HORIZONS

Issue 10

Summer 2026

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Welcome to HORIZONS

Welcome to the *summer edition* of Horizons for 2026 — and as the days get longer and the BBQs come back out of storage, the market shows no signs of cooling down.

At the LMA, the past few months have seen continued engagement with members, regulators, and market participants across a broad range of sustainability initiatives. Much like finally cleaning down the grill after winter and getting everything ready for the season ahead, this quarter has been about refining frameworks, sharpening guidance, and preparing the market for the next phase of growth.

As the sustainable loan market has matured, we have focused on updating to the SLL Rider provisions, advancing the pure-play guidance project, with publication due imminently, and commencing taskforce work to take the Transition Loan Principles beyond the exposure draft stage. I encourage you all to submit any burning questions requiring clarification, which we can then seek to address in the accompanying guidance document.

Gemma Lawrence-Pardew
Head of Sustainability

On the regulatory front, we continue to monitor sustainability-related regulation in the LMA's regulatory scanner. UK and EU supervisory authorities continue to focus on ESG risk which will be the subject of next quarter's Insight Paper.

From an events perspective, London Climate Action Week is once again taking over the capital — proving that, much like a British heatwave, discussions around transition finance are becoming impossible to avoid. This year, the discussion centred on climate-related risk, transition finance and sector-specific sustainable finance structures. From our own calendar, our European Loan Markets Conference moved to Milan, where I was joined by Luca Passa to discuss financing Europe's energy transition, from funding strategy and sustainable finance to resilience in an increasingly volatile geopolitical environment.

A key date for the diary remains this year's flagship Sustainable Finance Conference, taking place on 3 November in Paris, for which the agenda is now beginning to take shape. With no shortage of topics competing for attention, the challenge lies in keeping the discussion fresh and thought-provoking, without simply reheating conversations that have already taken place this year — but challenge accepted!

It promises to be a summer of continued progress, collaboration, and impact, and we look forward to working with all of you to advance the sustainability agenda.

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Global Sustainable Finance: Early Signs of Stabilisation Amid Structural Shifts

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In the first quarter of 2026, global sustainable finance volumes across loans and bonds declined by just 1% year on year, according to LSEG LPC data.

The modest contraction marks a clear stabilisation following the steeper pullbacks seen in recent periods, suggesting that the market may be finding a structural floor after several years of volatility.

More broadly, current dynamics point not to a reversal, but to a transition from a phase of rapid expansion to one characterised by greater discipline and selectivity.

In recent years, the idea of an "ESG backlash" has gained traction, particularly in political and media discussions. This perception has been fuelled by the return of climate-sceptical leadership, the resurgence of climate denial narratives and geopolitical tensions shifting focus toward energy security and defence. However, understanding whether this reflects reality requires looking at data rather than sentiment.

Market evidence suggests that a structural retreat is not taking place. Outflows from ESG funds have been limited and largely tied to specific market phases, while broader trends are better explained by higher interest rates and portfolio rotation. What appears as a slowdown is more accurately a period of normalisation after rapid expansion.

While overall volumes remain below post-pandemic peaks, the relative resilience of activity underscores a recalibration rather than a wholesale retreat from sustainable finance, with issuance increasingly concentrated in structures perceived as more robust or strategically aligned with borrower needs.

1Q26 Global sustainable finance volume is down just 1% year over year

Global Sustainable Finance Volume (US$bn)

Source: LSEG LPC

US Market: SLLs Lose Relevance as Alternative Structures Dominate

Sustainability-linked loans (SLLs) rose rapidly in popularity in the US in 2021, driven by heightened ESG momentum during the Covid-19 pandemic. By 2024, however, many US investment-grade borrowers had already begun removing sustainability-linked provisions from their credit agreements, reflecting growing scepticism about the structure's cost-benefit profile.

In the first quarter of 2026, US sustainable finance loan issuance totalled US$51.42bn. Investment-grade transactions accounted for US$13.08bn, while leveraged sustainable loans reached US$6.26bn. The remaining US$32.09bn was driven by other structures, including project-related sustainable financings, which continue to provide core support to overall volumes.

Within the investment-grade segment, SLLs represented only a small share of broader lending activity. This underscores the sustained shift away from SLL frameworks even as sustainable lending persists through alternative formats perceived as more straightforward and less administratively burdensome.

US Sustainable Finance loan volume reached US$51.4bn in 1Q26

US Sustainable Finance Loan volume (US$bn)

Source: LSEG LPC

Sentiment Shift and Political Headwinds

The appeal of SLLs began to fade as lenders navigated regional bank failures in 2023 and borrowers increasingly questioned the additional complexity, reporting requirements and external scrutiny associated with the structure. A broader cooling in US attitudes toward ESG—most notably under President Donald Trump—has further weighed on market confidence.

More recently, political and cultural realignment has amplified scrutiny of sustainability-linked frameworks and their tangible benefits to borrowers. In 2025, several large US corporates—including Oncor, Dominion Energy, Micron and CBRE—removed sustainability targets from their credit agreements, while others dropped "rendezvous clauses," highlighting a broader retreat from ESG-linked loan features. Many market participants now report that SLLs feature only marginally, if at all, in active lending discussions.

While SLLs are expected to remain a niche product in the near term, a renewed shift in political sentiment or regulatory incentives could eventually create conditions for a limited revival. For now, however, the structure remains firmly out of favour in the US loan market. This trend is exemplified by Ford's $21bn loan amendment in April 2026, where the company removed sustainability-linked pricing from its $18bn revolving credit facilities, reinforcing the broader shift away from ESG-linked structures in US syndicated lending.

EMEA: Volume Declines Mask Deeper Structural Realignment

The EMEA region—historically a stronghold for ESG-labelled lending—experienced a more pronounced slowdown. In the first quarter of 2026, sustainable finance loan volumes fell to US$62.35bn, down around 20% year on year from US$77.46bn in 1Q25. Deal count declined more sharply, dropping to 76 transactions from 104 a year earlier.

The retrenchment marks a significant step back from post-pandemic highs, most recently recorded in 1Q24, when volumes peaked at US$136.9bn. The decline reflects reduced corporate issuance, fewer large-cap ESG-labelled financings and a more cautious stance toward sustainability frameworks among both borrowers and lenders.

Despite the pullback, EMEA continues to account for a substantial share of global sustainable lending. However, activity has become increasingly selective as scrutiny over structure, reporting requirements and credibility intensifies.

While the US market reflects a clearer retreat from more complex ESG-linked instruments such as SLLs, the EMEA market appears to be undergoing a more selective recalibration rather than a structural shift, supported by deeper regulatory frameworks and stronger institutional anchoring.

1Q26 Quarterly EMEA Sustainable Finance Loan Volume

EMEA Green-ESG Loan Volume (US$bn) Deal Count

Source: LSEG LPC

Energy Security and the Evolution of ESG Lending

Beyond cyclical volatility, structural forces are becoming increasingly central to the EMEA loan market outlook. Energy security has re-emerged as a defining economic and geopolitical concern, sharpening focus on the transition to cleaner generation, grid resilience and long-term infrastructure investment.

Rather than diminishing, responsible investment considerations are evolving alongside these priorities.

ESG considerations are no longer viewed as purely environmental or ethical preferences, but increasingly as strategic imperatives. Ensuring reliable, affordable and domestically resilient energy systems is now closely aligned with accelerating the transition to renewable energy and modern infrastructure.

In this context, sustainability is evolving from a discretionary framework into a necessity-driven one, embedded in national security, industrial strategy and long-term economic planning.

ESG factors are increasingly intersecting with financial, industrial and geopolitical objectives, reinforcing their relevance in capital allocation decisions.

The EMEA loan market entered 2026 amid renewed volatility, shaped by heightened geopolitical tensions in the Middle East, lingering macroeconomic uncertainty and shifting interest-rate expectations. While headline volumes weakened in the first quarter, underlying dynamics suggest a structural transformation rather than a cyclical collapse.

Looking ahead

The market appears set to remain functional but cautious. ESG considerations and energy-transition dynamics might no longer be peripheral, increasingly informing credit assessment, sector exposure and strategic funding decisions across the region.

At the same time, investors are not stepping away from ESG but are applying it more rigorously. Sustainability factors are increasingly embedded into risk assessment and fundamental analysis, marking a shift from label-driven adoption to more meaningful integration.

Over the longer term, ESG is also being reframed as a driver of resilience and competitiveness. Companies with stronger governance, human capital management and climate awareness tend to be better equipped to withstand shocks, reinforcing ESG as a core component of value assessment rather than an external add-on. In this sense, ESG becomes part of the fundamental logic of investment decision-making.

Looking ahead, one of the most important shifts in sustainable finance is the growing prominence of transition finance. As the market matures, the focus is increasingly moving beyond strictly defined "green" activities toward supporting companies and sectors in their broader decarbonisation pathways.

This evolution is also visible in product dynamics, where the declining relevance of certain labelled structures is accompanied by increasing demand for more flexible financing solutions capable of accommodating transition pathways.

This reflects a more pragmatic recognition that large parts of the global economy cannot transition overnight, but require structured, credible and well-financed transformation processes.

In this context, capital is progressively being directed toward instruments and frameworks that can assess and support these transition strategies, rather than simply reward already "green" assets. The emphasis is therefore shifting toward the quality and credibility of transition plans, with greater scrutiny on targets, timelines and implementation. This evolution is also contributing to a more realistic and inclusive approach to sustainability, where the objective is not only alignment, but measurable progress over time.

Alongside this structural shift, the regulatory environment is expected to play an increasingly influential role in shaping the next phase of the market. In Europe in particular, ongoing developments—such as the anticipated evolution of the SFDR framework—are designed to enhance clarity, comparability and usability across ESG classifications and disclosures.

These changes are likely to reduce fragmentation across definitions and support greater consistency between instruments and issuers.

Rather than signalling a rollback, these adjustments point to a process of consolidation aimed at improving how sustainability is defined, measured and communicated. Over time, clearer rules and more consistent standards are likely to strengthen investor confidence, support more informed capital allocation decisions and reduce the risk of misalignment or superficial labelling.

Taken together, these dynamics suggest that sustainable finance is moving into a more disciplined and structurally embedded phase, where transition pathways and regulatory clarity will play a central role in shaping both market activity and long-term investment outcomes.

Post Scriptum

The data presented in this article reflects public news, press releases and reported lender activity across the sustainable finance sector.

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As carbon markets heat up, sustainability disclosure reform moves on

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Q2 is here, and carbon markets are moving from political spotlight to political battleground.

The closer Brussels gets to the summer review of the EU Emissions Trading System (ETS), the more visibly the file is moving from technical calibration into high politics. What was already emerging in Q1 has now intensified – the ETS is no longer being debated simply as the backbone of EU carbon pricing, but increasingly as a test case for how far the Union is willing to recalibrate climate policy in the name of industrial competitiveness. The Commission's review is now pencilled in for 15 July, and the weeks leading up to it are steadily hardening positions across institutions and capitals.

That shift has become more tangible since late March. The European Council's intervention on the ETS gave political cover to a debate that had already been building beneath the surface, asking the Commission to review the system by July to **reduce carbon-price volatility and its impact on electricity prices, while preserving the ETS' essential role.** On the one hand, the Commission has sought to defend the ETS as a market-based cornerstone of decarbonisation. On the other, it has acknowledged that the system now sits at the centre of a broader competitiveness debate, particularly where energy-intensive industry, investment conditions, and electricity costs are concerned.

Since then, the Commission has already moved on one of the most politically sensitive elements of the system. On 1 April, it tabled its targeted proposal to strengthen the Market Stability Reserve, the mechanism that manages the supply of allowances in circulation. Rather than reopening the core design of the reserve, the proposal would remove the automatic invalidation of excess allowances once the reserve exceeds a certain threshold, allowing them instead to remain available as a buffer. In political terms, this was presented as a way to **increase the "firepower" of the reserve while preserving the ETS as a functioning market instrument.** It was also a signal that the Commission is willing to act early on volatility and market predictability, even before the full July review.

But if the Commission has started to show its hand, **Member States are trying just as actively to shape the landing zone.** In recent weeks, that pressure has become more organised and more public. France was among the governments opposing the idea of directing a larger share of ETS revenues to the EU budget, arguing these funds should remain available for domestic climate and industrial investment. Spain, by contrast, stresses that the ETS remains a cornerstone of EU climate policy and warns against moves that would significantly weaken it. Germany has broadly defended the ETS as a core climate tool, while pushing for a "future-proofing" of the system through stronger carbon leakage protection and support for industrial frontrunners.

Parliament, too, is beginning to sharpen its lines. Early debates have highlighted familiar divisions: support from the centre-left, liberals, and greens for maintaining the ETS as a central climate instrument; a more cautious centre-right that wants to preserve competitiveness safeguards and avoid blaming the ETS for industrial pressure; and more openly critical conservative and far-right voices that continue to frame the system as part of Europe's cost problem. That matters because, as with Omnibus, **the politics of majority-building may prove almost as important as the substance of the file itself.**

The questions now in play go to the heart of what the ETS is meant to do post-2030. Is it primarily a tool for cost-efficient emissions reduction? A source of revenues to finance decarbonisation? A competitiveness buffer for European industry? The Commission appears to be leaning toward a middle path – **preserving the ETS as the core architecture, while building in more flexibility, more funding support and a stronger focus on how revenues are used.**

Taken together, the picture heading into summer is one of growing political intensity. The ETS is not being dismantled. If anything, recent institutional interventions suggest a strong desire to preserve it. But it is increasingly being reshaped under the weight of industrial and competitiveness pressures. That makes the July review one that is likely to test, once again, how far the EU can adapt its green architecture without fundamentally changing its character.

SFDR negotiations move towards the landing zone

The review of the Sustainable Finance Disclosure Regulation (SFDR) has now entered a more decisive phase. Since the Commission tabled its proposal late last year, negotiations have moved from initial positioning to concrete compromise-building in both institutions. The broad three-category architecture – Transition, ESG Basics, and Sustainable – remains intact as the central organising logic of the file. The debate is therefore not about reopening the framework altogether, but about how strict the criteria, exclusions, disclosures, and safeguards around those categories should be.

Council discussions: a deal on the outstanding issues

In Council, negotiations have advanced significantly. The Cypriot Presidency has now effectively landed a compromise on the outstanding issues under negotiation, keeping Member States broadly aligned around the Commission's three-category model while resolving several of the more difficult technical questions. The result is a Council position that refines the Commission proposal rather than reshaping it, with a clear focus on making the framework workable for different product types while preserving the credibility of sustainability-related claims.

One of the key landing zones concerns general purpose sovereign debt. The compromise would allow a limited share of EU sovereign exposures to count towards the 70% contribution threshold for Transition products, subject to conditions and documented methodologies showing consistency with the product's transition-related objective. This is seen as a pragmatic solution to a politically sensitive issue, particularly for products with structurally higher sovereign exposure.

The Presidency has also found a compromise on exclusions for Transition products. Instead of relying solely on sectoral revenue caps inspired by climate benchmark rules, the Council text moves towards a capital expenditure-based approach. Companies in otherwise excluded sectors could qualify where they commit a minimum share of capital expenditure to Taxonomy-aligned activities and follow a measurable emissions-reduction strategy compatible with the Paris Agreement.

On disclosures, the Council has moved towards mandatory product-level principal adverse impact indicators, but with flexibility. The compromise also includes an opt-out for alternative investment funds marketed only to professional investors and clarifies disclosures for non-categorised products and multi-option products. Taken together, the Council line suggests a calibrated approach: more prescriptive than the Commission in places, but still firmly anchored in the simplification logic of the review.

Parliament: compromise negotiations open the political phase

In the European Parliament, the process is now entering its most political stage. The liberal lead MEP (rapporteur) Gerben-Jan Gerbrandy's draft report had already pushed the Commission proposal in a more demanding direction, particularly on product integrity, disclosures for non-classified products, principal adverse impact indicators, and anti-greenwashing safeguards. With amendments now tabled and the first draft compromise amendments circulating among political groups, the focus has shifted to whether that more restrictive approach can survive negotiations ahead of the ECON committee vote scheduled for 15 July.

The first compromises show that the rapporteur is trying to structure the debate around practical disclosure questions without reopening the core category model. They cover non-categorised products, multi-option products, data and estimates, portfolio management services, and the provision of methodologies by ESG data providers. In particular, the draft compromises maintain the idea that non-classified products should make clear that they do not meet EU standards for sustainable finance products, and they seek to clarify how SFDR categories should be disclosed where investors choose between underlying options, such as in unit-linked insurance products.

At the same time, the amendments tabled by MEPs point to clear political fault lines. S&D and the Greens are pushing towards stricter thresholds, stronger disclosure rules, and tighter safeguards around names, marketing and engagement. Parts of the EPP and groups further to the right are expected to push for more flexibility, particularly around exclusions, product treatment, and the risk that naming and marketing rules become too restrictive.

This matters because the Parliament's position may ultimately determine whether SFDR remains a relatively technical simplification file or becomes another sustainability dossier shaped by wider political dynamics. The rapporteur's approach is clearly framed around consumer clarity and greenwashing prevention, but the compromise phase will test how far political groups are willing to support more demanding rules for products that make sustainability claims.

Where the politics leaves policy next quarter

The direction of travel is now clearer. Council has effectively settled its position around a targeted refinement of the Commission proposal, while Parliament is entering the key compromise phase before its July committee vote. If the timetable holds, both institutions should be ready for interinstitutional negotiations (trilogues) in Q3, after the summer break. The file remains less politically charged than Omnibus, but the Parliament's internal dynamics will still matter. The central question for the next quarter is how far MEPs push on disclosure rigidity, exclusions, and product treatment before trilogues begin.

Policy Intervention	Description	State of Play	RAG (Progress)
Omnibus: Substantive amendments (Level 1 legislation)	This proposal encompasses changes to the CSRD, CSDDD, and EU Taxonomy in relation to scope, due diligence obligations, and precise reporting requirements.	Trilogue negotiations concluded in December, and the revised texts were published into law.	
Taxonomy (Level 2 legislation)	The Commission has consulted in March on a review of the Climate and Environmental delegated acts aimed at simplifying and clarifying the existing technical screening criteria, including the 'do no significant harm' (DNSH) criteria.	The Commission consultation closed in April, and the revised delegated acts are expected to be adopted for co-legislator scrutiny before the summer break.	
ESRS amendments (Level 2 legislation)	Amendments to the ESRS are linked to reporting requirements under the CSRD. The Commission has tasked EFRAG with streamlining the number of datapoints and aligning the ESRS framework with international standards.	EFRAG submitted its revised standards to the Commission as basis for a delegated act to amend the ESRS. The Commission is expected to adopt this act for co-legislator scrutiny by the end of Q2.	
Review of the Sustainable Finance Disclosure Regulation (SFDR)	The review aims to simplify the existing framework, reducing legal ambiguities and compliance costs and improving clarity. This includes the introduction of a new category system, the removal of legacy concepts, and a ban on national gold-plating.	The Commission put forward its review proposal in November 2025, and negotiations in Parliament are ongoing, while discussions in Council have recently concluded.	

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Blended Finance: Myths & Realities

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Blended finance is widely used but is frequently misunderstood or applied imprecisely across loan markets.

The term refers to the strategic use of public or philanthropic capital to mobilise private investment towards sustainable development objectives by addressing identifiable market failures. When done well, it can bridge the gap between projects generating positive sustainable externalities and the risk-return expectations of commercial investors. This in turn can unlock sustainable investment at scale in under-served sectors and/or geographies. When done poorly, the term is diluted and capital can be invested inefficiently.

This article reframes blended finance through a series of common myths and realities encountered by practitioners structuring such transactions. The aim is not to promote blended finance as a panacea, but to clarify what it can, and cannot, achieve when applied with discipline.

Myth 1: Blended finance is simply cheaper money

Reality

Blended finance is about reallocating risk and addressing investor concern.

Blended finance does not exist primarily to lower the cost of capital for borrowers or conversely to subsidise returns for investors. Instead, its purpose is to address specific risks that prevent private capital from participating on commercial terms. Properly structured blended finance targets discrete barriers, e.g. political risk, currency mismatch, tenor constraints or construction and technology risk, rather than providing across-the-board pricing support.

Where concessional capital is used merely to enhance returns without addressing an underlying market failure, the financial additionality is lost. The result is not mobilisation but substitution, with public capital displacing rather than catalysing private investment.

Myth 2: Any transaction involving a development finance institution is blended finance

Reality

The presence of a public lender does not, by itself, create a blended finance transaction.

A development finance institution lending pari passuat market rates on conventional terms, without mobilising additional commercial participants, is not engaging in blended finance. Nor does the inclusion of a multilateral development bank in a syndicate automatically classify the transaction as blended finance.

This distinction matters. Mischaracterising conventional transactions as blended finance obscures the true deployment of concessional resources and complicates disclosure, subsidy-control analysis and accounting for grant elements. Precision in labelling is therefore not semantic; it is structural.

Myth 3: Concessionality should be maximised to attract private capital

Reality

Effective blended finance applies minimum, necessary concessionality.

The central structuring challenge in blended finance is not how much concessional capital can be deployed, but how little is required to unlock private participation. Excessive concessionality risks distorting markets, crowding out commercial lenders and undermining the long-term development of local capital markets. Insufficient concessionality, by contrast, may fail to address the risks that deter private investment in the first place.

Best practice therefore focuses on precise calibration. Guarantees, first-loss capital, subordinated tranches and concessional loans should be sized and structured to absorb specific, identified risks, not to provide open-ended downside protection.

Myth 4: Blended finance instruments are interchangeable

Reality

Instrument selection must follow risk diagnosis.

Blended finance offers a broad toolkit, but instruments are not functionally equivalent. Guarantees are well suited to addressing credit or political risk; local-currency hedging facilities can mitigate currency mismatch; first-loss capital may be appropriate where portfolio diversification is required; and concessional loans can address tenor or cashflow timing issues.

Selecting instruments without a clear understanding of the barrier being addressed increases the risk of inefficiency and misalignment. A disciplined diagnostic process is therefore a prerequisite to effective structuring, not an optional preliminary step.

Myth 5: Blended finance vehicles are simpler than deal-by-deal structures

Reality

Fund and platform structures trade flexibility for scale.

Blended finance vehicles, including funds, platforms and special purpose vehicles, can achieve diversification, operational efficiency and scale which is otherwise difficult to achieve on a deal-by-deal basis. However, they introduce additional layers of governance and complexity. Clarity around investment mandate, fee alignment and decision-making authority is essential. Without it, the very structures designed to mobilise private capital can become sources of friction.

Myth 6: Intercreditor arrangements can be addressed later

Reality

Clear and robust intercreditor structuring is central to the credibility of blended finance structures.

Given the catalytical and concessional elements, blended finance transactions involve parties with differing mandates, time horizons and return expectations. These differences crystallise most sharply in stress scenarios.

Intercreditor agreements must therefore anticipate and manage the rights and remedies afforded to different investor classes with precision through robust documentation and independent oversight, aligning standstill periods, voting thresholds, cash-flow waterfalls and enforcement mechanics with the intended risk allocation.

A recurring tension arises between the developmental objective of supporting borrowers through periods of distress and the commercial imperative for timely enforcement. Addressing this tension upfront is essential to maintaining confidence among private participants.

Myth 7: Impact monitoring is secondary to financial performance

Reality

Measurement underpins legitimacy.

Providers of concessional capital have a heightened obligation to demonstrate that resources are being used effectively and that catalytic outcomes are being achieved. Monitoring frameworks must therefore integrate financial performance with clearly defined impact metrics, supported by systematic data collection and verification.

Voluntary standards, such as the Operating Principles for Impact Management,[1] provide useful reference points, but credibility ultimately depends on discipline in implementation rather than the form of disclosure.

1. International Finance Corporation, 'Operating Principles for Impact Management' (IFC) www.impactprinciples.org accessed 11 March 2026.

Myth 8: Exit strategies can be deferred

Reality

Exit should be planned from inception.

Blended finance is not intended to create permanent subsidy. Its objective is to demonstrate the viability of markets or asset classes and to facilitate a transition to fully commercial financing over time. Concessional providers should therefore structure their participation with clear exit pathways, whether through loan repayment, expiry of guarantees or divestment of junior positions.

A credible exit strategy protects public capital and sends an important signal to the market regarding long-term sustainability.

Conclusion

Blended finance can be a powerful mechanism for mobilising private capital in pursuit of development objectives, but only when applied with discipline and precision. Treating it as a catch-all solution risks diluting its impact and undermining confidence in the asset class.

For practitioners, the challenge is not to deploy blended finance more frequently, but to deploy it more rigorously. This translates into a need for clear risk analysis, diagnostic-based structuring, minimum concessionality, robust governance and transparent measurement. Only then can blended finance deliver both commercial returns and public value at the scale required.

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Accelerating the Transition through Sustainable Finance

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We are witnessing a transformation in the geopolitical landscape that is reshaping international alliances, trade relationships and political priorities. This is influencing investment strategies, and sustainability is no exception.

Climate policies and investments are amongst those being recalibrated, with a greater urgency to find solutions that combine climate transition, energy security, and global competitiveness. Governments and market participants have identified sustainable finance as a key enabler to support scaling of clean energy, diversify supply chains and reduce exposure to volatile fossil fuel markets, serving each of these aims.

Global Collaboration

Global cooperation towards sustainability objectives has become challenging as sentiment and priorities have diversified over the last year. However, where objectives are shared, cross-regional alliances have evolved to be more pragmatic, focused, and centred on accelerating implementation.

EU and Japan, two of the largest capital markets, have both reaffirmed their commitment to reduce emissions during this decade in line with the Paris Agreement and have committed to deepen climate-related cooperation initiated under the EU-Japan Green Alliance. Representatives are expected to meet throughout 2026 to discuss strategies for industrial decarbonisation, climate adaptation, carbon pricing and carbon credits, carbon capture use and storage, and sustainable finance.

Global alliances such as this support design and implementation of stable, multi-decade decarbonisation policies. Complementary measures such as tax incentives, carbon pricing, and regulatory frameworks provide important market signals and create an enabling environment for the real economy transition.

Transition planning

Longer-term national decarbonisation policies have significant influence on the transition planning process for corporates and financial institutions, as both can more confidently invest in solutions that have clear government support.

A good example is Japan's 7th Strategic Energy Plan created by the Ministry of Economy, Trade and Industry. This outlines how clean energy will increasingly contribute to the power mix to achieve net zero by 2050, clarifying the role of emerging technologies such as energy storage, carbon capture and storage, and hydrogen.

Not all nations are working towards net zero by 2050, with some targeting 2060 or later to ensure a just transition that accommodates development requirements. The APAC region includes countries with 2050, 2060, and 2070 targets, which influences the transition planning of corporates and FIs operating in the region. This adds a layer of complexity to transition planning and requires a degree of flexibility for institutions with global operations.

Corporates in hard-to-abate sectors leverage national or supranational transition strategies as reference points when developing transition plans grounded in credible, sector-specific assumptions. Such strategies can help companies set pathways that reflect realistic timelines for technology investment, scale-up and deployment, while also improving their ability to manage the strategic and financial risks associated with business-model transformation.

These strategies also provide a benchmark against which financial institutions can assess the ambition, feasibility and credibility of corporate transition plans to identify and manage portfolio transition risk. Through robust transition assessments, financial institutions can bridge ambition and action by mobilising capital to support the real-economy shift to net zero.

Financial institutions leverage national decarbonisation strategies to identify financing and advisory opportunities and inform their own transition objectives, notably supporting sustainable finance delivery targets.

Broadening the scope of sustainable finance with transition finance

Transition finance has emerged as a critical enabler of the global decarbonisation agenda. The market is increasingly recognising that a significant share of the real-economy transition will require financing of activities that are not yet fully green. Nonetheless such activities represent critical steps towards net zero, particularly for energy, steel, cement, and across broader industrial value chains.

While sustainable finance labels have historically focused on green, social and sustainability-linked, a number of financial institutions have expanded their sustainable finance targets to include transition finance. Dedicated guidance on transition finance has recently emerged, including from the APLMA, LMA and LSTA collaboration and ICMA. This market guidance creates new opportunities to support high-emitting companies in their transition, enabling a more comprehensive decarbonisation of the real economy.

In parallel, a growing number of national and supranational frameworks recognise the importance of channelling capital towards transition activities, both through labelled and conventional instruments. This is reflected, for example, in the evolution of SFDR 2.0 in Europe and in Japan's Basic Guidelines on Climate Transition Finance, both of which aim to provide greater clarity and credibility around transition-related investments. This is complemented by the UK's Transition Finance Council Transition Finance Guidelines, which set out a principles-based approach to underpin credible transition pathways and strengthen transparency for investors.

There is no lack of guidance to support transition finance, either in labelled or non-labelled format. Perfection is the enemy of progress and acknowledging regional specificities and challenges, whilst building on existing resources, will accelerate financing towards the transition.

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Gender Finance: Delivering Impact

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Q1. Over the past decade, gender finance has mobilised substantial capital. To what extent has that translated into the way lenders originate, structure and monitor loans — and where do the biggest gaps remain?

Gender finance predates the emergence of today's sustainable lending market. Development finance institutions and impact investors have been incorporating gender considerations into investment decisions for many years.

Over the past decade a number of factors have converged to drive greater standardisation, increased scale and mainstream market participation. As a result, gender finance in the private sector has evolved from a relatively niche segment into a credible mainstream investment strategy.

Several factors have contributed to this evolution, including the growth of sustainable finance/DEI mandates, increasing regulatory expectations around social impact and disclosure, stronger evidence that gender-smart businesses can unlock growth opportunities and deliver competitive financial performance, greater recognition of underserved markets, and significant improvements in gender-disaggregated data.

Another important development is emergence of harmonised frameworks and industry standards — such as the 2X Criteria and, more recently, the 2X Certification — both of which provide standardised definitions, metrics and assessment frameworks that enable lenders and investors to identify, measure and compare gender-related outcomes more consistently. These standards have already been applied extensively across the finance sector market, with more than $34 billion mobilised under the 2X Challenge (a significant share of which was deployed through loan transactions).

2X Certification Methodology

Even before the recent politicization of DEI, the adoption of these tools across mainstream lending practices has been uneven, with much of the progress to date driven by development finance institutions with an explicit or strategic focus on gender.

However, a number of fundamental shifts have taken place in integrating gender lens consideration in mainstream finance:

- a shift to gender-aware (rather than gender-neutral) investment processes and strategies;
- increased sophistication of gender-related key performance indicators (GKPIs) (one of the most common social indicators included in sustainability-linked loans) supported by the evolution of sustainability regulation (e.g. CSRD) and institutional standards (such as 2X Certification) has led to clearer articulation of metrics and more structured use of standards including GKPIs; and
- improvements in monitoring and reporting as a result of an increase in gender data-driven performance tracking.

Many of the remaining barriers and gaps are practical rather than conceptual: lenders are facing challenges similar to those seen across the broader sustainable finance market materiality and credibility of KPIs, availability of data, credible benchmarking of targets and the need to ensure measurable impact rather than reliance on indicators that may lack sufficient robustness or substance. In this context, despite the available resources from 2X Global and other organisations, the absence of formal regulation (such as social taxonomies) has led to inconsistent gender-related definitions and metrics. Whilst gender finance has increasingly been embedded into impact frameworks, integration into core risk models or pricing at scale remains uneven.

Taken together, continued improvements in knowledge and awareness of gender-related risk and opportunities, closer collaboration between relevant field-building organisations and the private sector[1] and continued integration of social impact analysis and impact are expected to strengthen the influence of gender finance through targeted origination, gender-linked debt instruments, and improved monitoring.

1. Including 2X Global's private sector mobilization initiatives at the nexus of gender and climate finance as well as collaboration between 2X Global and Resumus to develop gender lens guidance for the loan market.

Q2. What has the application of the 2X Criteria and 2X Certification shown about the use of measurable gender-related KPIs, both in driving outcomes and in maintaining commercial discipline? What would it take to scale that approach across wider loan and credit markets?

The application of the 2X Criteria has demonstrated that gender can be translated into a structured set of standardised indicators, metrics and shared definitions that are directly usable in commercial decision-making, increasingly aligned with broader market standards and reporting frameworks[2].

Their real value is not only in identifying eligible transactions, but in helping lenders and investors define GKPIs that are relevant, measurable and monitorable. This is particularly important in the loan market, where the integrity of sustainability-linked structures depends heavily on whether KPIs are decision-useful and targets are credible.

One of the key lessons is that GKPIs can be closely aligned with factors that lenders already consider fundamental: management quality, workforce stability, customer reach, product relevance and long-term resilience. In that sense, gender is not an "add-on" — it strengthens the understanding of core business performance.

At the same time, experience has shown that simplicity and focus are critical, particularly in a market that is still maturing. Rather than attempting to capture every dimension of gender equality, the most effective approach is to start with a small number of KPIs that are clearly material to the borrower's business model and strategy, and that can be measured consistently over time.

This is precisely where the 2X Criteria provide a strong starting point. They offer a clear, widely tested framework for identifying relevant areas of focus, which can then be translated into practical KPIs in a lending context. For institutions seeking to go further, the 2X Certification builds on this foundation with a more comprehensive methodology, including a broader set of indicators and a higher level of rigor in assessment and verification.

Scaling this approach across wider loan and credit markets will require three things:

- greater consistency in data collection and reporting, including sex-disaggregated data where relevant;
- continued development and adoption of practical guidance that translates established standards — including the 2X Criteria and Certification — into lender-friendly applications; and
- a disciplined approach to KPI selection and target-setting that prioritises KPIs that are material, decision-useful and proportionate.

In a nascent market, depth matters more than breadth. Establishing a track record of robust, well-structured transactions — grounded in existing standards and aligned with emerging best practice — will be critical to scaling with integrity.

2. Examples include SASB; IFRS Sustainability Disclosure Standards; GRI

Q3. Women remain underrepresented in the roles that shape capital allocation. Beyond improving women's access to finance, how do we ensure women are also influencing lending decisions, investment committees and portfolio strategy?

A gender-smart loan market is not only about who receives capital — it is also about who shapes how that capital is allocated.

Underrepresentation of women in origination teams, credit committees and investment decision-making roles, risks a financial system that systematically overlooks core risks and opportunities. This is not only a question of representation; it is a question of market effectiveness, financial returns and risk analysis.

Different perspectives can influence how lenders interpret business models, assess growth potential, understand customer segments and design financial products. In particular, where women-led businesses or underserved segments are concerned, a lack of diversity in decision-making can result in missed commercial opportunities.

Progress in this area therefore requires a dual focus.On one side, increasing the flow of capital to women-owned and women-led businesses, as well as to companies that are actively advancing gender equality across employment, supply chain, and products and services.On the other, strengthening women's participation and influence within financial institutions themselves — including in leadership, credit risk, structuring and portfolio management and through robust and effective governance practices..

These two dimensions reinforce each other. Institutions that are more diverse internally are often better positioned to identify and execute gender-smart transactions externally.

Ultimately, embedding gender considerations into the loan market is not about creating a separate parallel system; it is about improving the functionality and effectiveness of the existing system — by ensuring that both capital allocation and the decisions behind it are informed by a broader and more accurate understanding of the real economy.

The next phase of gender finance in the loan market will be defined not by ambition alone, but by execution and implementation — embedding gender-relevant considerations into the everyday disciplines of lending in a way that is practical, credible and commercially grounded.

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Sustainable Lending Glossary

In alphabetical order

A – C
D – F
G – I

Biodiversity
The variety of life on Earth. In all its forms, from genes and bacteria to entire ecosystems such as forests or coral reefs.

Blue finance
Investments dedicated to financing or refinancing activities that contribute to ocean health and to ensure improved ocean governance. This may be achieved through projects aligned with the Green Loan Principles, and for which proceeds are exclusively dedicated to such activities.[1]

Carbon lock-in
This occurs when fossil fuel infrastructure or assets (existing or new) continue to be used, despite the possibility of substituting them with low-emission alternatives, delaying or preventing the transition to a net-zero economy.[2]

Carbon markets
These are trading systems in which carbon credits are sold and bought. Companies or individuals can use carbon markets to compensate for their greenhouse gas emissions by purchasing carbon credits from entities that remove or reduce greenhouse gas emissions.[3]

Certification
For information on certification, please see the External Review Guidance for Green, Social, and Sustainability-Linked Loans.[4]

Circular economy
A circular economy is a system which maintains the value of products, materials and resources in the economy for as long as possible, and which minimises the generation of waste. In a circular economy, products are reused, repaired, remanufactured or recycled.

Climate change adaptation
Climate change adaptation involves adjusting to the actual or expected future climate. The aim is to lessen the harm climate change can cause, or to exploit any opportunities that may arise. Sea-level rise is an example of a climate change-induced adverse event, and adaptation also encompasses making the most of any potential beneficial consequences. Adaptation can be triggered through the markets (adapt growing seasons or increased yields in agriculture).[5]

Climate change mitigation
Climate change mitigation refers to actions that reduce greenhouse gas emissions or lower the concentration of GHGs in the atmosphere.[6]

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 address climate change.[7]

Corporate Sustainability Reporting Directive (CSRD)
This EU law requires all large companies and all listed companies (except listed micro-enterprises) to report on how their business affects people, the environment, human rights and environmental issues, and the impact of their activities on people and the environment.[8]

Double materiality
This is a concept that has been incorporated into the EU's Corporate Sustainability Reporting Directive (CSRD) legislation.[9] Under the CSRD, companies are required to report not only on the company's own impacts on people and the environment (materiality), but also how sustainability issues might create financial risks for the company (financial materiality).[10]

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 risks when financing projects. The EPs are intended to provide a minimum standard for due diligence and monitoring to support responsible risk-taking decisions. The EPs apply globally to all industry sectors and for four financial products, namely (i) project finance advisory services; (ii) project finance; (iii) project-related corporate loans; (iv) bridge loans and (v) project-related refinance, and project-related acquisition finance.[11]

ESG integration
The practice of obtaining, reviewing and considering ESG factors in investment analysis practices to better manage risks and improve returns. It is often used in combination with screening and thematic investing and functions alongside, or in combination with, stewardship.[12]

ESG Ratings Regulation
The EU 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 interests.[13]

EU Taxonomy
A classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate.[14]

External review
For information on external reviews of green, social and sustainability-linked loans, associated frameworks and reporting measures, please see the External Review Guidance for Green, Social, and Sustainability-linked Loans.[15]

Financial Conduct Authority (FCA)
The FCA regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers.[16]

FCA Anti Greenwashing Rule
The anti-greenwashing rule applies to all FCA-authorised firms who make sustainability-related claims about products and services. The rule states that firms need to ensure that sustainability-related claims, fair, clear and not misleading and that information to the sustainability profile of the product and service.[17]

FCA Sustainability Disclosure Requirements (SDR)
The overall aim of the SDR regime is to tackle greenwashing and trust in the market for sustainable investment products by combating greenwashing and enabling consumers to make more informed choices.[18]

Gender lens investing
The integration of gender into investment analysis and decision making, where investments are made in more women- owned or led enterprises and/or investments are made in enterprises that promote gender equality, as well as in products or services that substantially improve the lives of women and girls.[19]

Global Reporting Initiative (GRI)
GRI is an international independent standards organization, and provides the world's most widely used sustainability reporting standards.[20]

Green loan
The GLP (defined below) define green loans as any type of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available to borrowers or guarantors, in whole or in part, new and/or existing eligible Green Projects and which are aligned to the four core components of the GLP.[21]

Green Asset Ratio (GAR)
The Green Asset Ratio is based on the EU taxonomy and is a Pari-passu ratio that can be used to identify whether banks are financing economic activities, such as those consistent with the Paris agreement goals. The GAR shows the proportion of assets that are environmentally sustainable and facilitate the transition to a climate-neutral economy. It is a key performance indicator for banks to demonstrate to that retailer other actions to contribute substantially to these objectives.[22]

Green Loan Principles (GLP)
The GLP are voluntary process based standards and guidelines, published by the LMA together with the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA) (and with the support of ICMA), providing a consistent methodology for use across the green loan market.[23]

Green Projects
This term is used within the GLP. Whilst no universal definition of a "Green Project Exists", they are understood to be projects which provide clear environmental benefits, which may be assessed and quantified, and which support the transition to a low carbon economy or goals for Green Projects stated in Footnote 1 of Section 1.2(a) of Principles of the GLP.

Greenhushing
The practice of the practice where companies underreport or deliberately withhold information about their sustainability efforts and achievements to avoid public criticism, scrutiny, or legal liability.[24]

Greenwashing
Greenwashing refers to the practice of making false or misleading statements about the environmental or sustainability performance or impact of a business, product or service.[25]

ICMA
International Capital Market Association.[26]

IFRS Sustainability Disclosure Standards
In June 2023, the International Sustainability Standards Board (ISSB) issued its first two sustainability disclosure standards, namely, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. These standards are increasingly being transposed into national laws across the world.

Impact Investing
Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. This usually encompasses intentionality, additionality, and measurability.[27]

Integrated Disclosure Project (IDP)
This project set out to advance sustainability information in the credit markets by offering a streamlined, proportionate approach to reporting on key sustainability indicators for borrowers in private credit and syndicated loan transactions.[28]

Key Performance Indicators (KPIs)
A measurable value that demonstrates whether, and how effectively, a company is achieving key business objectives. KPIs thereby provide a focus for potential strategic and operational improvements. In the context of sustainability, a number of KPIs are used to view companies over the GLP.[29]

Running-Mentioned Global Biodiversity Framework (GBF)
This framework was adopted during the fifteenth meeting of the Conference of the Parties (COP 15) following a four-year consultation and negotiation process. The GBF sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Among the Framework's key elements are 4 goals for 2050 and 23 targets for 2030.[30]

Materiality
Materiality refers to the process of identifying and assessing the ESG issues that are the most significant for an organisation and its stakeholders. These issues represent not only potential risks but also opportunities.[31]

Nationally Determined Contributions (NDCs)
Under the Paris Agreement, signatories must report on the trajectory of the Parts Agreement to reduce greenhouse emissions. NDCs are submitted every five years, with each consecutive submission intended to have a higher level of ambition relative to previous NDCs. The most recent round of NDCs was submitted in 2020.[32]

Natural Capital
The world's stocks of natural assets which include geology, soil, air, water and all living beings.[33]

Paris Agreement
The Paris Agreement (2015), Parties to the United Nations Framework Convention on Climate Change reached an agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future, in accordance with the Paris Agreement. Notably, signatories agreed to strengthen the global response to the threat of climate change by keeping a global average temperature increase to well below 2 °C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C.[34]

EU Platform on Sustainable Finance
The Platform was established by the EU as an advisory body to the European Commission for topics regarding its sustainable finance policies, particularly the EU Taxonomy. The platform consists of members and observers, all with expertise on sustainability, and drawn from the financial services industries. As of January 2024, the Platform will have ceased its third mandate.[35]

Principal adverse impact (PAI)
A PAI is the impact of investment decisions or advice that results in a negative effect on sustainability factors, relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.[36] PAI disclosures are a key reporting requirement under the Sustainable Finance Disclosure Regulation.[37]

Portfolio decarbonisation
Portfolio decarbonisation can be achieved by reducing the emissions of existing assets, increasing the share of investments in climate solutions, or divesting capital from carbon-intensive companies, projects and technologies.[38]

Poseidon Principles
The Poseidon Principles establish a framework for assessing and disclosing the climate alignment of ship finance portfolios and integrating climate considerations into lending decisions to promote international shipping's decarbonisation.[39]

United Nations Principles for Responsible Investment (PRI)
These are a voluntary set of investment principles that offer a guide for investors to integrate ESG factors into their investment practices.[40]

Responsible investing
A strategy and practice to incorporate ESG factors in investment decisions and active ownership.[41]

1. https://www.lma.eu.com/application/files/2317-0481-0826/Sustainable-Linked_Loan_Principles_-_Blue_Addendum.pdf
2. https://www.iea.org/reports/net-zero-by-2050
3. https://www.investopedia.com/terms/c/carbonmarket.asp
4. https://www.icmagroup.org/assets/documents/Sustainable-finance/External-review-Guidance-notes-Green-Social-and-Sustainability-Bonds-June-2020-updated-060620.pdf
5. https://www.ncei.noaa.gov/access/monitoring/climate-at-a-glance/global/time-series/globe/land_ocean/ytd/12/1880-2023?trendline=0,0&first_year=2014&last_year=2023
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19. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6267388/#:~:text=Gender%20lens%20investing,-Gender%20lens%20investing%20is%20the%20,%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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