

CORPORATE & INSTITUTIONAL

Sustainability Markets Insights

Shifting sands – News bulletin for Q1 2025

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Shifting sands

Introduction

In this edition, we present a news bulletin of sustainable finance themes related to stewardship, data, defence and nuclear.

The items have been chosen to shine a light on where sustainable investment policies and methodologies might be caught in the shifting sands of regulation and geopolitics. We hope this provides insights that your organisation can reflect on.

Stewardship

SEC gets more stringent on stewardship

The SEC (Securities and Exchange Commission) has updated staff guidance affecting investors seeking to influence actions and policies at a company in which they have >5% ownership.¹

This is not specific to sustainability, instead going much broader. However, the update was reported to stop BlackRock and Vanguard in their ESG-related stewardship tracks.²

Asset Owners Statement on Climate Stewardship

Developed for asset managers and signed by 27 asset owners as of 7 March 2025.³

The statement details principles on systemic and policy engagement, collaborative initiatives, prioritisation for impact, approaches to voting and resourcing of the stewardship function.

Key consideration

How will this play out for shareholder rights and sustainability engagements?

Key consideration

Where might applying these principles help to achieve financial and sustainability ambitions?



¹ SEC.GOV. *Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting*. Ref: Questions 103.11 and 103.12, 11 February 2025

² Financial Times. *BlackRock and Vanguard halt meetings with companies after SEC cracks down on ESG*, 19 February 2025

³ The People's Pension. *Asset owner statement on climate stewardship*, 13 February 2025

Data

The EU Omnibus shrinks sustainability reporting expectations

The proposed reduction of the EU's sustainability-related regulation⁴ is seen by many as a step back for integration. Much remains in place though and CSRD (Corporate Sustainability Reporting Directive), CSDDD (Corporate Sustainability Due Diligence Directive) and EU Taxonomy are still deemed a step-up from business-as-usual.

Key consideration

What does this change in data expectations mean for investors' assessments, engagements and disclosure requirements?

ESG Ratings Regulation

Initiatives to support transparency and manage conflicts of interest have led to the regulation of ESG ratings providers operating in the EU and UK.

The ESMA-governed ESG Ratings Regulation will apply from July 2026⁵, and the FCA-governed Draft Statutory Instruments for ESG Ratings⁶ closed for technical comment in January 2025, so we anticipate action soon.

Key consideration

How will both disclosure and ESG ratings regulation impact the use of external ESG ratings and scores by investors and issuers?

Topical

Defence

In the UK, the past week has seen pressure being put on asset managers by 103 Labour MPs and peers to invest in defence, suggesting that sustainable investment rules are stifling the sector's access to funding.⁷

Amongst remarks from investors is the distinction between conventional weapons, controversial weapons, ESG and ethical. On 11th March, the FCA stated that their sustainability labelling rules do not prevent investment in, or finance for, defence companies.⁸

Key consideration

Where does your firm draw the line? How does this compare to peers?

Nuclear

On 5 March 2025, Korea Hydro and Nuclear Power Co. raised HKD1.2bn (\$154m) in the first 'nuclear' green bond in Asia. Other 'nuclear' green bonds include: Canadian companies Bruce Power (2021) and Ontario Power Generation (OPG) (2022), EDF as the first European issuer (2023) and Constellation as the first in the US (2024).⁹

Nuclear was included under certain conditions as a transitional activity in the Complementary Delegated Act of the EU Taxonomy Regulation in 2022. In 2024, several Canadian banks added nuclear as an eligible category into their Sustainable Bond Frameworks.

Key consideration

How do you make sense of the technology in the context of cost, timeliness and environmental and social impact?

⁴ EU Commission. [Commission proposes to cut red tape and simplify business environment](#), 26 February 2025

⁵ EU Commission, <https://eur-lex.europa.eu/eli/reg/2024/3005/oj/eng>, 27 November 2024

⁶ Gov.UK, [Draft Statutory Instruments for ESG Ratings](#), 14 November 2025

⁷ Media coverage includes [FT](#), [The Times](#), [The Telegraph](#), [BBC](#), Sourced 11 March 2025

⁸ FCA. [Our position on sustainability regulations and UK defence](#), 11 March 2025

⁹ Environmental Finance. [KHNP issues first 'nuclear' green bond in Asia](#), 6 March 2025

Conclusion

The volume of sustainability-related news and its positioning alongside geopolitics has felt particularly high in the last month. Deciphering the evidence available day-to-day will require collaboration within and between organisations.

Ensuring strong and credible information flows will require skillsets from a variety of teams to help interpret the now and to act with the longer term in mind.

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