

# MONITORING ESG

One year on: The impact of the war in Ukraine on ESG

2023/17



The energy crisis sparked by the conflict swiftly turned perceived notions of ESG investing into a political hot topic. The sustained underinvestment in the global energy infrastructure, especially in Europe, was blamed on ESG and an out-of-touch climate agenda that prioritised low costs over resilient supply. Even if much of this debate was driven by political agendas instead of substance, ESG had genuine questions to answer about how it was applied to investment decisions. «

**Matt Christensen**

Global Head of Sustainable & Impact Investing,  
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# ONE YEAR ON: RETHINKING ESG

## How has the war in Ukraine affected ESG investing?

“More than a year has passed since Russia invaded Ukraine, and the crisis has changed the landscape for ESG investing. Fund managers are rethinking their processes surrounding ESG risks, creating more dynamic approaches and keeping geopolitical risks top of mind.”

11 April 2023 – Investment Executive [Link](#)

## How has the ESG investing landscape changed one year on from the Russian invasion of Ukraine?

“The Russia/Ukraine conflict has highlighted the significance of ESG considerations in three ways. Firstly, investors who conducted their ESG research and understood the governance issues around the Putin regime, reduced their exposure to Russia well before the invasion. Secondly, many Western companies operating in unsanctioned sectors left Russia due to ESG concerns, which resulted in self-sanctioning. Thirdly, ESG considerations played a critical role in persuading market index providers to remove Russia from various indices, and ratings agencies also withdrew Russia's ratings mainly due to ESG-related issues.”

2 March 2023 – Global Asset Management [Link](#)

## ESG investors have shrugged off questions posed by Russia's invasion of Ukraine

“The invasion and the surge in energy prices it triggered were seized on by opponents of ESG, especially in the US, where a number of Republican-controlled states blacklisted asset management firms seen as hostile to fossil fuel producers. Yet a year on, investor interest has been remarkably resilient. There was a net withdrawal of money from ESG-focused funds in the US last year according to Refinitiv, but it was modest compared with the outflow from non-ESG funds. In the UK there was a continued strong inflow into ESG funds.”

24 February 2023 – Financial News [Link](#)

## How BlackRock and Ukraine are Ending the Anti-ESG Movement

“Ukraine's postwar recovery could focus on exploitation of its vast, largely untapped natural gas reserves. However, there are strong indications that the nation's future energy profile is heading in a different direction under guidance from BlackRock FMA.

The arrangement with Ukraine was formalized in a Memorandum of Understanding (MoU), announced by BlackRock on November 16. Under the terms of the MoU, BlackRock FMA advise Ukraine's Ministry of Economy on “establishing a roadmap for the investment framework's implementation, including identifying design choices for the envisioned setup, structure, mandate and governance.”

4 January 2023 TriplePundit [Link](#)

## ESG in 2023: Post-war pragmatism prevails

» „The war (in Ukraine) complicated the transition and changed people's perspectives on energy,” says Sussams. „We saw a short-term return of the consumption of certain fossil fuels, but it also brought nuclear back to the table. As long as the war continues, those complications will persist.“ «

16 January 2023 – Euromoney [Link](#)

## Investing IN Change Podcast: A year on, what Russia's war in Ukraine means for ESG, Episode 51

„Sustainable investment providers in some cases have had to rethink what types of holdings are acceptable — including controversial areas like oil and weapons. The energy crisis that resulted from the war has also put sustainable funds at a disadvantage, and many have underperformed the broader market. Alyssa Stankiewicz, associate director of sustainability research at Morningstar, talks about how fund providers are adjusting to these conditions and how ESG is performing at a difficult time.“

14 March 2023 – InvestmentNews [Link](#)

## ESG in 2022 and Predictions for 2023

“Our analysis focused on the global need to decrease reliance on Russian oil and gas and to accelerate the transition to green energy. Six months later, the impact of soaring energy prices and risk of energy blackouts in winter are among the many challenges countries face in achieving these goals. Further complicating the transition is the need to balance the opinions and recommendations of the numerous stakeholders involved in the transition process, with financial institutions increasingly adopting cautious approaches to their ESG commitments due to the dual concerns of fiduciary duties owed to their investors and rising anti-ESG sentiments from certain sectors.”

1 February 2023 – Skadden [Link](#)

## Here's why we must not lose sight of the importance of ESG, despite the recent backlash

“The consideration of environmental, social and governance (ESG) factors when making investment decisions has never faced such a profound period of negative scrutiny. After years of increasing attention and capital allocated to ESG investments, which have made substantial strides forwards in terms of technical substance and implementation expertise, 2022 proved to be a point of reflection. There are several drivers behind this wave of criticism. The combination of the impact of Russia's invasion of Ukraine, inflation and pockets of populism emerging in different parts of the world is shifting the macroeconomic and geopolitical context, which in turn impacts investors' thinking.”

3 January 2023 – World Economic Forum [Link](#)

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