SW TENET

Catalyst for success

ESG Digest News: for March and April 2025

SW Tenet presents a selection of recent sustainability news

International scope

1. Mandatory climate risk disclosures in the US. The US Securities and Exchange Commission (SEC) finalised the mandatory climate risk disclosure rule. The SEC officially mandates standardised climate risk disclosures for publicly traded companies (domestic and foreign registrants), extensive climate-related information in their registration statements, and occasional reports. For large companies compliance measures will be in force from 2026, i.e. after 2025 fiscal year reporting.:

For the first time, sustainability reporting regulation is establishing requirements for public companies in the US, despite recent updates to the Paris Agreement. Climate risk-related disclosure regulation has become a global phenomenon for both investors and stakeholders.

2. The US Green Building Council released a new version of one of the most widely adopted green building rating systems, Leadership in Energy and Environmental Design (LEED) version 5.
The new version places a greater emphasis on decarbonisation, climate resilience, and human health. The new rating system is mandatory from the end of March 2026.

Applicants are obliged to perform climate resilience assessments, human impact assessments, and carbon emissions assessments for a projected period of 25 years.

3. The IMO (International Maritime Organization) approved net-zero regulations for global shipping. The framework will require ships to:
   - reduce, over time, their annual greenhouse gas fuel intensity (GFI)
   - acquire remedial units to balance their deficit emissions for ships producing emissions above GFI thresholds, while those using zero or near-zero GHG technologies will be eligible for financial rewards

   These measures, set to be formally adopted in October 2025 before coming into force in 2027, will become mandatory for large ocean-going ships whose gross tonnage exceeds 5,000.

Shipping companies will come under great pressure to invest in new and cleaner technologies and fuels. This could include alternative fuels, energy efficiency measures, retrofitting, and carbon capture.

4. The Sustainability Standards Board of Japan (SSBJ) issued Inaugural Sustainability Disclosure Standards.

   The SSBJ is divided into the following standards:
   - The Universal Sustainability Disclosure Standard Application of Sustainability Disclosure Standards (application standard), containing basic requirements for preparing sustainability-related financial disclosures.
   - Theme-based Sustainability Disclosure Standard No. 1: General Disclosures (general standard) containing the “core content” section of IFRS S1.
   - Theme-based Sustainability Disclosure Standard No. 2: Climate-related Disclosures (climate standard).

   The standards are expected to apply to companies listed on the Tokyo Stock Exchange’s prime market.

This initiative from Japan, combined with other countries that have adopted ISSB-aligned reporting, is likely to boost sustainable investment, influence corporate behaviour, and exert pressure on other countries to adopt similar standards.

International scope

5. The European Parliament agrees to ‘stop-the-clock,’ but the EU Omnibus debate continues. A delay in the application of the EU’s Corporate Sustainability Reporting Directive (CSRD) and associated EU Taxonomy for large companies that have not yet begun reporting, by two years, and the Corporate Sustainability Due Diligence Directive (CSDDD), by one year, was agreed.

Europe has reaffirmed its commitment to sustainability, while recognising the potential burdens of additional reporting and due diligence. These actions seek to balance a pursuit of sustainability with a need to maintain the competitiveness and attractiveness of the European market.

6. The IFRS unveiled the IFRS - Roadmap Development Tool, which has been launched to help jurisdictions plan and design adoption roadmaps for ISSB Standards.

The ISSB is seeking to create a global baseline for sustainability reporting. Many stakeholders may expect companies to comply with these globally recognised standards.

7. The SBTi launched draft Corporate Net-Zero Standard V2 for consultation.
Key updates proposed in the new draft standard include explicit Scope 2 target-setting to promote the adoption of zero-carbon energy, a requirement by large companies to set Scope 3 value chain emissions goals (while introducing more flexibility within Scope 3 targets setting), a greater focus on tracking and reporting on decarbonisation progress, and options for introducing interim carbon removal targets.

The SBTi has enhanced its Corporate Net-Zero Standard to assist in net-zero target-setting, in line with climate science, and enables companies and financial institutions worldwide to play their part in combating the climate crisis.

8. EcoVadis launched the Carbon Data Network (CDN) to strengthen Scope 3 Decarbonisation. The CDN gives businesses insights into the reliability of suppliers’ primary carbon data, which is crucial for effective decarbonisation.

EcoVadis is actively expanding its partnership ecosystem to accelerate global decarbonisation efforts across supply chains.

9. Germany suspended its supply chain due diligence law. The German government is considering pausing the country's supply chain due diligence law for two years to ease the bureaucratic burden on companies until a European directive takes effect.

While the suspension may offer some short-term benefits to certain businesses, in the long run the negative impacts are likely to outweigh the positive ones.

10. The SEC approved the first green stock exchange (GIX) application. GIX aims to provide a more liquid marketplace for assets, such as carbon credits, water rights, renewable energy credits (RECs), and, potentially, other natural resource-related securities. The platform expects to begin trading in early 2026.

GIX’s approval signals the growing importance and maturity of environmental markets. This may encourage more businesses to consider investing in or developing environmental assets.

GCC scope

11. Aramco launched Saudi Arabia’s First CO_2 Direct Air Capture Test Unit with Siemens Energy.

Saudi’s Aramco is seeking to achieve by 2050 net-zero scope 1 and scope 2 greenhouse gas emissions across its wholly-owned operated assets. The Company is exploring options to capture carbon dioxide both at the point of emissions and directly from the atmosphere, through the deployment of innovative technology solutions.

12. Etihad Water and Electricity (EtihadWE) strengthens food and water security by providing sustainable solutions for the agricultural sector.
These initiatives contribute to water consumption efficiency, groundwater resource preservation, and sustainable agricultural production.

UAE companies are gradually supporting national strategies, including the UAE Water Security Strategy 2036 and National Food Security Strategy 2051.

GCC scope

13. Emirates Water and Electricity Company (EWEC) and Burjeel Holdings entered into a strategic partnership to power 22 of Burjeel's healthcare facilities in Abu Dhabi with clean energy, verified through the provision of Clean Energy Certificates (CECs).

This agreement reflects the growing commitment of key industries to reduce their carbon footprint and aligns with the UAE Net Zero by 2050 strategic initiative.

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