MONTHLY ESG NEWSLETTER

December 2025

ARWIN & PARTNERS

Sustainability matters!

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ESG REGULATORY UPDATES

November 2025

European Parliament | ESMA European Securities and Markets Authority | ICMA International Capital Market Association | eba European Banking Authority

Sustainability reporting and due diligence: MEPs back simplification changes

- *The EU is revising sustainability reporting and due-diligence obligations to simplify the regulatory framework and reduce administrative burdens on companies, as part of the "Omnibus I" simplification package*
- *The European Parliament has proposed a series of measures to streamline corporate reporting obligations. These include the limitation of obligations to very large companies, the simplification of reporting standards, the reduction of due diligence requirements, the removal of certain obligations (such as climate transition plans), and the establishment of a single digital portal to support companies with EU reporting requirements*
- *The Parliament's position serves as the basis for negotiations with EU Member States, starting on 18 November 2025, with the aim of finalizing the legislation by the end of 2025*

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EU Sustainability Oversight: Broad Compliance Across Member States

- *The document sets out how national competent authorities must apply the ESMA Guidelines on Enforcement of Sustainability Information (GLESI), including resource, selection, examination and enforcement requirements*
- *It reports for each EU Member State whether the national authority "complies", "intends to comply" or "does not comply" with the GLESI. Most national authorities either already comply or intend to comply with the GLESI. Overall, the table shows a high level of commitment across Member States, with only isolated cases of non-compliance. For Italy, via CONSOB, the status is "Yes (complies)"*
- *National authorities must make sure that they all follow the rules on sustainability disclosures. ESMA expects these rules to be applied in a proportionate and realistic way, because the reporting framework is only temporary*

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ICMA: Climate Transition Bond Guidelines

- *The guidelines establish criteria, safeguards, and transparency requirements to distinguish genuine transition projects from simple greenwashing*
- *A transition project must be aligned with the issuer's climate strategy, have no technologically or economically feasible low-carbon alternatives, and ensure significant emissions reductions while avoiding carbon lock-in risks. The guidelines also require referencing taxonomies, decarbonisation pathways, and official standards to ensure coherence and credibility*
- *Issuers must publish annual data on the allocation of proceeds, expected and achieved impacts, and the methodologies used for calculations, ideally relying on quantitative indicators consistent with ICMA standards. The document provides an extensive overview of taxonomies and transition pathways*

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EBA Guidelines on environmental scenario analysis

- *The guidelines define how banks and supervisory authorities must integrate environmental scenario analysis (in particular, physical and transition risks linked to climate change) into risk-management processes, stress testing, and assessments of business-model resilience*
- *They explain how to build credible scenarios including narratives, assumptions, and multiple time horizons and how to identify the transmission channels of environmental risks in order to translate them into financial impacts*
- *The guidelines emphasize the principle of proportionality: the analysis should be commensurate with the materiality of environmental risks, the institution's capabilities, and methodological maturity; they also highlight that scenario outputs are not precise forecasts but tools for strategic reflection*

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INSIGHTFUL ESG REASERCH

November 2025

Climate Transition Finance Handbook – November 2025

- *The document targets issuers seeking to raise funds through financial instruments (either use-of-proceeds or sustainability-linked) and stresses that such activities must be embedded within a credible GHG emissions reduction strategy aligned with the goals of the Paris Agreement*
- *The recommendations are structured around four key elements, issuer strategy and governance, environmental materiality of the business model, science-based targets, and implementation transparency, which should guide issuers' actions and disclosures*
- *the Handbook clarifies best practices and recommended disclosures to enhance the credibility of "transition-themed" instruments, with special attention to hard-to-abate sectors and those connected to fossil fuels*

Click here to download the report

From Risk to Reward: Unlocking Private Capita for Climate and Growth

- *Developing countries don't get the climate money they need. To deal with climate change and grow their economies, they need huge amounts of investment every year. But the money coming in is far too small compared to what's required*
- *The main problem is that investing in these countries feels too difficult or risky. Many projects aren't fully prepared, the rules and policies can be uncertain, and investors worry about political risk, currency changes, and lack of reliable information*
- *Countries and financial institutions should create clearer rules, build better pipelines of ready-to-fund projects, improve data and transparency, strengthen local financial markets, and use smarter tools to reduce risk so investors feel confident putting money in*

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Actions to Mobilize Investment in Adaptation and Resilience

- *Climate change is already causing more extreme weather events: we need far more money to adapt to these changes. The report cites figures like global adaptation financing needs rising to between US$0.5 trillion and US$1.3 trillion per year by 2030. At the same time, parts of the adaptation-and-resilience market are already large and growing*
- *Although there is demand, most adaptation investment so far is public; private investors have been hesitant. For the report, many adaptation solutions are now at the right maturity and scale for private investment*
- *A clear plan is needed to unlock investment. The report calls for defining the adaptation market, highlighting the most promising sectors, and creating better conditions (clear rules, lower risk, more data) so private capital can flow*

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Policy Matters: From Pledges To Delivery A Decade After Paris

- *Governments have expanded net-zero policies, but progress remains uneven, with inconsistent requirements and weak enforcement across countries. This fragmentation creates uncertainty for companies and risks locking in high-carbon systems.*
- *The report emphasizes that transition plans must be mandatory and detailed, with clear milestones, Scope 3 coverage and alignment to sector pathways. It also calls for stronger, more consistent carbon-market and removals rules to ensure environmental integrity.*
- *TNZP (Taskforce on Net Zero Policy) urges policymakers to integrate climate objectives into wider economic policies so actions across sectors are aligned. Stronger oversight and accountability are needed to ensure governments, companies and investors follow through on net-zero commitments*

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INSIGHTFUL ESG NEWS
November 2025

24 ORE

ESG: still few SMEs are turning to subsidized finance

A study of 8,000 Italian SMEs by Tinexta Innovation Hub and Studio Fieschi found that only 23% have applied for ESG financing. The main obstacles are a lack of awareness, limited internal capacity and uncertainty about which incentives or funds are appropriate. This means many SMEs could be missing out on valuable financing opportunities to support sustainability and governance improvements, which may impede progress towards ESG goals.

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FT FINANCIAL TIMES

Fossil fuel push divides global leaders at climate meeting

At the pre-COP30 summit in Brazil, U.S. climate skepticism and global rifts over fossil fuels drew criticism from Latin American and European leaders. Lula urged a "road map" to end oil dependence, while Europe warned of fading unity on climate goals. The World Meteorological Organization warned that limiting warming to 1.5°C is now "virtually impossible," while HSBC's rollback of green targets signaled a wider retreat from climate ambition

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FT FINANCIAL TIMES

EU leads isolated pushing for global climate action

The EU was left isolated at COP30 as it pushed for a ban on fossil fuels, but was repeatedly blocked by Saudi Arabia, Russia, India and allies. Talks almost collapsed, resulting in a watered-down deal Many developing and middle-income countries resisted, favoring short-term economic gains from oil and gas. A new plan to triple climate finance was added to secure broader support. Brazil lead two roadmaps at COP31: fossil fuels and deforestation

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ESG NEWS

ISO 17298: The New Biodiversity Standard

ISO 17298:2025 is the first dedicated ISO standard on biodiversity, filling a gap where no formal global framework previously existed. The standard shifts biodiversity from simple reporting to core governance and risk-management integration. It expands applicability, becoming scalable to SMEs, public bodies and cities. It harmonizes multiple existing systems (TNFD, ISO 14001, GBF), creating a unified global baseline instead of fragmented guidance

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responsible investor

EFRAG tables last-minute reliefs, chooses ISSB alignment on financial effects

EFRAG has approved broad exemptions that will allow companies to avoid reporting many of the additional disclosures required by the ESRS in their first three years of application. Some standard-setter members have expressed concerns, noting that the changes reduce the originally intended scope of the ESRS while still maintaining alignment with ISSB standards.

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responsible investor

Morningstar predicts significant fall in Article 8 funds

Morningstar estimates a sharp decline in Article 8 funds due to the revisions to the SFDR regulation. In the strictest scenario, the number of funds could fall from more than 12,000 to around 5,600, with assets dropping from €6.5 trillion to €3.8 trillion. At the same time, Article 9 funds and the new transition fund category could see a significant increase in assets.

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Linklaters

EU: Changes to CSRD and CSDDD under Omnibus I

Trilogue negotiations have started on the EU's Omnibus I package, which will amend both the CSRD and the CSDDD. The main discussions concern how far to reduce the scope of each directive, including disagreements on employee thresholds, turnover levels and the inclusion of non-EU companies. A final political agreement is targeted by the end of 2025 and will significantly influence future EU sustainability requirements.

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Reuters

US companies hold the line at climate talks despite Trump

U.S. companies attended COP30 in large numbers despite the Trump administration's hostility toward the global climate agenda, with more Fortune 100 representatives present than the previous year. Businesses from tech giants to energy and food companies see it as essential to stay engaged in climate talks because climate impacts threaten supply chains, profits, and operations.

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ESG & SUSTAINABILITY UPCOMING EVENTS | 1

4Q 2025 - 1Q 2026

Organiser	Event Name	Location	Date	Hyperlink (if any)
TheConduit	The Resilient Cities Forum	London	7-9 December 2025	Charting the next phase of urban resilience
WORLD FUTURE ENERGY SUMMIT	World Future Energy Summit	Abu Dhabi	13-15 January 2026	The Energy to Lead
CSO Awards /26	CSO Awards Europe 2025	Davos	19 January 2026	The emerging leadership role of the Chief Sustainability Officer
WORLD ECONOMIC FORUM	World Economic Forum Annual Meeting	Davos	19-23 January 2026	A Spirit of Dialogue
CeFPro EVENTS Sustainable Finance Europe February 25-26, 2026	Sustainable Finance Europe	London	25-26 February 2026	Building resilience and creating opportunities for the future of sustainable finance
ECONOMIST IMPACT	Carbon Capture Summit	London	3-4 March 2026	Turning Carbon Challenges Into Climate Solutions
Sustainability MAGAZINE	The Net Zero Summit	London	4-5 March 2026	Sustainability Live

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ESG CONFERENCES ORGANIZED BY INVESTMENT BANKS AND BROKERS
ANNUAL LIST

Organiser	Event Name	Location	Date	Hyperlink (if any)
Jefferies	Renewables & Clean Energy Conference US	New York	3-5 December 2025	Renewables & Clean Energy Conference US

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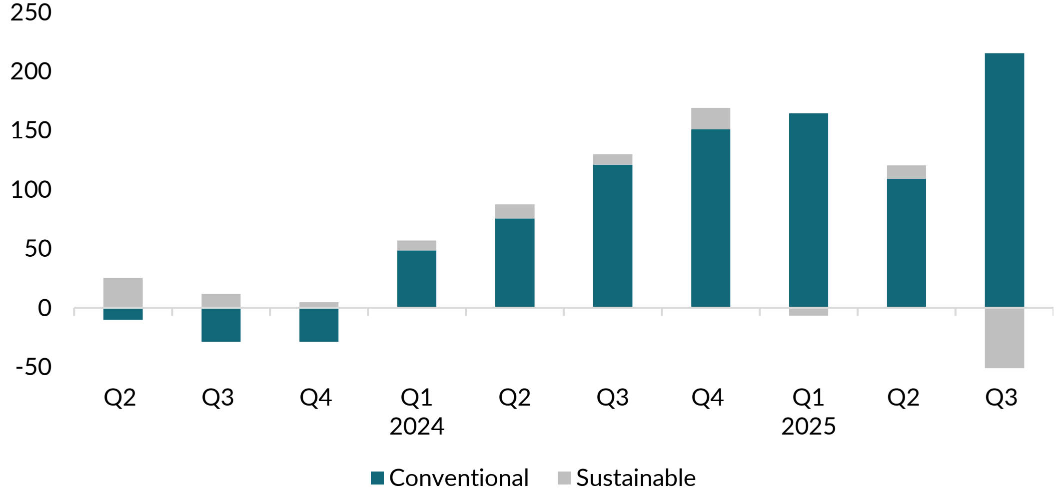
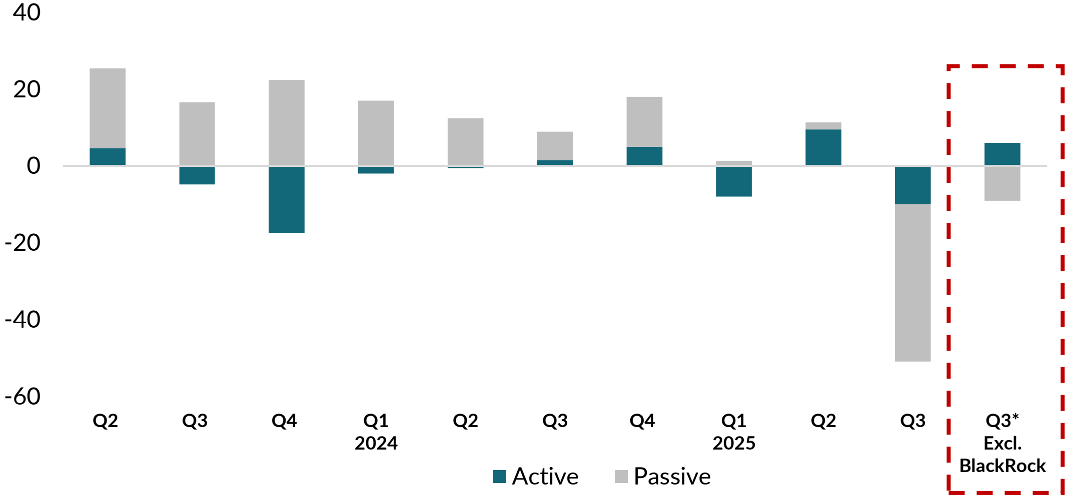
EXCLUDING THE OUTFLOWS FROM FOUR BLACKROCK FUNDS, SUSTAINABLE FUND FLOWS WERE CLOSE TO BREAKEVEN LEVELS

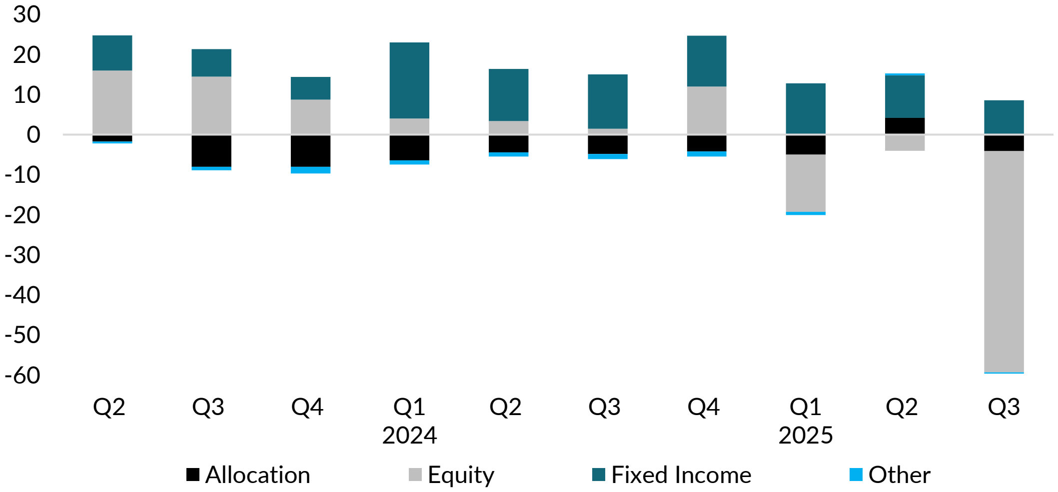
Conventional vs Sustainable Flows ($ bn)



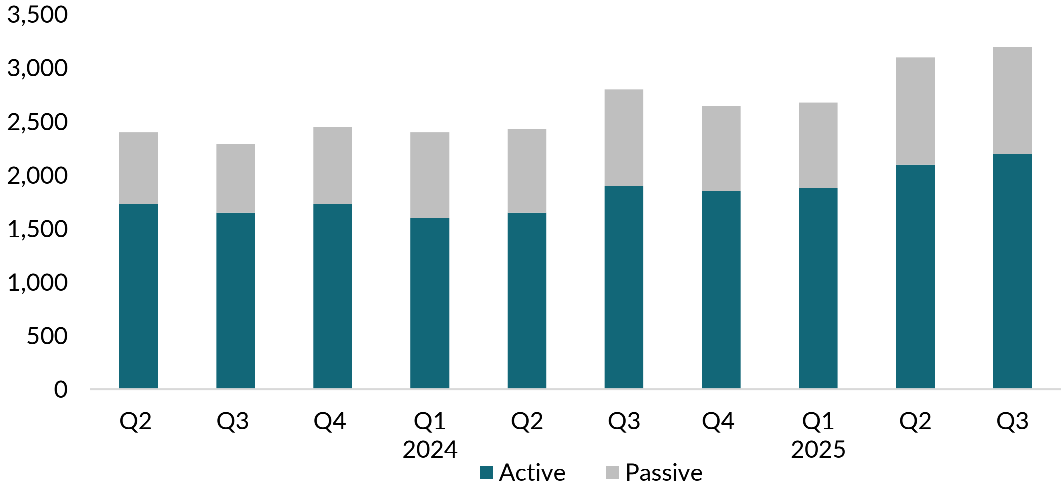
Sustainable Funds Flows – Active vs Passive ($ bn)



Sustainable Fund Flows by Asset Class ($ bn)



AuM Active vs Passive Sustainable Funds ($ bn)



Source: Morningstar

*: The vast majority of the outflows stemmed from redemptions in a range of UK-domiciled BlackRock funds

Note: According to Morningstar research, 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 environmental, social, and governance factors. Universe of sustainable funds is based on intentionality rather than holdings

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WHY THIS REVISION?
The Commission simplifies transparency rules for funds

- Disclosures too complex and difficult to compare
- Articles 8 and 9 used as "market labels" with the associated risk of greenwashing and mis-selling
- Excessive costs and burdens for financial market participants (AIFMs and funds)

- Elimination of the obligation to report PAI at entity level - remains at product level
- Simplification of pre-contractual and periodic disclosure templates
- New classification of funds into three categories:
  - *ESG Foundation (o Basic)*
  - *Transitional*
  - *Sustainable*

THE NEW CATEGORIES OF FINANCIAL PRODUCTS SFDR 2.0

ESG Foundation
former art. 8 -> new art. 8

Funds that integrate ESG criteria (exclusions, positive screening, etc.) but do not contribute to sustainable transition or sustainability objectives

Transitional
new art. 7

Funds that invest in assets that are not yet sustainable but have a credible transition path

Sustainable
former art. 9 -> new art. 9

Funds that invest in assets that actively contribute to sustainability goals (e.g. Paris Agreement)

MINIMUM CRITERIA FOR SFDR 2.0 FINANCIAL PRODUCTS

ESG Foundation
former art. 8 -> new art. 8

- They exclude controversial weapons, tobacco, coal, human rights violations and OECD guidelines
- At least 70% of investments are aligned with the ESG integration strategy

Transitional
new art. 7

- They exclude fossil fuels in addition to the activities excluded from ESG Foundation funds
- At least 70% of investments contribute to environmental and/or social transition

Sustainable
former art. 9 -> new art. 9

- They exclude the same activities excluded from Transitional funds and inefficient energy production[1]
- At least 70% of investments have clear and measurable sustainability objectives (e.g. SBTi)

Note: 1. Electricity generation with greenhouse gas intensity exceeding 100gCO2e/kWh

PAIs
Approach and reporting are simplified

	BEFORE	AFTER
Entity Level (Art. 4 SFDR)	Optional / Mandatory above certain thresholds	**Removed**
ESG Foundation	Optional (former art. 8 SFDR)	**Removed**
Transitional	--	**Mandatory**
Sustainable	Mandatory (former art. 9 SFDR)	Mandatory

EXPECTED BENEFITS

Asset Managers

- Reduced administrative burdens (estimate -25%)
- Fewer but more relevant data points
- Greater regulatory clarity and simplicity of application
- Greater comparability of disclosures

Investors

- Simpler investment path
- More streamlined and focused templates
- Greater protection from greenwashing

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