SUSTAINABILITY WATCH

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EUROPE

The European sustainability agenda continues to evolve from framework-building to implementation and refinement. The European Council has advanced negotiations on the review of the Sustainable Finance Disclosure Regulation (SFDR), proposing a clearer product categorisation regime designed to improve investor understanding, reduce greenwashing risks and simplify compliance obligations.

European Commission has introduced temporary Basel III market-risk adjustments to preserve the competitiveness of EU banks while maintaining prudential standards, underscoring the growing integration of sustainability, resilience and capital-market policy.

The Commission accelerated its transition toward non-animal chemical safety testing, reinforcing environmental and innovation objectives.

EU Council Advances SFDR Overhaul to Simplify Sustainable Finance Disclosures

The Council of the EU agreed its negotiating mandate on the European Commission's proposed SFDR review, aiming to simplify sustainability disclosure requirements, reduce administrative burdens, and improve investor understanding of sustainable financial products. The proposal introduces a harmonised product categorisation framework, strengthens safeguards against greenwashing, and seeks greater consistency in supervisory practices across the EU sustainable finance market.

EU Adopts Temporary Basel III Market Risk Adjustments to Support Bank Competitiveness

The European Commission has adopted temporary, three-year adjustments to Basel III's Fundamental Review of the Trading Book (FRTB), effective from January 2027, to protect EU banks' global competitiveness. The measures include targeted capital relief to address implementation delays in other jurisdictions, ensuring a level playing field while supporting the EU's Savings and Investments Union objectives and broader capital market development.

EU Streamlines Product Labels to Accelerate the Clean Energy Transition

The European Commission proposed simplifying EU energy and tyre labelling rules to reduce administrative burdens while maintaining clear consumer information. The reforms seek to make compliance easier for suppliers and retailers, encourage the development of more energy-efficient and durable products, and support consumers in making informed purchasing decisions, ultimately contributing to lower energy consumption and costs across the EU.

EU Unveils Roadmap to Phase Out Animal Testing in Chemical Safety Assessments

The European Commission has unveiled a roadmap to phase out animal testing in chemical safety assessments, introducing 22 actions across research, regulatory implementation, and stakeholder collaboration. The initiative promotes innovative non-animal methods, including AI-enabled approaches, while maintaining high standards of human, animal, and environmental protection. Progress will be monitored through defined indicators and reviewed by 2029.

NORTH AMERICA & SOUTH AMERICA

In Brazil, the Securities and Exchange Commission (CVM) has amended Resolution 193 through Resolution 244, reinforcing alignment with ISSB-based sustainability reporting while introducing new expectations around disclosure continuity, transparency of reporting decisions, and market communication for companies that elect not to publish sustainability reports.

In contrast, the U.S. Securities and Exchange Commission has proposed rescinding its climate-related disclosure rules, signaling a shift toward a more materiality-focused regulatory approach and reopening discussions on the role of climate reporting within securities regulation.

SEC Proposes Repeal of Climate Disclosure Rules

The Securities and Exchange Commission has proposed rescinding its 2024 climate-related disclosure rules, arguing they exceed the agency's statutory authority and impose excessive costs on public companies. The SEC cited a preference for a materiality-based disclosure framework, stating the rules are unnecessary, burdensome, and potentially detrimental to capital formation and public company participation.

Brazilian Regulator Expands Transparency Around Sustainability Reporting Choices

Brazil's Securities and Exchange Commission amended its sustainability disclosure framework by revising Resolution 193/2023. Companies voluntarily publishing sustainability-related financial information must do so for at least three consecutive years and disclose any decision to discontinue reporting. From 2027, listed companies that choose not to file sustainability reports must publicly explain their rationale, reinforcing transparency and accountability.

In Japan, new initiatives on nature-positive procurement, sustainable forestry, and responsible management of foreign workers signal a broader integration of biodiversity, climate resilience, and social responsibility into corporate decision-making.

China is accelerating industrial decarbonization through a three-year action plan targeting energy-intensive sectors, reinforcing the implementation of climate transition policies and operational emissions reductions.

India continues to strengthen ESG governance through proposed sustainability assurance standards, enhanced ethical requirements for assurance professionals, and new mechanisms to channel corporate CSR funding through regulated social finance platforms.

Southeast Asia is advancing sustainable finance, with the Philippine Stock Exchange promoting global environmental disclosure practices and Cambodia expanding climate-finance infrastructure to support green growth and resilience.

New Zealand to Exempt Health and Life Insurers from Climate Reporting

The Financial Markets Authority (FMA) will remove life and health insurers from the Climate-Related Disclosures regime, meaning they will no longer need to lodge annual climate statements once legislation is passed. Pending this, the FMA will adopt a 'no action' stance from 19 June 2026 for 2025/26 reports, reducing compliance costs, while reminding insurers that fair dealing rules still apply to any voluntary climate reporting.

Singapore Updates Good Disclosure Practices for Retail Environmental, Social and Governance (ESG) Funds

The Monetary Authority of Singapore (MAS) tightened the rules for retail ESG fund disclosure, centering on the transparency of ESG-focused investment strategy, minimum proportion of assets allocated to ESG-highlighted funds and metrics that are relevant with the achievement of ESG-related goals. The purpose of the revision is to further mitigate greenwashing risks in fund disclosure practices.

Japan Announces Draft Procurement Guidelines for Nature Positive Practices

The Ministry of the Environment unveils draft procurement guidelines for nature positive practices as part of the national transition roadmap toward nature positive economy between 2025 and 2030. The guidelines address procurement risks from natural capital loss to corporate challenges around traceability and ambition levels, compiling best practices and exemplary corporate case studies.

J China Introduces Trial Guidelines on the Application of Sustainable Investment Strategies for Public Securities Investment Funds

The Asset Management Association of China (AMAC) drafted a guideline on applying sustainable investment strategies for public securities investment funds, clarifying the definition of sustainable investment strategies and three core methodologies: negative exclusion, positive screening and integrated investment. The guidelines also formulate stricter countermeasures against greenwashing risks, indicating rule-based constraints on sustainability investments.

Empower your sustainability journey.
Navigate ESG controversies with confidence!

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