EVALUESERVE

Sustainability Watch

Monthly Regulatory Highlights

May 2025

Contents

Welcome to the May 2025 edition of our Sustainability Watch, your trusted source for the latest developments in environmental, social, and governance (ESG) regulations across the globe. As sustainability continues to shape corporate strategy and compliance, staying informed is more critical than ever. This month saw over 260 regulatory changes worldwide, reflecting the accelerating momentum behind ESG disclosures, climate finance, labor practices, and supply chain due diligence. In this issue, we bring you a curated digest of key updates from Europe, North America, South America, APAC & Oceania, and the Middle East & Africa, along with notable initiatives that shaped the ESG landscape in May

May was marked by a significant shift in Europe's sustainability agenda. The European Parliament approved a "stop-the-clock" measure, delaying the implementation of the **Corporate Sustainability Reporting Directive** (CSRD) and the **Corporate Sustainability Due Diligence Directive** (CSDDD) by up to two years. This move aims to reduce administrative burdens, saving companies an estimated €6 billion. Meanwhile, Germany proposed new legislation on **battery waste management**, reinforcing its commitment to sustainable resource use. The **European Securities and Markets Authority** (ESMA) also began enforcing ESG naming guidelines for funds, effective May 21, to curb greenwashing.

In the United States, ESG regulation continued to evolve with a focus on **labor and employment standards**. Regulatory bodies emphasized transparency in workforce practices, particularly around diversity and inclusion. Canada maintained its trajectory toward mandatory climate disclosures, aligning with international standards. A notable moment came from the **IFRS Foundation**, which launched a **Roadmap Tool** to support jurisdictions in adopting the **ISSB Standards**, promoting consistent sustainability reporting across borders.

South America saw increased activity around **supply chain due diligence** and **anti-corruption measures**. Brazil and Chile advanced frameworks to enhance corporate accountability in environmental and labor practices. These efforts align with global trends toward greater transparency and ethical sourcing. Regional governments also expressed interest in the ISSB's Roadmap Tool, signaling a shift toward harmonized ESG reporting.

Asia-Pacific was a hotspot for climate-related disclosures in May. **India** introduced a draft **Climate Finance Taxonomy Framework**, aiming to standardize sustainable investment classifications. **Taiwan** proposed amendments to its financial disclosure regulations, requiring public companies to include sustainability-related information in annual reports. In Oceania, Australia continued consultations on integrating ESG metrics into corporate governance, with growing support for mandatory climate risk disclosures.

The Middle East and Africa focused on **sustainability reporting and resource efficiency**. Countries in the Gulf Cooperation Council (GCC) explored regional ESG frameworks to attract sustainable investment. South Africa and Kenya advanced legislation on **labor rights and environmental stewardship**, aligning with global ESG trends. The IFRS Foundation's jurisdictional templates were well-received, offering guidance for local adaptation of ISSB standards.

The **Australian Securities and Investments Commission** (ASIC) released **Regulatory Guide 280** (RG 280), a landmark document outlining the framework for mandatory sustainability reporting under Chapter 2M of the Corporations Act. The Regulatory Guide 280 applies to a wide range of entities, including companies, registered schemes, superannuation entities, and investment vehicles. The guide provides practical instructions on how ASIC interprets the law and expects entities to comply with their ESG disclosure obligations. Notably, it encourages reporting entities to engage with their value chains such as small businesses and farmers, to gather relevant sustainability data. RG 280 also aligns with international standards, referencing the **IFRS Foundation's ISSB materials**, and marks a significant step toward harmonized global ESG reporting.

Overview of Regulatory Guide 280

Understand the Regulatory Requirements

Companies must comply with the sustainability reporting requirements under Chapter 2M of the Corporations Act.

- Ensure your compliance team is well-versed with the specific sections of the Corporations Act (e.g., s292A, s296A, s296B, s296D) and the AASB S2 Climate-related disclosures standard. Regular training and updates on regulatory changes are essential.

Determine Reporting Obligations

Identify if your company meets the sustainability reporting thresholds (corporate size, emissions, or value of assets).

- Implement a robust internal assessment process to evaluate whether your company meets these thresholds annually. This can be integrated into your financial reporting cycle.

Prepare Comprehensive Sustainability Reports

The sustainability report must include climate statements, notes to the climate statements, and a directors' declaration.

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Maintain Accurate Sustainability Records

Companies must keep detailed sustainability records to support the information disclosed in the sustainability report.

- Practical Suggestion: Implement a centralized data management system to store and manage sustainability records. Ensure that all relevant departments are trained to maintain and update these records regularly.

Disclose Forward-Looking Climate Information

Forward-looking climate information should be based on reasonable grounds and comply with AASB S2.

- Practical Suggestion: Use scenario analysis to project future climate-related risks and opportunities. Collaborate with external experts if necessary to ensure the accuracy and reliability of forward-looking statements.

Use Climate-Related Scenario Analysis

Companies must use at least two climate scenarios (e.g., 1.5°C and well above 2°C scenarios) to assess climate resilience.

- Develop internal capabilities or engage consultants to conduct scenario analysis. Document the assumptions and methodologies used for transparency and consistency.

Overview of Regulatory Guide 280

Disclose Scope 3 Greenhouse Gas Emissions

Companies are required to disclose their absolute gross scope 3 greenhouse gas emissions.

- Establish a process to collect and estimate scope 3 emissions data from your value chain. Use both primary and secondary data sources and ensure the methodology is well-documented.

Ensure Clear and Comparable Disclosures

Climate-related financial information must be clearly identifiable and not obscured by additional information.

- Use clear labeling and indexing in your sustainability report. Consider including a summary or index table that highlights where key climate-related information can be found.

Integrate Sustainability Reporting with Financial Reporting

The sustainability report should be lodged at the same time as the annual financial report.

- Align the timelines and processes for sustainability and financial reporting. This may involve coordinating with different departments to ensure all necessary data is available and integrated.

Engage with Stakeholders

Sustainability reporting should facilitate informed decision-making by investors and other stakeholders.

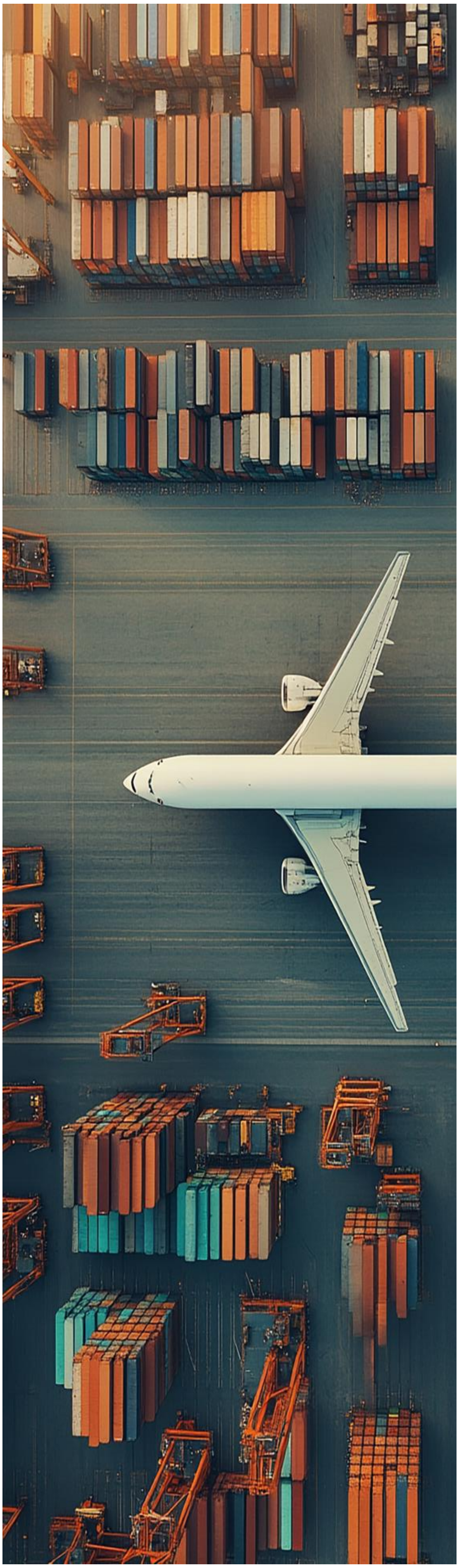
- Regularly engage with stakeholders to understand their information needs. Use feedback to improve the quality and relevance of your sustainability disclosures.

Seek Professional Advice When Necessary

The guide encourages seeking professional advice to ensure compliance with sustainability reporting requirements.

- Engage with legal and sustainability consultants to review your sustainability reporting practices and ensure they meet regulatory standards.

Europe



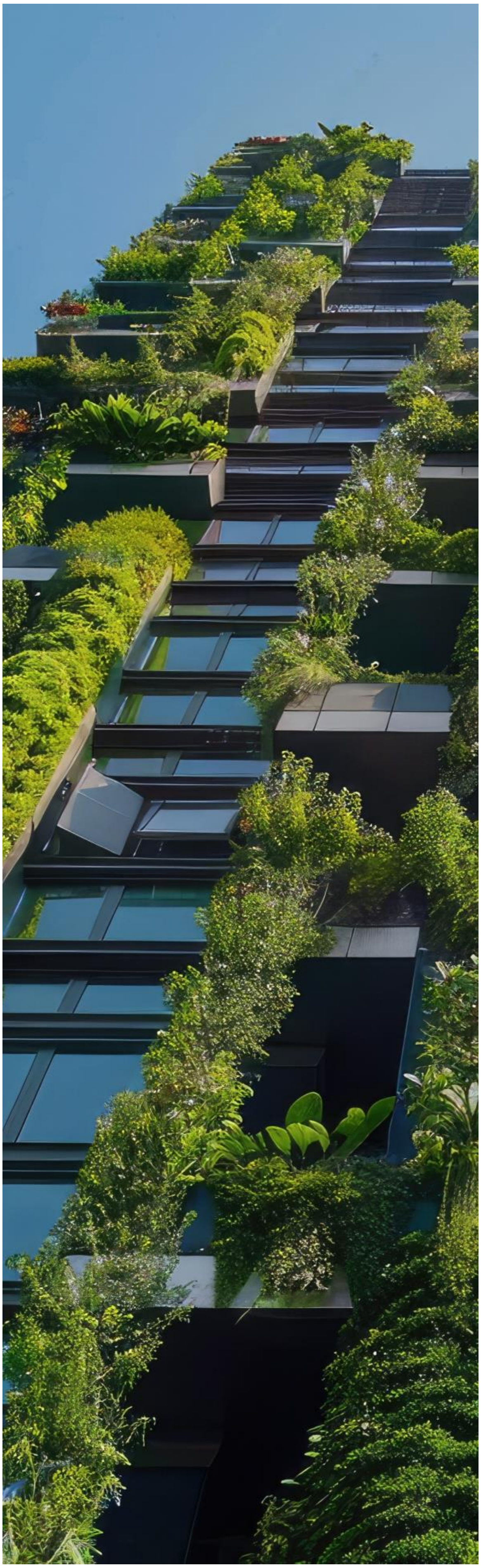
The UK Financial Conduct Authority will not be extending the Sustainability Disclosure Requirements (SDR) and investment labels regime to portfolio management. This comes after stakeholder feedback highlighted the need for greater clarity on scope, implementation, and practical challenges. Instead, the FCA will focus on reviewing how firms apply the Consumer Duty to ensure investors receive relevant sustainability information. However, portfolio managers would remain subjected to the SDR anti-greenwashing rule, effective since May 31, 2024.

Germany's new coalition government (CDU, CSU, SPD) finalized its agreement and has confirmed plans to repeal the German Supply Chain Due Diligence Act (LkSG). The LkSG will be replaced by a new Act on International Corporate Responsibility, aligning with the EU's Corporate Sustainability Due Diligence Directive. While the timeline remains vague, the coalition has announced the immediate abolition of the LkSG's reporting obligations.

France has enacted Law No. 2025-391, to align national legislation with recent EU directives across sectors such as the economy, finance, environment, and health. Key provisions include optional disclosure rules for green and sustainability-linked bonds, enhanced oversight by the French Market Authority to promote gender equality in corporate leadership, and updated CSRD reporting timelines complying second-wave companies to report in 2028 for 2027, and third-wave companies in 2029 for 2028.

EBA Moves to Simplify ESG Reporting for Smaller Banks

The European Banking Authority (EBA) has initiated a *consultation on revised ESG disclosure requirements under CRR3*. Key proposals include simplified disclosures for small institutions, enhanced transparency on ESG risks, equity exposures, and shadow banking, and no new obligations for large-listed banks. Transitional measures and supervisory flexibility are also introduced to ease implementation.



ESMA Proposes New Standards for ESG Rating Agencies

The European Securities and Markets Authority (ESMA) has launched a *consultation on draft Regulatory Technical Standards under the ESG Rating Regulation*. The proposals address authorization requirements, conflict-of-interest safeguards, and transparency obligations for ESG rating providers. Feedback is open until 20 June 2025.

EU Parliament Backs Simplified Carbon Border Rules

The European Parliament has endorsed proposals to simplify the EU Carbon Border Adjustment Mechanism (CBAM). A new 50-tonne de minimis threshold will exempt 90% of importers—mainly SMEs—while still covering 99% of CO_2 emissions from key sectors. The move aims to reduce administrative burdens without weakening climate goals.

EU Grants Carmakers Flexibility to Meet 2025 Emission Goals

The Council of the EU has adopted a targeted amendment allowing carmakers to average CO_2 emissions over 2025–2027, rather than meeting annual targets. This flexibility, part of the EU's Automotive Action Plan, aims to ease compliance while maintaining climate goals amid the sector's green transition.

EUDR Amendment Aims to Ease Compliance for Traders

The European Commission published a draft proposal to simplify the EU Deforestation Regulation (EUDR) that aims to enhance legal clarity by explicitly excluding certain product categories such as waste, second-hand goods, product samples, and items for testing or analysis from the regulation’s scope. It also clarifies when packaging materials and containers are considered out of scope. The proposal seeks to support operators, traders, and authorities in interpreting the regulation consistently.

North America

In the United States, the debate over sustainability-linked regulations has intensified at the state level. Several states are advancing their own ESG policies, which may diverge from the current Trump administration's stance. Some states have even formed coalitions to sue others or the federal government, challenging actions such as the blocking of wind energy projects as "arbitrary and capricious," or opposing efforts to hold fossil fuel companies financially accountable for climate-related damages.

A key development led by Senate Republicans is the introduction of the PROTECT US Act of 2025, which seeks to prevent US. companies from complying with the EU's Corporate Sustainability Due Diligence Directive, citing concerns over foreign regulatory overreach.

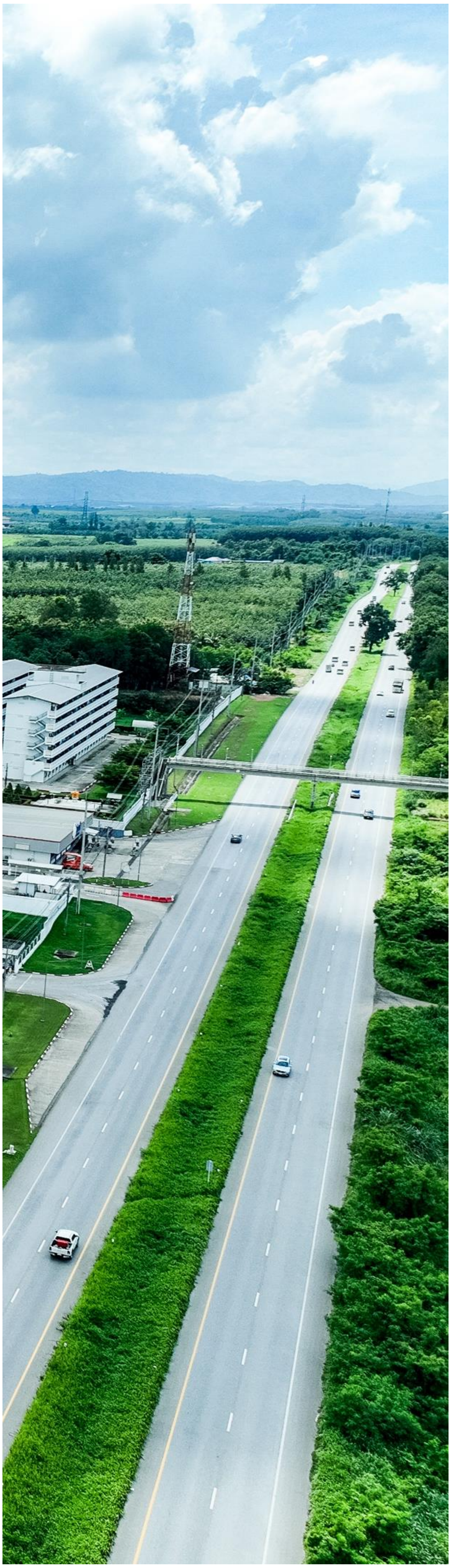
Meanwhile, Mexico is moving forward with its own ESG agenda: starting in 2026, publicly listed companies will be required to disclose their renewable energy usage, and legislation is underway to address the environmental impact of tourism and real estate development in Quintana Roo.

Senate Republicans Launch Legislation to Shield US. Companies from EU Sustainability Due Diligence Rules

Senate Republicans introduced the "PROTECT US" Act to block US. companies from complying with the EU's Corporate Sustainability Due Diligence Directive. The bill aims to prevent foreign regulations from affecting American firms, particularly in sectors like energy and manufacturing, citing concerns over sovereignty and regulatory overreach.

Mexico reinforces its commitment to sustainability: Companies must report the use of renewable energies from 2026

Mexico will require publicly traded companies to report their use of renewable energy starting in 2026. This move aligns the country with global sustainability standards, encourages corporate environmental responsibility, and aims to attract responsible investment while promoting the growth of the clean energy sector.



South America

Brazil's recent decision to ease environmental permitting to stimulate economic growth contrasts with the regulatory approaches of Bolivia and Ecuador, where recent developments have favored stronger biodiversity protection.

Ecuador has created a new ecological corridor to safeguard thousands of species, while Bolivia has strengthened protections for the jaguar, reinforcing its commitment to wildlife conservation. These countries are working to align development across multiple economic sectors with environmental sustainability, recognizing biodiversity as a strategic asset in long-term planning.

In Brazil, the proposed deregulation still requires approval from the legislative chambers before reaching the executive branch, which will ultimately decide whether the bill becomes law. In addition, it is worth mentioning the Colombian government's regulatory project to ensure the ethical and sustainable development of AI.

Brazil eases environmental rules ahead of UN climate summit

Brazil has eased environmental regulations ahead of the UN Climate Summit. The new law simplifies licensing for certain projects and allows self-regulation for low-risk ones. While lawmakers say it reduces bureaucracy, environmentalists warn it weakens protections in the Amazon, threatening biodiversity and climate efforts just before Brazil hosts COP30.

APAC and Oceania

China is taking further steps to refine and polish climate disclosure guidance to ensure alignment with the IFRS S2 standards, as part of its efforts to shape a fundamental sustainability disclosure system by 2030. Meanwhile Japan is improving supervision regulations targeting insurance companies for stability of the financial sector.

Japan Disclosed Draft Revisions of Comprehensive Oversight Guidance for Insurance Companies

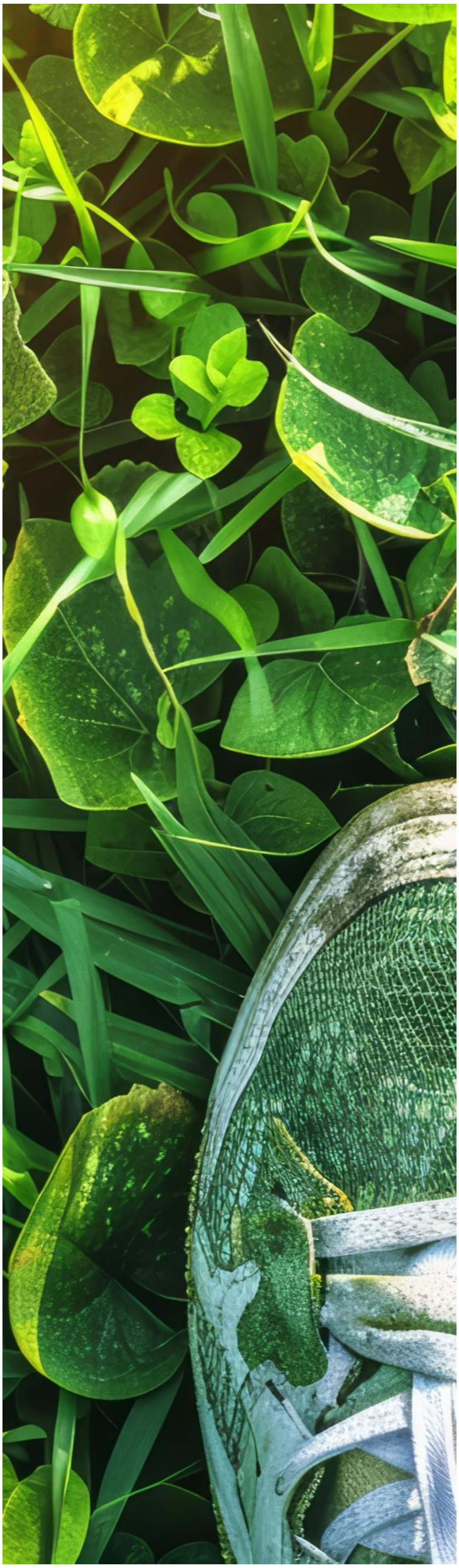
The Financial Services Agency held expert meetings to amend regulations for supervision of insurance companies, key revisions include enhancing guidance effectiveness for insurance agents, preventing excessive benefits, ensuring proper secondment practices, standardizing agent commission calculations, improving information management, reducing policy-held stocks, and revising intermediary commission receipt methods.

China Releases Proposed Guidelines for Corporate Climate Disclosures

The Ministry of Finance issued the draft climate disclosure guidelines for companies based on the IFRS S2 standards. The document covers identification of climate risks and opportunities, scenario analysis and greenhouse gas accounting. It is part of the efforts made by the government to formulate a basic sustainability disclosure system by 2030.

Taiwan Stock Exchange Releases IFRS S2 Climate Disclosure Guidelines

The Taiwan Stock Exchange has issued IFRS S2 Climate Disclosure Guidance to assist listed companies in complying with sustainability disclosure requirements. The guidance



provides recommendations on governance, strategy, risk management, and metrics and targets to help companies effectively disclose climate-related information.

China Issues Opinions on Promoting Urban Renewal Actions

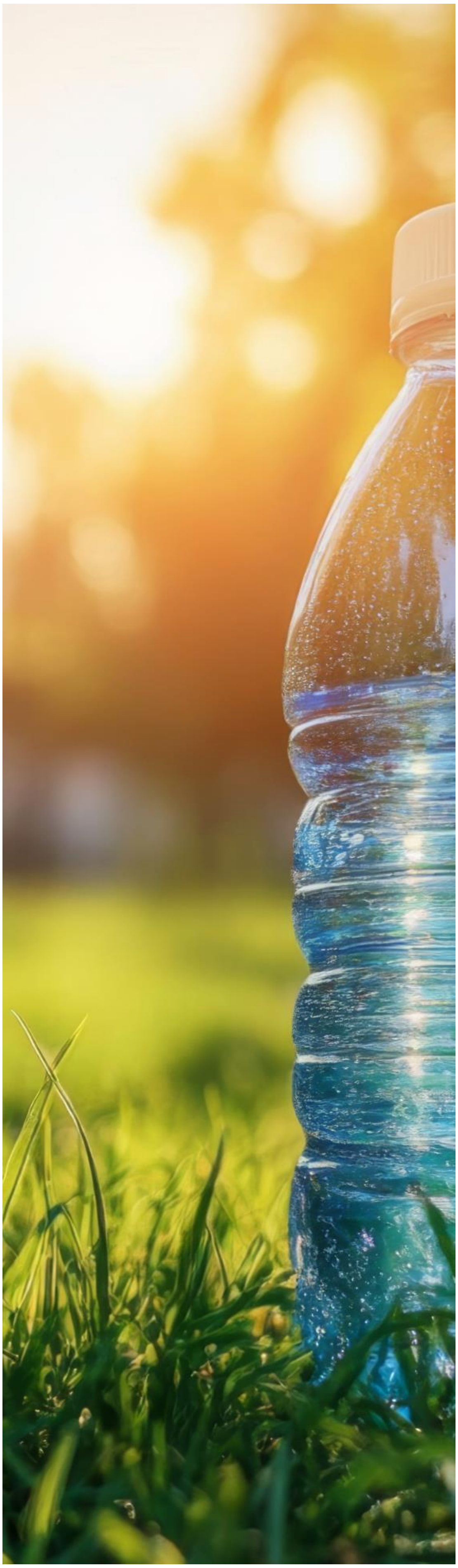
The General Office of State Council issued a document on continuously advancing actions of urban renewal. The document highlights protecting urban biodiversity by means of urban ecosystems repair and restoration, construction of sponge cities, and greenway development.

China Publishes Action Plan for Lake and River Conservation

The Ministry of Ecology and Environment and other six authorities issued the Action Plan for Conservation and Development of Beautiful Lakes and Rivers (2025-2027). The regulation emphasizes improving water quality and security in the ecosystem through addressing water pollution, biodiversity habitat restoration and optimal wastewater management. The plan demonstrates the nation’s efforts to build a beautiful China by 2035.

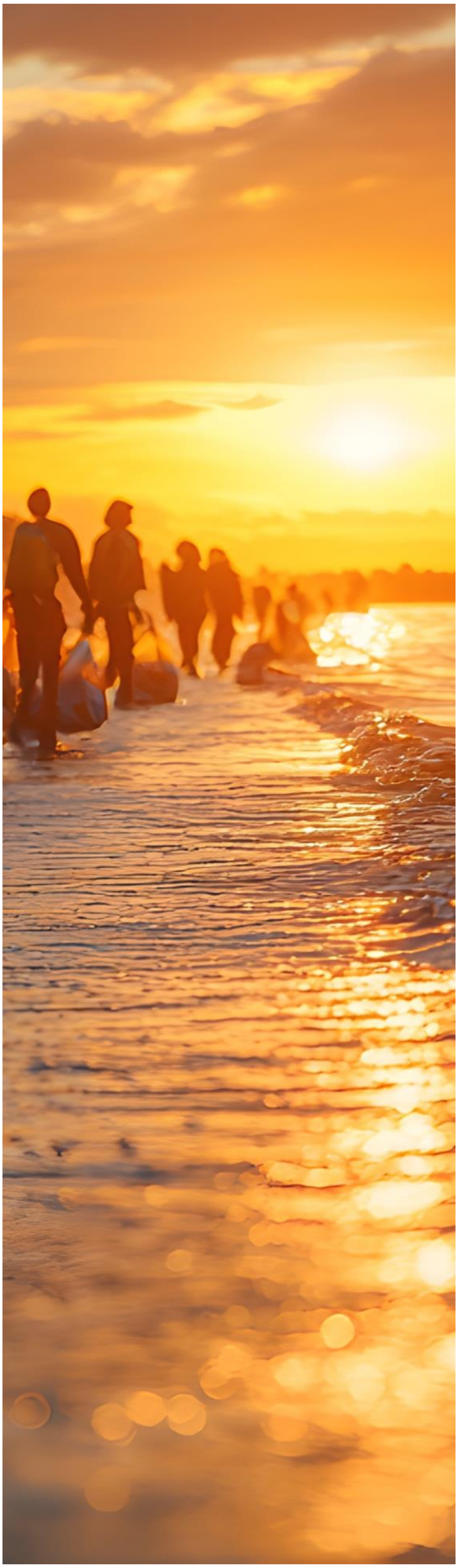
ASIC’s Climate Risk Strategy: Supporting Compliance Through Guidance and Flexibility

SIC is supporting Australia’s transition to mandatory climate-related financial disclosures through regulatory guidance, relief measures, and capacity building. It emphasizes a pragmatic enforcement approach, recognizing evolving industry capabilities. The regulator aims to ensure entities understand and meet new obligations while enhancing transparency and resilience in the financial system



Middle East and Africa

The UAE and Qatar are accelerating regulatory efforts to integrate sustainability into national frameworks. The UAE has introduced a climate law mandating emissions tracking and reporting across all businesses, reinforcing accountability for environmental impact. At the same time, Qatar issued a Sustainable Finance Framework for banks to align financial flows with ESG goals, supporting projects in clean energy, water, transport, and affordable housing. Both moves reflect a growing regional shift toward structured climate governance and ESG-aligned economic planning.



THE UAE Mandates Emissions Reporting Under New Climate Law

The United Arab Emirates enacted Federal Decree-Law No. (11) of 2024 on the Reduction of Climate Change Effects, which takes effect on 30 May 2025. This legislation obligates all businesses in the UAE, including Free Zones, to measure, report, and reduce their greenhouse gas (GHG) emissions. Entities must maintain detailed emissions records for five years and comply with sector-specific targets set by authorities. Non-compliance may lead to fines between AED 50,000 and AED 2,000,000, with penalties doubling for repeated violations within two years.

Qatar Central Bank Launches Sustainable Finance Framework to Drive ESG Integration

The Qatar Central Bank (QCB) has unveiled its inaugural Sustainable Finance Framework, marking a significant step toward aligning the country's financial sector with global ESG (Environmental, Social, and Governance) standards and the goals of Qatar National Vision 2030. Effective immediately for all banks operating in Qatar, the framework sets out clear definitions and principles to guide responsible lending and investment, channeling funds toward projects with positive environmental and social impacts—such as renewable energy, clean transportation, sustainable water and waste management, and affordable housing. It also introduces sustainability-linked financing, where loan terms are tied to the achievement of specific sustainability targets, and emphasizes the integration of Islamic finance with ESG criteria. By enhancing transparency, reporting, and verification standards, the QCB aims to ensure consistency across the sector and position Qatar as a regional leader in sustainable finance.

Additional News

North American Initiatives

Trump Reverses Ban on Massive New York Offshore Wind Project

California Plans to Proceed with Carbon Cap-and-Invest Program Despite Pressure from Trump

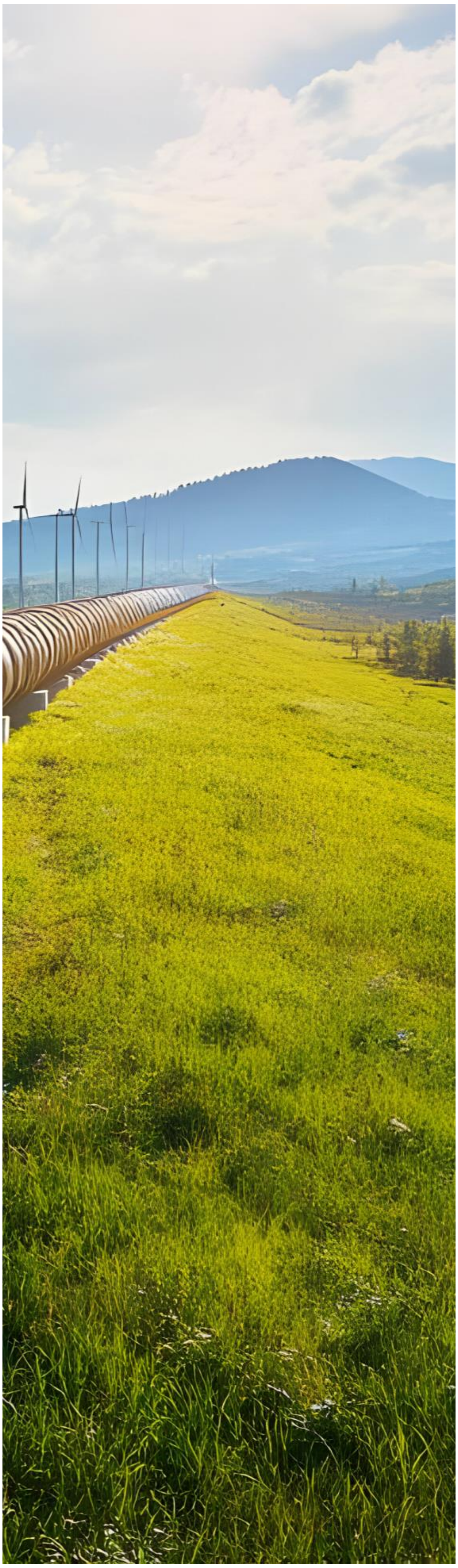
Republicans Launch Plan to Scrap Biden Era Green Energy Tax Credits

New York Passes Budget with Over $1 Billion Investment in Decarbonization

18 State Coalition Sues Trump Administration for Halting Wind Energy Projects

Trump, 24 States Sue New York, Vermont Over Laws Charging Fossil Fuel Companies for Climate Change

To the rescue of the Mexican Caribbean: Laws proposed to curb the environmental impact of real estate developments in Quintana Roo



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