HORIZONS

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Enter

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Welcome to HORIZONS

As we approach the end of H1 and celebrate *London Climate Action Week*, it feels like the perfect moment to shake things up!

With sustainability under ever-increasing scrutiny, and market participants being asked to adapt, evolve, and lead, we felt it only right to apply that same critical lens to our *Horizons* publication.

That's why we're excited to unveil a fresh new addition: Political Pulse – our sharp, on-the-ground scan of the sustainability regulatory landscape across Europe. Think of it as your inside line on what's bubbling under in Brussels, brewing in London, and emerging across the continent. This new feature builds on the extensive regulatory work we've been undertaking and ensures you're always one step ahead.

We're also pleased to spotlight our latest insights report, which focuses on the pivotal role of sustainability-linked loans in the global sustainable finance landscape. These instruments have driven real progress by bringing sustainability into every finance conversation, irrespective of whether the final product carries a formal label. As a result, they have become a core tool in mainstreaming sustainability across markets.

Notably, as well as hosting a roundtable discussion on the Omnibus proposals in Q2, the LMA recently responded to the Sustainable Finance Disclosure Regulation call for evidence in anticipation of the upcoming review (scheduled for Q4 2025). Our response also highlighted four key challenges under the current framework, namely: (i) misalignment of reporting definitions across sustainability frameworks; (ii) a lack of interoperability with international standards; (iii) challenges in accessing good quality, relevant and comparable data; and (iv) the failure to effectively capture investments in transition assets under the framework. A full copy of our response can be found here. The next Sustainable Finance Regulatory Committee meeting is scheduled for 26 June.

Our work on transition finance continues to progress, and we're optimistic about presenting something tangible to the market in the coming months. Meanwhile, our exploration into the role of *pure-play* companies in the labelled market is officially gaining momentum, underscoring their growing significance in achieving global sustainability goals.

From an events perspective, Q2 has been full-on! We engaged with over 300 members across four countries (Nigeria, Sweden, Norway, and Finland) through our international sustainability events and roundtables. These sessions delivered rich insights and thought-provoking takeaways for us to reflect on and take forward. You can find more in our dedicated blogs (Nigeria and the Nordics). Creating space for collaboration across such a diverse group of market participants is what truly enables us to move the needle on sustainable finance.

We hope you enjoy this refreshed edition of *Horizons*, and as always, we welcome your thoughts, feedback, and ideas.

Gemma and Hannah

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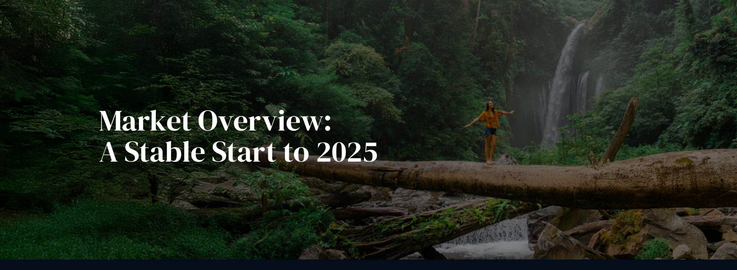

Market Overview: A Stable Start to 2025

Alexander Dakin
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The ESG syndicated loan market began 2025 with €73.0 billion in global issuance during Q1, reflecting a 31% decrease from the same period in 2024.

Deal count declined by 36% year-over-year, suggesting a more measured pace of activity amid evolving market conditions. Refinancing volumes showed greater stability, easing by 25%, which indicates that returning borrowers continued to engage with the market despite broader headwinds.

Green Loans and Sustainability-Linked Loans (SLLs) continued to lead ESG lending, contributing €41.7 billion and €27.7 billion respectively. Green Loans, in particular, gained further traction, now accounting for 40% of total issuance, up from 32% a year earlier. This growth reflects increasing issuer interest in project-specific structures and use of proceeds frameworks. While overall issuance levels have moderated, appetite remains strongest for instruments underpinned by transparency and clear ESG alignment. Taken together, the data points to a market that is adjusting thoughtfully, with borrowers and lenders responding to a more selective and dynamic environment.

Source: Bloomberg

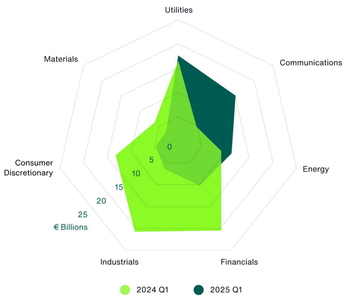
Currency and Sector Developments

For the first time in several quarters, EUR denominated issuance surpassed USD in Q1. This shift may reflect broader macro trends, including FX volatility and relative market stability in the eurozone, but it also points to the influence of regulatory frameworks pushing European borrowers toward standardised disclosures and sustainable structuring.

On the sector front, utilities remained the largest contributor to ESG lending, generating €17.6 billion in volume. The standout, however, was communications, which surged from €4.8 billion in Q1 2024 to €15.1 billion this year, signalling increasing uptake of ESG linked finance in previously underrepresented industries.

Source: Bloomberg

Global Sector Volumes



Source: Bloomberg

Regional Dynamics

EMEA continues to lead the global ESG lending market, especially through SLLs, bolstered by ongoing regulatory support through CSRD, ESRS, and national sustainability agendas.

North America saw moderate issuance, led primarily by Green Loans. Political uncertainty, evolving state-level regulations, and pending federal ESG guidelines continue to shape borrower sentiment. Meanwhile, APAC held steady, with increased activity in Sustainability and Social loans. Transition-focused lending and greater adoption of SLLs also contributed to regional momentum.

Source: Bloomberg

Outlook: ESG Lending Adjusts Amid Uncertainty

While Q2 data continues to take shape, it is still too early to draw definitive conclusions about the market's direction. Initial observations suggest that activity may be stabilising, supported in part by delayed transactions and ongoing refinancing flows. EMEA and parts of APAC appear to show relatively strong pipelines, while North America continues to display a more measured pace with a boom in Green Loans.

Policy developments will play a critical role in shaping the remainder of the year. In Europe, delays to the CSRD rollout and the introduction of the Omnibus simplification package are prompting questions about disclosure timelines and market readiness. In the U.S., the regulatory direction of the government continues to influence both borrower sentiment and investor appetite for ESG labelled debt.

While Q1 did not bring headline growth, it underscored a market in transition. The rising share of Green Loans, growing regional divergence, and a shift toward more tangible ESG structures suggest a maturing ecosystem. As global conditions evolve, sustainable lending is likely to remain shaped by selectivity, transparency, and structure, with a gradual return to growth dependent on policy clarity and market confidence.

The release of updated Sustainability-Linked Loan Principles (SLLP) by the LMA in March 2025 adds further clarity to current market practice. The revised guidance includes more explicit language around KPI calibration and external verification, providing a more structured reference point for borrowers and lenders. While many of the changes align with existing norms, they will inform how market participants approach refinancing and the development of new transactions in the months ahead.

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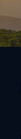
The Politics and Policy of ESG



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As Q2 draws to a close, the politics of sustainable finance across Europe and the UK have entered a new phase, from an introspective re-valuation among policymakers in DG Fin to a wave of (very!) public political debate in Q2.

ESG has now moved materially further away from its early age of political idealism — not just in narrative, but now, critically, in substantive policy proposals. The far more volatile terrain of "politicised" ESG is one a term coined by several policymakers in recent months, means the real test now lies in the execution of simplification measures under the weight of political pressure from sceptics and solutions.

Q2 has necessitated a shift, therefore, not just in approach to policy but also, perhaps more critically, in perception. Commentary and engagement from industry, which has trust to help them navigate an increasingly murky political territory — "critical friends" from business who can offer helpful observations and solutions.

Nowhere is this clearer than in Brussels. EU policymakers, once resolute in building the most comprehensive sustainable finance framework in the world, have set out a slew of simplification measures which have only served, to date, to underline deep-rooted political and industry divisions as well as provoke a new debate, between long time initiatives, can help to speed things along over the medium to long term.

Having heard, loud and clear, that the sustainable finance framework has become too complex without sufficiently moving capital in the direction of Green Deal zrow, the Clean Industrial Deal ambitions, the prioritisation of a new set of "pragmatic" proposals in the first 100 days met with a mixed response within the EU's political institutions and wider industry. This new approach is to be pursued through an aspiration confirmed by reports from the likes of Mario Draghi, but a policy imperative now meeting its political foes on the left, right, and centre.

What we are witnessing are quest lessons in humility in the importance of getting industry buy-in for first time around, and in improvising but high ambition, without credibility among those it impacts, creates ever more political friction. Q2 therefore marks the moment the EU is now choosing to turn to business leaders, and for companies, but for guidance. To understand what, ultimately, is within the parameters of the palatable.

As we cross the Channel, UK Ministers watch the EU's pivot with equal doses of interest and concern as they themselves embark on a journey to deliver a "world-leading green finance regulatory framework". The response in Q2 has been to freeze and hope the EU's pivot will be enough to allow UK policymakers to avoid the charge of clarity on what comes next regarding sustainable finance, and UK ESG policy.

It has promised much to date: a mandatory green taxonomy, ESSB-aligned disclosures, and sector-level transition planning, to name just a few proposals. Nevertheless, the UK's ESG agenda has been thrown into a state of uncertainty, which the coalition creeps in. With underlying foundation matters in the United States regarding "concerning" global reach of European ESG rules, a desire not to poke the bear has led to a clear interest to lead carefully in Q2. Eyes now turn to Q3, where an important group of consultations will likely be framed by Ministers as meeting obligations on sustainable finance without requiring too much doing business in the UK to any competitive disadvantage.

For banks, credit institutions, and wider market participants, Q2 has therefore opened a window across Europe. As the EU redirects mid-flight and the UK weighs up its direction of travel from the relative comfort of the departure lounge, now appears to be a moment for industry voices to step forward as informed, constructive voices on the ground, being a "critical friend" as we look to Q3 exports exactly this providing real world insights on what works, what doesn't work, and what solutions will make ESG frameworks durable, decision-aligned, and globally credible.

Q2 therefore charts the story of a political reality check, with muted optimism (at best) that Q3 holds the way out. The "pragmatic" phase of sustainable finance policymaking has polycrisis that they can't go it alone on this agenda. Simplification, therefore, is not being positioned by advocates within political institutions as equivalent to retreat — instead, it is positioned internally as an opportunity to bring industry closer to the harm.

Political divisions creating policy uncertainty in the European Union

Navigating political crosswinds

With the Commission's omnibus proposals set out in Q1 to simplify the ESG framework, policymakers have truly entered a political battle which has fractured by divisions and, so, looks far from certain in terms of where it may land on precise policy.

The Commission has only fired the starting gun on ESG simplification, launching a consultation on the omnibus proposals, and the negotiations will be long and, at times, resolved quickly. We should recall that the flak in question — the European Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive, and Taxonomy — each has undergone years to negotiate first time around. ESG policy has, however, now only become more fractured along deep and increasingly visible political lines in the time since.

Emerging member state divisions

Within the Council of the European Union, divisions have sharpened significantly over the course of Q2. The principle of simplification may be broadly accepted, but consensus quickly disappears when it comes to what that simplification should actualise/entail — and who it should go. Some member states, notably Luxembourg and Czechia, have aligned closely with the Commission's proposals, eager to accelerate implementation and reduce corporate friction. Others, including Spain, have voiced concern that the simplification agenda risks undercutting the EU's sustainability commitments, particularly with regard to a retention of wider reporting scopes and more rigorous frameworks.

The sharpest divergences, however, have come from France and Germany. In the space of just two weeks, President Macron and Chancellor Merz each publicly called for the scrapping of the European Sustainability Due Diligence Directive (CSDDD). Macron used an address to business leaders to advocate for outright repeal. Merz, meanwhile, announced plans to scrap Germany's national supply chain law, and is pushing for similar action at the EU level.

Yet this is not, in practice, a coordinated move toward repeal. The political will to dismantle ESG rules entirely is not yet shared across the Council, nor is there any formal majority for doing so. Rather, France and Germany appear to best read as a negotiation tactic to influence the Polish Council Presidency's expected compromise text. Their interventions are designed to secure major concessions rather than to blow up the process altogether.

The coming months will test the ability of the Council to reconcile these positions under Poland's presidency, and then Denmark's presidency to follow from July. The Danish government have already publicly rejected movements from Germany and France, warning against confidently "better regulation" with overt deregulation of sustainable finance. Denmark instead sees a strong political commitment to simplification as a shared roadmap to be immense—opposing calls for full repeal with concerns over backsliding—against a backdrop where economic uncertainty can become deeply political documents.

No clear coalition in the European Parliament

If divisions at member state level are challenging, those in Parliament are even more pronounced. Here, the two traditional pillars of majority-building — the centre-right European People's Party (EPP) and the centre-left Socialists & Democrats (S&D) — have found themselves fundamentally misaligned on ESG.

The EPP, which has broadly supported the Commission's direction of travel and counts Commission President Ursula von der Leyen among its ranks, is pushing for simplification measures to move forward largely as drafted. The S&D, however, views many of the proposals as a capitulation to business lobbying and risks undermines the Green Deal's (now, Clean Industrial Deal) integrity at a critical moment.

This is not an abstract disagreement. It strikes at the heart of legislative viability. Most parliamentary majorities hinge on cooperation between the centre-right, centre, and centre-left blocs. Without the S&D, the EPP can still form a majority with other right-leaning groupings further to the right, but that have made no secret of their desire to rip up ESG rules entirely. To "keep the better opener for the chainsaw" is the rhetoric from the right of the EPP. While that bloc could theoretically provide the votes, the political optics—aligning the EU's sustainable finance agenda with its most vocal detractors — would be deeply uncomfortable for many within the EPP.

How the politics is shaping the policy

Political divisions are already reshaping policy in ways that may depart from the European Commission's original proposals. The European Parliament is where political strategy is often most transparent, although Q2 debates signal only early stages in a volatile policymaking process which could take us well into 2028. We can, however, draw out a sense of direction of travel moving into Q3.

Firstly, reports suggest that Ministers is considering scrapping the Corporate Sustainability Reporting Directive (CSRD) threshold to 3,000 employees. Indeed, the most contentious point arguably remains the threshold. It is difficult to envision the S&D bloc agreeing to such a narrowing of scope. They will see this as a well-worn negotiation strategy from the EPP: start with an extreme position in order to make subsequent compromises appear reasonable. This is in the hope that, faced with the threat of further dismantling of the sustainable finance framework, progressive voices in the European Parliament may reluctantly gather around the Commission's original proposal on scope as a compromise position.

Beyond the clearly politically charged debate over scope, political debates are also seeping into technical areas. Warborn has also floated the notion of the requirement for corporate climate transition plans from the CSDDD — and possibly from the CSRD as well.

There is also an expectation that the European Sustainability Reporting Standards (ESRS), underlying the CSRD, will be targeted in Q3. This could include capping mandatory ESRS datapoints at one hundred — which would be tied in with the ongoing efforts of the European Financial Reporting Advisory Group (EFRAG) to simplify reporting and better align them with global standards.

Tracking the reshape: where do we stand?

Policy Intervention	Description	State of Play	R/AG (Progress)
Omnibus Stop-the-Clock Directive (Level 1 legislation)	The directive postponed CSRD reporting requirements for companies yet to report and listed SMEs, and delayed the transposition and application of the CSDDDD	Approved by both the European Parliament and Council; national transposition is expected by December 31st, 2025.	●
Omnibus Amendment Directive (Level 1 legislation)	This proposal introduces major changes to the CSRD, CSDDD and Taxonomy in relation to scope, due diligence obligations and precise reporting requirements.	The European Parliament is not expected to vote on its position until October. Only then can trilogue negotiations with Member States begin — a Council MoU to extend well into 2026.	●
ESRS Amendments (Level 2 legislation)	Amendments to ESRS are linked to reporting requirements under the CSRD. The Commission is expected to work with streamlining the number of datapoints and aligning the ESRS framework with global standards.	EFRAG plans to consult on its revised standards through to July. It will then submit its final advice to the Commission by November. This will serve as the basis for a delegated act to amend the ESRS. This exercise will last well into 2026.	●
Taxonomy (Level 2 legislation)	This legislative file proposes amendments to the EU Taxonomy's delegated act focusing on simplified reporting templates, DNSH criteria, materiality and a de-minimus financial threshold of 10%.	A public consultation on the draft amendments ran until March 26th. The Commission aims to complete the revision of the Taxonomy before 2026.	●
Review of the Corporate Sustainable Finance Disclosure Regulation (SFDR)	The review aims to improve the existing framework, addressing ambiguities and inconsistencies and improving clarity on early stages, the Commission is considering whether to introduce further amendments or implement more significant changes.	The Commission has set out a timeline, which will feed into a wider assessment ahead of a proposal. The call for evidence ran until May 30, with a proposal expected in Q4 2025 but likely to be dependent on progress with the more substantive amendments under the Omnibus.	●

Charting the UK's "third way" amidst global ESG crosswinds

Practical politics on ESG?

If the EU is now mid-flight in its pivot on ESG policy, the UK remains firmly in the departure lounge—watching closely for cues from both Brussels and Washington. Across Whitehall, Q2 has marked a period of quite visible inertia on sustainable finance, driven not by disinterest, but by a nervous political awareness. UK Ministers, particularly within HM Treasury, are increasingly conscious of the backlash faced by the EU's expansive ESG framework and the growing hostility towards ESG regulation in the United States under President Trump's administration. The UK's policy instincts, in response, have shifted to cautious pragmatism.

While the government has publicly disavowed its previous commitment to deliver a "world-leading green finance framework", (and, in fact, still regularly coins this phrase) the openness toward the EU's scepticism has shifted. This means that Ministers and officials are treading carefully, seeking to avoid the political missteps they perceive in the EU's initial rollout of its framework and mindful of the wider risks associated with drawing fire from US-based institutions.

The UK is, in effect, attempting to plot a third way from the outset: preserving credibility on ESG while stepping back from perceived regulatory excess. This speaks to an agenda driven right from the top, with Prime Minister Sir Keir Starmer committing to "cut the weeds of regulation". Officials across government speak openly — if cautiously — about feeling a pragmatic path, one that remains ambitious in principle and positions the UK as a competitive jurisdiction for sustainable capital.

This is not to suggest the UK is abandoning sustainable finance. Rather, it is a recalibration of both pace and posture. The government's rhetoric, on transition finance and green investment remains intact, and there is still strong political appetite for bringing corporate voices more squarely into the policymaking process.

The question being posed internally is straightforward: if politically fraught: how can the UK deliver meaningful ESG policy outcomes while avoiding the backlash currently playing out in the EU and preserving relatively favourable capital flows? The government's response to date has been twofold. Firstly, it is relying on the "greenwashing" backlash to have been largely avoided by staying just ahead of the curve. Secondly, it is leaning into a "critical friend" role, where they continue to promote a table of interventions coming down the line, they will, for the current hesitancy as offering a strategic advantage. The story being told will be that the UK has an opportunity to build from a more "informed" baseline, applying the lessons of overreach and under-engagement before regulation is locked in.

Moreover, fiscal and political headwinds raise the bar for sustainable finance regulations. With new spending pressures emerging and shifting priorities no doubt pointing towards defence, trade, and growth, future ESG regulatory interventions now must be less about compliance and more about being genuinely catalytic. Designed to mobilise green investment, but not to force it through heavy-handed regulation.

In this context, the UK government has also shown a willingness to invite "critical friends" into the room on various committees — industry voices (including from overseas) who can speak plainly about what ESG frameworks are workable, which interventions would actually shift capital, and what kind of policymaking process builds rather than erodes market confidence.

Over the next 6-12 months, that openness may prove decisive. As consultations are recalibrated, reporting thresholds debated, and the broader green finance roadmap refreshed, those around the table — especially from the financial services sector — will be expected not only to respond, but to help shape. The coming quarter will tell whether that can be converted into policy that is simpler and smarter, but for now the UK remains firmly grounded.

Watching from the stands: delays to green finance regulations

If UK politics in Q2 has been defined by a cautious pause on sustainable finance, the policy reality is beginning to reflect this—sometimes through quiet reversal, sometimes through strategic delay. That is not to say that this political shift, that in the EU, has seen time policy consequences.

The clearest signal of this shift came in May, when three trailed consultations — covering the UK's Sustainability Reporting Standards (SRS), mandatory climate transition plans, and sustainability assurance standards — were withdrawn from publication at the last minute as Ministers decided to consider these further. Clearly it is not just sustainable finance regulation in the EU which must now clear a de-facto "competitiveness test" before it proceeds. The lesson from Brussels also appears to be that taking a little longer to consider options can be especially useful over the long run.

In practice, this has meant reassessing commitments once seen as settled within a Labour Party in opposition. Officials have yet to make a final call (that had been largely expected in Q2) on whether the UK will proceed with a mandatory at all, following the pivot in Q4 2024 to consult on the "value" of pursuing a taxonomy altogether. The government previously announced, in its 2024 Labour manifesto plans, a manifesto commitment, is now under open review. The UK is not abandoning ESG regulatory policy — but it is seeking a level of regulation that prioritises keep in.

The forthcoming consultation package, now expected in Q3, will also be viewed in the context of wider geopolitical shifts. The US has now formally classified ESG rules as a non-tariff trade barrier — UK ministers are increasingly focused on avoiding friction with US stakeholders. There is little appetite in Whitehall to "kick the beer", particularly at a time when the UK is seeking closer economic ties with Washington and a wider deregulatory reset at home. That instinct could heavily influence, for example, how international firms are treated under the UK's green finance regime.

Tracking the third way: where do we stand at the end of Q2?

Policy Intervention	Description	State of Play	R/AG (Progress)
UK Sustainability Reporting Standards (SRS)	The UK government has consulted on private & public interest (ESB) entities (PIE's) and S2 for use in the UK. These set out the UK's sustainability disclosure requirements.	Following initial preparations by the UK's Sustainability Committee to the Department for Business & Trade, consultations were due to start in early May on a final set of UK Sustainability Reporting Standards. The consultation has been pushed.	●
Climate Transition Plan Disclosures	The government has committed to introducing compulsory transition plans for listed companies and financial institutions, with a final decision being set out in the work of the Transition Finance Taskforce.	A call for evidence/ scope consultation was initially expected in Q1 of 2025, with a final consultation (alongside the SRS) in Q2. This has been delayed.	●
Green Taxonomy	The Government is evaluating the potential benefits of introducing a UK Green Taxonomy and its alignment with existing sustainable finance policies, as a first step towards a UK-wide taxonomy.	A consultation was conducted earlier this year, closing on February 6th. If the Government proceeds, the Green Taxonomy would add value, but it will first undertake a further consultation on the detailed design of the framework.	●
ESG Ratings Regulation	The regulation aims to tackle ratings conflicts of interest into ESG ratings providers, in a manner with a view to strengthening regulatory standards to the sector.	HM Treasury published a draft statutory instrument in December 2024. The Government intends to lay the legislation before Parliament in 2025.	●
Principles for voluntary carbon and nature markets (VCMNs)	The Government aims to clarify its principles for voluntary participation in voluntary carbon markets, offsets and emissions the most effective pathway for achieving net.	To support this goal, the UK Government has launched a consultation to gather views on expectations with regard to voluntary carbon markets. The consultation opened on 14th and closes on 16th 2025.	●

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Financing the Energy Transition in Emerging Markets and Developing Economies

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The scientific consensus is unequivocal: to avoid the most severe consequences of climate change and safeguard a liveable planet, global temperature rise must be limited to 1.5°C above pre-industrial levels.

Yet, the 2023 Synthesis Report from the Intergovernmental Panel on Climate Change (IPCC) makes it clear that current climate government pledges – known as Nationally Determined Contributions (NDCs) – fall significantly short. Based on existing commitments, global emissions are projected to exceed the 1.5°C threshold, potentially triggering irreversible damage to ecosystems, economies, and communities. At present, Global Greenhouse Gas (GHG) emissions stand at approximately 50 $GtCO_2e$. To achieve net-zero emissions by 2050, these must decline to below 10 $GtCO_2e$ annually. The scale of transformation required is unprecedented, and the energy sector, responsible for nearly three-quarters of today's emissions, is central to this challenge.

The Critical Role of Emerging Markets and Developing Economies in Driving the Energy Transition

Emerging Markets and Developing Economies (EMDEs) are critical to this transformation. Despite possessing 70% of the world's solar and wind potential and over half of the essential minerals needed for renewable technologies, these regions receive only a modest share of the global clean energy investment. According to BloombergNEF, clean energy investment reached a record $2 trillion in 2024, yet the majority of this capital was concentrated in developed economies.

Development Banks as Strategic Conduits for Energy Transition Financing in EMDEs

Multilateral Development Banks (MDBs) – such as the Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and the International Finance Corporation (IFC) – and Development Finance Institutions (DFIs) play a central role in financing the energy transition in EMDEs. Historically, MDBs and DFIs have accounted for the largest share of international climate finance, contributing over 50% (40% from their own books, and 10% mobilised) to the previous USD 100 billion target set in 2009 in COP15. This goal was ultimately met in 2022. These institutions are also expected to play a central role in achieving the New Collective Quantified Goal (NCQG), adopted at COP29 in Baku, which raises the global ambition to USD 300 billion annually to support climate action in developing countries.

MDBs and DFIs not only have the mission and ambition to scale up investments to support the energy transition in EMDEs, but historical data from the Global Emerging Markets (GEMs) database also demonstrates the strength of their credit performance. Credit assets structured and arranged by MDBs and DFIs exhibit low default rates and high recovery rates. Moreover, the correlation between GEMs default rates and those of S&P-rated firms is relatively low at 0.46, underscoring the distinct risk profile of MDB/DFI portfolios.

These favourable outcomes reflect the unique capabilities of MDBs and DFIs, including their deep local presence, sector-specific expertise, and country-level experience. Their robust credit processes incorporate rigorous credit and ESG due diligence, conservative loan structuring, active project monitoring, in-house legal support, and dedicated restructuring teams. Furthermore, the preferred creditor treatment (PCT) often granted to MDBs and DFIs enhances their ability to recover value in distress situations.

Additionally, MDBs are increasingly adopting an "originate-to-share" model, a strategic approach in which they originate and structure development projects and subsequently share the associated risks with private sector investors. This model enables MDBs to leverage their capital more effectively, thereby mobilising greater volumes of private finance to support sustainable development goals.

Innovative Vehicles to Mobilise Energy Transition Capital to EMDEs

Involvement of MDBs and DFIs in the projects can increase investors' confidence when investing in EMDEs. However, innovative vehicles to effectively connect the public and private spheres are still necessary. In response to the challenges above, ILX Management B.V., with incubation support from the German, Dutch and UK governments, launched ILX Fund I in early 2022. This $1.05 billion SDG-focused private credit fund targets EMs and co-invests alongside MDBs and DFIs through B-loans syndicated loan participations in sustainable development projects on behalf of leading Dutch pension funds. After a successful deployment and with over 60 investments in 23+ emerging markets, ILX launched ILX Fund II with commitments from Danish pension fund investors, bringing the total assets under management to $1.7 billion. The funds aim to unlock large-scale pension fund capital, focusing on sectors aligned with the SDGs, including climate mitigation and clean energy.

The ILX model addresses several challenges that have traditionally hindered institutional investments in development finance. First, it builds on the origination and due diligence capacity of MDBs and DFIs, thereby mitigating credit and political risks. Second, by focusing on debt co-investments, ILX offers institutional investors access to diversified, fixed-income products that align with their return requirements and fiduciary mandates. Third, the fund prioritises additionality — investing in markets and sectors where private capital would not typically venture, ensuring both developmental impact and commercial viability.

Use of Proceeds in EMDE Transition Finance

Loan agreements from MDBs and DFIs typically incorporate well-defined Use of Proceeds (UoP) clauses, ensuring that funds are dedicated to clearly specified environmental or social projects. This becomes instrumental when financing companies operating in high-emitting sectors within the energy industry or in other hard-to-abate manufacturing sectors, such as steel, aluminium, and cement, when the objective is to support companies in their shift toward a lower-carbon future[1]. Contractual arrangements explicitly outline how proceeds will be allocated to finance (or refinance) low-carbon technologies or other emission reduction solutions to support companies in their decarbonisation efforts.

Equally important is the broader assessment of a company's overall commitment, capacity, and incentives to meet the goals of the Paris Agreement, extending beyond the specific UoP project supported by the facility. These expectations are calibrated according to the counterparty's transition stage. Moreover, in sectors where the risk of workforce retrenchment is significant, supporting a Just Transition and striving for fair social and economic outcomes is another vital consideration.

1. Notably, if the UoP are not contributing to climate finance solutions because the objective of the investment is, for instance, social and/or there are no readily available or cost effective solutions for this sector, the activities being financed are required to be aligned with the mitigation goals of the Paris Agreement.

Transition Finance Case

With over USD 600 million invested in climate finance solutions across sectors, including renewable energy, sustainable transportation, green buildings, and energy efficiency, ILX has financed more than 40 projects that help companies and financial institutions in EMDEs advance their climate objectives. Notably, a number of these projects have involved supporting companies that continue to generate revenue from high-emission activities and are committed to transitioning away from carbon-intensive operations.

One prominent example of transition finance is ILX's support to a utility company in Chile, through participation in a USD 400 million green and Sustainability-Linked Loan (SLL). The facility was used to re-leverage two solar energy projects in northern Chile, with a combined capacity of 268 MW, and to finance associated battery energy storage systems. As a green and sustainability-linked loan, interest payments are tied to the achievement of three predefined key performance indicators (KPIs):

1. Decommissioning or conversion of the company's remaining 1 GW of coal-fired power plants by the end of 2026;
2. Addition of at least 500 MW of renewable energy capacity by the same date;
3. Increasing the proportion of women in management from 24% in 2022 to 31% by 2026.

Beyond the specific Use of Proceeds outlined in the facility, this energy company also committed to phasing out 1.5 GW of coal capacity by 2025 and developing 2 GW of renewable energy. ILX assessed the credibility of the company's transition plan using criteria such as carbon performance, management quality, financial robustness, and alignment with the Transition Pathway Initiative.

Importantly, the company also adopted a proactive approach to the Just Transition, engaging senior management, labour unions, and both local and national governments over several years. The development of new renewable energy assets enabled the redeployment of staff from coal plants to other facilities, helping to ensure a fair and inclusive transition for the workforce.

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Leveraging Blended Finance to Drive Sustainable Investment: In Conversation with Barclays

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In 2019, the UK set a legally binding target to achieve net-zero carbon emissions by 2050[1].

The built environment has been identified as a critical sector for decarbonisation[2], with the UK housing stock accounting for approximately 15% of the total greenhouse gas emissions across the UK[3]. Estimates compiled by BEIS suggest that direct emissions from public sector buildings account for around 2% of total UK emissions[4]. To meet this target, the private sector was called upon to play a crucial role by mobilising funding through various innovative means, including partnerships with the Government.

In this interview, Marco DeBenedictis, Head of Sustainable Finance and Michael Figg, Head of Social Housing at Barclays UK Corporate Bank, provide valuable insights on how blended finance can unlock sustainable and transition financing, with a focus on social housing in the UK.

1. What is blended finance and how can it unlock future opportunities in sustainable finance?

Marco DeBenedictis:

Blended finance is like a symphony of different types of investors and lenders, with developed markets adopting a model taken from emerging markets, often across public and private sectors. The structure has potential to accelerate investment into varying risk-return profiles to contribute towards development or infrastructure goals, creating a powerful force for change. In sectors like social housing, where funding often comes through a mix of grants, debt, equity, and collaborative ventures between Registered Providers (RPs) and developers, blended finance proves particularly effective.

As the spotlight shifts to more recent times, blended finance has increasingly focused on use of proceeds financing, directing capital to specific impact areas. Banks play a pivotal role in this ecosystem, leveraging their close client relationships to identify emerging needs and trends. In the third quarter of 2024, 65% of new facilities for RPs were provided by banks.

The potential of blended finance to mobilise investment is immense. For UK social housing, the challenge is substantial, with Inside Housing initially estimating £104 billion of investment needed to retrofit all stock to zero-carbon standards. The newly elected Labour government has emphasised the critical role that public finance can play in catalysing private investment, notably through the National Wealth Fund (NWF). The initiatives proposed by the NWF aim to provide the certainty required for large capital investments, enabling RPs to upgrade existing housing stock while continuing to develop new homes.

By bridging funding gaps and aligning diverse stakeholders, blended finance offers a powerful tool to accelerate the transition to a sustainable, net-zero future.

1. Department for Business, Energy & Industrial Strategy, 2019
2. The UK Green Building Council. 2025
3. Climate Change Committee, 2022 Progress Report to Parliament. 2022
4.Department for Business, Energy & Industrial Strategy, Measuring and reporting public sector greenhouse gas emissions. 2022
5. Regulator of Social Housing, Q3 2024 Quarterly Survey, 2024

2. Why is social housing so important, what challenges does the sector face, and why did a blended finance approach make sense?

Michael Figg:

Around 60% of British homes have an Energy Performance Certificate (EPC) rating below C[5], prompting the ambition from the social housing regulator to improve energy efficiency to a minimum standard of EPC C by 2030. This effort was supported through the Social Housing Decarbonisation Fund and aligns with the Labour government's ambition to make 'Britain a clean energy superpower' where the Autumn 2024 Budget outlays an initial £3.4bn commitment over the next three years to upgrade homes across the UK.

However, the sector faces several structural and operational barriers, including under-developed infrastructure, supply chain constraints, skills shortages, and the high cost of electricity. Other pressures include higher interest rates, ongoing concerns and investment for fire safety, damp and mould, and the need to balance retrofit efforts with commitments to new housing developments. It is also important to remember that social housing is a not-for-profit sector, with no established model for generating financial returns from retrofit investments.

Despite these challenges, the social housing sector is leading the way in energy efficiency, with only 30% of homes rated EPC C or below, compared with 55% in the private sector[7]. Social housing is approximately 16% of the housing stock in England and Wales[8], offering an opportunity to upgrade a significant proportion of the UK's homes. The centralised ownership structure also enables procurement at scale versus the fragmented private housing market.

Social housing is particularly well placed for blended finance where its centralised ownership and relatively uniform housing stock allow for procurement and delivery at scale - making it more efficient to deploy capital.

6. UK Finance, Net Zero homes: Time for a reset, 2022
7. Department for Energy Security & Net Zero, 2025
8. House of Commons Library, 2024

3. How can we support the labour market and the wider supply chain?

Michael Figg:

Barclays has supported social housing providers for over 30 years and has expanded its range and diversity of product offerings to help these clients decarbonise.

Drawing on client insights, the needs of the sector and the UK government focus on social housing support and decarbonisation, we worked with the NWF to develop a £500m lending commitment to RPs, to retrofit existing properties. This aligns with our ambitions to facilitate $1 trillion in sustainable and transition finance by 2030 and supports the NWF's goal of decarbonising the UK economy by addressing underfunded challenges.

A key insight was understanding not all our clients had access to the capital markets, so the lack of longer-dated funding at a competitive cost was a barrier to investment. The Social Housing Retrofit Loan offered by Barclays has a 5-year availability period while retrofit is being completed, and a tenor of 10 to 15 years depending on the structure. It is focussed on specific retrofit measures rather than prescribing a fixed project plan, allowing providers to adapt over the 5-year investment period to meet the needs of their residents and portfolio.

This loan enables the sector to continue momentum in retrofit and aims to boost the skills and supply chain needed to tackle the UK's broader decarbonisation challenge among privately owned residential – either for individual or commercial investors.

There is encouraging momentum that is being evidenced in the UK market and the banking industry has an important role to play in building this momentum. There has also been a spark in client interest regarding funding for retrofitting. A Barclays specific recent financing example is a £50m loan arrangement entered into by VIVID. The loan is the largest that can be issued under the guarantee scheme, with a 70% guarantee from the NWF. VIVID will use the funds to enable the retrofitting of over 2,000 homes, aimed at supporting more than 4,000 people living in social housing.

The 70% guarantee from the NWF was instrumental to delivering this financing, working with Barclays who provided sector expertise to help maximise impact.

4. How should we approach future challenges, and how can the market familiarise itself with this kind of technology?

Marco DeBenedictis:

Meeting the scale and certainty required to tackle complex challenges – like district heating and decarbonisation – exceeds the capacity of any single lending institution. Imagine a world where a blended finance approach acts as a powerful catalyst for investment, particularly where a scaled solution is feasible. This often happens when there is a combination of concentrated ownership, relatively homogenous assets, or a clear need for investment to catalyse change. Barclays and other banks across the market are already active in this space through internal sustainability teams, securitisation programmes, and strategic partnerships with organisations such as the NWF.

Blended finance can be a key solution, where a retrofit supply chain, including an adequately trained labour pool, is essential to delivery. This becomes particularly important given current funding approaches, such as The Social Housing Decarbonisation Fund and The Warm Homes Local Grant, which can create periods of competition for the same suppliers. To help create the labour force needed in the short term, Barclays and other banks in the market are working to bring together housing associations and private housebuilders to collaborate with charities that specialise in upskilling unemployed youth, an initiative built around delivering retrofit whilst aiming to deliver a positive social outcome.

Trade associations like the LMA play a valuable role in helping the market stay informed about developments in sustainable finance and contribute to standardising the market to standardise lending principles, such as the work in the use of proceeds space that has been done on the Green and Social Loan Principles.

This article is designed to be thought leadership content, to offer big picture views and analysis of interesting issues and trends that matter to our clients and the world in which we live. It is not designed to be taken as expert advice, investment advice or a recommendation and any reference to specific companies is therefore not an opinion as to their present or future value or broader Sustainable Finance credentials. Reliance upon any of the information in this article is at the sole discretion of the reader. Some of the views and issues discussed in this article may derive from third-party research or data which is relied upon by Barclays and may not have been validated. Such research and data are made available as additional information for the reader where appropriate.

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Sustainable Lending Glossary

In alphabetical order

A-Z

D-H

I-L

Adaptation
Adjustment in ecological, social or economic systems in response to actual or expected climate stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damage or to benefit from opportunities associated with climate change.[1]

Biodiversity
The variety of life on Earth, it is all forms, from genes and bacteria to entire ecosystems and landscapes.[2]

Blue economy
The term blue economy refers to the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystems and water resources.[3]

Blue finance
The term refers to investments dedicated to finance or influence activities that contribute to oceans protection and improved water management.[4]

Blue loan
A blue loan refers to a loan that is aligned to the Green Loan Principles and where the proceeds are exclusively applied to finance or refinance eligible green projects that contribute to oceans protection and/or improved water management.[5]

Blue impact
This term refers to the measurable variation in a physical, chemical or biological variable of oceans ecosystems or water related systems as expressed by a quantitative indicator.[6]

Carbon markets
Are a trading system in which carbon credits are sold and bought. Companies in countries that have carbon markets to compensate for their emissions get permission by purchasing carbon credits from entities that remove or reduce greenhouse gas emissions.[7]

Certification
The information on certification, please see the External Review Guidance for Green, Social, and Sustainability-Linked Loans.[8]

Circular economy
In a circular economy, things are used and conserved in a way that minimizes waste and maximizes their value. Resources are used for as long as possible. Products are kept in use for as long as possible, through repairing, recycling and reusage – so they can be used again and again.[9]

Climate change adaptation
Climate change adaptation involves adjusting to the actual or expected future climate. The goal is to reduce the vulnerability to the harmful effects of climate change (such as climate-induced floods, more intense and more extreme weather events, or sea level rise). Adaptation also encompasses making the most of any potential beneficial opportunities associated with climate change (for example, climate-growing conditions in colder areas or new opportunities for tourism).[10]

Climate change mitigation
The goal of climate change mitigation is to cut and stabilize human interference with the climate system, and to stabilize greenhouse gas levels in a timeframe sufficient to allow natural ecosystems to adapt naturally to climate change, to ensure that food manufacture and development and to enable economic development to proceed in a sustainable manner.[11]

Climate finance
Climate finance refers to local, national or transnational financing – drawn from public, private and alternative sources of financing – that seeks to support mitigation and adaptation actions that will address climate change.[12]

Corporate Sustainability Due Diligence Directive (COM(2022)71205)
Ensures companies active in the EU market are accountable and responsible corporate behaviour and also another important lever to accelerate the transition towards sustainable business operations and corporate governance.[13]

Corporate Sustainability Reporting Directive (CSRD)
The EU law requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they view as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.[14]

Double materiality
This is a regulatorian concept that has been incorporated into the European Sustainability Reporting Directive (**CSRD**).[15] Under the CSRD, companies are required to report on both the impact of sustainability matters on their business (**SMB**) and the impact their business activities have on the company's own impacts on people and the environment (impact materiality).[16]

Equator Principles (EPs)
The EPs are intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risk in project financing activities. The EPs are intended to be implemented by financial institutions with diligence and monitoring to support responsible risk decision-making. The EPs apply globally, to all industry sectors for financial products, services and advice, including advisory services, to project finance, project-related corporate loans, to bridge loans and to project-related refinance and project-related corporate M&A.[17]

ESG Incorporation
ESG Incorporation is the process of assessing, reviewing and considering ESG factors in investment decisions and adjusting a combination of these variables, ESG integration, screening and thematic investing. ESG Incorporation generally functions alongside, or in combination with, materiality.[18]

ESG Integrated Disclosure Project
Is a project led by the World Bank to rationalize in the credit markets by offering a harmonized approach and support for ESG reporting for companies.[19]

ESG Integration
The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns. It is often used in combination with screening and thematic investing.[20]

ESG Ratings Regulation
The rules aim to strengthen the reliability and comparability of ESG ratings by improving the transparency and integrity of the operations of ESG ratings providers and preventing potential conflicts of interest.[21]

European Banking Authority (EBA)
The EBA is an independent EU authority. The EBA plays a key role in safeguarding the integrity and robustness of the EU banking sector to support financial stability in the EU.[22]

EU Taxonomy
A classification system that defines criteria for economic activities that are aligned with net zero trajectory by 2050 and the broader environmental goals other than climate.[23]

External review
Is an independent external review, please see the External Review Guidance for Green, Social, and Sustainability-Linked Loans.[24]

FCA Anti Greenwashing Rule
Ensures that sustainability claims made by or on behalf of authorised firms who make sustainability related claims about products and services. The rule states that firms need to ensure that sustainability references are fair, clear and not misleading and consistent with the FCA sustainability profile of the product and services.[25]

FCA Sustainability Disclosure Requirements (SDR)
Is a new regime for UK asset managers, designed to ensure investors setting out to invest in the Sustainability Disclosure Requirements (SDR) regime, including a set of consumer-friendly investment labels. These rules are intended to assist firms in having investment products fulfil their description in order to increase trust and the ease of decision making for consumers.[26]

Financial Conduct Authority (FCA)
The FCA regulates the conduct of firms active in the UK. Its rules include protecting consumers, keeping the industry stable and promoting healthy competition between financial service providers.[27]

Greenwashing
This refers to the deliberate integration of greater analysis, investment analysis and decision-making of environmental factors into the process of selecting an investment or enterprise and/or investment or lender strategies that include environmental factors aiming at the workplace, as well as in products or services that substantially improve the lives of women and girls, building climate resilient communities and beyond.[28]

Global Reporting Initiative (GRI)
Is an independent, international organization that helps businesses and other organizations take responsibility for their impacts by providing them with the global common language to communicate these impacts.[29]

Green Asset Ratio (GAR)
The Green Asset Ratio is based on the EU taxonomy and is a Paris-aligned ratio that can be used to identify the extent to which the financing outstanding and issued by the firm is aligned with the EU taxonomy. The GAR is a key performance indicator for credit institutions and environmentally sustainable and contributes substantially to the objectives of climate change mitigation or climate change adaptation or of the enable other provision to contribute substantially to these objectives.[30]

Green loan
The GLP defined lenders define green loans as any type of loan instruments and/or contingent facility, such as a letter of credit, made available exclusively to finance or refinance available exclusively to finance or refinance a greenfield, brownfield or other project entirely eligible Green Projects and which are aligned to the four core components of the GLP.[31]

Green Loan Principles (GLP)
The GLP are voluntary market standards and guidelines, published by the LSTA (Loan Syndications and Trading Association (LSTA) and the APLMA (Asia Pacific Loan Syndications and Trading Association (LSTA) and with the support of ICMA), providing a consistent methodology for use across the green loan market.[32]

Green mortgages
Are a type of mortgage, a bank or mortgage lender offers a house buyer preferential rate if they can demonstrate that the property for which the mortgage is being sought is energy efficient. However, a non-exhaustive indicative list of the categories of eligibility for Green Projects under the GLP can be found in Section 1 Use of Proceeds of the GLP.[33]

Green tagging
Green tagging refers to a systematic process where banks identify the environmental attributes of their loans and underlying asset collateral as a tool for scaling up sustainable finance. It is a process that allows banks to measure, manage and report on asset owners, better understanding of green asset performance and provides greater transparency of climate risks and portfolio resilience.[34]

Green building
This refers to the act of not making genuine sustainability claims in case they may be associated with greenhouse gas emissions.[35]

Greenwashing
Greenwashing is its single definition but may be used to refer to the practice of giving an unfair competitive advantage to companies that market products or environmentally friendly, when in fact basic environmental standards have not been met.[36]

Global Reporting Initiative Biodiversity Standards
The GRI 101: Biodiversity set sets reporting requirements on the topic of biodiversity. The standard requires organizations to report on how their sector or geographic location that wants to report on its impacts related to this topic.[37]

GTAS
International Capital Market Association.[38]

ESG Sustainability Disclosure Standards
The ESG Disclosure Standards for Capital Markets Sustainable Bond Issuers to the ESG Sustainability Disclosure Standards for Capital Markets Issuers of Sustainable or Sustainability-related Financial Information and ESG-52 Climate-related Disclosures.[39]

Impact Investing
Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.[40]

Impact washing
Refers to the act of overstating or falsely claiming an investment's positive impact on its environment or society.[41]

[1] https://www.ipcc.ch/site/assets/uploads/2018/02/WG3AR5_Chapter-01_FINAL.pdf
[2] https://www.cbd.int/article/2006-05-18-en-50000
[3] https://www.worldbank.org/en/topic/oceanfinance/brief/what-is-blue-economy
[4] https://www.sustainalytics.com/esg-data/blue-finance-framework-2021/blue-finance-framework-2021.pdf#:~:text=Blue%20finance%20is%20defined%20as,%20%20%20

Projects

The Green, Social and Sustainability-Linked Loan Principles create the foundations upon which this market can thrive and we continue to work to produce greater clarity, transparency and granularity around these Principles to drive forward sustainable lending liquidity.

This quarter has seen the following activity:

Q2 Publications	WIP
Mandate Letter for SLL Sustainability Coordinator	Model Provisions for Use of Proceeds Transactions
Guidelines for Sustainability-Linked Loans Financing Bond	Transition Task Force
	Annual Review of the Green, Social and Sustainability-Linked Loan Principles

Regulatory Submissions

Q2 Publications	WIP
Transition Finance Market Review Call for Evidence, where we expressed the view that in order to meet climate goals, there is still a vital need to transition various hard-to-abate sectors and that transition finance will be essential to enable this transition to take place.	

Resources

Regulatory Submissions

Q4 2023	Q1 2024
European Commission's Targeted Consultation on the Sustainable Finance Disclosures Regulation (SFDR), where we stressed, among other things, the need for further clarity around certain key concepts under the SFDR as well as a need for greater interoperability across global reporting regimes	UK Financial Conduct Authority's consultation on its anti-greenwashing rule guidance, where we requested, among other things, clearer guidance on market best practice to ensure that market participants understand the correct processes to follow to avoid inadvertent greenwashing.

What is the view of the Platform on Sustainable Finance?

Platform on Sustainable Finance: Simplification of the EU Taxonomy

On 5 February 2025 (prior to publication of the Omnibus Package), the Platform on Sustainable Finance (**Platform**) published a report - Simplifying the EU Taxonomy to Foster Sustainable Finance ((**Report**) - which builds on previous work by the Platform including the Compendium of Market Practices published in January 2024 (see previous Horizon publications).

The Report refers to the EU's plans for a package of measures aimed at refinement and simplification of the EU Taxonomy in order to increase its effectiveness. The Report sets out specific recommendations to reduce the reporting burden for non-financial companies and simplify reporting for financial institutions by using estimates, proxies, a streamlined DNSH assessment approach and the introduction of a materiality concept. The Report also emphasises the importance of improving interoperability between the EU Taxonomy and other Taxonomies internationally in order to enhance the flow of capital.

The following four core proposals are included for simplifying taxonomy reporting:

1. **Reduce corporate reporting burden** by one-third by: (i) making the OpEx KPI voluntary disclosure, other than for R&D, in line with the Accounting Directive; (ii) introduce a materiality threshold for reporting the Turnover, OpEx, CapEx KPIs and the combined KPIs of financial companies; (iii) improve alignment with financial reporting; and(iv) simplifying reporting templates and reducing data points;
2. **Simplify GAR to encourage green and transition lending** by (i) creating symmetry with similar numerator and denominator composition; (ii) simplifying retail exposure reporting and focusing on substantial contribution; (iii) allowing for the use of estimates and proxies for reporting along with safe harbours to protect against greenwashing; and (iv) applying the materiality principle to the combined KPI for financial undertakings, excluding immaterial business areas;
3. **Provide a practical approach to DNSH criteria** by (i) providing for a lighter compliance assessment process; (ii) reviewing the DNSH criteria as part of the Omnibus; and (iii) introducing a temporary "comply or explain" approach for DNSH assessment of the Turnover KPI; and
4. **Help SMEs access sustainable finance** by (i) adopting a streamlined and voluntary approach exposures to unlisted SMEs; and (ii) adopt a simplified approach to the Taxonomy for listed SMEs.

Key updates include

IFRS Sustainability Disclosure Standards

- the Government is aiming to make ISSB-endorsed reporting standards (UK SRS) available in Q1 2025 following assessment of IFRS S1 and S2 by the UK Technical Advisory Committee
- following positive endorsement and a consultation process, the FCA can use the UK SRS to introduce sustainability-related reporting requirements for regulated UK-listed firms
- a decision regarding future requirements is expected in Q2 2025 at which point, the Government will also consider exemptions from pre-existing requirements under the Companies Act 2006. Any changes would be effective no earlier than accounting periods beginning or after 1 January 2026.

Transition Plan Disclosures

Given the overlap between IFRS 2 and the TPT Disclosure Framework, the FCA will consult in 2025 on enhancing its expectations on transition plan disclosures with reference to the TPT Disclosure Framework. The Government will also consult in Q2 2024 on how the UK's largest companies ought to disclose their transition plans.

SDR and investment labels

The Government has announced its intention to issue a consultation in Q3 2024 on whether to extend the scope of SDR to include funds under the Overseas Funds Regime (OFR). On 1 May 2024, HM Treasury and the FCA jointly published a roadmap for the implementation of OFR.

Green Taxonomy

The UK Government will continue to develop the proposed UK Green Taxonomy and will consult on its design in due course. The consultation will seek feedback on the overarching framework and once finalised, there will be a testing period for voluntary disclosures and use for at least two reporting years before exploring mandating disclosures. A decision as to whether to introduce mandatory disclosures against the Taxonomy has not yet been taken and is reserved until such a time that the consultation is complete.

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