

CORPORATE & INSTITUTIONAL

Sustainability Markets Insights

Streamlining plans:
Review of 2025

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Edition 7

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Streamlining Plans: Review of 2025

The sustainable debt capital markets have navigated a year marked by regulatory flux, geopolitical uncertainty and the review of alliances and commitments.

This bulletin summarises the developments and emerging themes shaping sustainable fixed income markets, drawing on perspectives collated and shared in the Sustainability Markets Insights series during 2025.



1. Regulation

2025 has seen sustainable finance regulation continue down its implementation journey while also going through a recalibration amidst shifting political and market dynamics.

a) EU Green Bond Standard (EuGBS)

The EuGBS is positioned as the gold standard for green bonds in Europe. However, uptake has been lower than anticipated: since its launch in December 2024, only 27 instruments have opted for the label.¹ The market's cautious approach reflects both the stringency of the standard and the benefit of familiarity with existing processes, and the broad global applicability of ICMA's sustainable bond principles.

The EuGBS has interacted with EU regulation on the buyside. To read about the labelling of investment products, visit [Edition 4 - Bumpy Ride: Naming guidelines, indices and optimistic diversity.](#)

b) EU Omnibus

The EU's Omnibus proposal landed in December 2024, seeking to ensure the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive were fit for purpose. While many welcome the simplification, there are concerns about unwinding progress in data collection and delaying investment-ready information. 2026 will see the provisional agreement go through the formal approval process.

For more on how the data landscape is being influenced by regulation, head to [Edition 3 - Shifting sands – News bulletin for Q1 2025.](#)

¹Bloomberg, data accessed 1st December 2025.

c) EU Sustainable Finance Disclosure Regulation (SFDR)

The updated version of the EU SFDR was published on 20th November 2025, introducing a product categorisation scheme for funds. Depending on which is selected – Sustainable (Article 9), ESG Basics (Article 8), Transition (Article 7) or Unclassified (Article 6) – each will have varying criteria, restrictions and disclosure requirements.

The combined market share of Article 8 and 9 funds under the original regulation has remained steady at around 60%, with investment grade bond funds above average at 72%.²

d) UK Sustainability Disclosure Requirements

The UK's SDR regime, introduced to combat greenwashing and build understanding and trust, has seen lower than anticipated uptake in its first year. The labelling regime has proved challenging to implement, particularly for credit funds, and the number of registered funds by label remains modest.³



Head to [Edition 2 - Down but not out: How sustainable are sustainability commitments?](#) for data on EU SFDR and UK SDR, and where the upside might lie.

e) UK Green Taxonomy

On 15th July 2025, the UK Government announced it would not proceed with developing a green taxonomy.⁴ The announcement talks about Government's ongoing commitment to clean energy and environmental targets, though the absence of a green taxonomy – akin to the EU Taxonomy – means the UK stays rooted in voluntary frameworks. Interoperability of sustainable definitions between countries and companies remains of the essence, as does facilitating innovation in net zero transition.

Meanwhile, the UK Government's Green Financing Framework⁵ – which sets the criteria for green gilts – was updated in November 2025 to include nuclear as an eligible activity, linking into section 2. c) on page 4.

For more on how sustainable debt, sustainable finance frameworks, and reporting can be optimised – and what makes a compelling sustainable bond – visit [Edition 1 – Sleeve of Impact](#).

Next up for 2026

Watch for the practical impacts of the EU Omnibus package, the evolution in the UK's SDR adoption, and how the UK delivers leadership initiatives in sustainable finance – the Transition Finance Council, for example.

² Morningstar, 29 October 2025. [SFDR Article 8 and Article 9 Funds: Q3 2025 in Review](#).

³ 110 funds as of 30 June 2025.

⁴ UK Government, 15 July 2025. [Consultation Outcome: UK Green Taxonomy](#).

⁵ UK Government, November 2025. [UK Government Green Financing Framework 2025](#).

2. Thematics

2025 saw several themes rise up the agenda, reflecting both global events and evolving investor priorities. Defence, cybersecurity, nuclear energy, natural capital and transition finance have all crossed paths with bond markets this year.

a) Defence

Defence finance became a hot topic as policymakers and investors debated the role of sustainable investment rules in supporting or stifling the sector. The FCA clarified that its sustainability labelling rules do not prevent investment in defence companies.⁶ Euronext developed a defence use of proceeds label that's been used by two issuers to date.⁷ Meanwhile the ICMA, in June 2025, clarified that sustainable bond markets aren't necessarily the place to be raising money for defence.⁸



b) Cyber Security

Following several high-profile breaches, cybersecurity has become a critical consideration cutting across the Governance pillar of ESG. Companies are increasingly expected to demonstrate robust cyber risk management as part of their disclosures.

c) Artificial Intelligence

Artificial intelligence (AI) is enabling advanced analytics for climate risk, ESG performance and green investment opportunities. However, the rapid growth of AI and digital infrastructure brings its own challenges; data centres consume large amounts of energy and water, creating emissions and resource risks. Balancing AI-driven innovation with the environmental, social and governance risks of technology will be one to watch.



d) Nuclear Energy

Nuclear energy's inclusion as a transitional activity in the EU Taxonomy and its adoption in green bond frameworks – notably in Asia and Canada, and most recently in the UK Government Green Financing Framework – has sparked conversations about the technology's role in the energy transition. The issuance of green bonds focused on nuclear energy signals a shift in market attitudes, though questions remain about cost, timelines and environmental impact.

⁶ Financial Conduct Authority, 11 March 2025. [Our position on sustainability regulations and UK defence](#).

⁷ Euronext. [List European Defence Bonds](#), accessed 2 December 2025.

⁸ ICMA, June 2025. [The Principles Guidance Handbook](#).

e) Nature

Nature finance has gained momentum, with ICMA publishing guidance on nature bonds. However, the market for nature-labelled bonds remains nascent, with only a handful of blue and biodiversity bonds issued globally.⁹ Investors are keen to see nature themes embedded within existing green or sustainability-linked bonds rather than proliferating new labels.

For more on these themes, including key considerations for each, visit [Edition 3 - Shifting sands – News bulletin for Q1 2025](#).

For a tour of the state of nature-related finance, visit [Edition 6 – Going with the Flow](#).

f) Transition

Transition finance is not a new theme, but 2025 saw updated guidance from the LMA (Transition Loan Principles) and ICMA (Climate Transition Finance Guidelines). These frameworks recognise the need for more support and clarity for issuers and investors navigating the transition to net zero, particularly for hard-to-abate sectors.

Next up for 2026

Expect further integration of nature and transition themes into mainstream sustainable finance. As themes like defence, AI and biodiversity rise up the agenda, how will investors balance competing priorities and ensure that sustainability remains meaningful and impactful?

3. Cross-cutting Themes

a) Bondholder Engagement

Investor engagement has become more sophisticated, with asset owners and managers accessing a greater number of data points. To complement this, credit and ESG analysts can pursue a deeper level of understanding about their investments. Engagement is increasingly seen as a lever for unlocking value, influencing issuer behaviour and ensuring the credibility of sustainability claims.

For more on our research into bondholder engagement, which brings together both issuer and investor firsthand experiences, visit [Edition 5 – Balancing Trick](#).

b) The Search for Value

Financial performance remains paramount, and the search for value now takes place within the context of sustainability regulation, government policy and changing consumer preferences. Investors are looking for evidence that stronger sustainability credentials can drive returns beyond meeting compliance requirements. The challenge is to demonstrate additionality and financial outperformance while navigating evolving standards.

For more on investors' perceptions, visit [Edition 1 – Sleeve of Impact](#), and [Edition 6 – Going with the Flow](#).

Next up for 2026

Look for advances in impact measurement, more robust engagement practices, and greater scrutiny of how sustainability claims translate into financial outcomes.

⁹ ICMA, June 2025. [Sustainable Bonds for Nature](#).

Conclusion

Regulatory uncertainty, shifting themes and the search for value have all tested the sustainable finance market.

However, our experience of working with issuers and investors in 2025 suggests that the more evolved financial decision-making processes can both handle and make use of new data generated by ESG initiatives, like those covered in the regulatory section above.

As we move into 2026, ambition, innovation and robust and agile planning will be key to maintaining momentum and delivering on profit and sustainability ambitions.

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