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INSTITUTE FOR SUSTAINABLE INVESTING

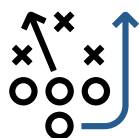


Sustainable Signals

CORPORATES 2026

Key takeaways for 2026

We surveyed sustainability decision-makers at 300 corporates globally to understand their strategy and priorities.



Companies continue to execute their sustainability strategies, although momentum has slowed

More than 90% of sustainability leaders report ongoing progress on strategy, but just under half (47%) now say there is room for improvement, up more than ten points from 2025. This may reflect rising macroeconomic uncertainty, which 36% place in their top three barriers to delivery, up from 15% in 2025. Value creation opportunities from sustainability remain in focus, although respondents are now more likely to say that these sit alongside risk management in their company's long-term strategy (62%, up from 35% in 2025), rather than standing alone (22% in 2026, down from 53% in 2025).



Regulation is top of mind, motivating strategy but also creating challenges

Almost half (49%) say regulatory compliance is one of the top three reasons their company is pursuing its sustainability strategy, up from 23% in 2025. While regulatory pressure has eased in some regions, companies with global operations may still be exposed to rising requirements in others. At the same time, policy uncertainty is itself a growing barrier (29% place in their top three, up from 14% in 2025), and a third now see costs or legal risk from regulation as the primary way sustainability could create future challenges.



Climate-related risks are seen as increasingly likely to impact operations

More than three-quarters of respondents now rate a range of financial impacts from physical climate risks and climate transition risks as very or somewhat likely in the next five years, up ten or more points from 2025. Concern about physical climate risks is particularly acute, with 63% now seeing increased operational costs from events such as extreme weather as very likely.



Sustainability is increasingly embedded in corporate governance, with investor expectations rising in importance

Nearly two-thirds (63%) now say that key business decisions—such as capex or R&D budgeting—include sustainability criteria, up from 51% in 2025. A similar share (62%, up from 42% in 2025) now note Board-level responsibility for sustainability. Investor expectations are an increasingly powerful motivator for pursuing sustainability strategies, with over 40% now placing them in their top three reasons, around double the rate from 2025. Sustainability decision-makers generally hold broader roles, with around 15% also closely involved in responsible AI strategy.

About the Sustainable Signals Series

This report is led by the Morgan Stanley Institute for Sustainable Investing (“Institute”) and presents results from a survey of corporates conducted by iResearch on behalf of the Institute. This is a different vendor to previous editions, but the methodology and sample design remained very similar, so results are comparable to the 2024 and 2025 editions. This report is the latest in the “Sustainable Signals” series, which is designed to identify global market trends in sustainable investing. From March 11 to April 13, 2026, a global sample of 300 sustainability decision-makers at public and private companies were surveyed across North America, Europe and Asia Pacific. This is a phone-to-web survey, verifying respondents by phone before having them complete the survey online.

The survey also went to 50 respondents in MENA, although these responses are not included in the global number in order to maintain comparability with previous editions.

To qualify, respondents had to:

- Self-identify as one of the main decision-makers or as someone who contributes to sustainability decision making at their company;
- Agree that they could share information about their company’s sustainability strategy;
- Represent a company with at least \$100m in annual revenue.

TERMINOLOGY

The following definition was provided to respondents:

“**Sustainable investing**” is the practice of making investments in companies or funds that aim to achieve market-rate financial returns while considering positive social and/or environmental outcomes.

METHODOLOGY

As with any survey, eliminating all potential bias is impossible. As in prior surveys, **answers to some questions suggest that there may be exclusion or representation bias due to the requirement that respondents be sustainability decision-makers**. As such, it is important to frame these survey responses as reflecting a set of corporates engaged with sustainability, rather than representative of corporates overall.

DATA SOURCE

The source for all charts is the survey, unless otherwise indicated. For more information on the sample profile and quotas, please see [page 23](#).

CONTACT US

For any questions related to the report, please reach out to the Institute for Sustainable Investing team at globalsustainability@morganstanley.com.

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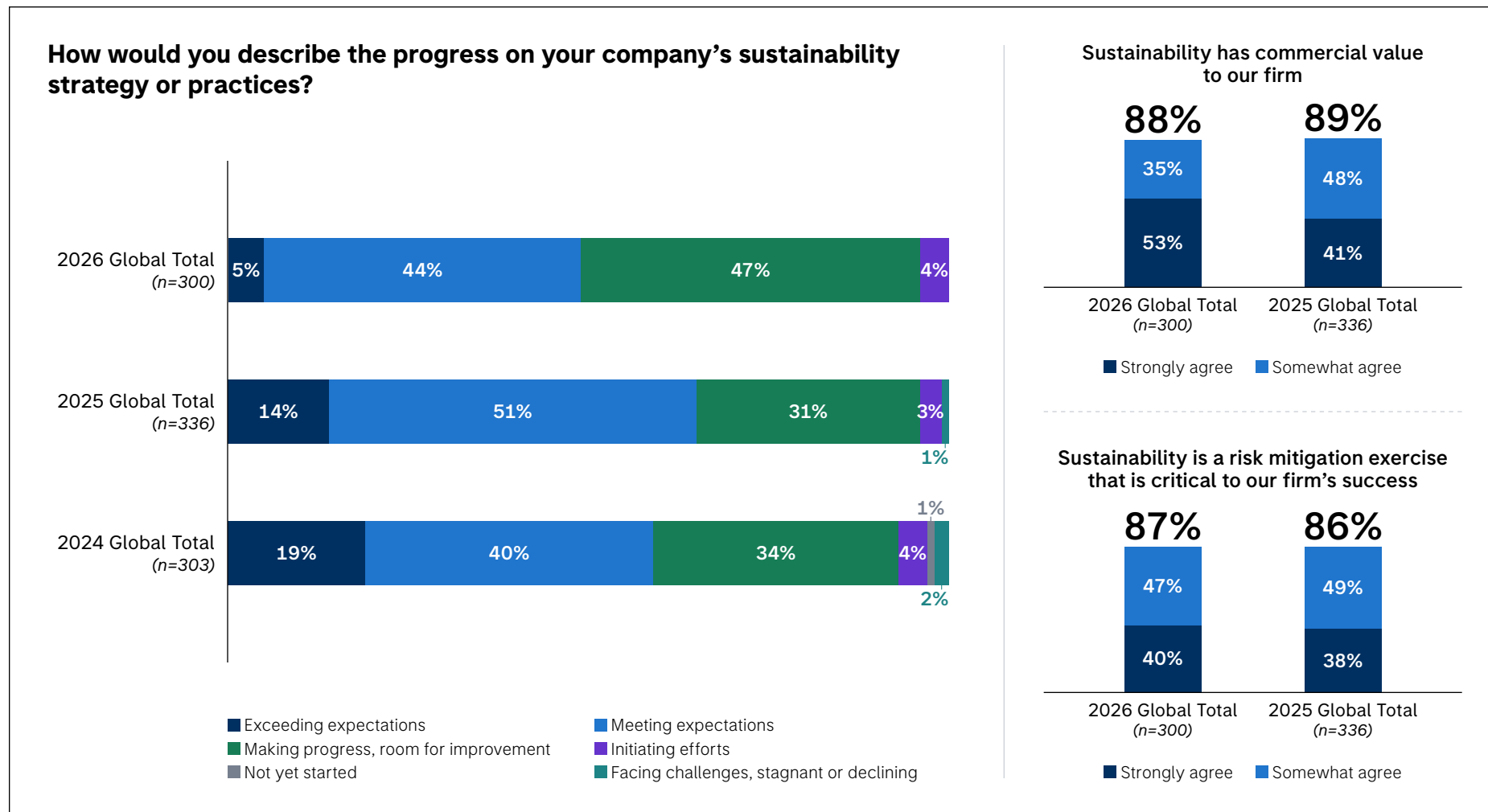
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Sustainability & Corporate Strategy

Strategy progressing, although at a slower rate

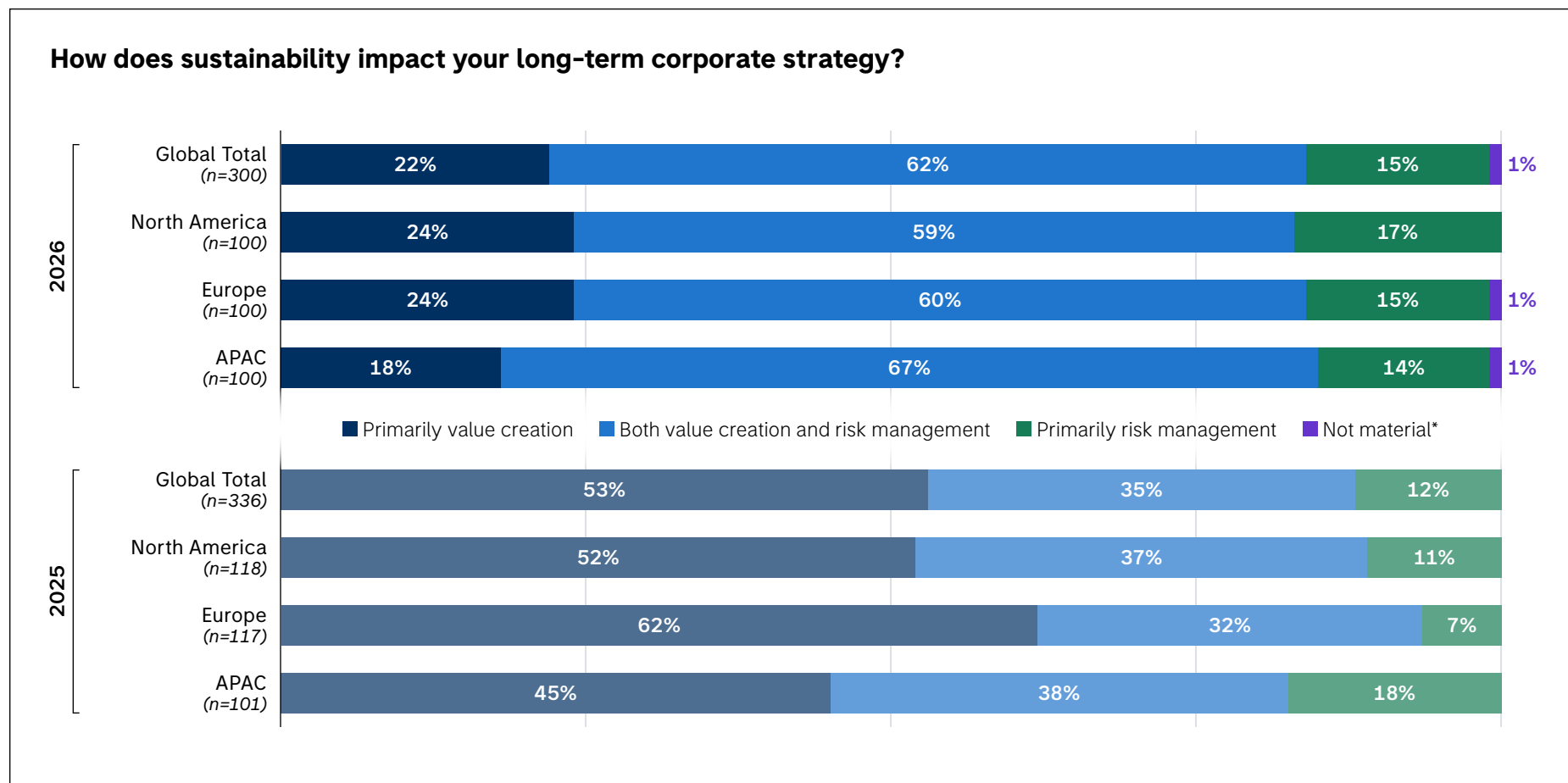
Over 90% of sustainability leaders continue to report progress on their company’s sustainability strategy. Just under half (47%) now see room for improvement on progress, up more than ten points from both 2025 and 2024, suggesting some slowdown but with execution continuing. Conviction remains strong: 88% say that sustainability has commercial value to their firm, and 87% say that sustainability is a risk mitigation exercise that is key to their firm’s success.



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Risk management rises in prominence, alongside ongoing focus on value creation

Eighty-four percent of companies say sustainability is primarily or partly a value creation opportunity for their company’s long-term strategy. This is broadly in line with 88% from 2025, but with the balance shifting towards a combination of value creation and risk management (62% in 2026, up from 35% in 2025), and away from primarily value creation (22%, down from 53% in 2025). All three regions report this shift in perspective, with APAC showing the biggest shift towards the combined framing.

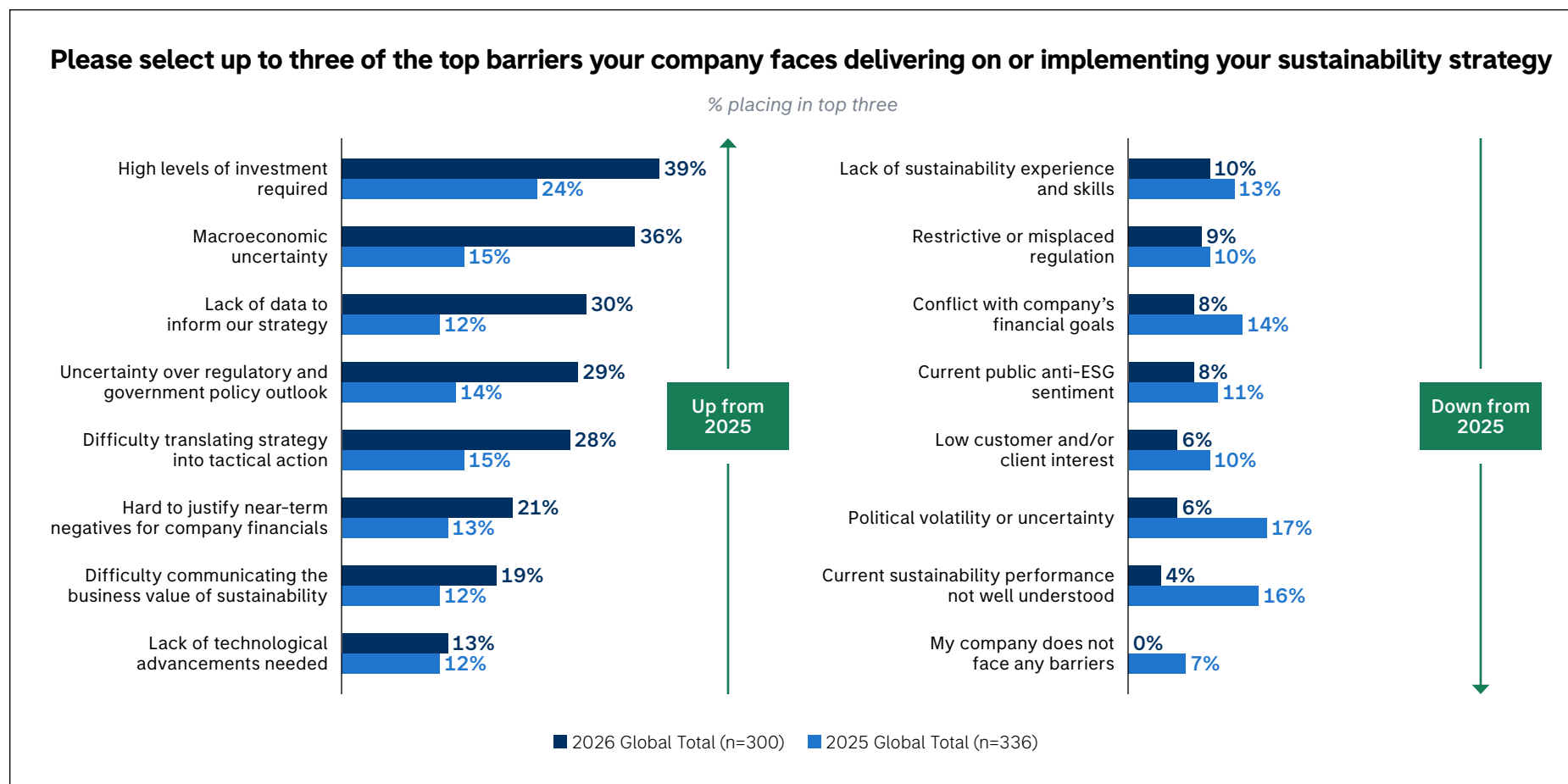


Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026. Long-term is defined as 5+ years.

*Not material had zero responses in 2025.

Investment needs and macroeconomic uncertainty are the top barriers to delivering sustainability strategy

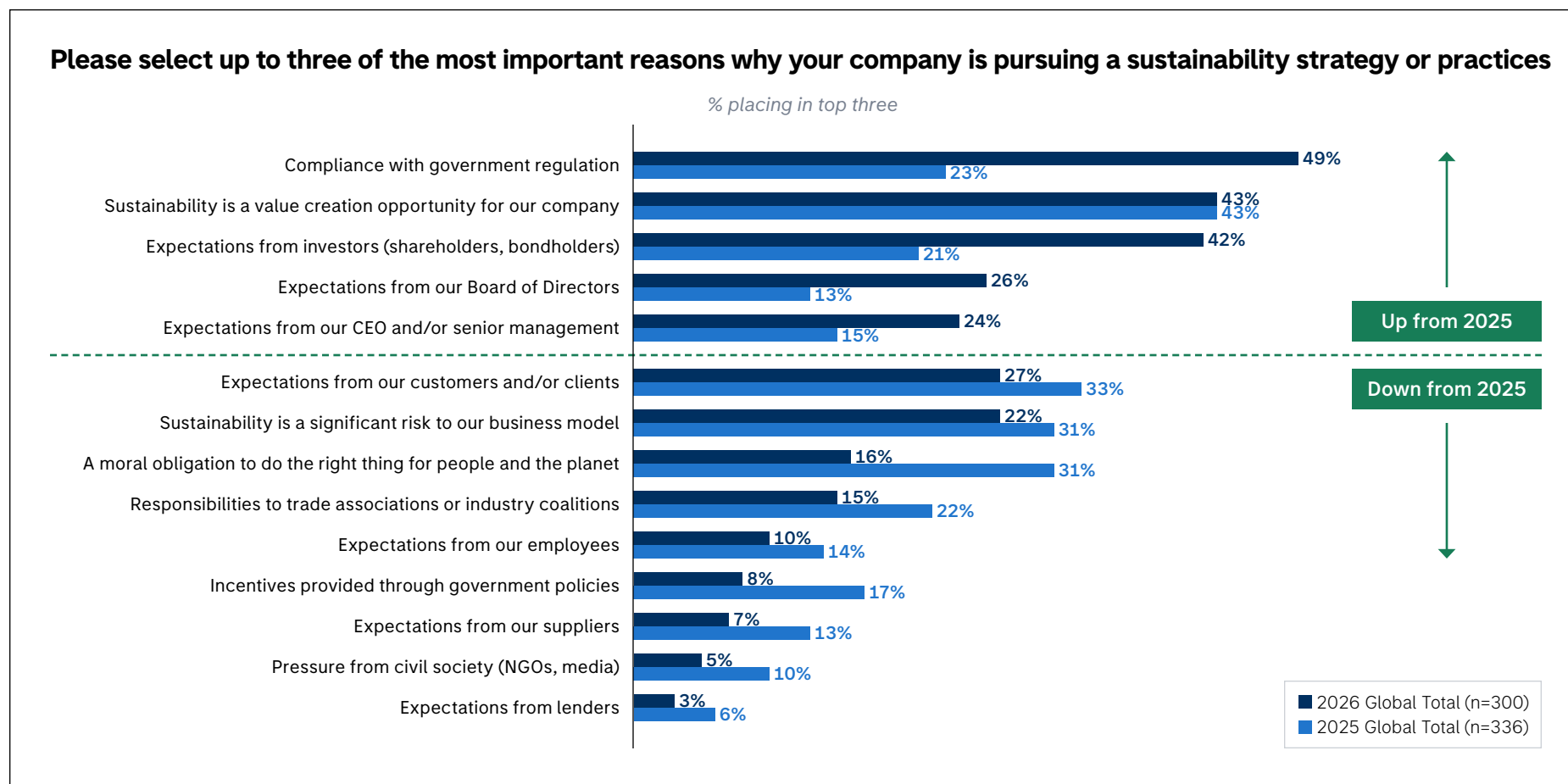
The need for high levels of investment remains the most commonly cited barrier to delivering on sustainability strategies, with 39% placing it in their top three reasons in 2026 (up from 24% in 2025). Macroeconomic uncertainty rises up the list to second at 36%, more than double the 15% citing this in 2025. Lack of data, regulatory uncertainty and difficulty translating strategy into action are all around 30%, up from mid-teens in 2025. Barriers are becoming clearer: the top five are all up by more than ten points from 2025, while the bottom half of the list is all down. Notably, no respondents said that they do not face any barriers in 2026, down from 7% in 2025.



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Regulatory compliance and investor expectations are increasingly powerful motivations

Asked why their company is pursuing its sustainability strategy, 2026 respondents are much more likely to cite regulatory compliance. Half (49%) place this in their top three reasons, up from 23% in 2025. While regulation has slowed in some regions, many companies with global operations may still be exposed to increasing requirements in some geographies. The potential for value creation remains a key motivator, at 43% in line with 2025, while expectations from investors grow in prominence, at 42% up from 21% in 2025. Overall, motivations are becoming more concentrated, with reasons towards the top of the list now cited more commonly.

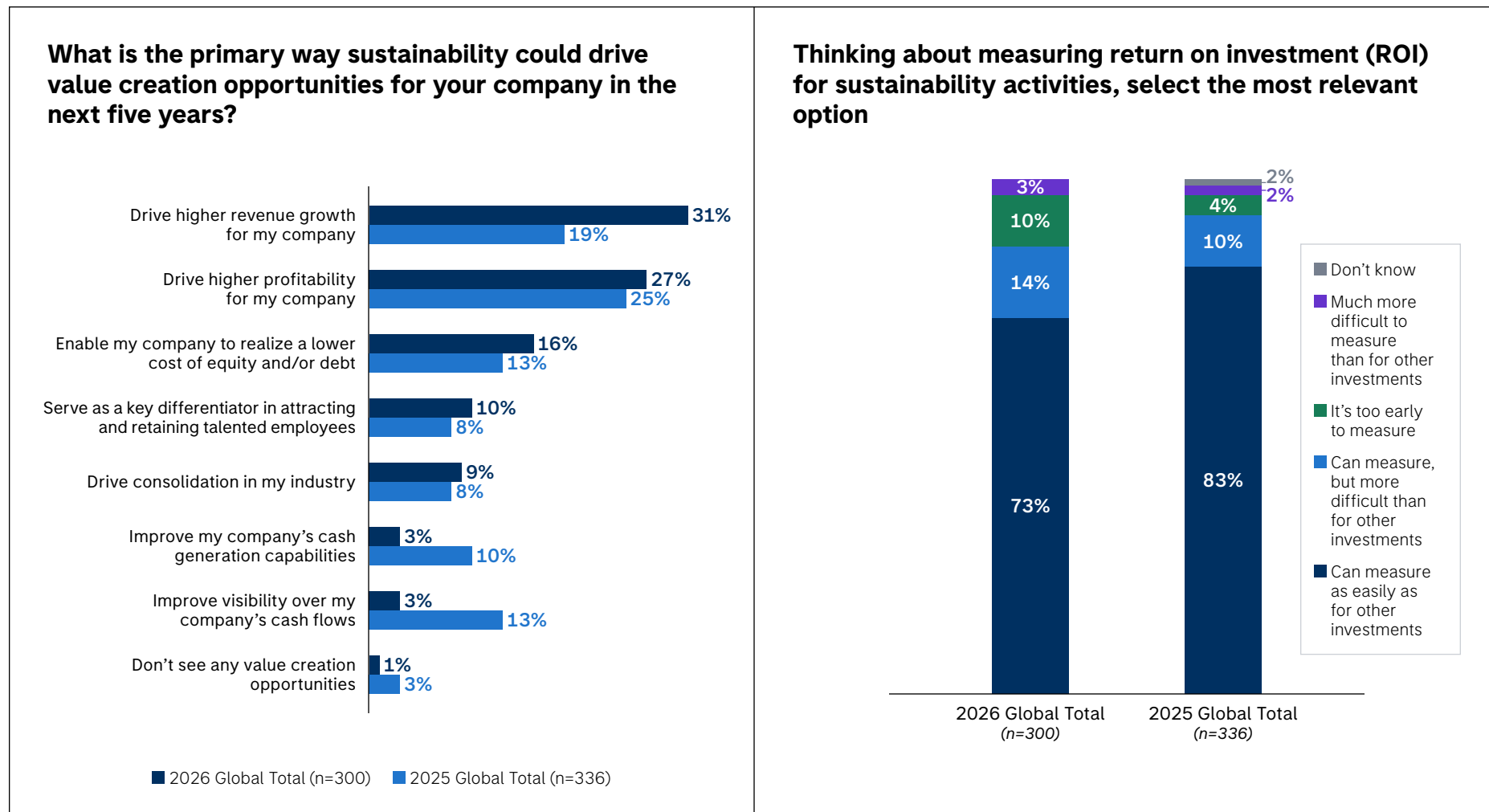


Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Opportunities & Challenges

Revenue growth and higher profitability are the top opportunities

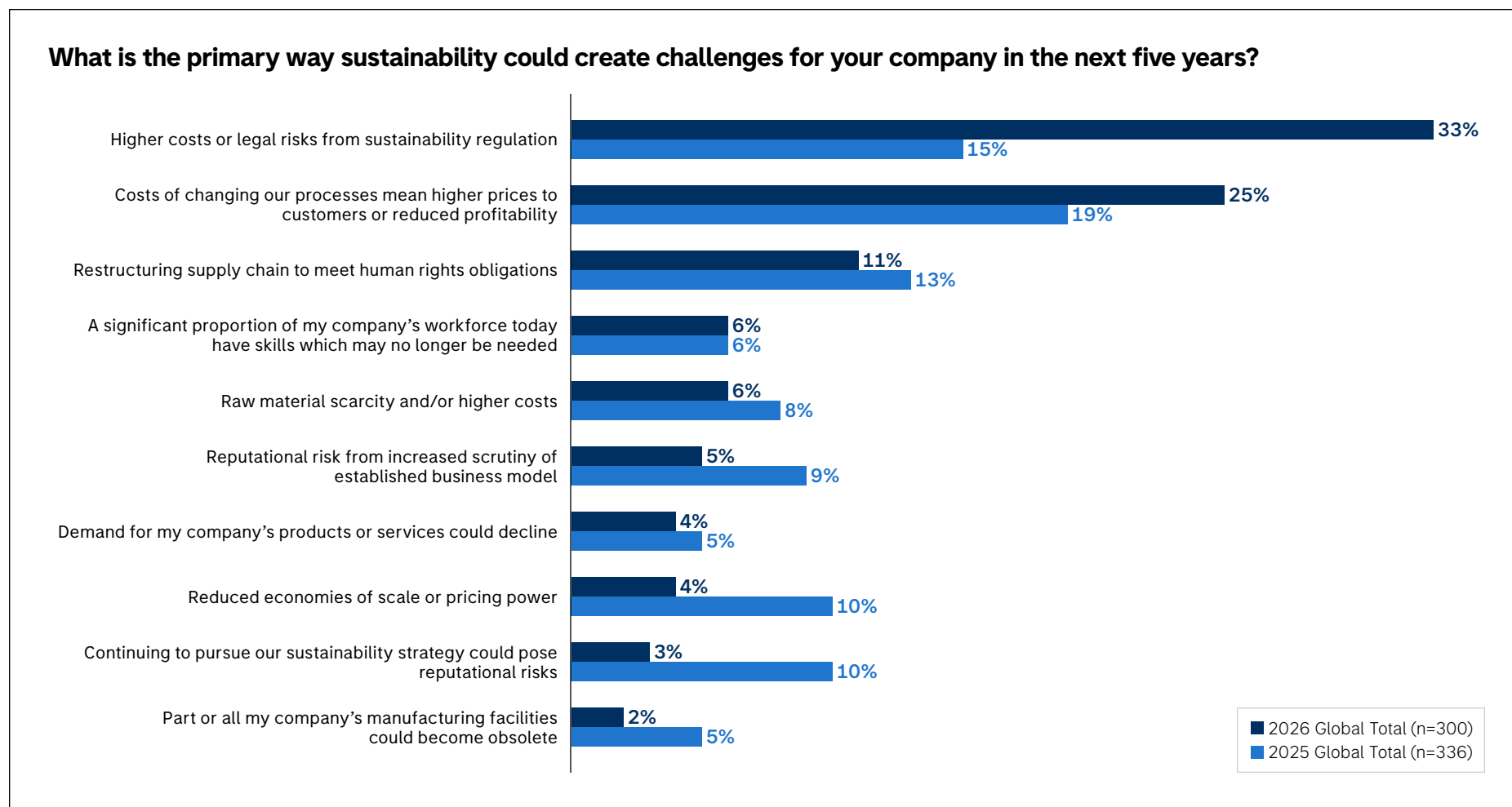
More than half of respondents see either higher revenue growth (31%) or increased profitability (27%) as the primary opportunity for sustainability to create value over the next five years, with revenue growth overtaking profitability as the top opportunity compared to 2025. This year, respondents are more likely to report some challenges in measuring ROI for sustainability investments, but the majority continue to say they can measure ROI as easily for sustainability initiatives as for other activities (73%, down from 83% in 2025).



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Cost pressures from regulation or new investment remain the key concern for the future

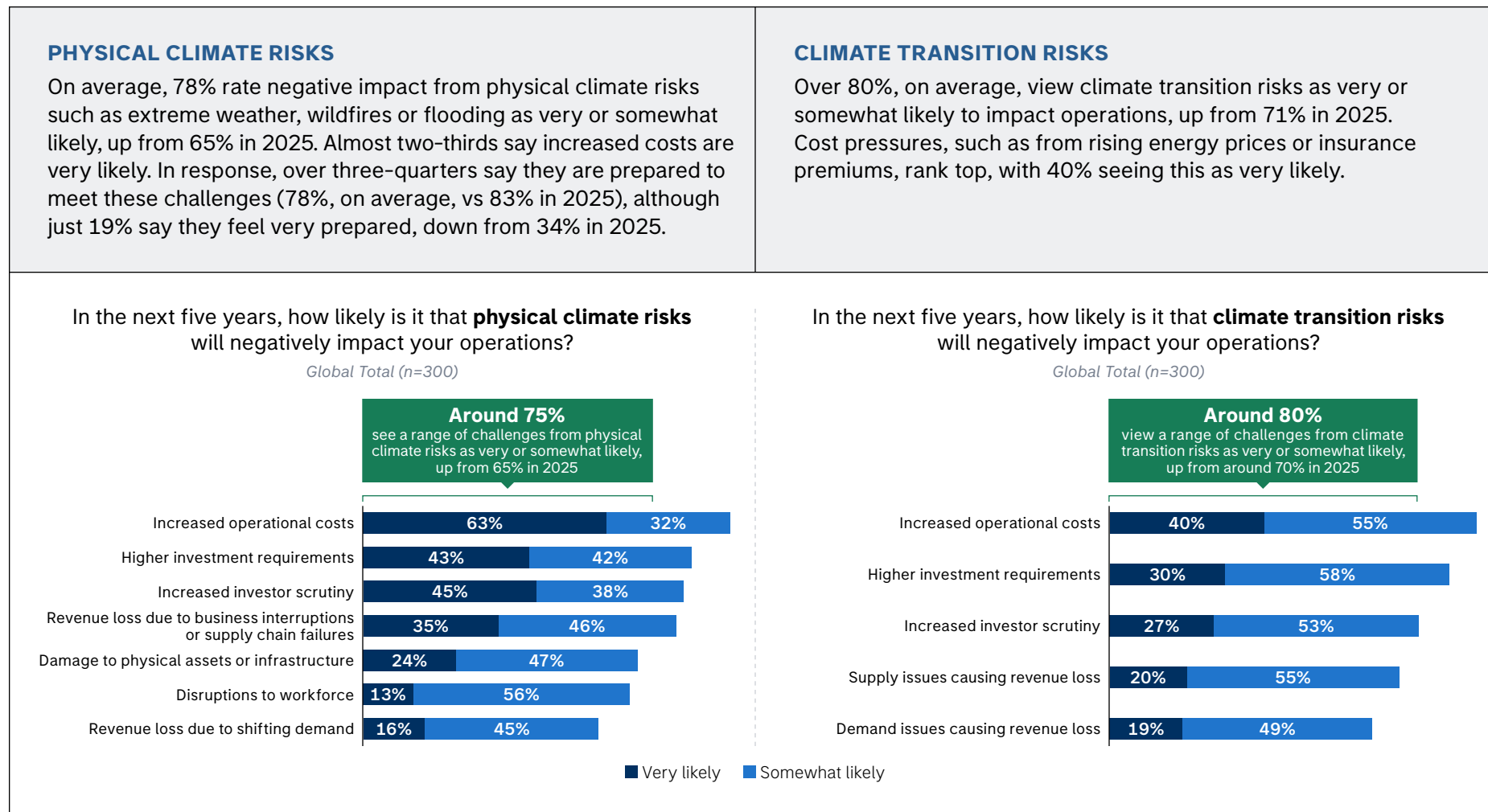
This year, regulation tops the list of potential challenges that sustainability could create for companies in the next five years, with 33% naming associated costs or legal risks the primary way sustainability could negatively impact their company in the next five years (up from 15% in 2025). Other cost pressures remain top of mind, with 25% naming investments needed to change processes their primary challenge (up from 19% in 2025).



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Companies see climate risks as increasingly likely to impact their operations

More than three-quarters of respondents now view financial impacts from physical climate risks and climate transition risks as very or somewhat likely in the next five years, up ten or more points from 2025.



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Sustainability Roles & Oversight

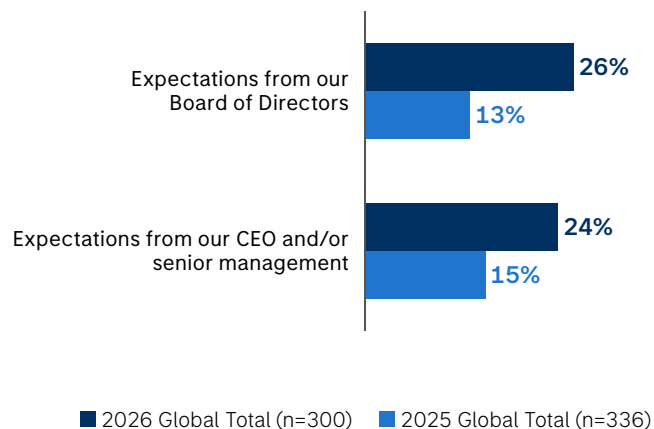
Sustainability oversight is increasingly embedded in governance structures

Almost two-thirds of respondents now say that key business decisions—such as capex and R&D budgeting, new product approvals or M&A—are subject to sustainability criteria (63%, up from 51% in 2025). The same proportion (62%) now report Board-level responsibility for sustainability, up from 42% in 2025.

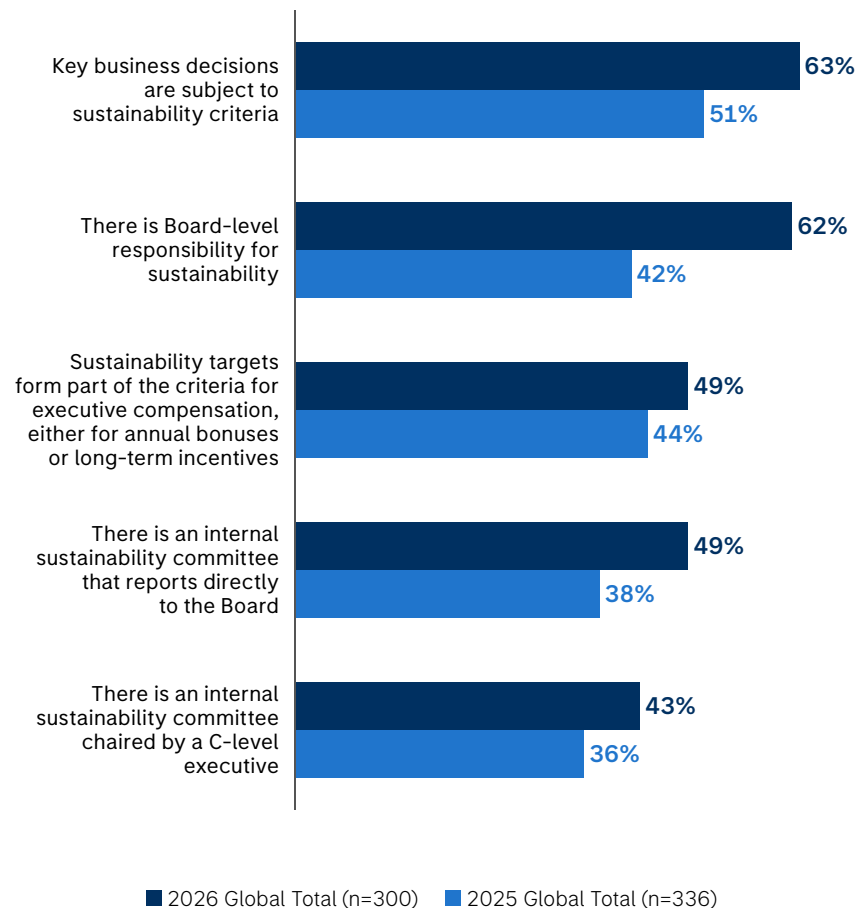
Leadership expectations are more prominent as a motivation for companies in 2026, with around a quarter putting Board or senior management expectations in their top reasons for pursuing their sustainability strategy.

Top reasons why your company is pursuing a sustainability strategy or practices

% placing in top three



Thinking about oversight of your company's sustainability strategy, select all that apply

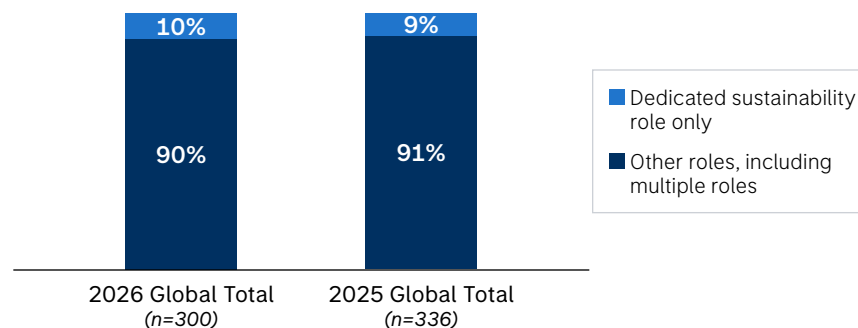


Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Sustainability decision-makers often hold broader roles; a few are also decision-makers for AI governance

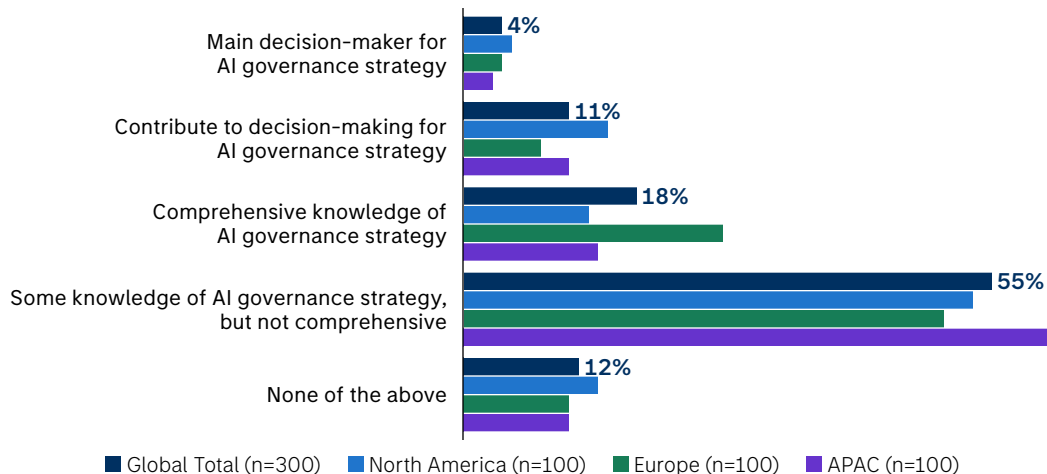
To qualify for the survey, respondents have to be fully or partly responsible for decision-making on their company’s sustainability strategy. However, they often have broader mandates: In 2026, just 10% of respondents are in a fully dedicated sustainability role with no other responsibilities, with the remainder holding multiple roles working across functions—most commonly strategy, risk management or finance.

Share of respondents in dedicated sustainability roles vs other roles



In some cases, sustainability decision-makers also contribute to AI governance and risk management. Fifteen percent say they make or contribute to AI governance strategy decisions, rising to 20% in North America, while a further 18% say they have comprehensive knowledge of AI governance strategy.

Which of the below best describes your involvement in your firm’s strategy for risk management and governance of Artificial Intelligence (AI)?



Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

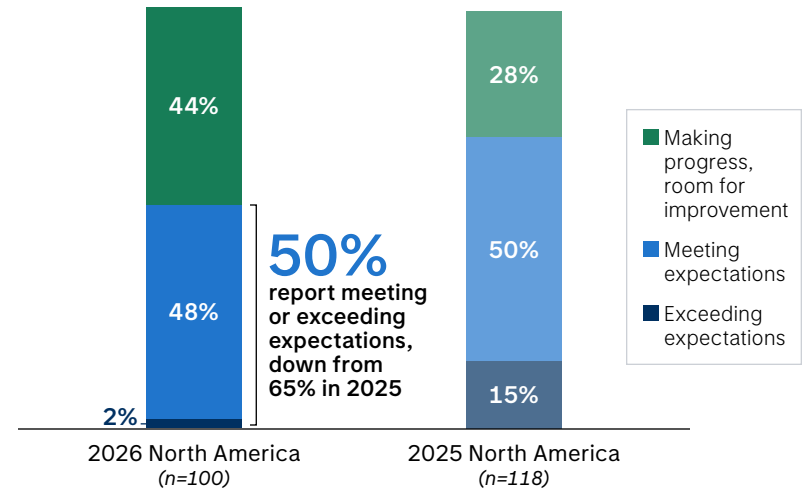
Regional Headlines

NORTH AMERICA



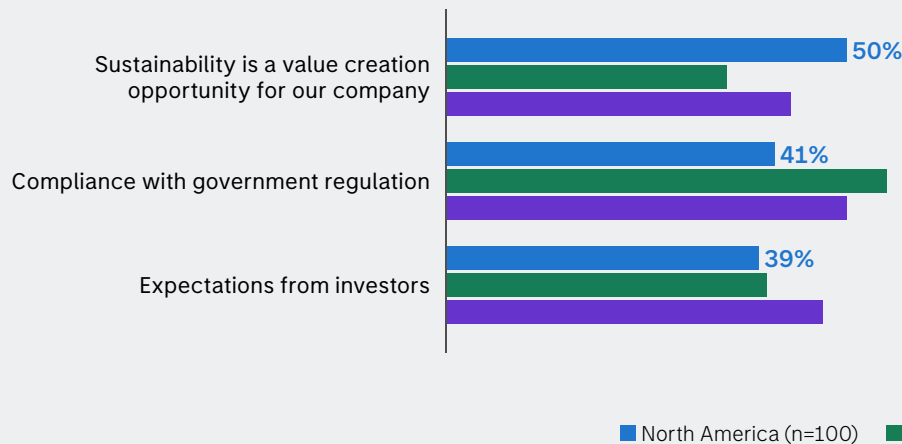
Half of sustainability decision-makers in North America report meeting or exceeding expectations on their sustainability strategy, down from 65% in 2025. Value creation tops the list of motivations for pursuing a sustainability strategy, with 50% placing it in their top three reasons, unlike in Europe and APAC where regulatory compliance leads. However, this could change in future: cost or legal risk from regulatory change leads as the primary source of potential challenges that sustainability could pose over the next five years, at 42%, well above Europe and APAC (both 28%).

Progress on sustainability strategy



Top reasons to pursue a sustainability strategy

% placing in top three



Top sustainability challenge in next five years



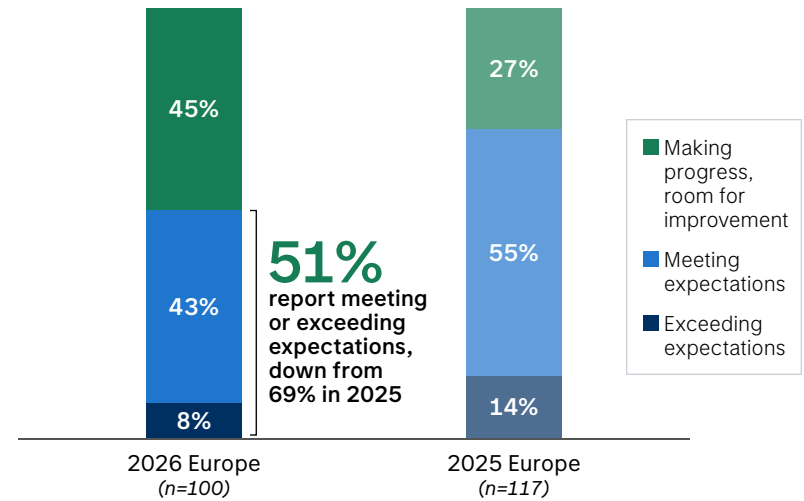
Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

EUROPE

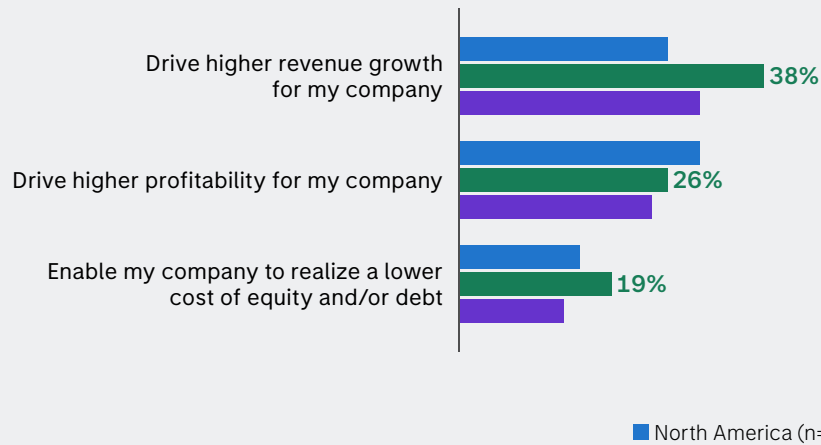


Progress on sustainability strategies has slowed in Europe, as for other geographies, with 51% meeting or exceeding expectations on delivery, down from 69% in 2025. For European sustainability leaders, revenue growth (38%) is the primary way sustainability can drive value creation opportunities, well ahead of other regions. Reflecting the European regulatory landscape, 55% place compliance with regulation in their top three motivations, higher than both North America and APAC.

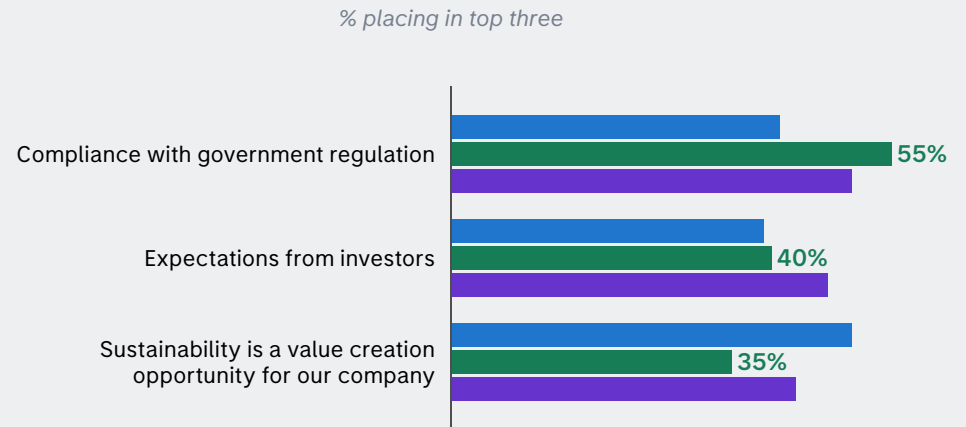
Progress on sustainability strategy



Primary way sustainability can drive value creation opportunities in next five years



Top reasons to pursue a sustainability strategy



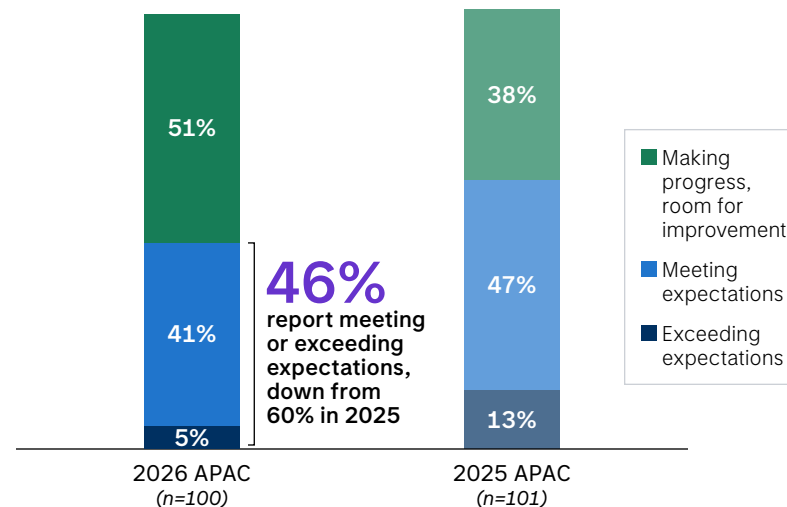
Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

APAC



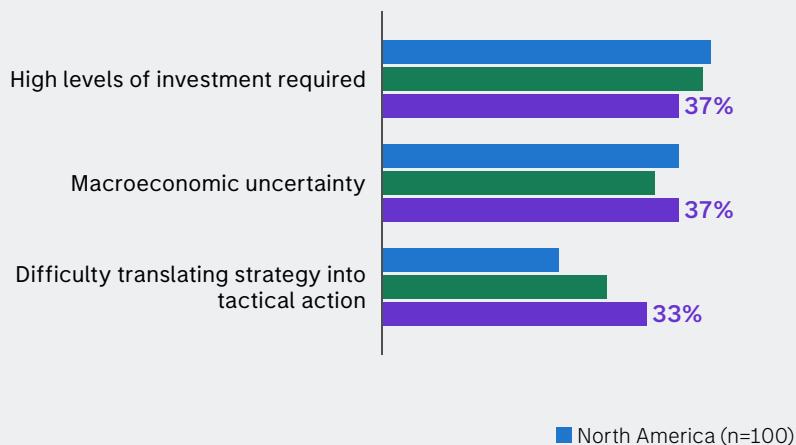
Just under half of sustainability leaders in APAC report meeting or exceeding expectations on their sustainability strategies, at 46%, down from 60% in 2025. Macroeconomic uncertainty is a little more prominent as a barrier to delivering on strategy in the region, with 37% naming it a top three barrier, in line with the need for high levels of investment. Expectations from investors rank more highly as a motivation in APAC, with 47% placing it in the top three, ahead of 39%/40% for North America and Europe, respectively.

Progress on sustainability strategy



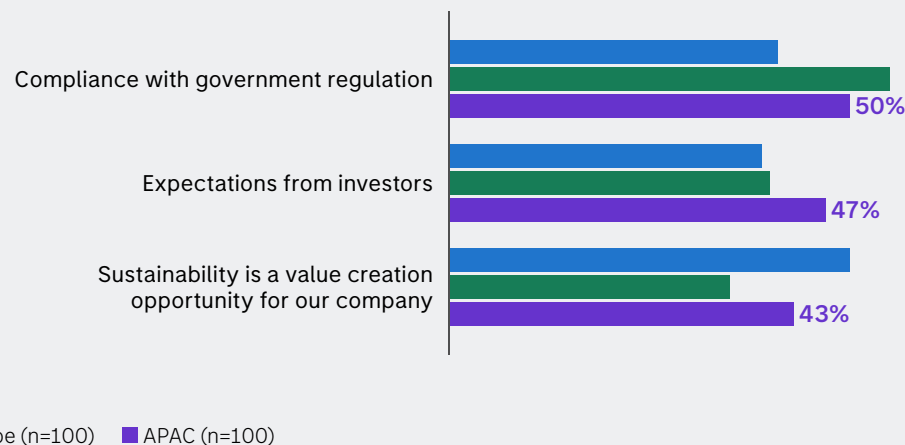
Key barriers to delivering a sustainability strategy

% placing in top three



Top reasons to pursue a sustainability strategy

% placing in top three



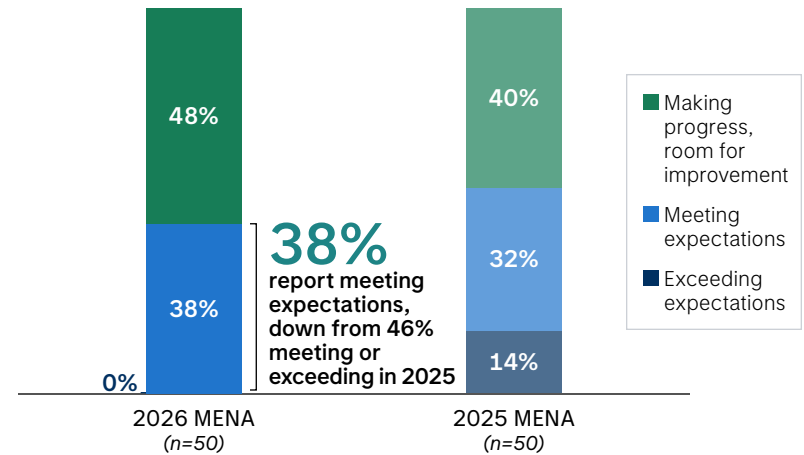
Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

MENA



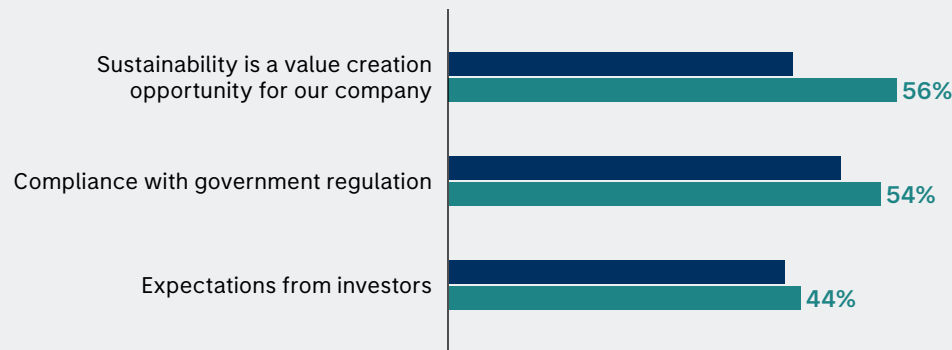
Just over one-third of sustainability leaders in MENA now report meeting expectations on their sustainability strategy, down from 46% meeting or exceeding expectations in 2025. Value creation is a strong motivation for pursuing sustainability strategies, with 56% placing this in their top three reasons, just ahead of regulatory compliance. Higher revenue growth is the most commonly cited way in which sustainability can create opportunities in the next five years, at 42%, followed by 26% seeking to realize a lower cost of equity and/or debt.

Progress on sustainability strategy

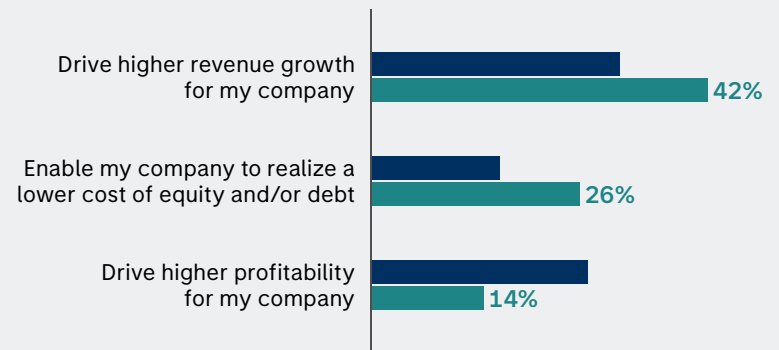


Top reasons to pursue a sustainability strategy

% placing in top three



Main way sustainability can drive value creation opportunities for corporates in the next five years



■ North America, Europe and APAC Total (n=300) ■ MENA (n=50)

Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

We note that the survey was live in field from March 11 to April 13, 2026, so answers may have been impacted by geopolitical events affecting the region during that period.

Sample Design

Sample design—quotas

	GLOBAL	NORTH AMERICA	EUROPE	APAC	MENA
Total	300	100	100	100	50
OWNERSHIP	Quota 50/50 public/private				
Publicly Listed	150	43	49	58	28
Privately Held	150	57	51	42	22
ANNUAL REVENUE (USD)	Quota 20/40/40 small/medium/large				
Small (\$100m - \$999m)	60	15	19	26	30
Medium (\$1bn - \$9.9bn)	120	42	44	34	15
Large (>\$10bn)	120	43	37	40	5
INDUSTRY (GICS® SECTOR)	Quota by sector				No quota
Energy	31	11	8	12	2
Materials	Quota 33	10	13	8	6
Utilities	31	10	12	9	1
Industrials	36	8	13	15	7
Consumer Staples	Quota 33	7	12	10	1
Consumer Discretionary	33	11	13	9	7
Health Care	22	11	5	6	3
Financials	18	6	6	6	10
Information Technology	Quota 34	9	7	8	4
Communication Services	24	11	4	9	3
Real Estate	21	6	7	8	6

Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Sample design—countries

NORTH AMERICA		EUROPE		APAC		MENA	
Canada	14	Austria	3	Australia	8	Bahrain	3
Mexico	15	Belgium	5	China (excluding SARs and Taiwan)	19	Kuwait	3
United States of America	71	Denmark	4	Hong Kong SAR	2	Oman	5
		Finland	3	India	20	Qatar	10
		France	14	Japan	27	Saudi Arabia	13
		Germany	18	Macau SAR	1	United Arab Emirates	16
		Iceland	1	Malaysia	2		
		Ireland	3	New Zealand	3		
		Netherlands	6	Philippines	2		
		Norway	1	Singapore	5		
		Portugal	2	South Korea	6		
		Spain	4	Taiwan	5		
		Sweden	2				
		Switzerland	15				
		United Kingdom	19				
Total	100	Total	100	Total	100	Total	50

Source: Morgan Stanley Institute for Sustainable Investing, May 2026. Data as of April 13, 2026.

Disclosures

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ESG investments may also be referred to as Sustainable investments, impact aware investments, socially responsible investments or diversity, equity, and inclusion (“DEI”) investments. It is important to understand there are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. This is due to a current lack of consistent global reporting and auditing standards as well as differences in definitions, methodologies, processes, data sources and subjectivity among ESG rating providers when determining a rating. Certain issuers of investments including, but not limited to, separately managed accounts (SMAs), mutual funds and exchange traded-funds (ETFs) may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. Further, socially responsible norms vary by region, and an issuer’s ESG practices or Morgan Stanley’s assessment of an issuer’s ESG practices can change over time.

Portfolios that include investment holdings deemed ESG investments or that employ ESG screening criteria as part of an overall strategy may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results. For risks related to a specific fund, please refer to the fund's prospectus or summary prospectus.

Investment managers can have different approaches to ESG and can offer strategies that differ from the strategies offered by other investment managers with respect to the same theme or topic. Additionally, when evaluating investments, an investment

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The appropriateness of a particular ESG investment or strategy will depend on an investor's individual circumstances and objectives. Principal value and return of an investment will fluctuate with changes in market conditions.

For more information about the Morgan Stanley Institute for Sustainable Investing, visit morganstanley.com/sustainableinvesting.