Latest Developments in Governance, Stewardship and Sustainability

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Stewardship Catalysts

February 2025

EU Proposes Major Sustainability Reporting Relief Package

On February 26, 2025, the European Commission (EC) announced a comprehensive package of proposals to simplify, limit or delay the full application of some EU sustainability legal instruments. This 'Omnibus' package introduces a broadcast of changes across sustainable finance reporting, due diligence, Taxonomy, carbon border adjustment mechanism and European investment programs. The EC estimates these changes would generate approximately €6.3 billion in annual administrative cost savings for businesses and mobilize an additional €50 billion in investment. The package has several key implications for existing regulations, directives and delegated acts:

Regulation, Directive or Act	Proposal	Key Proposed changes	
 Carbon Border Adjustment Mechanism Regulation	 Proposal for a regulation	➢ Fewer and simpler reporting requirements ➢ More flexible SME definition application ➢ EU guarantee increased by €2.5 billion	➢ €350 million in administrative savings expected ➢ Additional €50 billion investment to be mobilized
 1. Corporate Sustainability Reporting Directive 2. Corporate Sustainability Due Diligence Directive	 1. Proposal for a directive 2. Proposal postponing application	CSRD ➢ Reduces covered companies by 80% ➢ Creates "value chain cap" protecting smaller companies ➢ Deletes sector-specific standards requirement ➢ Removes reasonable assurance requirement ➢ Delays reporting deadlines ➢ Keeps double materiality principle	CSDDD ➢ Limits due diligence to direct business partners ➢ Reduces monitoring from annual to every five years ➢ Removes contract termination obligation & civil liability provisions ➢ Restricts information requests from SMEs ➢ Delays reporting deadlines
 1. Taxonomy Disclosures Delegated Act 2. Taxonomy Climate Delegated Act 3. Taxonomy Environmental Delegated Act.	 Draft Delegated Act	➢ Voluntary reporting for companies with <€450m turnover ➢ New option to report partial Taxonomy alignment ➢ Reporting templates reduced by 70%	➢ Financial materiality threshold at 10% ➢ Green Asset Ratio excludes non-CSRD companies ➢ Simplified "Do No Significant Harm" criteria
 InvestEU Regulation	 Proposal for a regulation	➢ 50-tonne threshold exempts 90% of importers ➢ Simplified authorization and reporting processes ➢ Stronger anti-circumvention provisions	➢ Delays deadlines ➢ Possible extension to more sectors in 2026

What's Ahead: As the proposal moves to the EU Parliament and Council, significant resistance is anticipated.

Numbers Behind Sustainable Finance Trends in Emerging Markets

A recent study by KPMG and the International Finance Corporation (IFC) presents significant trends in sustainability strategies by companies across emerging markets. Analyzing 104 companies in six sectors, the study finds that 51% utilize sustainable finance, with green bonds leading as the preferred instrument. Other key findings include:

- 53% use green bonds, 30% sustainability-linked bonds and 25% sustainability-linked loans
- 25% sought/seek support from development finance institutions (DFIs)
- Water & Waste (75%) and Energy (74%) sectors lead in sustainability-linked finance
- Transport sector (16%) lags behind in sustainable finance adoption
- 38% of Energy sector companies set targets across Scopes 1, 2, and 3
- 42% of Transport companies committed to carbon neutral & net-zero targets
- 44% of companies still not disclosing Scope 3 emissions
- Only 10 out of 104 companies adopting the Taskforce on Nature-related Financial Disclosures (TNFD)