Flows

Firm	Net Flows (USD Million)
CI Investments	483
National Bank (Canada)	80
Mackenzie	69
Fidelity International	19
Portland Investment Counsel	2
Value Partners Investment	2
PIMCO	1
IG Wealth Management	1
First Trust	1
Harvest Portfolios	1

Source: Morningstar Direct. Data as of June 30, 2026.

NEI Leads Provider Outflows as Several Strategies Shed Assets

Northwest & Ethical Investments led provider outflows during the quarter, with USD 407 million in net redemptions. Several strategies contributed to the decline, including NEI Global Equity RS, subadvised by Federated Hermes, which shed USD 333 million, followed by NEI Global Total Return Bond and NEI Canadian Small Cap Equity RS, with outflows of USD 166 million and USD 138 million, respectively.

Exhibit 29 Bottom 10 Canadian Sustainable Funds by Quarterly Flows

Fund	Net Flows (USD Million)
NEI Global Equity RS Fund	-333
NEI Global Total Return Bond Fund	-166
NEI Canadian Small Cap Equity RS Fund	-138
NEI Environmental Leaders Fund	-115
Sun Life Acadian International Equity Fund	-112
NEI Global Dividend RS Fund	-98
RBC Vision Global Equity Fund	-83
NEI Global Equity Pool	-76
NEI Global Value Fund	-64
Desjardins Sustainable Canadian Bond Fund	-54

Exhibit 30 Bottom 10 Firms by Quarterly Canadian Sustainable Fund Flows

Firm	Net Flows (USD Million)
NEI Investments	-407
Desjardins	-220
IA Clarington	-114
Sun Life	-113
RBC	-89
RGP	-55
BMO	-41
Brandes	-29
Franklin Templeton	-22
BlackRock	-10

Source: Morningstar Direct. Data as of June 30, 2026.

NEI Maintains Sustainable Fund Assets Lead Despite Quarterly Outflows

NEI remained Canada's largest sustainable fund manager, with USD 9.1 billion in assets at quarter-end. NEI has led the market since at least 2019, when Morningstar began tracking Canadian sustainable fund assets. Its position is driven mainly by active funds, while BlackRock dominates passive strategies with USD 5.3 billion in assets, nearly 3 times the size of the next-largest passive manager.

Exhibit 31 Top Canadian Firms by Sustainable Fund Assets

Overall – Firm	Total AUM (USD Million)	Actively Managed – Firm	Active AUM (USD Million)	Passively Managed – Firm	Passive AUM (USD Million)
NEI Investments	9,152	NEI Investments	8,566	BlackRock	5,304
National Bank (Canada)	5,773	National Bank (Canada)	5,773	CI Investments	1,831
Desjardins	5,723	Desjardins	5,496	Mackenzie	1,630
BlackRock	5,304	Mackenzie	3,045	BMO	744
Mackenzie	4,675	RBC	2,092	NEI Investments	586
CI Investments	2,318	Sun Life	1,558	Scotia	313
RBC	2,092	Fidelity International	1,094	Desjardins	227
Sun Life	1,558	Franklin Templeton	1,064	Global X	71
Fidelity International	1,094	IA Clarington	858	Evolve Funds	14
BMO	1,089	CI Investments	487	First Trust	6

Source: Morningstar Direct. Data as of June 30, 2026.

Regulatory Update

Changes to the Competition Act's environmental-claims provisions took effect on March 26, following Royal Assent of the *Budget 2025 Implementation Act, No. 1*. The amendments removed the requirement that environmental claims be substantiated using an internationally recognized methodology. The change was intended, in part, to address concerns that some companies had curtailed environmental disclosures because of the stringent requirements of internationally recognized methodologies. As a result, the amendments may encourage broader reporting of environmental indicators, including greenhouse gas emissions and other sustainability-related metrics.

In June 2026, the Government of Canada announced CAD 10 million in funding over five years to support the continued operations of the International Sustainability Standards Board's Montréal office. The ISSB develops global standards for sustainability-related disclosures.

The Ontario Securities Commission continued its enforcement action against Purpose Investments over allegedly misleading ESG-related sales communications tied to the integration of ESG factors in purpose-managed funds. The case, filed in September 2025, advanced during the quarter, with a merits hearing beginning in May and a Tribunal decision on a recusal motion issued on June 4. The allegations remain unproven and are being contested.

Australia/New Zealand

Australasian Sustainable Funds Slip Back Into Outflows

Based on data available through May 2026 (second quarter 2026 to date), the Australasian sustainable funds universe (Australia/New Zealand) saw net outflows of almost USD 120 million. This broke the streak over the prior three quarters of net positive inflows overall. Active funds were the casualties of negative net outflows, while passive funds continued to gain net inflows.

Based on data available through May 2026, flows in Australasia were positive across two of the four major asset-class categories. Equity funds led the way with net inflows of around USD 45 million, followed by allocation funds with approximately USD 40 million. Fixed-income and miscellaneous (including real assets) funds saw net outflows of USD 125 million and USD 80 million, respectively.

Exhibit 32 Australia/New Zealand Sustainable Fund Flows by Investment Style
USD Million

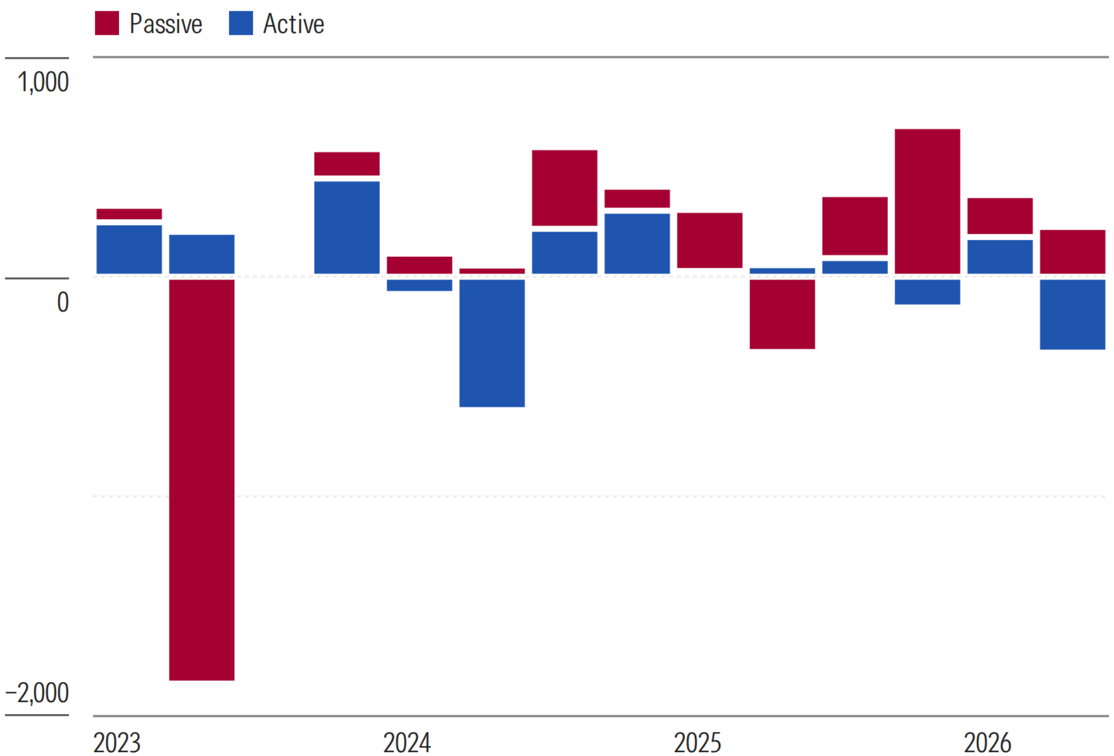
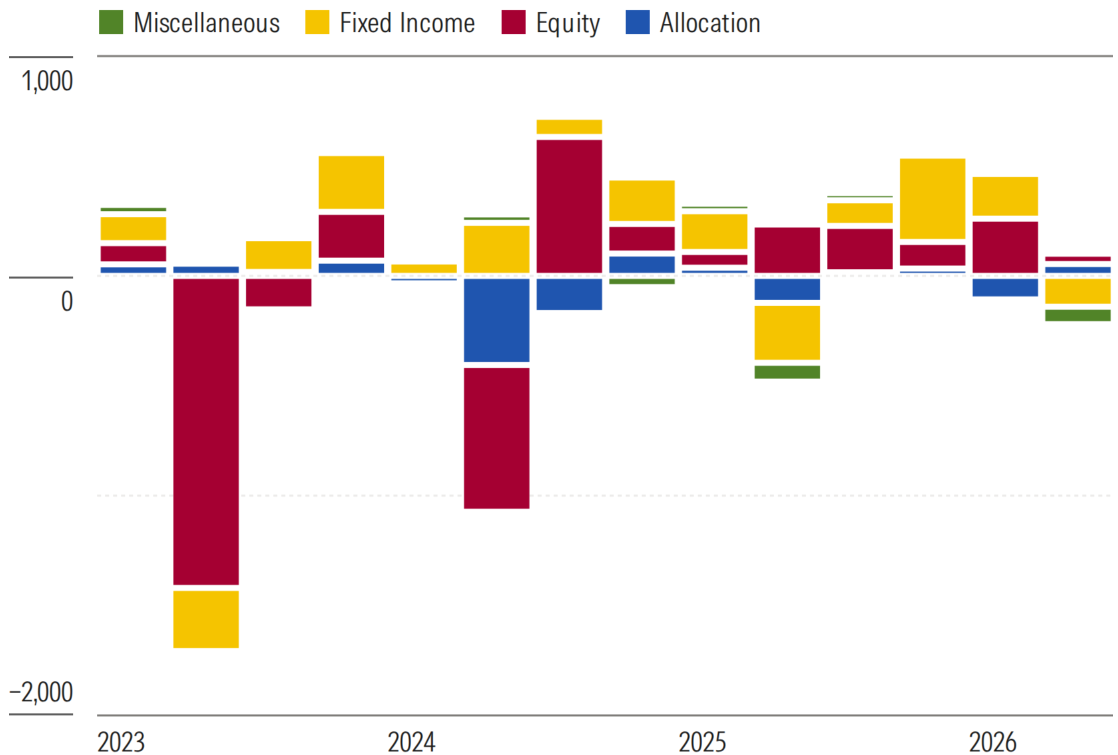


Exhibit 33 Australia/New Zealand Sustainable Fund Flows by Asset Class
USD Million



Australasian Sustainable Funds Surpass USD 40 billion in Assets

Australasian sustainable investments are estimated at nearly USD 40.2 billion as of May 31, 2026, roughly USD 3 billion higher than March 31, 2026. This jump in assets is consistent with market performances, with the Morningstar AUS Growth Allocation Index benchmark delivering 11.6% in USD terms to May 31, 2026.

On a quarter-to-date basis to May 31, 2026, one New Zealand strategy closed and there were no new launches across Australasia. Harbour Sustainable Impact was closed after failing to achieve scale and viability after running for over four years.

Exhibit 34 Australia/New Zealand Sustainable Fund Assets
USD Million

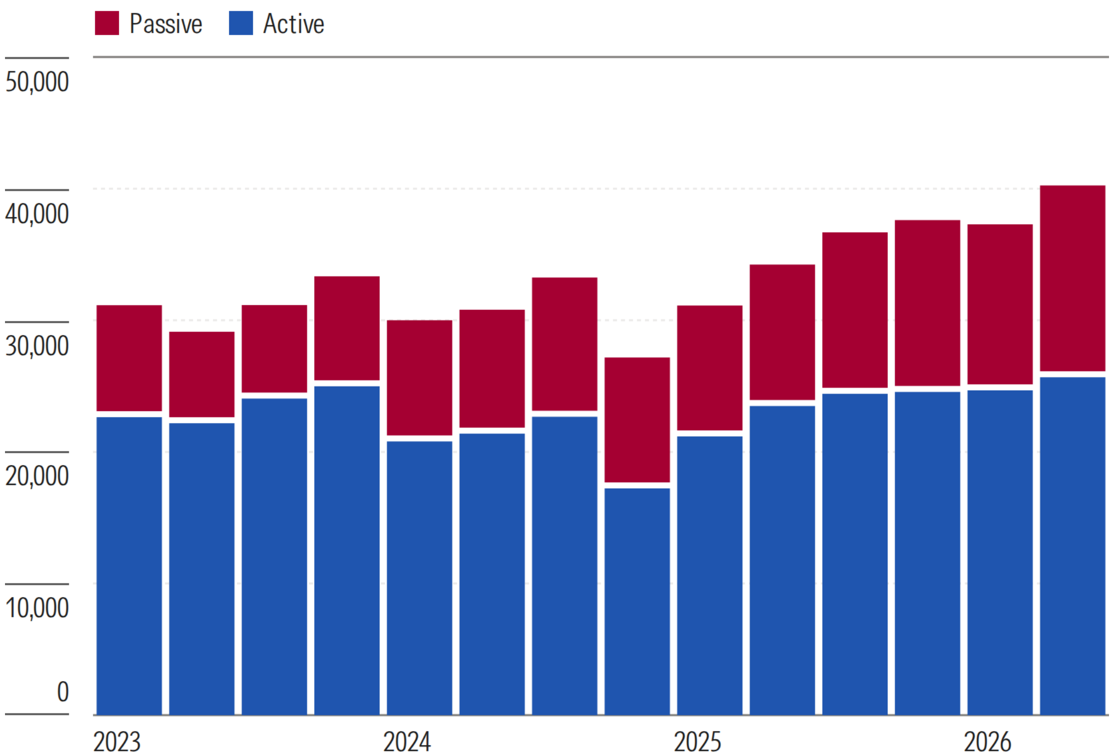
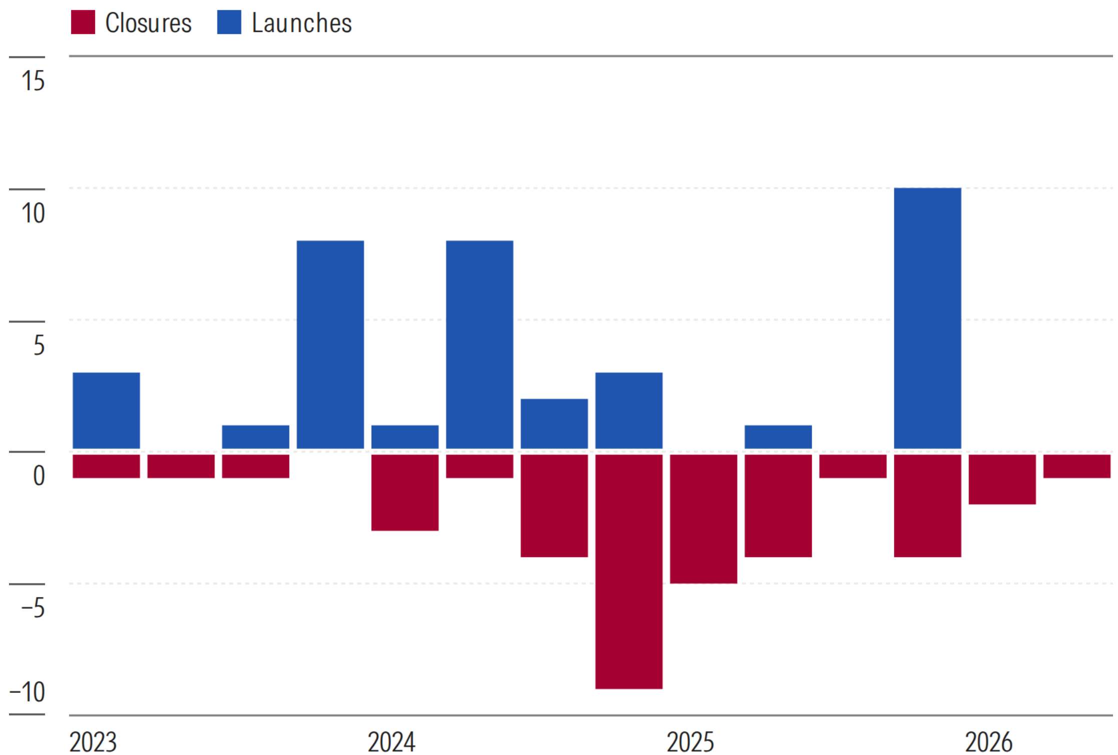


Exhibit 35 Australia/New Zealand Sustainable Funds' Launches and Closures



Source: Morningstar Direct. Data as of May 31, 2026. Second-quarter 2026 data includes April and May only.

Top 10 Firms by Total Assets in Sustainable Funds

The top 10 fund houses by sustainable fund assets (USD) split by active and passive are listed below, based on available data as of May 31, 2026. The Australasian sustainable funds market remains quite concentrated, with the top 10 firms accounting for approximately 71.8% of total assets in sustainable funds. The Australasian sustainable funds universe remains highly segmented, with Dimensional dominating active sustainable assets and ETF providers Betashares, Vanguard, and iShares leading the passive market.

Exhibit 36 Australia/New Zealand Assets by Firm and Investment Type
USD Million

Overall – Firm	Total AUM (USD Mn)	Actively Managed – Firm	Active AUM (USD Mn)	Passively Managed – Firm	Passive AUM (USD Mn)
Dimensional	8,106.6	Dimensional	8,106.6	Betashares	4,570.7
Betashares	4,570.7	Russell	2,444.4	Vanguard	3,340.7
Vanguard	3,340.7	Pendal	1,817.3	Blackrock (iShares)	3,142.9
Blackrock (iShares)	3,142.9	Australian Ethical	1,780.0	State Street	1,783.4
Russell	2,444.4	Alphinity	970.6	Kernel	792.4
Pendal	1,817.3	U Ethical	917.8	VanEck	581.3
State Street	1,783.4	Mercer	813.5	Smartshares	362.9
Australian Ethical	1,780.0	Perpetual	804.2	Global X ETFs	50.5
Alphinity	970.6	Acadian	509.9		0.0
U Ethical	917.8	Consilium NZ	490.0		0.0

Source: Morningstar Direct. Data as of May 31, 2026.

Regulatory Update

In Australia, progress continues toward a sustainable investment product labeling regime, with Treasury completing its consultations on a claims-based framework focused on retail products marketed as sustainable.

Australia's mandatory sustainability reporting regime has entered its first implementation phase, with ASIC issuing early observations and maintaining a strong focus on greenwashing enforcement. The first phase of the regime began in 2025 with Group 1 companies, those meeting at least two out of three criteria for having over AUD 500 million in revenue, over AUD 1 billion in consolidated assets, or over 500 employees, required to make AASB S2-compliant climate-related financial disclosures for financial years starting in 2025. As companies have begun publishing these reports in 2026, ASIC's review focused on whether users are receiving high-quality and decision-useful information. While they observed improvements in the quantity, consistency, and comparability of information, they identified a few areas where the quality could be strengthened. These included disclaimers that may confuse or mislead users; the need to provide clear, effective, and proximate disclosure of relevant judgments, assumptions, and areas of measurement uncertainty; and the fact that additional climate-related information must not obscure material climate-related information. These observations are timely, with Group 2 companies, those meeting at least two out of three of having over AUD 200 million in revenue, over AUD 500 million in assets, or over 250 employees, subject to the regime for financial years starting on or after July 1, 2026.

In New Zealand, the regulatory framework remains disclosure-led rather than label-based. The Financial Markets Authority issued updated sustainability disclosure guidance in May 2026, reinforcing expectations that sustainability claims be clear, substantiated, and consistent, while broader climate-reporting reforms proposed in 2025 remain under legislative consideration.

In addition, the FMA published a report sharing insights from a review of climate statements as well. The 62 statements considered in the report are part of the second year of New Zealand's climate-related disclosure regime. The FMA found positive progress in many areas, including clearer report structures, higher-quality greenhouse gas emissions disclosures, and better articulation of the governance and risk management processes. However, the FMA also noted that improvements were still needed in areas such as explanations of inconsistencies between reporting periods, disclosure of the extent to which targets rely on offsets, and climate-related physical risk disclosures.

Japan

Outflows Persist

In the second quarter of 2026, Japanese sustainable funds recorded a 16th consecutive quarter of net outflows, totaling USD 235 million in net redemptions. The pace of redemptions was broadly unchanged from the first quarter. This stood in sharp contrast to the broader Japanese fund market, which attracted USD 35 billion of net inflows over the same period.

Actively managed sustainable funds extended their streak of net redemptions into a 17th consecutive quarter, with redemptions totaling USD 319 million in the second quarter. Although passively managed sustainable funds continued to gather assets, inflows fell to roughly half the first-quarter level and were not enough to offset active fund outflows.

Exhibit 37 Japan Sustainable Fund Flows by Asset Class
USD Billion

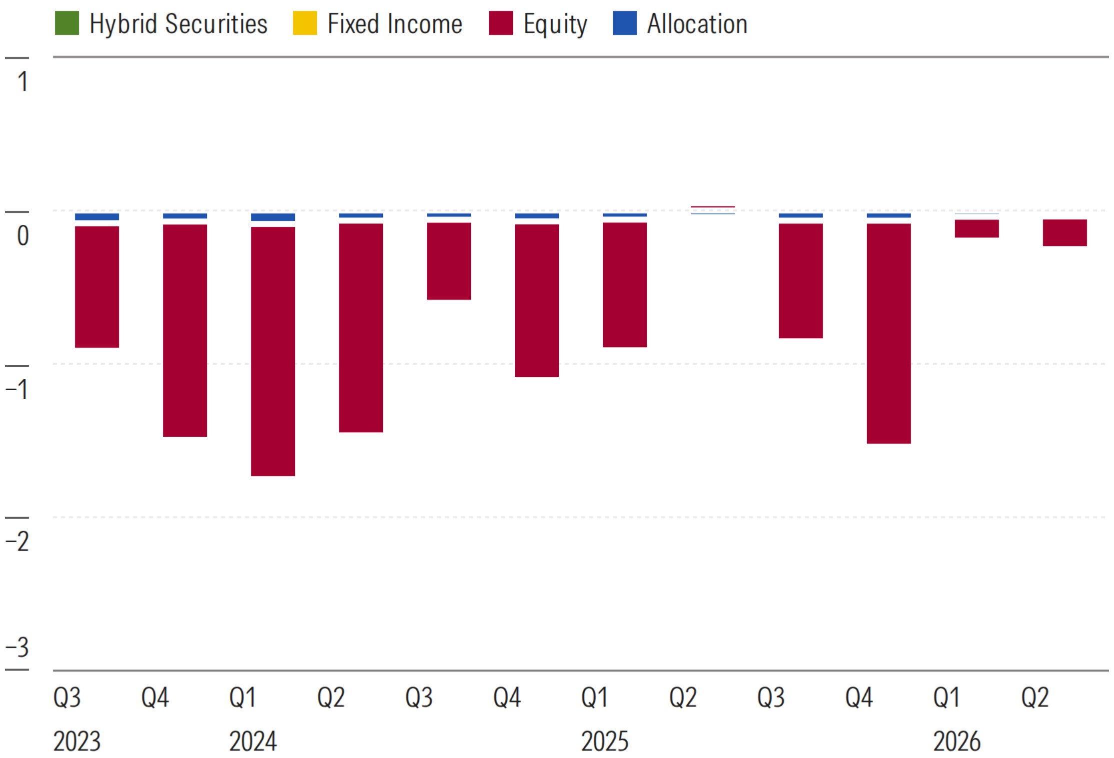
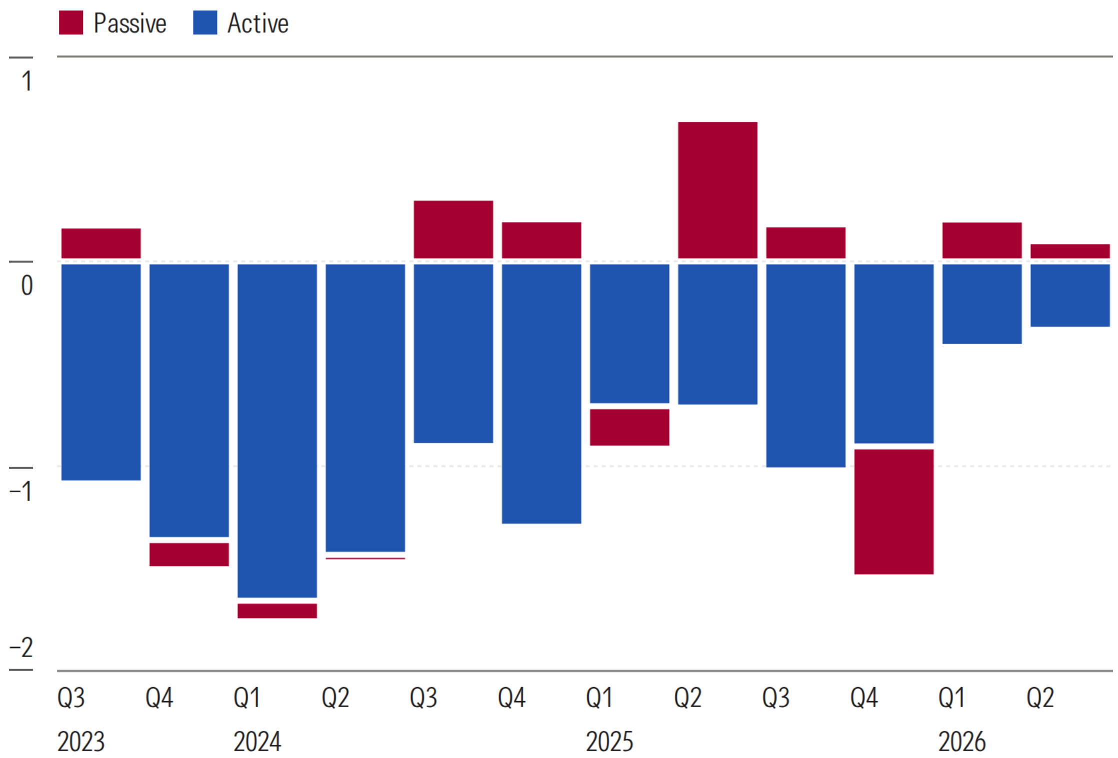


Exhibit 38 Japan Sustainable Fund Flows by Investment Style
USD Billion



Source: Morningstar Direct. Data as of June 30, 2026. It should be noted that there is a possibility of double-counting at the global level. We include Japan-domiciled funds of funds and feeder funds in this review to better reflect the actual flow situation in the Japanese fund market, as many Japanese funds of funds are invested in European funds.

Assets Rebounded Amid Rising Markets

Total assets in Japan-domiciled sustainable funds increased by 13% quarter-on-quarter, standing at USD 22.5 billion at the end of June 2026, driven primarily by market appreciation despite continued net outflows. Over the same period, the broader Japanese equity market rose by 14.5%, measured by the Morningstar Japan PR JPY Index.

Japan recorded no new sustainable fund launches in the past three months, and none have come to market since the first quarter of 2025.

Exhibit 39 Japan Sustainable Fund Assets
USD Billion

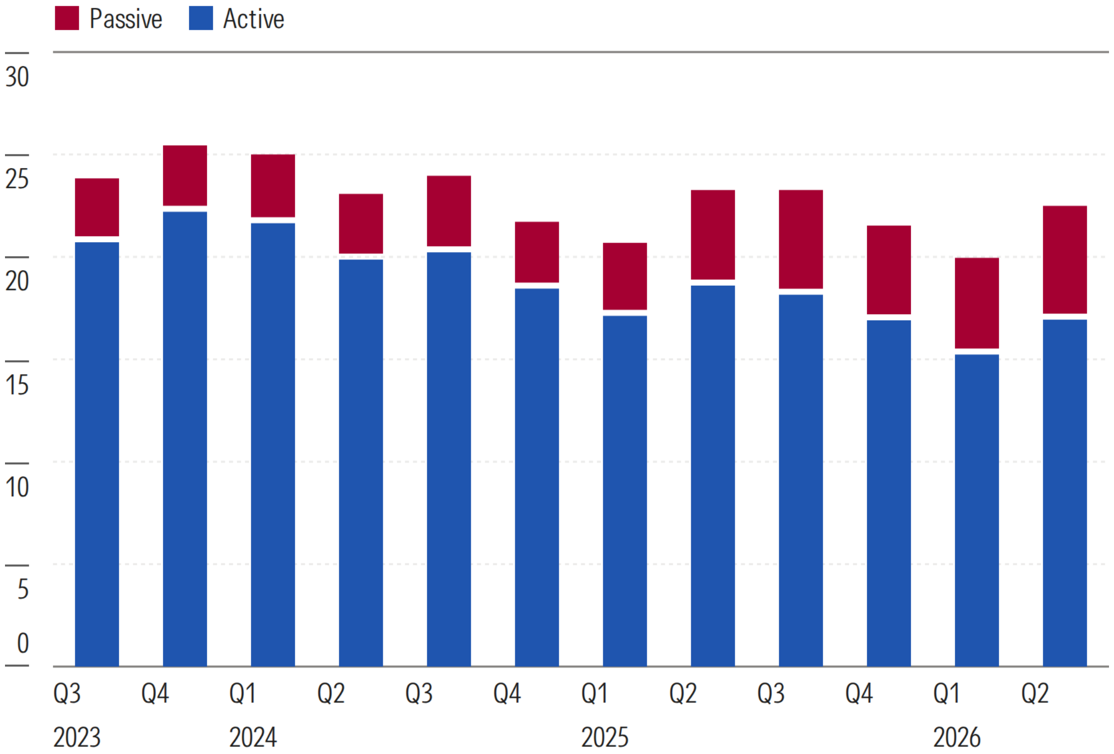
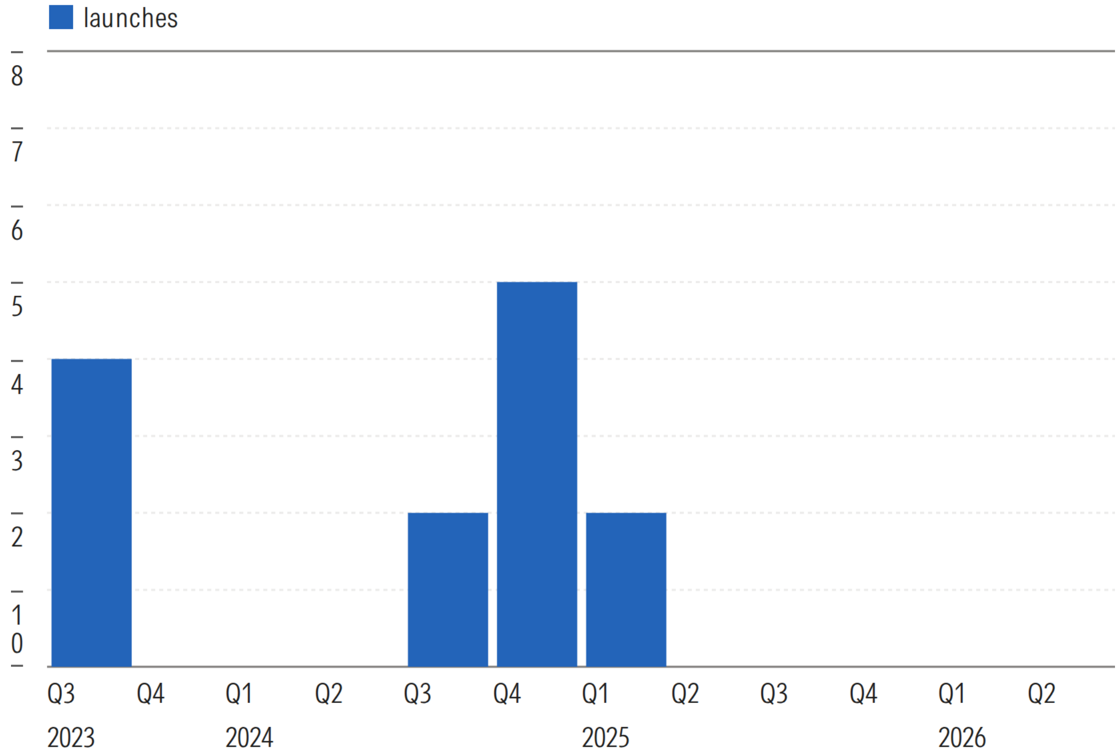


Exhibit 40 Japan Sustainable Fund Launches



Regulatory Update

On April 10, the Bill for the Act Partially Amending the Financial Instruments and Exchange Act and the Payment Services Act was submitted to the National Diet. The bill includes corporate sustainability disclosure and assurance within the scope of the proposed regulatory framework and aims to introduce mandatory disclosure based on sustainability disclosure standards, together with third-party assurance, for certain companies listed on the Prime Market. It also contemplates a registration and business-regulation framework for assurance providers to support the reliability of assurance engagements. As a result, the road map outlined in the Financial System Council Working Group report published in January, including the phased application of Sustainability Standards Board of Japan standards and the introduction of an assurance framework, has moved into a more concrete stage of legislative implementation.

Progress was also made in the design of the assurance framework. On May 25, the Corporate Accounting Council held the first meeting of its Sustainability Information Assurance Subcommittee, where members reviewed an overview of international sustainability assurance standards, received explanations from the secretariat, and held discussions. The subcommittee was established following the April 24 general meeting of the Corporate Accounting Council to examine and deliberate on the appropriate design of sustainability assurance standards that are aligned with international standards. This suggests that Japan's policy focus has shifted from mandating disclosure alone to developing the practical infrastructure required for implementation, including assurance standards, eligible assurance providers, and supervisory arrangements.

On the investor side, GPIF published a report examining the effects of passive equity investment based on ESG indexes. The report analyzed three indexes that GPIF continues to use: the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index, and the FTSE Blossom Japan Index. It assessed changes in key performance indicators, including corporate ESG ratings, price/book ratios, and equity market cap, before and after companies were included in the indexes. The analysis indicates that some ESG ratings directly used in index inclusion decisions improved ahead of the inclusion date. However, this pattern was not uniform across indexes and metrics, and whether the improvement persisted after inclusion also varied depending on the index and metric in question. The findings suggest that ESG index investment can provide companies with some incentive to improve ESG ratings, but the impact is not uniform. They also indicate that further evidence is needed to determine whether ESG index investment leads to broad-based and sustained changes in corporate behavior.

Source: Japan FSA, GPIF.

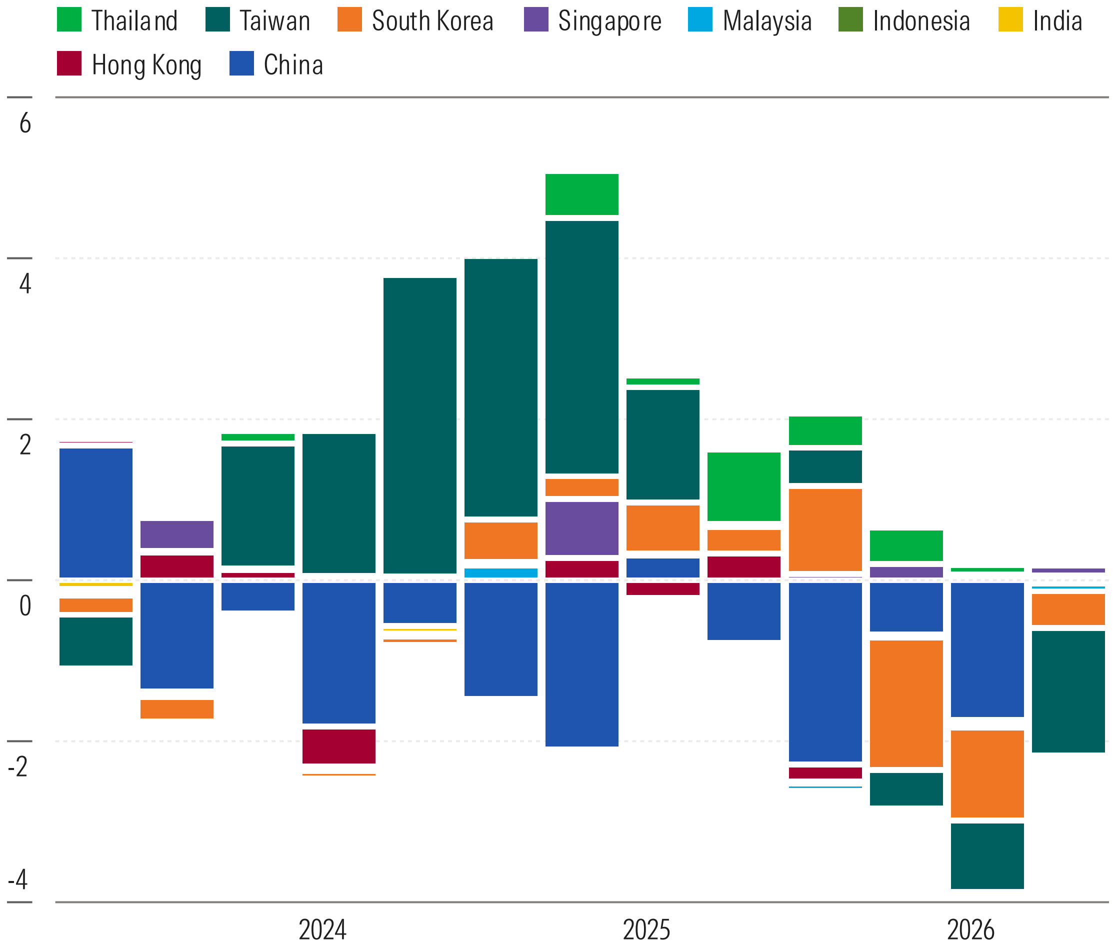
Asia ex-Japan

Outflows Driven by Taiwan

Excluding China, the region recorded USD 1.9 billion in net outflows this quarter. Taiwan led the decline, registering USD 1.6 billion in outflows, a 78% increase from the previous quarter. South Korea also contributed significant outflows, with USD 456 million in net outflows.

Taiwan's outflows were primarily driven by Taiwan's Cathay Sustainability High Dividend ETF, the largest fund in the region, which recorded an outflow of USD 1.3 billion during the quarter. This fund has now experienced four consecutive quarters of outflows, with the magnitude of redemptions increasing each quarter.

Exhibit 41 Asia ex-Japan Sustainable Fund Flows by Country
USD Billion



Source: Morningstar Direct. Data as of June 30, 2026.
China's second-quarter 2026 fund flows data was not available at the time of writing. Accordingly, China flows data is not reflected in the second-quarter 2026 data in Exhibit 41.

Outflows Persist

Across asset classes, excluding China flows data for the most recent quarter, outflows persisted in the second quarter of 2026. Equity outflows continued to be the largest among the asset classes, whereas allocation net fund flows were subdued.

For the third consecutive quarter, the region (excluding China for the most recent quarter) saw outflows across both passive and active strategies, totaling USD 2.8 billion. Reduction in active fund outflows was the key driver in the USD 873 million net reduction in outflows from the first quarter to the second.

Exhibit 42 Asia ex-Japan Sustainable Fund Flows by Asset Class
USD Billion

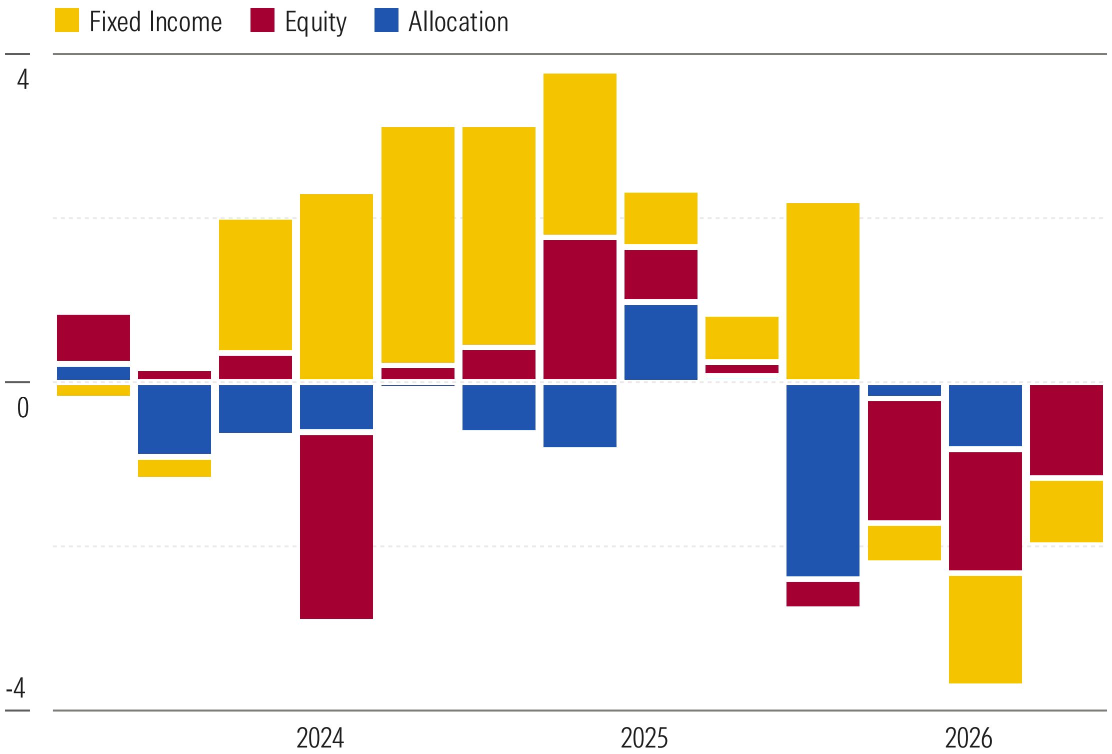
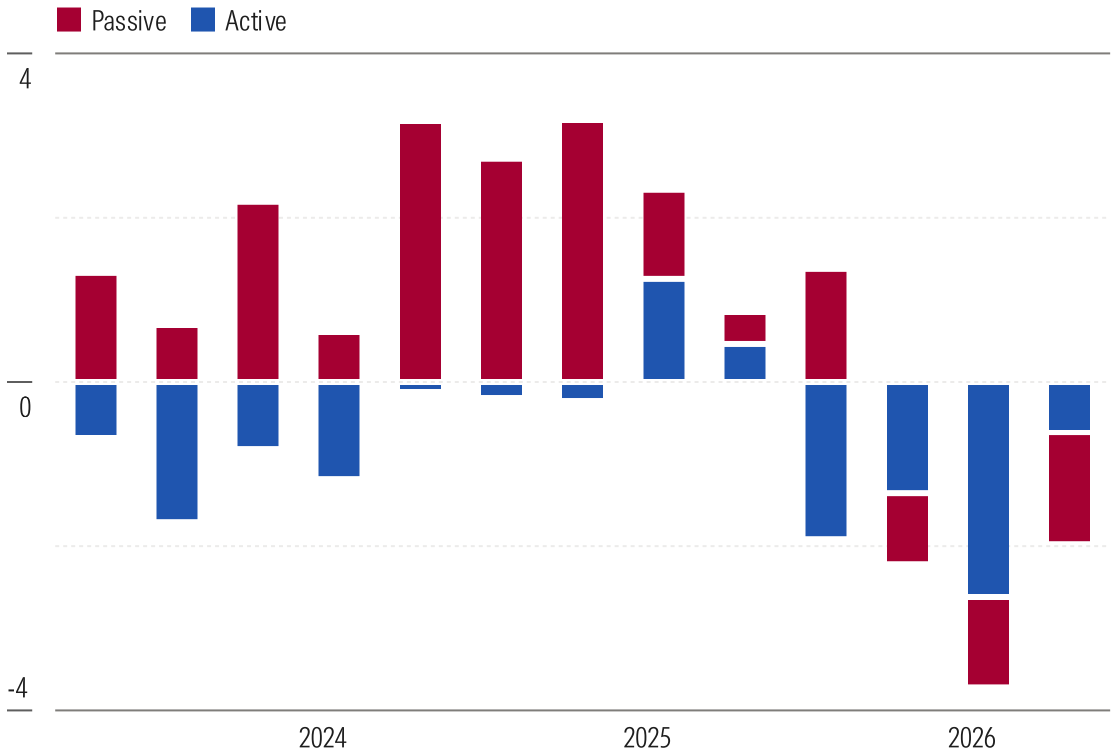


Exhibit 43 Asia ex-Japan Sustainable Fund Flows by Style
USD Billion



Source: Morningstar Direct. Data as of June 30, 2026.
China's second-quarter 2026 fund flows data was not available at the time of writing. Accordingly, China flows data is not reflected in the second-quarter 2026 data in Exhibits 42 and 43.

China Continues to Lead Fund Launches

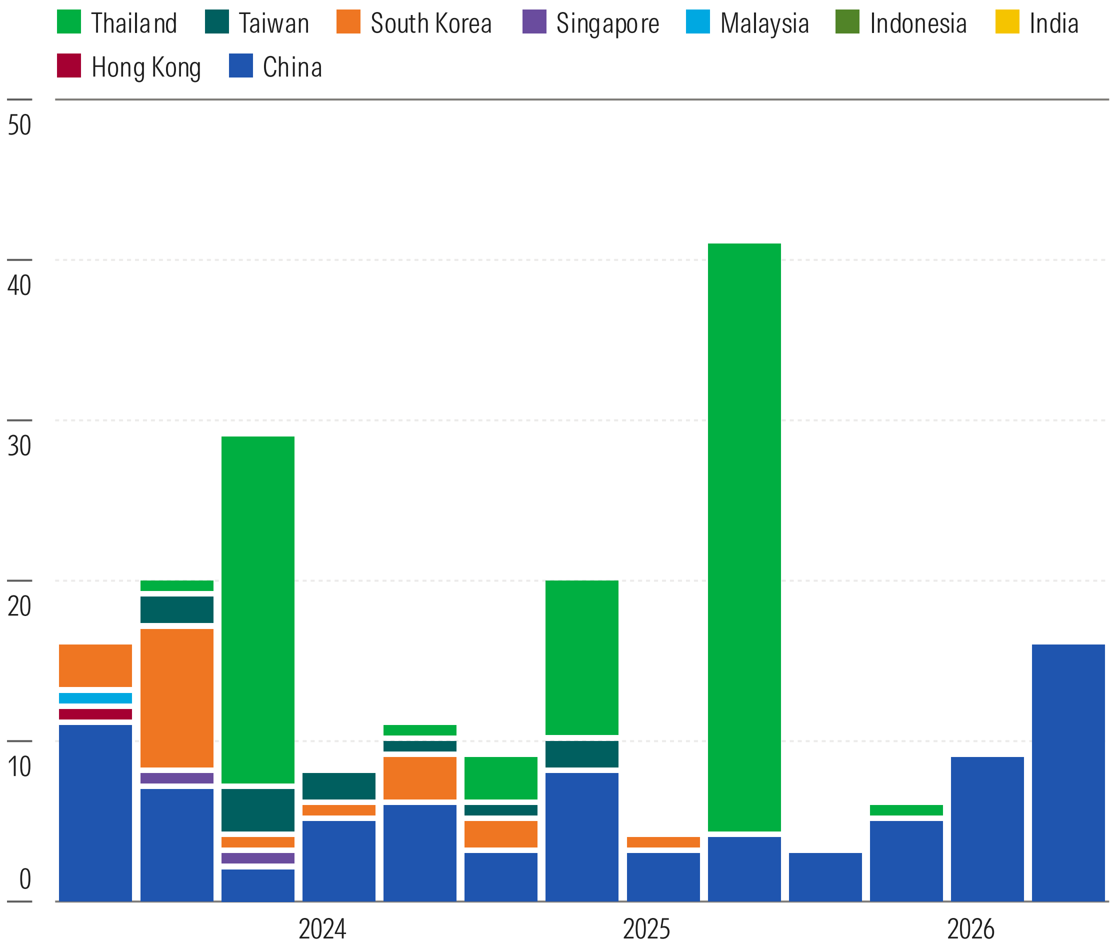
In the second quarter of 2026, 16 sustainable funds were incepted in the Asia ex-Japan region, increasing from nine launches in the first quarter. For the second consecutive quarter, China was the only country within the region to launch new funds.

Among the new products developed, six are active strategies, and the other 10 are passive products. In terms of asset class, 11 of the new funds are equity strategies, while five are allocation strategies.

In particular, a recurring theme this quarter is a focus on the battery industry. Five of the 16 new funds are explicitly tracking the CNI's New Energy Battery or NEV (New Energy Vehicle) Battery Indexes, highlighting an emphasis on China's energy storage sector.

Exhibit 44 Asia ex-Japan Sustainable Fund Launches by Country

Total Launches



Source: Morningstar Direct. Data as of June 30, 2026.

Regulatory Update

Across Asia, regulators are strengthening sustainable investment frameworks by requiring asset managers to more systematically integrate climate and sustainability considerations into investment processes, risk management, stewardship, and fund governance.

The Monetary Authority of Singapore issued new supervisory guidelines in March, setting out its expectations for asset managers to incorporate transition planning into governance, investment decision-making, portfolio management, risk assessment, engagement, and stewardship practices. The guidelines build on the existing Environmental Risk Management guidelines previously issued in 2020. MAS emphasized active engagement and stewardship, encouraging asset managers to work with investee companies on managing climate-related risks rather than relying on indiscriminate divestment from high climate-risk sectors. The guidelines are intended to enhance portfolio resilience to climate risks and will take effect from September 2027.

In June, the Asset Management Association of China introduced new rules governing sustainable investment strategies for funds. The guidelines coincide with the first mandatory sustainability reporting cycle for more than 400 major A-share listed companies, providing fund managers with more standardized ESG data for analysis. Sustainability-focused fund managers are required to establish dedicated ESG research capabilities. Funds primarily using sustainable investment strategies must align at least 80% of their noncash assets with their stated sustainability objectives. Effective from June 12, 2026, with a one-year transition period, the measures aim to improve transparency and reduce greenwashing risks among sustainability-labeled funds.

Appendix

Appendix

The global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability, impact, or ESG factors.

Our definition differs from the EU's , which defines "sustainable investments" at a holdings level. Our definition is not based on any regulatory framework, nor does it meet the criteria of any particular regulatory framework.

Our universe of sustainable funds is based on intentionality rather than on holdings. To identify intentionality, we relied on a combination of fund names (a strong indicator of intentionality) and information found in fund documents.

The fund's documents should contain enough details to leave no doubt that ESG concerns figure prominently in the security selection and portfolio construction process.

The global sustainable fund universe does not contain the growing number of funds often referred to as "ESG integrated funds," which formally consider ESG criteria in the investment process and engage with portfolio holdings but do not make ESG considerations the focus of the investment process.

Furthermore, the global sustainable fund universe does not include funds that employ limited exclusionary screens, such as controversial weapons, tobacco, and thermal coal (combined with an ESG integration approach or not).

We do, however, include ESG-screened passive funds in our universe, as the exclusions are typically the sole purpose of the strategy.

Finally, when calculating flows and assets, we exclude feeder funds and funds of funds to avoid double counting. We make an exception for Japan and South Korea to better reflect the actual flow situations there, as many Japanese funds of funds are invested in European funds. Money market funds are excluded from all markets.

To identify sustainable funds in their respective regions, analysts use the ESG Intentional Investment—Overall data point (formerly known as Sustainable Investment—Overall) in Morningstar Direct.

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22 West Washington Street
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