



Sustainability Watch

Monthly Regulatory Highlights

September 2025

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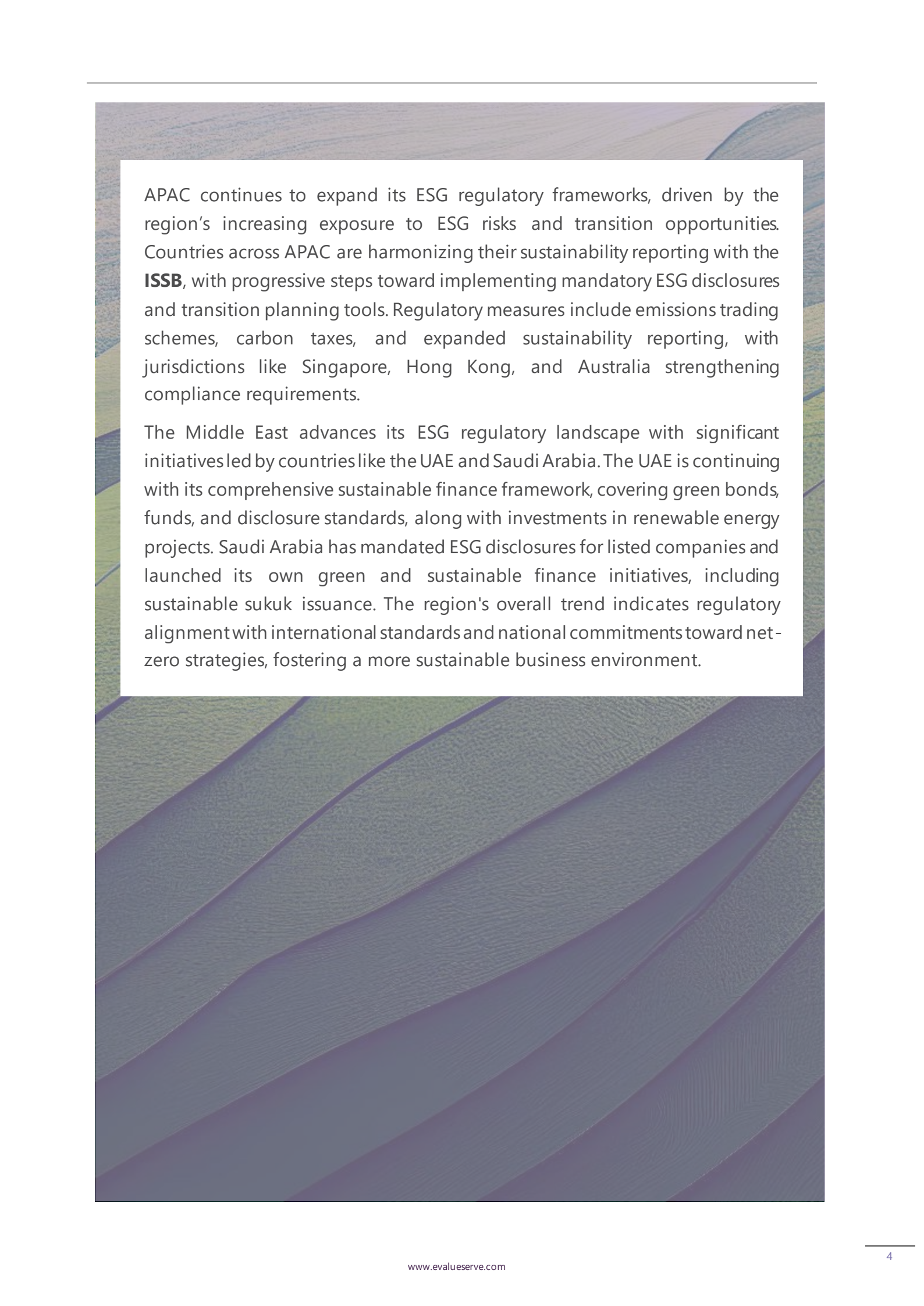
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Welcome to the July 2025 edition of our ESG Newsletter. Europe continues to lead in setting stringent ESG regulations, with notable developments in sustainability reporting and climate policies. The European Commission has been actively reforming its sustainability standards, including the revision of the **ESRS** under the **CSRD**. A significant step was the public consultation on the revised ESRS, which aims to streamline disclosure requirements, reduce overlaps, and ease compliance burdens for companies. The European Central Bank and other regulators are also focusing on enhancing ESG risk management, with initiatives like the updated **EBA ESG risk dashboard**. Additionally, the EU and US struck a trade deal that seeks to balance compliance burdens with regulatory impacts, reinforcing Europe's commitment to sustainable finance.

North America sees continued enforcement and legal developments in ESG regulation, especially in the United States and Canada. The U.S. SEC remains firm on climate-related disclosures, with the agency filing a status report indicating no reconsideration of proposed climate rules, signaling their ongoing enforcement phase. California's climate laws are also progressing, with the **California Air Resources Board** (CARB) issuing FAQs on SB 253/261, mandating Scope 1, 2, and eventually Scope 3 emissions disclosures for large companies. The region's focus remains on quantitative, transparent climate risk and emissions reporting, with ongoing litigation shaping the regulatory landscape.

South America's regulatory advancements are largely centered around ESG disclosure rules, especially in Brazil. The country has mandated inclusion of Social, Environmental, and Climate responsibility policies among financial institutions and publicly listed companies, emphasizing transparency and combating greenwashing. Brazil and other leading economies are pushing forward with disclosure-driven regulation that aligns with international standards, demonstrating the region's move towards greater ESG transparency.



APAC continues to expand its ESG regulatory frameworks, driven by the region's increasing exposure to ESG risks and transition opportunities. Countries across APAC are harmonizing their sustainability reporting with the **ISSB**, with progressive steps toward implementing mandatory ESG disclosures and transition planning tools. Regulatory measures include emissions trading schemes, carbon taxes, and expanded sustainability reporting, with jurisdictions like Singapore, Hong Kong, and Australia strengthening compliance requirements.

The Middle East advances its ESG regulatory landscape with significant initiatives led by countries like the UAE and Saudi Arabia. The UAE is continuing with its comprehensive sustainable finance framework, covering green bonds, funds, and disclosure standards, along with investments in renewable energy projects. Saudi Arabia has mandated ESG disclosures for listed companies and launched its own green and sustainable finance initiatives, including sustainable sukuk issuance. The region's overall trend indicates regulatory alignment with international standards and national commitments toward net-zero strategies, fostering a more sustainable business environment.



Europe

In September 2025, Europe saw a series of regulatory reforms aimed at simplifying and recalibrating its sustainability framework. Central to these efforts was the Omnibus Simplification Package, which proposed significant changes to the CSRD. The ESRS are being revised to reduce complexity, with certain topical standards – such as biodiversity water and affected communities delayed until FY27. A **VSME** was also proposed to shield smaller companies from excessive data requests by larger firms in their value chains.

The **EFRAG** conducted a public consultation that closed in late September 2025 on a revised ESRS draft, which reduces mandatory data points by over 57% and shortens the overall standards by more than 55%. The revisions streamline the double materiality assessment, remove voluntary disclosures, and introduce relief mechanisms to reduce reporting burdens and costs for companies.

Consultations on the **Circular Economy Act** aiming to harmonize waste and recycling regulations across member states, set for adoption in late 2026, and ongoing efforts under the **EU Omnibus** directive to reduce administrative burdens of sustainability reporting, targeting smaller companies and streamlining data collection and sectoral standards.

EU Labels Aim to Make Sustainability a Consumer Standard

The European Commission introduced new EU-wide labels to help consumers choose longer-lasting products and support the circular economy. A mandatory notice will clarify legal guarantee rights, while a voluntary label rewards businesses offering durability guarantees beyond two years at no extra cost. These measures stem from the Directive on empowering consumers for the green transition.



EIB Group Fast-Tracks Green Investment for a Competitive Europe

The European Investment Bank Group has launched phase two of its Climate Bank Roadmap to accelerate green investment. Key actions include doubling climate adaptation financing to €30 billion (2026–2030), simplifying procedures, and focusing on competitiveness, energy security, and tech leadership. The plan aims to make clean energy more accessible and boost Europe's green industrial revolution.

EU Moves to Modernize Housing and Population Data

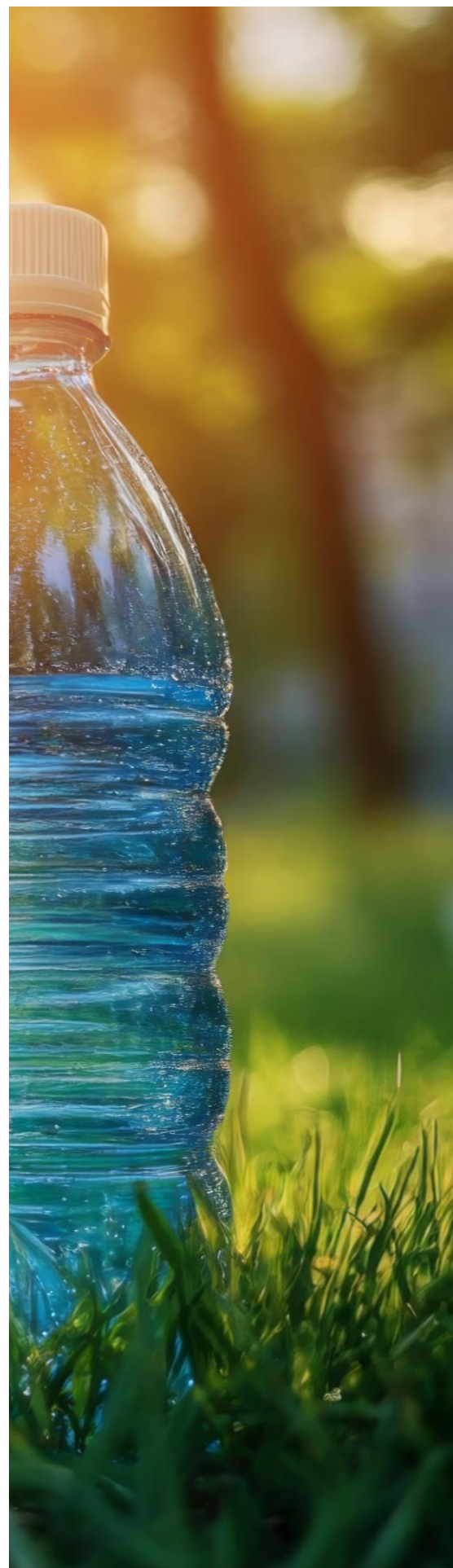
The Council of the EU approved new rules to enhance population and housing statistics. The regulation introduces a harmonized definition of "population," improves data access, and streamlines statistical production. It aims to ensure complete, coherent, and timely data, support EU policymaking, and reduce burdens on national authorities through gradual implementation.

EU Council Refines CBAM to Boost Climate Efficiency and Trade

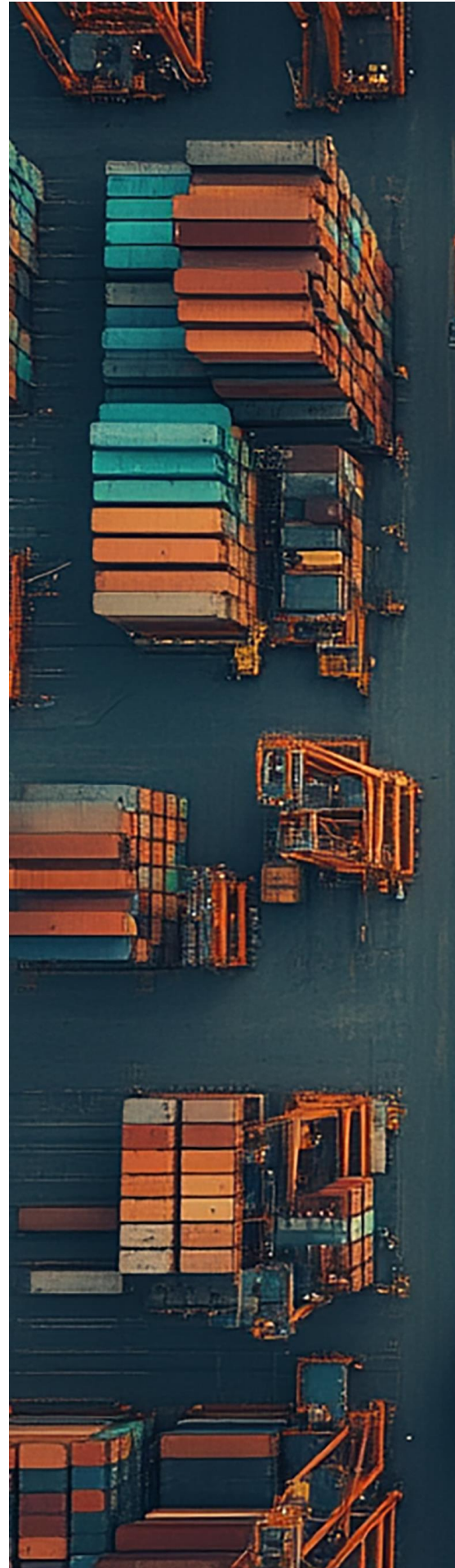
The Council of the EU adopted a regulation simplifying the Carbon Border Adjustment Mechanism (CBAM) to ease compliance for businesses, especially SMEs. Key changes include a new 50-tonne annual import exemption, streamlined registration and emissions reporting, and reduced administrative burdens. Climate goals remain intact, with 99% of embedded emissions still covered.

EU Sets Ambitious Targets to Slash Textile and Food Waste

The European Parliament adopted new rules to cut food and textile waste. By 2030, EU countries must reduce food waste by 10% in processing and 30% per capita in retail and



households. Producers must fund textile waste collection and recycling via extended responsibility schemes. The law also targets ultra-fast fashion and promotes food donation.





North America

The U.S. ESG regulatory landscape continued to fragment, with federal climate disclosure rules facing significant setbacks. Meanwhile, California advanced its own climate disclosure mandates, including: GHG emissions reporting by June 30, 2026, and climate-related financial risk disclosures starting January 1, 2026.

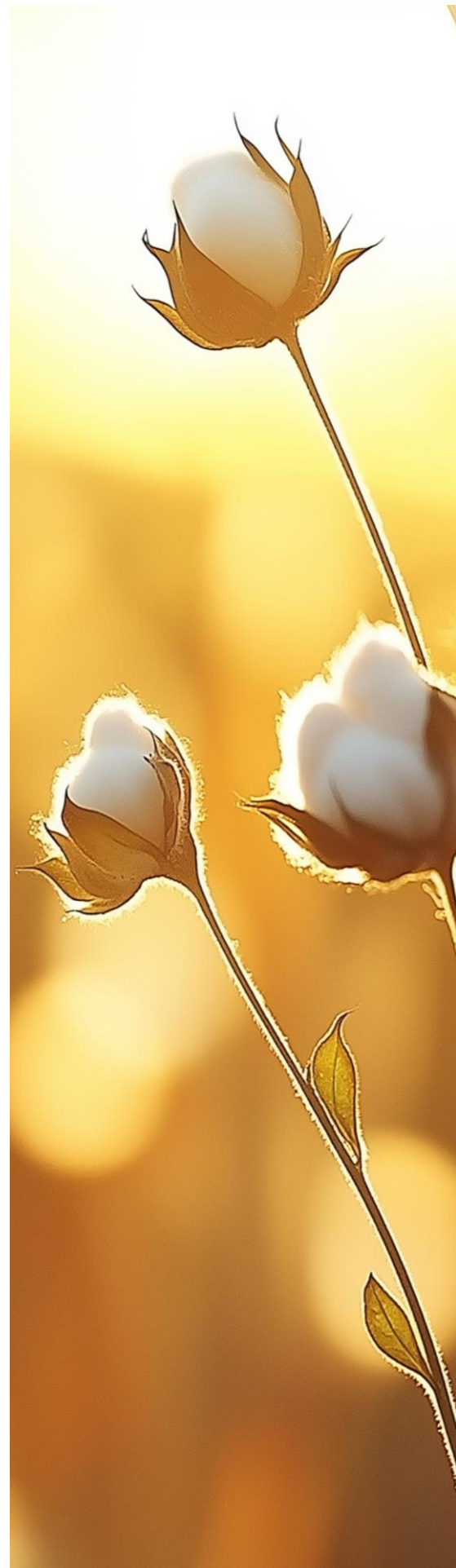
Canada's ESG regulatory momentum slowed with the **Canadian Securities Administrators** paused work on mandatory climate-related disclosure rules, citing global uncertainty and competitiveness concerns. This move delays the adoption of the Canadian Sustainability Disclosure Standards (CSDS 1 and 2), which were finalized in December 2024 and aligned with **ISSB** standards.

EPA Proposes Major Rollback of Greenhouse Gas Reporting Requirements

The Environmental Protection Agency proposes scaling back the Greenhouse Gas Reporting Program, retaining only Subpart W (Petroleum and Natural Gas Systems). About 8,200 facilities across sectors like cement, power, and landfills would be exempted. EPA cites Clean Air Act limitations and will address Subpart W separately. Public comments are due by November 3, 2025.

Balancing Energy and Environment: New Coal Regulations Unveiled

DOI, DOE, and EPA announced coordinated actions to support the coal industry, including opening 13.1 million acres for coal leases, \$625M in DOE funding for coal plant upgrades, and EPA rulemakings on emissions. These measures aim to extend coal plant operations and boost rural energy resilience.





APAC and Oceania

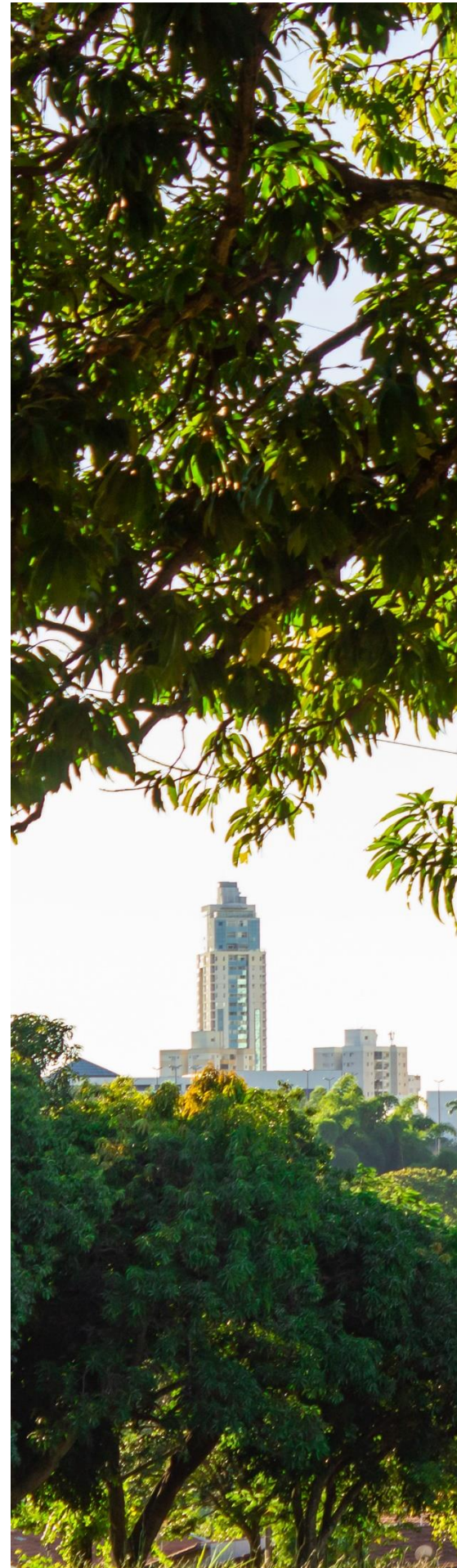
Japan is fostering a stronger relationship between economic growth and sustainable development in the long run as it released the roadmap for nature-positive economy. China is sending a clear signal in advancing a sophisticated carbon market while establishing sector-specific guidance on sustainability disclosure and ESG-related practices. Australia mandated principles-based guidance for climate transition plan disclosures, encouraging companies to articulate credible net-zero strategies.

Japan Unveils Roadmap for Nature-Positive Economy

The Ministry of Environment unveiled a roadmap for transitioning to a nature-positive economy (2025-2030), detailing strategies on enhancing regional natural capital, increasing economic value through environmental assets, and boosting international competitiveness of Japanese companies through collaborative rulemaking in natural resource management. The government aims to deepen stakeholder engagement and synergize relevant policies.

Japan Releases Draft 2026 EDINET Taxonomy and Development Plan for 2027

The Financial Services Agency (FSA) released the draft 2026 Electronic Disclosure for Investors' Network (EDINET) Taxonomy and the development plan for 2027. This initiative aims to enhance Japan's EDINET system for financial reporting. The plan details the strategic direction and expected developments for next year's taxonomy, offering industry participants clarity and preparation time to align their systems, promoting stability and predictability in financial reporting.



China Releases Document to Bolster National Carbon Market

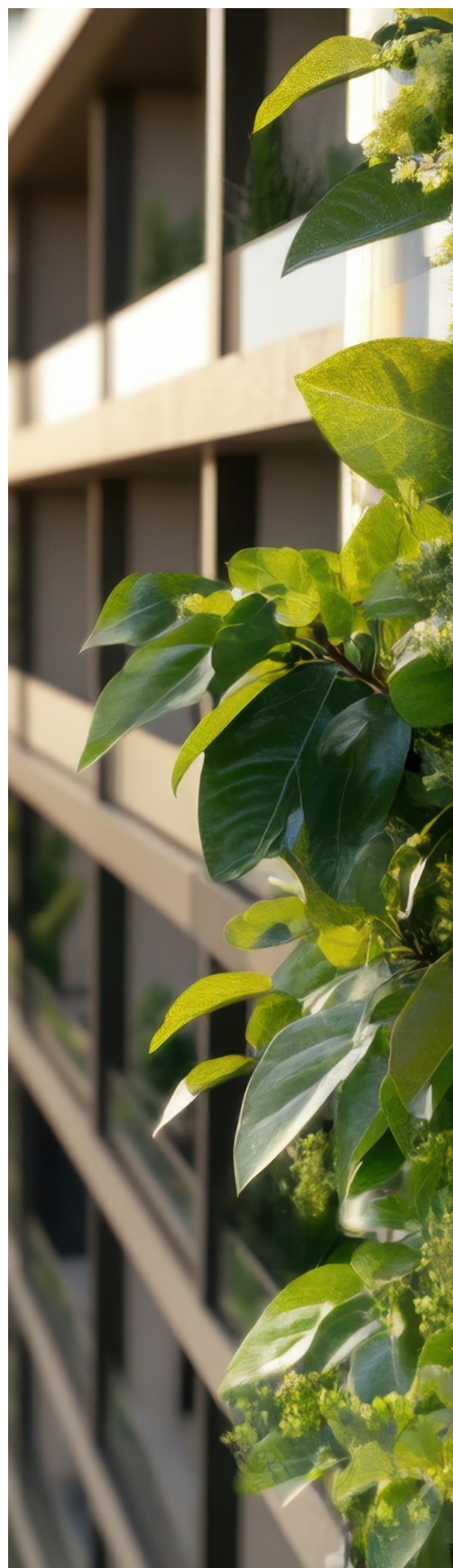
The office of State Council issued a document of opinions on prospering the national carbon market. The document emphasizes the need for a unified national carbon market to optimize carbon emission resource allocation and promote green, low-carbon development. By 2027, the market aims to cover major industrial sectors, and by 2030, a comprehensive carbon trading system with transparent, fair, and internationally aligned practices will have been established.

China Issues Guidance on Green Trust and Guideline on ESG Disclosure of the Trust Sector

China Trustee Association issued the Guidance on Green Trust and Guideline on ESG Disclosure of the Trust Sector. The revised “Guidance” covers general provisions, objectives, principles, organizational management, business implementation, internal control, and self-regulation, and introduces the “Green Trust Standards”, defining green trust, its goals, principles, and requirements. The “Guide” details ESG disclosure principles, frameworks, and requirements to enhance transparency and governance in the trust industry.

China Introduces Financial Initiatives to Support the Forestry Sector

The People's Bank of China (PBOC), China's central bank, announced 15 measures to enhance financial support for forestry development. These include improving financial services for forest tenure reform, boosting investment in the forestry industry, and innovating forest rights mortgage lending to transform ecological resources into capital.



China Formulates the First National Standard on Electronic Hazardous Substance Control

China's first mandatory national standard for controlling hazardous substances in electrical and electronic products (GB 26572-2025) will be implemented on August 1, 2027. The standard puts limits on 10 hazardous chemicals, aiming to promote green supply chains in line with international regulations. The government will expand the categories of electrical and electronic products as well as hazardous substances regulated by the national RoHS as the next step.

Shanghai Municipality Publishes Notice on Action Plan for Comprehensive Reform of Shanghai Carbon Market

Shanghai published an action plan, including three major initiatives to enhance the carbon emissions trading market, encourage voluntary greenhouse gas reductions, and boost innovation of carbon market. The plan outlines 16 specific measures, including expanding the scope of regulated entities, increasing the ratio of paid carbon credits, and integrating non-CO₂ gases in the market.

Shanghai Stock Exchange Unveils ESG Practice Report over the Past Two Decades

The SSE published its 20 Years of ESG Practice in the Shanghai Stock Exchange, reviewing the ESG development achieved by the Exchange, highlighting policy evolution, representative cases, and year-specific enterprise achievements. The report showcases the transition from voluntary to systematic ESG disclosures, significant growth in green bonds, and sustainable development indices.

Australia Commits to Deep Emissions Cuts by 2035

Australia has set a 2035 emissions reduction target of 62–70% below 2005 levels. The plan focuses on clean electricity,



electrification, clean fuels, new technologies, and carbon removals. Key investments include a \$5B Net Zero Fund, \$2B for clean energy finance, and \$1.1B for clean fuels. The strategy aims to boost jobs, innovation, and economic growth.

Malaysia Launches First-Ever Social Exchange

Malaysia's Securities Commission launched guidelines for the country's first Social Exchange, effective 19 September 2025. The platform allows eligible non-profits to raise funds for verified social impact projects aligned with ESG goals. It ensures transparency, accountability, and investor confidence, marking a significant step in integrating social finance into the capital market.



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