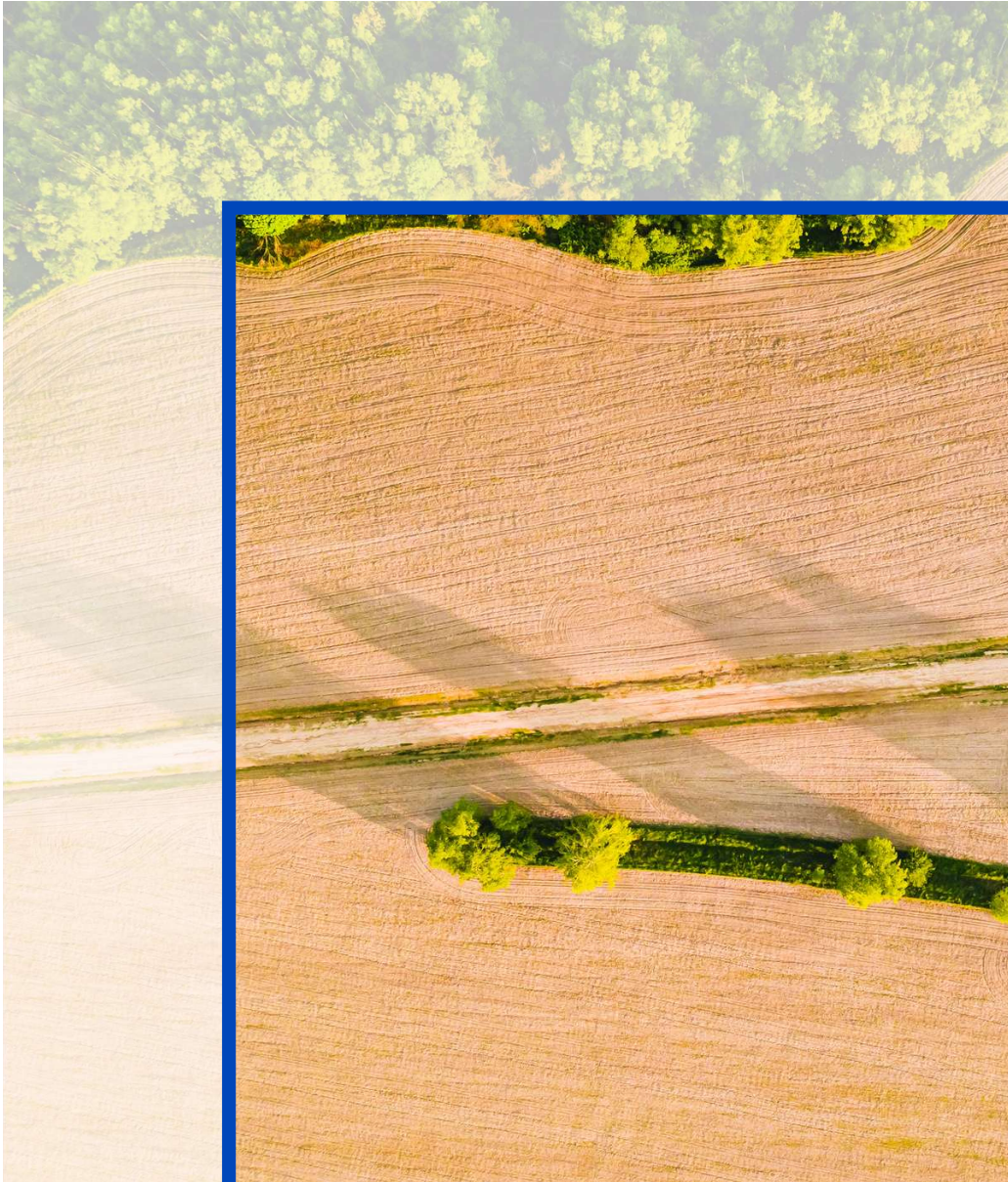




WALKERS (IRELAND) LLP

Asset Management & Investment Funds ESG newsletter

Quarter 4, 2025



Welcome to the latest edition of our ESG Newsletter for fund management companies, investment managers and investment funds.

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This is a condensed version of our Asset Management and Investment Funds Legal and Regulatory Report setting out key environmental, social and governance (ESG) developments during the period from 10 July 2025 to 31 October 2025.

Key dates

2025	
23 October 2025	Central Bank of Ireland publishes its feedback report on sustainability risks and disclosures in the investment funds sector setting out its findings and expectations arising from the Central Bank’s review as part of ESMA’s 2023-2024 common supervisory action (CSA).
Quarter 4 2025	Report on the review of Regulation (EU) 2019/2088 (SFDR) level 1 expected to be published by the European Commission (the “Commission”).
2026	
2 July 2026	New framework under Regulation (EU) 2024/3005 on ESG ratings providers (ESG Ratings Regulation) to commence application, whereby financial market participants (FMPs) referencing an ESG rating in marketing communications will be required to include website disclosures with detailed information relating to that ESG rating.



Highlights during the period

In this latest edition of the Walkers ESG newsletter, we identify a number of key highlights from European legislative and regulatory developments and advances in the global sustainable finance framework more broadly.

Central Bank feedback report on ESMA's Common Supervisory Action on the integration of sustainability risks and related disclosures in the investment fund sector.

The Central Bank has published its Feedback Report (the **Report**) setting out findings and expectations from the ESMA-led CSA on the integration of sustainability risks and related disclosures in the investment fund sector. The review covered UCITS management companies and AIFMs and assessed governance, sustainability risk integration and monitoring, data usage, and the quality and consistency of SFDR disclosures at entity and product level. The Report communicates the Central Bank's findings and expectations arising from the CSA as well as outlining the Central Bank's supervisory expectations for entities subject to SFDR.

Further detail can be found in **section 1.1** of the newsletter.

European Supervisory Authorities (ESAs) Q&As clarifying the practical application of specific measures under SFDR and SFDR Delegated Regulation

The Q&As will be of interest to financial market participants in relation to the preparation of the principal adverse impact statements, pre-contractual product disclosures and financial product disclosures.

Further detail can be found in **section 1.2** of the newsletter.

ESAs annual report on entity and product-level principal adverse impact disclosures under SFDR

The Joint Committee of the ESAs published its fourth annual report on PAI disclosures under SFDR. The report sets out good and below average disclosures practices identified by the ESAs based both on NCAs' observations and the ESAs' own desk-based analysis as well as recommendations to the Commission for its comprehensive assessment of the SFDR.

Further detail can be found in **section 1.3** of the newsletter.

ESMA final report on technical standards under the ESG Ratings Regulation (EU) 2024/3005

Ahead of application of the new framework for ESG ratings providers in July 2026, ESMA submitted its draft regulatory technical standards (RTS) for adoption by the Commission under the regulation on the transparency and integrity of ESG rating activities.

Further detail can be found in **section 3.3** of the newsletter.



1. SFDR-related developments

1.1 Central Bank of Ireland (the Central Bank) feedback report on ESMA's Common Supervisory Action on the integration of sustainability risks and related disclosures in the investment fund sector (the CSA)

On 23 October 2025, following publication of ESMA's [report](#) on the 2023-2024 CSA, conducted with the Central Bank and other EU competent authorities on sustainability risks and SFDR disclosures, the Central Bank published its [feedback report](#) on the CSA (CBI Report).

The CBI Report aims to communicate the Central Bank's findings and observations from the CSA as well as outlining the Central Bank's supervisory expectations for entities subject to SFDR including Central Bank authorised alternative investment fund managers (AIFMs) and UCITS management companies (Firms) in respect of their disclosure obligations under Articles 6, 8 and 9 of SFDR.

Overall, the Central Bank noted satisfaction that its findings, following the conclusion of the CSA, are broadly in line with regulatory expectations and that entities demonstrated an appetite to comply with the requirements of SFDR.

However, the CBI Report identifies areas that require a marked improvement, particularly relating to on-going monitoring processes and the quality of certain SFDR disclosures. As part of the CSA, the Central Bank utilised a proprietary ESG dashboard tool to assess the SFDR disclosures contained in a number of funds and ensure that the pre-contractual disclosures are consistent with the relevant fund's portfolio. The CBI Report confirms that the ESG dashboard tool can be used on a fund specific, firm specific or environmental specific basis and will be used as a supervisory tool by the Central Bank on an ongoing basis.

In this regard, the CBI Report confirms that the Central Bank issued several risk mitigation programmes (RMPs) to relevant Firms to address firm-specific findings and the contents of these RMPs have reflected some of the findings, expectations and actions outlined in the CBI Report which we have highlighted below.

Sustainability risk integration and monitoring

Findings

- **SFDR control framework** – The CBI Report notes that while some Firms have designed robust and effective delegate oversight and control frameworks to support proactive and consistent sustainability risk monitoring across all the funds under management, this was not the case in all circumstances. Varying approaches to sustainability risk integration and monitoring identified by the Central Bank include:
 - quarterly and ad-hoc sustainability risk reporting to the board and relevant sub-committees;
 - the production of sustainability risk dashboards;
 - inclusion of sustainability risk as an item in management frameworks; and
 - integrating sustainability risk into the three lines of defence.
- **Oversight** - While some Firms had clearly dedicated significant resources to oversight and monitoring, the Central Bank is concerned about the limited levels of oversight coverage some Firms have across their fund ranges.
- **Overreliance on delegate attestations** – The CBI Report notes the inconsistent use of attestations whereby a Firm receives a confirmation from its delegate attesting that the underlying fund portfolio is compliant with the criteria relating to the Article 8 / Article 9 requirements. In a number of circumstances, the Central Bank found a lack of information provided to justify the view in the attestation. This resulted in firms being unable to demonstrate how they were satisfied that the information in the attestation was correct.

Expectations

The CBI Report notes that firms should have a documented, robust and effective control framework in place to ensure SFDR compliance. This control framework should include effective ongoing due diligence of funds, data and delegates combined with consistent independent monitoring carried out across all funds. Firms should ensure the information provided as part of delegate attestations contain necessary details to actively assess fund compliance. Firms should also continue to monitor their level of resourcing, skills, knowledge and expertise on an ongoing and proportionate basis in respect of their funds in scope of Articles 6, 8 and 9.

Data limitations

Findings

- **Data challenges** - The CBI Report highlights the importance of the quality of underlying data used by individual firms to support effective sustainability risk integration and monitoring while also noting the challenges that firms are facing in improving data quality and reliability. Challenges highlighted include accessing large volumes of data, engaging with multiple data providers and the associated costs and the scale of available data. The Central Bank also noted instances of firms interpreting the same data sources differently which can lead to inconsistent monitoring outcomes.
- **Impact on minimum commitments** - The CBI Report notes a significant majority of funds disclosing under Article 8 or 9 having adopted a 0% minimum commitment to taxonomy-aligned investments due to concerns over data. Firms have communicated that they have taken the approach of allowing for a significant buffer between the actual and minimum percentage of both taxonomy-aligned and sustainable investments to avoid any potential threshold breaches.
- **PAI data** - Furthermore, a large portion of Firms indicated that they do not consider principal adverse impacts (PAI) in their investment decisions on sustainability factors at entity level as data constraints limited their ability to adequately assess those PAIs.

Expectations

The CBI Report notes that data limitations should be identified and thoroughly assessed at the earliest stages of strategic planning and fund onboarding to ensure that Firms can meet their fund compliance monitoring obligations. Firms are also expected to conduct ongoing due diligence on both the data and data providers to confirm that information used to support SFDR requirements remains accurate, reliable, and up to date.

When attestations are relied upon for fund monitoring and oversight, Firms should maintain clear documentation and verification of the underlying data used to demonstrate SFDR compliance.

As data becomes more accessible and reliable, Firms should continue to strengthen their control frameworks. Where minimum commitments are based on the current unavailability or inconsistency of reliable data these should be kept under periodic review as improvements in data quality and availability may warrant reassessment in turn impacting existing SFDR disclosures.

SFDR disclosures

Findings

- **Vague disclosures** - The Central Bank identified the use of vague language when describing the sustainable investment objective or the promotion of environmental or social characteristics for certain ESG funds. In some instances, there was a lack of specific metrics, thresholds, or key terms that could be quantifiably assessed. Vague disclosures increase the risk that investors may not have sufficient information to make informed decisions in respect of the sustainable investment component for funds disclosing under Article 9 or the environmental and/or social component for funds disclosing under Article 8.
- **Investor comprehension** - Improvements are required to ensure investors fully understand how the investment strategy outlined in the fund documents aligns with the portfolio.
- **Websites** - The Central Bank also identified inconsistent approaches applied to website disclosures, where links to index methodologies may not always be accessible.

Expectations

Firms should have robust frameworks in place to ensure that the disclosures made to investors in accordance with SFDR are clear and do not mislead. This is a common principle across other ESMA publications in relation to SFDR disclosure obligations, marketing communications and greenwashing.

There should be clear and detailed disclosure regarding the binding elements used to attain each of the environmental or social characteristics promoted by the fund, or the sustainable investment objective (as relevant). Where a fund applies exclusions as a binding element of the strategy, there should be clarity regarding the thresholds applied, what constitutes "involvement" in an excluded activity or the ESG score that would result in a fund excluding certain companies from investment. There should be no option within the disclosure to dis-apply the binding element of the strategy which is a core element of a fund's Article 8 or 9 status.

Where a fund tracks an index, the ESG criteria applied by the index should be detailed in the binding elements. It is not sufficient for a Firm to provide that tracking the performance of the index is the fund's binding element. Firms should keep such disclosures under regular review to ensure the accuracy of the content continues to align with these expectations.

SFDR regulations and guidance

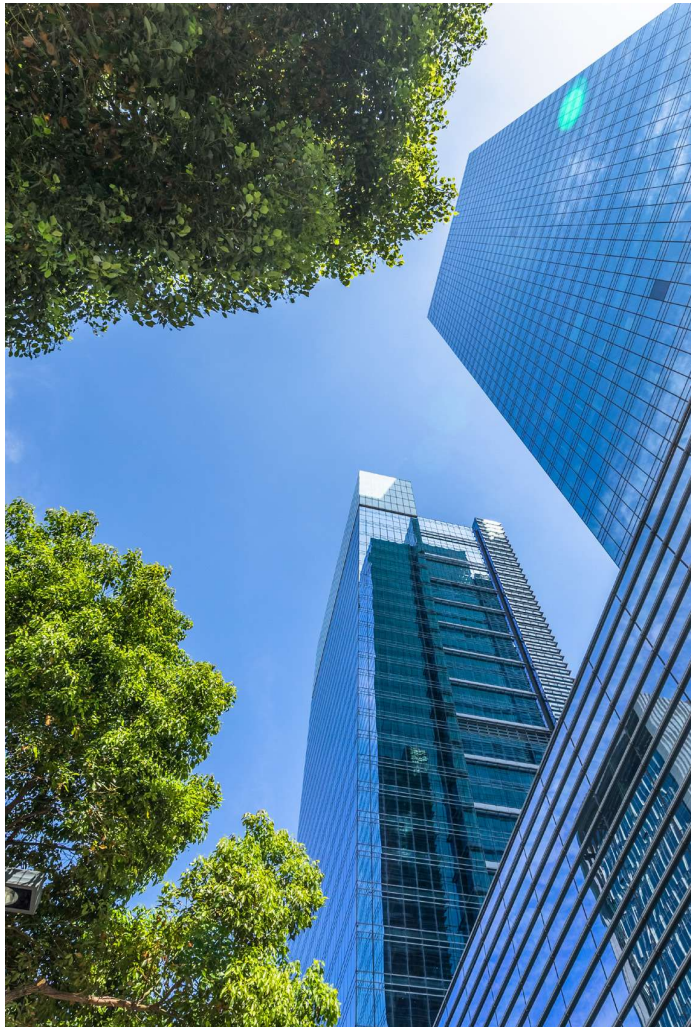
Findings

- **Varying interpretations** – The CBI report acknowledges the varied interpretations of some of the key components of the SFDR framework. The absence of specific guidance or definitions on “sustainable investments”, results in scope for different data provider metrics and contributes to an increased risk of non-compliance and potential for greenwashing

Expectations

The Central Bank expects Firms to continue to proactively challenge the information contained in product and entity level disclosures to ensure these are clear and transparent for investors including considering how their disclosures will be understood by the end investor.

Firms should remain vigilant to the SFDR, and where updates to SFDR are implemented or additional supporting guidelines are published, ensure that these are considered appropriately and without delay to avoid instances of non-compliance.



Actions

Board review

The Central Bank expects Boards of AIFMs and UCITS management companies, along with relevant staff, to review the CBI Report and ensure appropriate measures and controls are in place. This review should consider the good, below-average, and non-compliant practices highlighted in ESMA's Final Reports on Greenwashing and Sustainability. While no specific deadline is set, Boards should address this at upcoming quarterly meetings, as compliance with the report's findings will form part of ongoing SFDR obligations.

Periodic review of disclosures

The Central Bank expects firms to have documented processes for regularly reviewing and approving pre-contractual, website, and periodic disclosures to ensure SFDR alignment. These reviews should be scheduled within the compliance calendar, with provisions for ad-hoc reviews following any material changes.

Delegate oversight and resourcing

When delegating portfolio management, Boards should ensure they maintain sufficient independent oversight to assess the delegate's SFDR compliance framework and ongoing management of sustainability risks. This includes having access to adequate information and data to verify delegate attestations. Firms should also maintain appropriate resourcing, skills, and expertise proportionate to the nature and scale of the funds they manage.

Data

Firms must conduct thorough and ongoing due diligence on both data and data providers to ensure that all ESG-related information used is accurate, reliable and up to date.

Compliance with regulatory regime

The Central Bank notes that revisions to the SFDR will take time to develop, finalise and implement but expects Firms to maintain clear and transparent disclosures in the meantime. Firms should stay alert to any updates or new guidance on SFDR and proactively review controls to implement necessary changes promptly to ensure continued compliance.

1.2 Consolidated ESA Q&A on SFDR/ SFDR Delegated Regulation (updated)

On 4 August 2025, ESMA published an updated consolidated [Q&A document](#) on SFDR and its Delegated Regulation ((EU) 2022/1288) (the **SFDR Delegated Regulation**). The publication includes four new Q&As provided by the ESAs relating to the practical application of provisions of the SFDR Delegated Regulation. The new Q&As relate to disclosures in respect of principal adverse impacts as well as periodic and pre-contractual disclosures.

PAI disclosures

- Q.30 and IV.31 on page 29/30 - clarifying for the purposes of the PAI indicator disclosures, the meaning of the term “water usage” and how to calculate useful internal floor area for owned real estate assets

Pre-contractual product disclosures

- Q.29 on page 53 - outlining best practice about disclosing percentages of environmentally sustainable investments (X%) and socially sustainable investments (Y%). The ESAs recommend that where the minimum commitment disclosed for X% and Y% do not add up to the minimum proportion of sustainable investments (Z%), the financial market participant should include an explanation to clarify why this is the case in the asset allocation section in the templates in Annexes II and III

Periodic product disclosures

- Q.30 on page 54 – detailing whether financial products should calculate top investments or shares of investments in periodic disclosures in a specific way over the reference period, the ESAs state that the methodologies for periodic disclosures stem from underlying sectoral rules as complemented by SFDR. Accordingly, the ESAs cannot impose a specific way of calculating investments in the periodic reports applying to all relevant sectoral legislation

While the above clarifications in the four new Q&As are helpful and reflect ongoing steps taken by the ESAs to clarify disclosure expectations under SFDR, it remains to be seen what lasting impact they will have noting that an overhaul of the SFDR regime is on the horizon by the end of 2025.

1.3 ESA annual report on PAI disclosures under SFDR

On 9 September 2025, the Joint Committee of the ESAs published its fourth [annual report](#) on PAI disclosures under SFDR.

The report refers to both mandatory and voluntary, entity and product-level PAI disclosures published by 30 June 2024 for the reference period from 1 January to 31 December 2023.

The report builds on progress identified in previous reports. The main findings include:

- a noted effort by financial market participants (**FMPs**) to publish more complete and compliant information, with a general improvement in the quality of information provided
- confirmation of trends from previous years, such as that FMPs that are part of a larger multinational group disclose the information on sustainability in a more detailed and appropriate manner. Smaller entities are more likely to mix information on ESG and general marketing information with SFDR disclosures and do not make it clear whether PAIs are considered

The report notes that several FMPs have taken on board good practices in previous annual reports and have improved their disclosures. A full list of the good and below average disclosures practices identified by the ESAs based both on NCAs’ observations and the ESAs’ own desk-based analysis is included in the Annex to the report, including the following good practices:

- **accessibility**: easily locatable from the home page via direct link or keyword search
- **clarity**: following the order of SFDR Delegated Regulation, Annex I with description of actions taken or planned and targets for the next reference period
- **completeness**: clear explanation of year-on-year reasons for PAI data changes and detailed CO2 emissions indicators
- **quality**: comprehensive and detailed statements containing high-quality information that is coherent, well-structured, and provide clear justification and context for each indicator, including disclosure of used calculation methodology, sources and assumptions, accompanied by specific targets and metrics
- **quantification of actions**: inclusion of all mandatory indicators, with actions and targets, detailed information on PAI monitoring, governance and escalation systems within engagement initiatives and investment strategies and of the escalation procedure in case of a lack of PAI reduction
- **product level disclosures**: For funds that choose to disclose their PAIs, results are disclosed for each indicator and description of suitability and coverage in %. Funds that have sustainable investment as their objective also disclose under Article 7(1) SFDR. Exclusion and stewardship measures help manage potential negative impacts on specific PAI indicators

The report includes recommendations to national competent authorities to support their supervision of PAI disclosures and ensure convergent supervision of FMP practices, including the need to clearly communicate supervisory expectations to support the effective integration of PAI into FMPs' decision-making processes. The report encourages NCAs to engage with FMPs to support the necessary enhancements that will improve the quality and relevance of PAI disclosures over time.

The report also includes recommendations to the Commission for its comprehensive assessment of the SFDR, including to consider the persisting value of PAI statements, possibly in shorter form with reduced indicators and in a machine readable format, a reduction in the frequency of annual reports published under Article 18 of SFDR to every two or three years and to require the disclosure of the proportion of investments covered by data and distinguish that from the proportion that is estimated as well as consideration of other ways of introducing meaningful proportionality for FMPs.

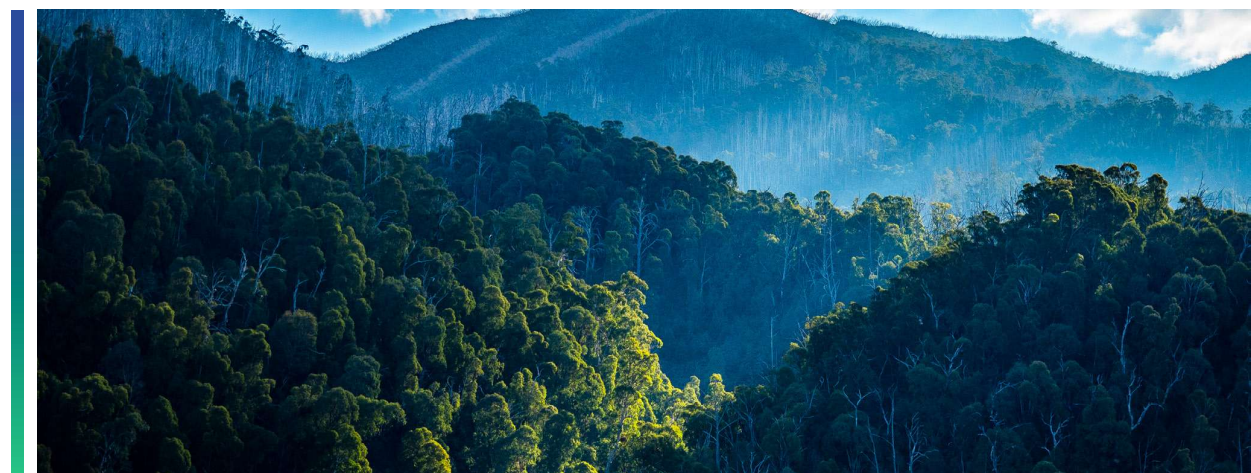
The Commission is expected to consider the ESAs' findings and it is expected that they will be taken into account in the context of their comprehensive assessment of the functioning of the SFDR before the end of 2025. The report notes that NCAs should continue to supervise the quality of the disclosures, while FMPs, noting the list of good and below average practices, should continue efforts to disclose in a clear, fair and non-misleading manner, while ensuring comprehensive investment coverage.

1.4 Morningstar report on SFDR fund market

On 29 October 2025, Morningstar published its report on SFDR Article 8 and Article 9 Funds: Q3 2025 Review which provides an update on the landscape of Article 8 and Article 9 funds (excluding money market funds, funds of funds, and feeder funds) as at the end of September 2025, examining aspects such as flows, assets, launches, closures, reclassifications. The report also notes that Article 8 fund inflows surge with the market, while Article 9 fund outflows persist.

Key takeaways

- Article 8 funds netted an estimated EUR 75 billion of net new money, an increase from the EUR 47 billion inflows seen in Q2. The Fixed income asset class and active funds remained the dominant money gatherers across Article 8 funds
- Article 6 funds inflows which amounted to EUR 134 billion in Q3, despite Article 6 funds accounting for a smaller share of EU fund assets
- Article 9 funds experienced outflows for the eighth consecutive quarter. Redemptions rose to an estimated EUR 7.1 billion, from EUR 1.4 billion in Q2
- Combined assets in Article 8 and Article 9 funds rose by 6% to EUR 6.8 trillion, supported by market appreciation. Article 8 and Article 9 funds' market share remained close to 59%
- Fund renaming activity has dropped since the ESMA fund naming guidelines deadline. About 121 Article 8 and Article 9 funds were renamed in Q3: 64 funds dropped ESG-related terms, 44 swapped terms, and 13 added terms. Since January 2024, Morningstar estimate that at least 1,450 Article 8 and Article 9 have been renamed representing about 31% of funds in scope of the ESMA fund naming guidelines. "Sustainable" remains the most popular term used in fund names, as over 860 funds used this reference as of the end of September, followed by 709 using "ESG", while about 310 funds have opted for a "transition"- related term



2. Sustainability reporting related developments

2.1 Commission omnibus simplification proposal

On 22 October 2025, the European Parliament (the **Parliament**) voted against adopting a negotiating mandate on the Commission's proposal for an Omnibus directive simplifying sustainability reporting and due diligence requirements introduced by the Corporate Sustainability Reporting Directive ((EU) 2022/2464) (**CSRD**) and the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) (**CSDDD**).

The draft resolution rejected by the Parliament had included:

- limiting the undertakings in scope for the CSRD by introducing a net turnover threshold of €450 million alongside the requirement to have over 1,000 employees
- an exemption from the CSRD for financial holding undertakings and the development of voluntary sector-specific guidelines
- increasing the threshold criteria for in-scope companies under the CSDDD to those with more than 5,000 employees and €1.5 billion net turnover
- limiting in-depth due diligence assessments under the CSDDD to those areas where adverse impacts are most likely to occur and be most severe
- diluting climate change transition plan requirements

In a briefing the Parliament President and the legal affairs rapporteur noted some MEPs thought these compromises did not go far enough, while others thought they had gone too far.

While changes to the scope of the directives are still to be agreed, certain application dates for both directives (and transposition of the CSDDD) have been postponed. The Omnibus package will return to the next Parliament plenary session on 11–13 November 2025, for a full vote and possible amendments. Only once Parliament adopts its position can it begin trilogue negotiations.

2.2 Consultation on revised and simplified exposure drafts of ESRS

On 31 July 2025, EFRAG published a consultation on revised and simplified [exposure drafts](#) of the European Sustainability Reporting Standards (**ESRS**). Mandatory datapoints (to be reported if material) have been cut by 57% and the full set of both mandatory and voluntary disclosures is reduced by 68% and the overall length of the standards shortened by over 55%.

The consultation on the exposure drafts closed on 29 September 2025 and EFRAG aims to deliver the revised standards to the Commission in the form of technical advice.

By the second half of 2026, the Commission plans to adopt a delegated act to simplify and clarify the ESRS, by amending the ESRS Delegated Regulation ((EU) 2023/2772), as part of its broad package of work to simplify EU sustainability obligations.

2.3 Commission recommendation on SME voluntary reporting standard

On 30 July 2025, the Commission adopted a [recommendation](#) (the **Recommendation**) and accompanying [Q&A](#) on a voluntary sustainability reporting standard for non-listed SMEs and micro-undertakings, currently out of scope of the CSRD.

The voluntary standard is intended to limit the so-called “trickle-down effect” that is created by the requirement to conduct supply chain due diligence and report related information under the CSRD and the CSDDD.

The Recommendation is presented as an interim solution to help SMEs respond to sustainability information requests from large undertakings in their value chain, financial institutions and other stakeholders, while the Omnibus proposal remains to be negotiated. The Commission recommends that these entities should limit as far as possible their requests for information to that contained in the voluntary sustainability reporting standard contained in Annex I to the Recommendation.

The Commission notes that any future voluntary reporting standard adopted under the Omnibus Proposal may differ from the Recommendation, in the light of the provisions of that proposal and the changes that may be made as a result of their negotiation.

3. Other ESG-related developments

3.1 ESMA work programme 2026

On 3 October 2025, ESMA published its [annual work programme for 2026](#). In the work programme, ESMA provides an overview of its planned initiatives for 2026 under three strategic priorities (effective markets, supervision of markets, retail investor protection) and two thematic drivers (enabling sustainable finance and effective use of data and technological innovation).

- **implementation of legislation.** ESMA will undertake work on legislation that was agreed by the EU co-legislators under the previous legislature
- **supervisory role.** ESMA's supervisory responsibilities will grow, including through the authorisation and supervision of ESG rating providers, and the extension of the supervision of third-country benchmarks
- **simplification and burden reduction (SBR).** ESMA is committed to the SBR agenda and has published separately a document on its approach to SBR. It intends to integrate principles of SBR for FMPs in the delivery of all new upcoming policy mandates, including regulatory technical standards and requests for technical advice under SFDR

ESMA also states that, over the next years, its data strategy will focus on enhancing its data capabilities and promoting innovation. Its key initiatives in this area include developing the ESMA Data Platform, conducting studies on data centralisation and exploring AI-powered tools for supervision, including anomaly detection and market abuse prevention.

Annex IV to the work programme sets out an overview of ESMA's 2025 deliverables by output type together with a brief description of each type, including on sustainability initiatives:

- **Q1 2026** - Report on 2024/2025 CSA on MiFID II sustainability topics
- **Q4 2026** - First phase development of the European single access point (ESAP) providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability
- **Q4 2026** - ESMA will finalise the project on "Tackling greenwashing risk in the sustainable investment fund market" as part of the Commission's 2024 Technical Support Instrument
- ESMA will devote specific attention to transition finance in 2026 and intends to continue deepening its own expertise and support NCAs and market participants through supervisory convergence activities. ESMA will release sustainable finance thematic notes on transition finance (Q3 2026) and on sustainability claims (Q4 2026)

3.2 Commission de-prioritisation of Level 2 measures

On 1 October 2025, ESMA published a [letter from the Commission to the ESAs](#) on the de-prioritisation of certain non-essential Level 2 acts in financial services legislation (with accompanying [annex](#)).

The Commission considers 115 Level 2 measures as non-essential for the effective functioning of the Level 1 legislation and for the achievement of EU policy objectives. These are set out in the Annex to the letter and the Commission will not adopt the acts listed before **1 October 2027**. It notes that a substantial number of the relevant Level 1 acts will be reviewed within the next two years.

These include deliverables relating to a series of revised RTS mandated pursuant to SFDR (*Articles 2a(3), Art. 4(6), 4(7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4), and 11(5)*); and specific technical standards mandated by the ESG Ratings Regulation (*Articles 14(8), 27(9) and 58(6)*) (not including those covered under section 3.3 of this newsletter).

The Commission also proposes to amend or repeal the empowerments for the non-essential Level 2 acts where there is an obligation to act within a specified deadline in the context of any ongoing amendments of relevant Level 1 acts.



3.3 ESMA final report on technical standards under the ESG rating regulation

On 15 October 2025, ESMA published its [final report on technical standards](#) under the ESG Ratings Regulation. The report exhibits the following proposed regulatory technical standards (RTS):

- specifying the information contained in the application for authorisation and in the application for recognition of an ESG rating provider under Article 6(3) of the ESG Ratings Regulation;
- specifying the details of the measures and safeguards to be implemented by ESG rating providers in relation to the separation of business and activities under Article 12(9); and
- specifying the elements to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items under Articles 23(4) and 24(3) of the ESG Ratings Regulation

The ESG Ratings Regulation will primarily regulate ESG rating providers (the **providers**) operating within the EU and states that providers established in the EU will need to be authorised and supervised by ESMA. Providers established outside of the EU which issue and distribute ESG ratings by subscription or other contractual relationships to specific EU entities must operate under an equivalence, endorsement or recognition regime.

The latter RTS on required disclosures include a number of revisions and removals from the original drafts in light of considerations of what is practically achievable. In general, providers are expected to provide meaningful disclosures corresponding to a sufficient level of information to the public, the users, the rated items and issuers of rated items to enable an appropriate level of due diligence, facilitate cross comparison with other ESG rating products, and understand any limitations of the product or the underlying methodologies and judge which product may best serve the user's needs.

The following categories remain outside the scope of the ESG Ratings Regulation:

- private ESG ratings that are not intended for public disclosure or for distribution;
- ESG labelling activities, provided they do not involve the disclosure of an ESG rating;
- ESG ratings used exclusively for internal purposes or for providing in-house or intragroup financial services or products;
- ESG ratings incorporated in a product or service, where such products or services are already regulated under EU law and are disclosed to a third party; and
- mandatory disclosures pursuant to Articles 6, 8, 9, 10, 11 and 13 of SFDR and pursuant to Articles 5, 6 and 8 the Taxonomy Regulation.

The ESG Ratings Regulation amends SFDR in order to require FMPs or financial advisers that disclose ESG ratings as part of their marketing communications to include information about the methodologies used on their website and disclose in those marketing communications a link to those website disclosures. The minimum public disclosures are fleshed out by the RTS and must follow the following prescribed sequence/structure (each 'where applicable' and with cross references/hyperlinks allowed) to enhance comparability.

[List of elements to be disclosed pursuant to Annex III, point 1, of Regulation \(EU\) 2024/3005](#)

	Annex III.1	Delegated regulation
Rating product disclosures	Annex III.1.f	Article 3(1)
	Annex III.1.g	Article 3(2)
	Annex III.1.h	N/A
	Annex III.1.i	N/A
	Annex III.1.j	N/A
	Annex III.1.o	Article 3(3)
	Annex III.1.p	Article 3(3)
Basic methodological disclosures	Annex III.1.a	Article 4(1)
	Annex III.1.b	Article 4(2)
	Annex III.1.c	Article 4(3)
	Annex III.1.e	Article 4(4)
	Annex III.1.k	N/A
Limitations in data sources, methodologies and information	Annex III.1.m	Article 5
	Annex III.1.q	Article 5
Organisational disclosures	Annex III.1.d	Article 6(2)
	Annex III.1.1	Article 6(3)
	Annex III.1.n	Article 6(1)

FMPs will need to consider the ESG Ratings Regulation and RTS requirements where sourcing ESG ratings from providers authorised or registered under the new regime and should look to incorporate these into their third party risk framework. ESMA has provided that the ESG Ratings RTS shall apply from 2 July 2026 (aligned with the implementation of the ESG Ratings Regulation).

3.4 ESMA final report on technical standards under the EU Green Bonds Regulation

On 15 October 2025, ESMA published its [Final Report on Technical Standards](#) under the EU Green Bonds Regulation (EUGB).

Following public consultation, the report includes the following draft technical standards:

- RTS on systems, resources and procedures of external reviewers;
- RTS on the compliance function of external reviewers;
- RTS on internal policies and procedures;
- RTS on information used for reviews;
- RTS on applications for recognition; and
- ITS on material changes to registration.

The technical standards are intended to apply to ESMA registered external reviewers from 21 June 2026 and transitional arrangements under the EUGB apply for the registration and supervision framework for external reviewers before that date.

3.5 Final ESMA report on supervisory expectations for management body of directly supervised entities

On 15 October 2025, ESMA published its [final report](#) on supervisory expectations for the governance arrangements of entities it supervises directly. The guidance forms a set of 12 high-level principles, which it expects entities to build on in order to enhance their governance and oversight arrangements. Supervised entities include benchmark administrators and, in the future, will also include EUGB external reviewers and ESG rating providers.

Respondents generally supported ESMA's proposals to specify its supervisory expectations on entities' governance arrangements. However, there were concerns about the prescriptiveness of certain supervisory expectations and the lack of a legal basis for ESMA to enact regulation in the corporate governance area.

ESMA expects supervised entities to build on these "core" principles to enhance their governance and oversight arrangements and accepts that compliance with the corresponding core principle may be achieved using a variety of approaches proportionate to an entity's nature, scale and complexity.

3.6 Commission delegated regulation as regards the definition of prohibited weapons

On 28 August 2025, the Commission adopted a [delegated regulation](#) amending Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks to include a definition of prohibited weapons following a period of scrutiny by the co-legislators. The delegated regulation clarifies that only companies involved in 'prohibited weapons' must be considered in the context of the Paris- Aligned and Climate Transition Benchmark exclusions.

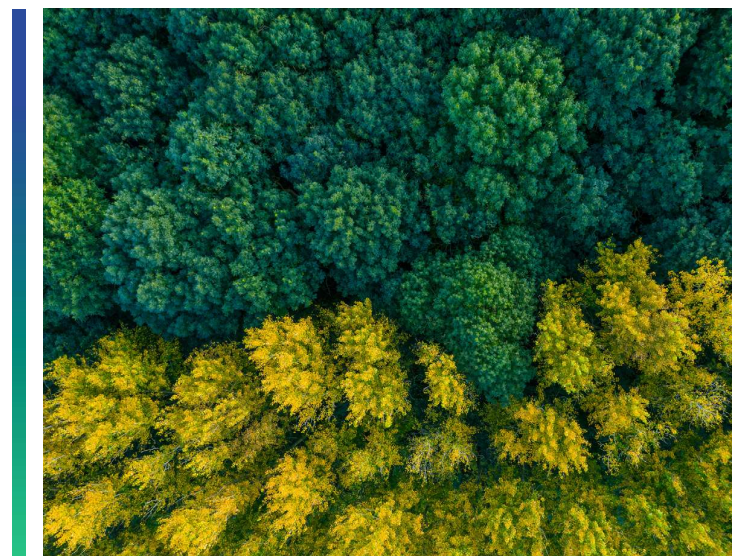
Following publication in the official journal of the EU and entry into force, the amending delegated regulation will apply with a transitional period of six months in relation to already existing authorised benchmarks.

3.7 ESMA finds EU carbon markets functioning smoothly in new report

On 22 October 2025, ESMA published its annual [market report on EU carbon markets](#).

ESMA produces annually a market report on EU carbon markets as part of its monitoring mandate under the EU Emissions Trading System Directive. The ESMA Carbon Markets report 2025 covers 2024 developments in the primary and secondary markets for EU emission allowances, based on a combination of regulatory and commercial data.

ESMA has not identified any significant issue in the integrity or transparency of EU carbon markets. Emission allowance auctions and secondary markets trading dynamics remain largely unchanged, with the market organised in a way that facilitates the flow of allowances from financial intermediaries to non-financial firms with compliance obligations. The analysis of trading and derivatives positions in the non-financial sector further highlights that the market accommodates different acquisition strategies, reflecting the different needs and capabilities of participants.



3.8 Memorandum of understanding (MoU) on sustainable finance

On 20 August 2025, ESMA and the European Environment Agency (the **EE Agency**) signed a [MoU](#) to strengthen cooperation between the two institutions in sustainable finance.

ESMA's final report on greenwashing identified the need to strengthen collaboration with the EE Agency (the EU agency responsible for delivery of knowledge and data to support Europe's environment and climate goals), starting with targeted co-operation in the field of sustainability reporting. The MoU focuses on environmental factors and their integration in the EU sustainable finance framework, including the supervision of the framework, outlining the exchange of expertise, information and data with one another and support mutual capacity building activities.

ESMA and the EE Agency will also work together on facilitating the collaboration between national regulators and authorities or agencies in charge of environmental protection. Furthermore, they will jointly work on enhancing policy dialogue on various areas of the sustainable finance agenda.

The MoU will remain in effect for four years and be automatically extended for an unlimited period of time unless objected to by either party. Acknowledging the important role ESMA and the EEA play in enabling development of sustainable finance, the MoU is expected bring mutual benefits and synergies preventing duplication of efforts and ultimately contributing to addressing the significant challenges related to biodiversity, climate change and pollution.

3.9 Central Bank article on climate change and Irish firms

During July 2025, the Central Bank published its latest [statistical data note](#) entitled '*Behind the Data - Beliefs and barriers: Climate change and Irish firms' access to finance*'.

The statistical analysis explores survey data relating to Irish firms' concerns about climate change and climate-related investment, noting the private sector will play a fundamental role in financing the transition to a climate-neutral economy.

The data reveals that Irish firms are concerned about climate risks yet report lower levels of investment towards mitigating physical risk than their European peers. Both the cost of finance and climate-specific factors contribute to obstacles in accessing finance. These barriers reveal to the authors a need among Irish firms to expand sustainable finance to meet firms' needs in building climate-resilience, greening their operations, and developing sustainable products and services.



Further information

We continue to see a high number of asset managers considering how to integrate ESG criteria in the investment strategies they employ for funds under management. Walkers has extensive experience advising on the impact that sustainable financing initiatives will have on such asset managers and investment funds.

This newsletter is for information purposes only, does not purport to represent legal advice and assumes a working knowledge of EU sustainable finance developments. Should you wish to discuss the implications on your business of the EU's sustainable finance framework or of the Central Bank's supervisory expectations regarding the implementation of the framework please speak to your usual contact in Walkers or any of the Walkers' contacts in your region.



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