



Sustainability Watch

Monthly Regulatory Highlights

July 2025

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Welcome to the July 2025 edition of our ESG Newsletter, delivering curated insights into the evolving landscape of environmental, social, and governance (ESG) regulations across the globe. Each edition brings you region-wise updates, highlighting key policy shifts, regulatory milestones, and strategic trends that are shaping the future of sustainable business.

In the United States, ESG regulation remains fragmented and politically charged. The **SEC's Climate Disclosure Rules** continue to face legal challenges, with the agency requesting the Eighth Circuit Court to proceed with litigation that could determine the future of mandatory climate disclosures. Meanwhile, California is pushing forward with its **Climate Corporate Data Accountability Act (SB 253)** and **Climate-Related Financial Risk Act (SB 261)**, reinforcing its leadership in climate transparency. In Canada, regulators are preparing for the rollout of the **Canadian Sustainability Disclosure Standards (CSDS)**, aligning with **IFRS S1/S2** frameworks. The Office of the Superintendent of Financial Institutions has updated its guidelines to include Scope 3 disclosures by 2028–2029.

Latin America is embracing sustainable finance despite market volatility. Chile launched a **National Sustainable Finance Taxonomy**, and Brazil is expected to follow suit. Instruments like **Amazonia bonds** and blue bonds are gaining traction, reflecting a shift toward nature-based financing. Investor demand remains strong, but implementation challenges persist due to voluntary frameworks and limited regulatory capacity.

Europe remains the global benchmark for ESG regulation. The EU Omnibus Package introduced sweeping changes to the CSRD and CSDDD, including raising thresholds and delaying implementation timelines to ease burdens on SMEs. The **EU Climate Law** was amended to set a **2040 target of 90% net GHG reduction**, reinforcing long-term climate ambition. The **Environmental Omnibus Initiative** launched a call for evidence to simplify reporting obligations in areas like waste and industrial emissions. France transposed **CSRD provisions via Law No. 2025-391**, while Germany continued its monthly ESG updates focusing on sustainable finance and disclosure.

Asia-Pacific saw dynamic regulatory activity. China and the EU issued a joint statement to accelerate climate cooperation and renewable energy deployment. The **Global Reporting Initiative (GRI)** launched a **consultation for sustainability standards in the textiles and apparel sector**, targeting supply chain transparency. The **ISSB proposed amendments to SASB standards** to improve consistency across industries. In Australia, mandatory climate-related disclosures under **AASB S2 came into effect** for large entities, with ASIC adopting a pragmatic enforcement approach.

The UAE and Saudi Arabia advanced ESG regulation with new mandatory disclosure frameworks for listed companies. The UAE's **Federal Climate Change Law** mandates emissions tracking and climate action plans, while Saudi Arabia is transitioning toward mandatory ESG disclosures. Regional stock exchanges are aligning with global standards through the **UN Sustainable Stock Exchanges Initiative**, and voluntary principles issued by central banks are expected to become binding.

Africa is intensifying its ESG efforts, with South Africa preparing for mandatory sustainability reporting. The **Companies and Intellectual Property Commission (CIPC)** and **Financial Sector Conduct Authority (FSCA)** are aligning frameworks with **IFRS S1/S2 standards**. ESG is becoming central to investment strategies, especially in sectors like mining and agriculture. Nigeria and Kenya are exploring standardized ESG reporting to attract foreign investment.

India's ESG Debt Securities Framework: A New Era for Sustainable Finance

Background

On June 5, 2025, the Securities and Exchange Board of India (SEBI) unveiled a transformative framework for ESG Debt Securities, extending beyond the previously limited scope of green bonds.

- ♥ Historically, SEBI's regulatory framework for sustainable finance was limited to green debt securities, which primarily focused on environmental sustainability.
- ♥ This move aligns India's capital markets with global sustainable finance practices and responds to growing investor demand for diversified ESG instruments.

Why This Framework Matters

Previously, India's sustainable finance market focused on green debt securities that only funded projects with environmental benefits and thus excluded social and governance dimensions.

- ♥ Responding to industry feedback and global trends, SEBI has now introduced a framework that encompasses – social bonds, sustainability bonds, and sustainability-linked bonds.
- ♥ Together with green bonds, these bonds would be now collectively termed as ESG Debt Securities.

Types of ESG Debt Securities

SEBI classifies ESG bonds into two broad categories:

- ♥ **Use of Proceeds (UoP) Bonds:** Funds would be earmarked for specific Environment, Social or Governance projects (e.g., affordable housing, renewable energy).
- ♥ **Key Performance Indicator (KPI) Bonds:** Linked to achieving ESG goals (e.g., reducing carbon emissions), without being tied to specific projects

Disclosure and Standards

SEBI will collaborate with the Industry Standards Forum (ISF) to:

- ♥ Define ESG bond categories.
- ♥ Establish disclosure norms.
- ♥ Align with international standards like – ICMA's Green, Social, Sustainability, and Sustainability-Linked Bond Principles and Climate Bonds Initiative's GSS+ Bonds

Europe

In July 2025, Europe saw a strategic shift in ESG and sustainability regulation, with a clear focus on streamlining compliance and enhancing climate ambition. EU proposed a significant amendment to its **Climate Law**, setting a legally binding **2040 target of a 90% net reduction in greenhouse gas emissions** compared to 1990 levels.

The **Nature Credits Roadmap** was launched to mobilize private investment in ecosystem restoration. The roadmap outlines a **framework for high-integrity nature credits**, including robust methodologies and governance structures.

In the United Kingdom, HM Treasury released updated **Sustainability Reporting Guidance for 2025–26**, mandating stronger alignment with TCFD and introducing a “comply or explain” framework.

The **Financial Reporting Council** updated its ESG Code, aiming to reduce reporting volume by up to 30% and promote more concise, meaningful disclosures.

EU Cuts Compliance Burden for Green Reporting

The EU has adopted measures to simplify the EU taxonomy framework, aiming to reduce administrative burdens for companies while preserving climate and environmental goals. These changes, part of a Delegated Act, will apply from January 2026 and cover the 2025 financial year, with optional deferral to 2026 for convenience.

EU Seeks Feedback to Streamline Green Laws

The EU has launched a Call for Evidence to simplify environmental legislation, aiming to reduce administrative burdens without compromising environmental standards. Stakeholders are invited to suggest ways to streamline reporting, permitting, and compliance. The initiative targets



a 25% burden reduction for all companies and 35% for SMEs, with feedback open until 10 September 2025.

New European Central Bank 'Climate Factor' Targets Financial Risk Resilience

The ECB will introduce a "climate factor" in its collateral framework by late 2026 to manage financial risks from climate change. This factor will adjust asset values based on climate vulnerability, focusing on non-financial corporate bonds. It enhances monetary policy resilience using climate scenario analysis, while ensuring sufficient collateral availability and regular updates.

EU Targets E-Waste and Waste Classification Reform

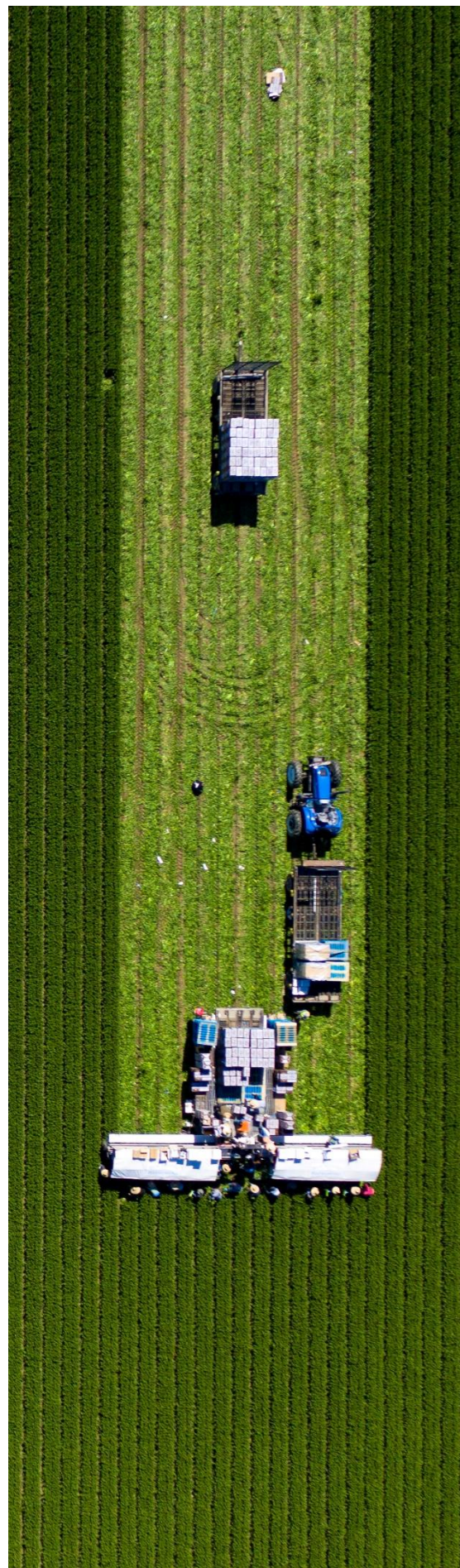
EU has launched key initiatives to accelerate the EU's shift to a circular economy, laying the groundwork for the Circular Economy Act expected in 2026. Actions include digitalizing waste shipments, evaluating e-waste legislation, and improving recycling efficiency. A public consultation on waste classification is open until 31 October 2025.

EU Pushes Private Investment in Nature Restoration

The European Commission has launched a Roadmap towards Nature Credits to boost private investment in nature-positive actions. These credits will reward efforts like wetland restoration or forest expansion, offering financial returns and ecosystem benefits. The initiative aims to close the ecological investment gap, support biodiversity, and create income opportunities for landowners, farmers, and local communities while enhancing climate resilience.

ESMA Charts Path to Cut Emissions by 2030

The European Securities and Markets Authority has published its first Climate Transition Plan, committing to



reduce its greenhouse gas emissions by 15.4% by 2027 and 31.4% by 2030, compared to 2023 levels. Key measures include limiting air travel, optimizing energy use, and promoting low-carbon procurement.

EU Initiative Seeks to Transform Food Policy Landscape

The European Commission has registered the European Citizens' Initiative titled "Food is a Human Right for All!", aiming to guarantee healthy, just, and sustainable food systems across the EU. The initiative calls for stronger policies to ensure food security, environmental sustainability, and social justice, inviting public support and engagement to influence future EU legislation.

UK Sustainability Technical Advisory Committee Engages Public on Reporting Standards

The UK Sustainability Disclosure TAC, supported by the FRC, is seeking stakeholder feedback on ISSB's proposed amendments to SASB Standards. Input is invited via a survey (due by 29 August) and an online roundtable on 2 September. This outreach will inform the TAC's response to ISSB's consultation and guide UK sustainability reporting standards.

TCFD-Aligned Reporting Now Mandatory for UK Government Entities

The 2025-26 Sustainability Reporting Guidance mandates UK Central Government bodies to report environmental data aligned with TCFD standards. Key updates include streamlined core metrics, clarified thresholds and exemptions, and a "comply or explain" approach. Scope 1 and 2 GHG emissions are required; Scope 3 is materiality-based. The guidance emphasizes integrated reporting and applies to entities under the FReM framework.





North America

In North America, the **EPA** proposes rolling back vehicle emissions regulations and ending subsidies for wind and solar energy, citing consumer choice and national security. New York halts offshore wind transmission planning due to federal uncertainty. Support for environmental and social shareholder resolutions has decreased. The **CIRCLE Act** aims to boost recycling infrastructure.

A Canadian legal opinion stresses directors' responsibilities in managing climate risks. The UK and Canada collaborate on sustainable mining and critical minerals supply chains.

EPA Releases Proposal to Rescind Obama-Era Endangerment Finding, Regulations that Paved the Way for Electric Vehicle Mandates

If finalized, the proposal would repeal all resulting greenhouse gas emissions regulations for motor vehicles and engines, thereby reinstating consumer choice and giving Americans the ability to purchase a safe and affordable car for their family while decreasing the cost of living on all products that trucks deliver.

Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered:

For too long, the Federal Government has forced American taxpayers to subsidize expensive and unreliable energy sources like wind and solar. (...) Moreover, reliance on so-called "green" subsidies threatens national security by making the United States dependent on supply chains controlled by foreign adversaries. Ending the massive cost of taxpayer handouts to unreliable energy sources is vital to



energy dominance, national security, economic growth, and the fiscal health of the Nation.

New York Halts Offshore Wind Transmission Planning Due to Federal Uncertainty

The New York State Public Service Commission has announced it will terminate its ongoing process for developing offshore wind transmission infrastructure, citing significant uncertainty at the federal level. The decision effectively closes the Public Policy Transmission Need (PPTN) process, which was intended to support the integration of up to 8GW of offshore wind energy into New York City's electricity grid by 2033.

US Investors Back Away from Climate and Social Reforms

Support for shareholder resolutions pressing U.S. companies for environmental and social reforms fell to 16% on average for the 12 months ended June 30, half the rate of three years ago, data from Morningstar shows.

Improved Recycling Systems: The US Bill CIRCLE Act

The bill aims to target investment tax credit to strengthen the US' recycling infrastructure and bolster domestic manufacturing, while reducing waste in the environment and communities.

"The bipartisan CIRCLE Act tackles this head-on providing a new investment credit to help communities like ours in PA-1 modernize outdated systems, strengthen domestic supply chains and compete globally. It's a fiscally smart, environmentally responsible solution, and part of my broader effort to grow our local economies and protect our environment, our workforce, and the future we owe our next generation."



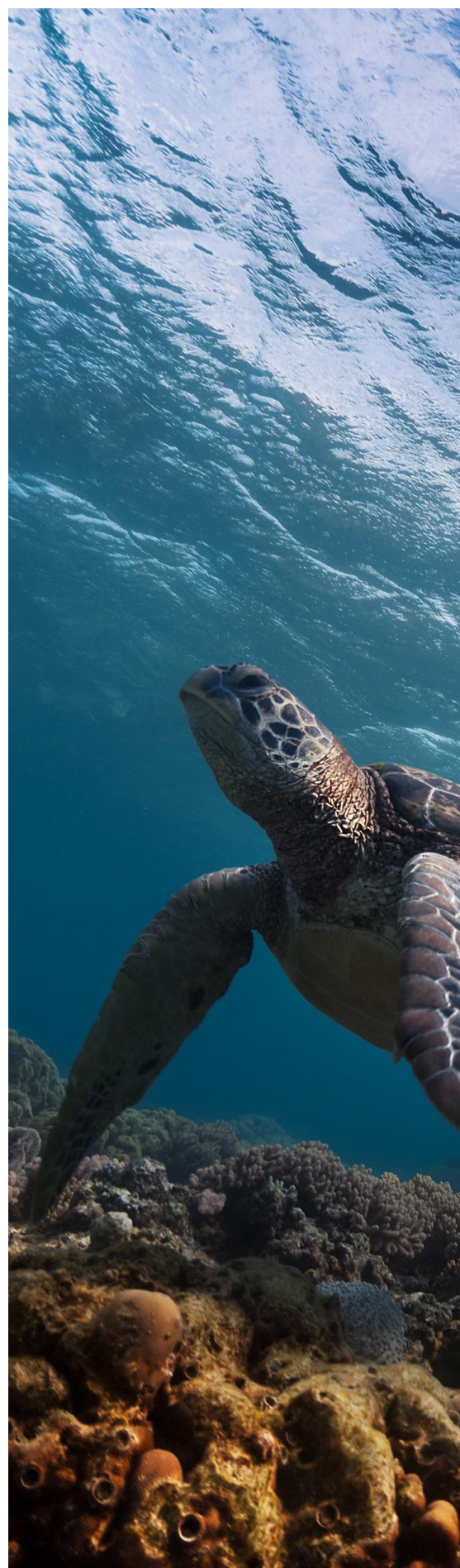
Landmark Legal Opinion Finds that Canadian Directors Risk Lawsuits Over Climate and Nature Inaction

Commissioned by the Commonwealth Climate and Law Initiative (CCLI) and authored by Canadian law firm Resilient LLP, the opinion confirms that nature risks fall squarely within directors' legal duties under Canadian law.

Under the Canada Business Corporations Act (CBCA) and similar provincial statutes, directors have a duty to act with care, diligence and loyalty in the best interests of the corporation. This includes a legal obligation to identify and manage foreseeable material risks.

The UK and Canada Join Forces to Enhance Sustainable Mining and Critical Minerals Supply Chains

The UK and Canada have joined forces in a research collaboration to enhance the mining and supply chain of critical minerals. The partnership encompasses five projects that will explore innovative approaches, including mine water cleanup, sustainable mining practices, and advanced geological exploration.





South America

Brazil is undergoing significant changes in its environmental regulations, with Congress passing a bill to overhaul existing laws, despite criticism from the environmental minister and potential presidential veto. The bill, already approved by the Senate, now awaits President Luiz Inácio Lula da Silva's decision, who is known for his environmental advocacy and will preside over **COP30** in the Amazon later this year. Brazil's Piauí State plans to issue carbon credits to combat deforestation, aligning with the country's efforts to curb emissions ahead of the global climate talks in Belem. Brazil's Congress has also passed legislation loosening environmental licensing, which could undermine Lula's green credentials before the COP30 summit.

In a related development, China has pledged support for Brazil's Tropical Forests Forever Facility, signaling a new era in emerging climate finance leadership.

Brazil's Congress Passes Bill to Overhaul Environmental Regulations

A bill to overhaul environmental regulations in Brazil was passed by the country's lower house Thursday, drawing criticism by the environmental minister who floated the possibility of a presidential veto. With the bill already passed by the Senate in May, it now goes to President Luiz Inácio Lula da Silva, who casts himself as an environmental defender and later this year will preside over the first U.N. climate talks, known as COP30, to take place in the Amazon.

Brazil's Piauí State Plans Carbon Credits to Protect Rainforest

The Brazilian state of Piauí will issue carbon credits in return for action to combat deforestation, it said on Tuesday, adding momentum to other regional projects to help



protect the country's rainforest. Brazil is striving to maintain ambition to curb emissions as it prepares to host the next round of global climate talks in the Amazonian city of Belem in November.

Brazil Lawmakers Gut Environmental Permitting Ahead of COP30 Summit

Brazil's Congress passed legislation on Thursday loosening environmental licensing, a potential blow to President Luiz Inacio Lula da Silva as he seeks to burnish his country's green credentials before hosting the United Nations global climate summit, COP30, this year.

The bill passed with broad support in Congress where a powerful agribusiness caucus holds huge influence, over criticism from environmentalists, members of Lula's cabinet, and European Union lawmakers who wrote to Brazil's lower house speaker last month asking him not to put the bill to a vote.

China's Backing of Brazil's Forest Fund Signals New Era in Emerging Climate Finance Leadership

China has reaffirmed its intention to invest in the Brazil-led Tropical Forests Forever Facility (TFFF)—a multilateral fund aimed at protecting the world's most endangered forests.

The commitment was quietly conveyed during a recent meeting between Chinese Finance Minister Lan Fo'an and Brazilian Finance Minister Fernando Haddad, according to officials familiar with the exchange. While short on fanfare, the move marks a notable moment: emerging economies are beginning to step up financially in the global effort to combat climate change.





APAC and Oceania

Japan is working on corporate governance reform for sustainable growth while China is repping up support for green finance projects. Carbon trading system becomes a common focus in both markets, as driven by the stricter regulations on climate change management.

Japan Publishes "Action Programme for Corporate Governance Reform 2025"

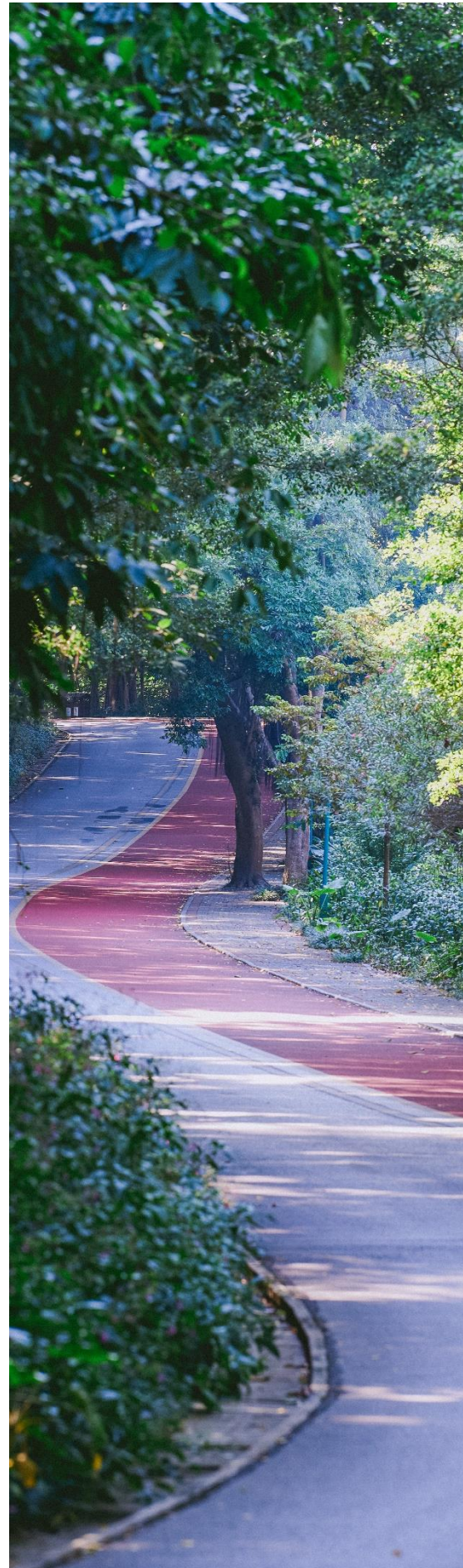
The Financial Services Agency has released the "Action Programme for Corporate Governance Reform 2025" which is grounded in discussions from the meeting of the Council of Experts on the follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. The document outlines future policy priorities aimed at effectively implementing corporate governance reform and seeks to support sustainable corporate growth over the mid- to long-term.

Japan Plans to Eliminate Global Carbon Credits from Domestic Emission Trading System

Discussions have begun to finalize the details of the domestic emissions trading system starting from fiscal 2026. A 10% cap was proposed on the use of carbon credits by target companies, aiming to reduce carbon emissions while cutting dependence on carbon credits. In addition, J-Credits and "Joint Crediting Mechanism" credits will be leveraged for carbon removal, absorption and storage.

Japan Updated Report on Climate-related Risk Management Practices and Issues

The Financial Services Agency published the report on the practices and concerns of financial institutions addressing



climate-related risks. The financial institutions face challenges in integrating climate-related risks that will manifest for the medium and long term into conventional risk management frameworks. Another difficulty lies in the temporarily increased financed emissions when they finance their clients to support their transition to Net zero.

Japan Revised Green List Appended to Green Bond and Green Loan Guidance

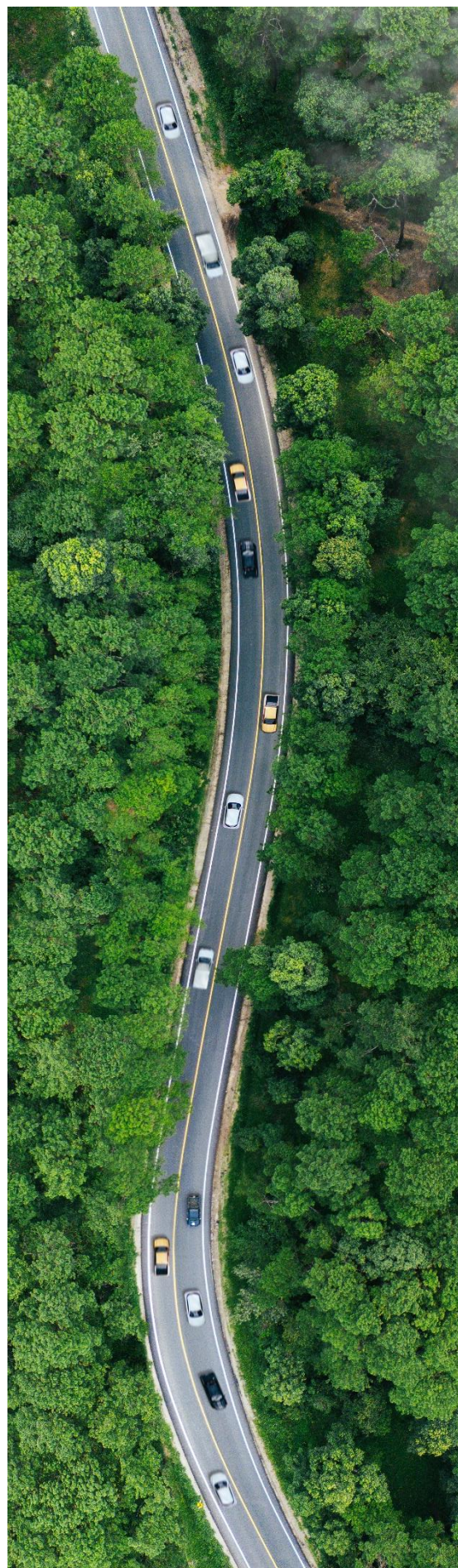
The Ministry of Environment updated the Green List as an appendix to the Green Bond and Green Loan Guidelines. Major changes include the extended description of specific indicators used to calculate the environmental improvement effects of adaptation sectors, as well as the addition of various initiatives and certification systems for reducing environmental impacts.

China Presents a List of Green Finance-backed Projects

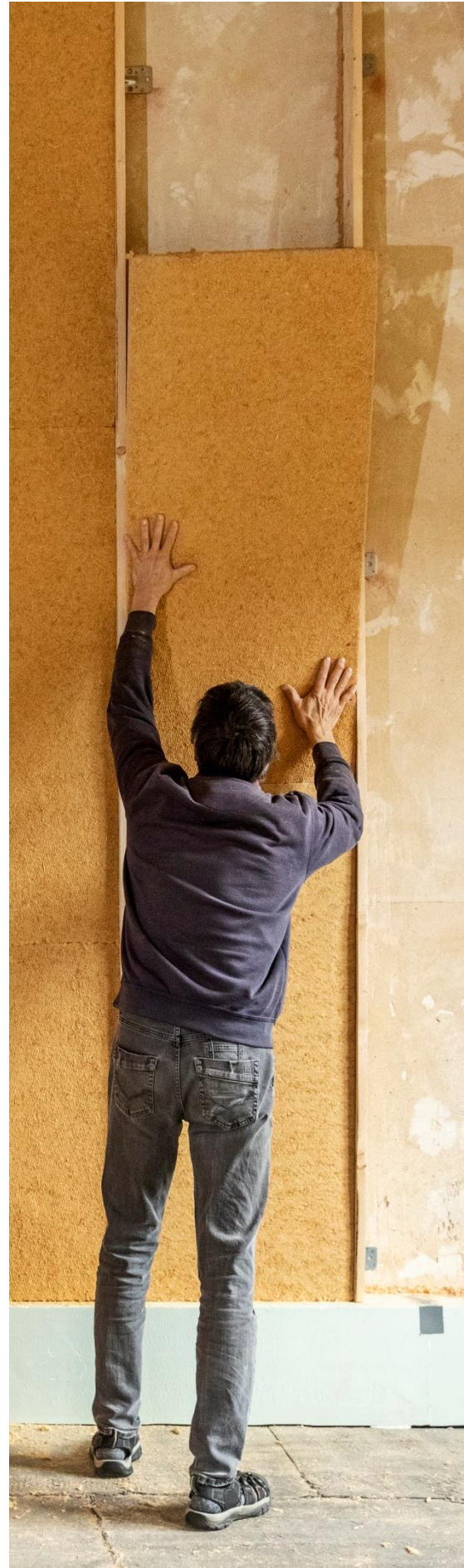
China's financial regulators announced the 2025 catalogue of projects supported by green finance, including a variety of projects across different sectors. The introduction of this catalogue is intended to increase liquidity within the green finance sector, improve the efficiency of the green finance assets management and lower the costs associated with evaluating projects. The new catalogue will take effect on Oct. 1, 2025.

Taiwan Carbon Solution Exchange Partners with EEX to Advance Carbon Trading System

The Taiwan Carbon Solution Exchange and the European Energy Exchange established a Memorandum of Understanding at the EEX headquarters. This MoU will assist TCX in creating a strong and transparent carbon trading market, while also paving the way for possible international connections between Taiwan and other carbon markets –



ultimately aiding in the achievement of the 2050 target of net-zero emissions.





Middle East and Africa

The geographical regions of Middle East and Africa continues to show signs of regulatory evolution in ESG and sustainability. UAE is advancing national frameworks to support emissions tracking and align with its commitment to the **Net Zero by 2050 Strategic Initiative**. Regional cooperation is gaining traction towards addressing climate resilience challenges in the Euphrates-Tigris River Basin.

South Africa is progressing toward mandatory sustainability reporting, with the **Johannesburg Stock Exchange** also revising its Sustainability and Climate Change Disclosure Guidance to reflect **ISSB** standards.

New Sustainability Standards to Empower African Producers

The UN Economic Commission for Africa (ECA) and the African Organization for Standardization (ARSO) approved ten new sustainability standards across sectors like construction, textiles, mining, and tourism. These standards, developed under their joint program, aim to promote eco-friendly trade and support African producers' global competitiveness through the Eco-Mark Africa ecolabel.

South Africa Nears Mandate on Global Sustainability Reporting

South Africa is moving toward mandatory sustainability reporting under global ISSB standards. A partnership between the FSCA and IFC aims to align local regulations with ISSB's IFRS S1 and S2 standards. Though not yet mandatory, many large firms are voluntarily adopting them. Regulatory momentum and investor pressure suggest future requirements for listed companies and public interest entities.



Additional News

Regulation/Policy developments

US reversal on key climate finding spells uncertainty for business

Trump's push for a comeback in coal may turn to ashes

Boom fades for US clean energy as Trump guts subsidies

US, Mexico reach agreement on reducing sewage flows across border and into San Diego

Morocco Leads Africa's Green Shift with ESG Blueprint for Critical Minerals

Initiatives

Exclusive: Brazil in talks with TPG, Brookfield over \$4 billion climate finance push

Nestle, Barry Callebaut, re.green to restore areas in Brazil's cocoa, coffee regions

US issues expedited permit for proposed Tennessee coal mine

US solar panel makers seek tariffs on imports from Indonesia, India, Laos

US delays rule on Gulf of Mexico whale protections by two years

U.S. coal power plants well stocked through 2026, EIA says

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