



**WALKERS IRELAND**

# **Asset Management & Investment Funds ESG newsletter**

Quarter 3, 2025



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

## Table of contents

Section	Page
<b>Key dates</b>	3
<b>Highlights during the period</b>	4
<b>1. SDR-related developments</b>	6
1.1 Call for Evidence on revision of the SFDR	6
1.2 ESMA report on CSA on sustainability-related disclosures and the integration of sustainability risks	6
1.3 Morningstar and EFAMA on SFDR fund market	7
<b>2. Sustainability reporting related developments</b>	8
2.1 Commission omnibus simplification package	8
2.2 Commission “quick fix” for companies already conducting ERS reporting	9
2.3 European Union (Corporate Sustainability Reporting) Regulations (S.I. No. 309 of 2025)	9
<b>3. Taxonomy related developments</b>	10
3.1 Omnibus sustainability package – Taxonomy simplification	10
3.2 Platform recommendations on Taxonomy simplification	10
<b>4. Other ESG-related developments</b>	11
4.1 ESMA thematic note on sustainability-related claims used in non-regulatory communications	11
4.2 ESMA consultation on ESG Ratings RTS	11
4.3 Defence readiness omnibus proposals	11
4.4 ESMA technical standards on the European Green Bond Regulation	12
4.5 Central Bank note on Planning for the Transition to Net Zero	12
4.6 Central Bank Climate Observatory Report	13
4.7 ESMA TRV Article – Fund Names: ESG-related changes and their impact on investment flows	13
4.8 CSA on BMR ESG Disclosure: Final Report	13
4.9 Platform updated handbook on Benchmarks’ ESG disclosures	13
<b>Further information</b>	14
<b>Key contacts</b>	14

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 1 February 2025 to 10 July 2025.

# Key dates

2025	
<b>17 April 2025</b>	The 'Stop-the-clock' Directive amending the EU Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) came into force postponing the dates from which member states are to apply certain corporate sustainability reporting and due diligence requirements.
<b>21 May 2025</b>	ESMA Fund Names Guidelines - expiration of transitional period for funds in existence on 21 November 2024.
<b>30 June 2025</b>	ESMA published its report containing the findings of the 2023-2024 common supervisory action (CSA) on sustainability-related disclosures and the integration of sustainability.
<b>4 July 2025</b>	European Commission published its proposed Taxonomy simplification legislation to simplify and streamline the sustainability reporting frameworks contained in the Disclosures Delegated Act ((EU) 2021/2178). Amendments are also proposed to the Taxonomy Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139) and the Taxonomy Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486).
<b>Quarter 4 2025</b>	Report on Regulation (EU) 2019/2088 (SFDR) Level 1 review expected to be published by the European Commission.
2026	
<b>2 July 2026</b>	Regulation (EU) 2024/3005 on ESG Ratings Providers 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.

## Call for Evidence (“CfE”) on the revision of the SFDR

In May 2025, the European Commission (the “Commission”) launched its CfE on the revision of the SFDR, ahead of its forthcoming legislative proposal scheduled for Q4 2025. Against the backdrop of its current focus on market competitiveness and simplification, the Commission continues its engagement on the possible options for the future of SFDR. These options include limiting the revamp of SFDR to targeted changes and clarifications to the existing disclosures or turning to a potential categorisation or labelling system.

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

## Omnibus sustainability package on simplifying the Taxonomy

In July 2025, as part of the latest omnibus sustainability package the Commission published a delegated regulation designed to simplify the reporting requirements under Article 8 of the Taxonomy Regulation ((EU) 2020/852) (“Taxonomy”), which focuses on disclosure requirements related to environmentally sustainable economic activities.

Amendments are also proposed to the Taxonomy Climate Delegated Act (Delegated Regulation (EU) 2021/2139) and the Taxonomy Environmental Delegated Act (Delegated Regulation (EU) 2023/2486) aimed at amending sustainability due diligence and reducing and simplifying reporting obligations of companies.

Further detail can be found in **section 3.1** of the newsletter.

## ESMA report on CSA on sustainability-related disclosures and the integration of sustainability risks

In June 2025, ESMA’s report on its 2023-2024 CSA made a number of recommendations to both NCAs and FMPs around enhancing supervisory convergence, improving integration of sustainability risks and strengthening disclosures, both at an entity level in respect of FMPs and for SFDR Article 8 and Article 9 funds. ESMA also published the first note in a thematic study on sustainability-related claims used in non-regulatory communications, focusing on ESG credentials.

Further detail can be found in **sections 1.2** and **4.1** of the newsletter.



### **The “Stop-the-Clock” Directive came into force postponing the application date for CSRD and CSDDD**

On 17 April 2025, the ‘Stop-the-Clock’ Directive came into force postponing certain application dates under the **Corporate Sustainability Reporting Directive** and the **Corporate Sustainability Due Diligence Directive**. This is part of a broader initiative aimed at reducing regulatory burden for firms operating within the EU. The Directive has been swiftly transposed into Irish law.

Further detail can be found in **section 2.1** of the newsletter.

### **ESMA Report on CSA on ESG Disclosures under the Benchmarks Regulation**

In April 2025, **ESMA** published a report on its findings and conclusions on the CSA exercise conducted during 2024 with National Competent Authorities (“**NCA**s”) on ESG disclosures under the Benchmarks Regulation (EU) 2016/1011 (“**BMR**”).

Further detail can be found in **section 4.8** of the newsletter.

### **Defence sector and the sustainable finance framework**

As Europe adopted a package of measures aimed at simplifying and boosting industrial defence readiness in the EU, the **Commission** clarifies that the EU sustainable finance framework is compatible with investing in the defence sector.

Further detail can be found in **section 4.3** of the newsletter.

### **ESMA Consultation on RTS on ESG Ratings**

Ahead of June 2026 application, **ESMA** published a consultation on regulatory technical standards (“**RTS**”) under Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities. **ESMA** expects to publish a final report and submit the draft **RTS** to the Commission for adoption in October 2025.

Further detail can be found in **section 4.2** of the newsletter.

### **Central Bank on transition planning**

The Central Bank of Ireland (the “**Central Bank**”) published an information note outlining its views that clear, credible and actionable transition plans are a good practice for financial firms even when there is no legislative requirement to publicly disclose a transition plan.

Further detail can be found in **section 4.5** of the newsletter.

### **ESMA Risk Article on the Impact of ESG Fund Names on Investment Flows**

**ESMA** published its latest risk article on ESG-related fund names changes and their impact on investment flows. The report explores whether fund managers’ decisions to incorporate ESG terms into their funds’ names lead to an increase in investor interest and flows.

Further detail can be found in **section 4.7** of the newsletter.



# 1. SFDR-related developments

## 1.1 Call for Evidence on revision of the SFDR

On 2 May 2025, the Commission launched its [CfE](#) on the revision of the SFDR. The CfE follows on from its targeted consultations on SFDR in 2023 and the focus of the review will be on addressing undue burdens and simplifying and streamlining requirements.

The CfE notes that the review will aim for greater alignment and to strengthen the coherence of SFDR with the sustainability reporting requirements for companies under the omnibus amendments to the CSRD and the Taxonomy rules.

The Commission notes concerns about the lack of legal clarity on key SFDR concepts, the limited relevance of certain disclosure requirements, overlaps and inconsistencies with other parts of the sustainable finance framework, and data availability concerns.

The Commission notes broad support for a revised SFDR that would:

- cater for different investor groups and types of financial products;
- make it easier for retail investors to understand investment products;
- take better account of the international reach and exposures of investments; and
- help to direct investment towards diverse sustainability-oriented aims while avoiding greenwashing (including not only activities which are already green but also investments in companies which are at earlier stages of the transition, and investments that support other objectives such as security).

The policy options presented by the Commission focus on the simplification of the current reporting framework in line with the proposals under the omnibus package and a potential categorisation system. It also notes the “unwarranted exclusion of some sectors” because of how some SFDR rules are applied in practice – it is understood this may refer primarily to the European defence and security sector.

The Commission has confirmed that its legislative proposal for the revision of SFDR is in its work programme for Q4 2025.

## 1.2 ESMA report on CSA on sustainability-related disclosures and the integration of sustainability risks

On 30 June 2025, ESMA published its [final report](#) on the 2023-2024 CSA with NCAs on the integration of sustainability risks and disclosures in the investment fund sector.

The report sets out ESMA’s analysis and conclusions of the CSA exercise and presents ESMA’s views on its findings, including on the assessment of whether FMPs adhere to the relevant rules and standards on sustainability risks and disclosures. It also provides specific recommendations to NCAs and FMPs.

The CSA results show that there is room for improvement in the level of managers’ compliance with the framework on the integration of sustainability risks and disclosures. While the majority of NCAs considered that there was an overall satisfactory level of compliance of managers with the applicable regulatory requirements, they nonetheless found several vulnerabilities, which were addressed as part of the process, through bilateral letters and other supervisory orders.

ESMA re-emphasises the need for clear, specific, and accessible disclosures, robust internal processes, and the use of all available supervisory and enforcement tools to address persistent vulnerabilities. While highlighting the continued challenges linked to the definition of “sustainable investment” under Article 2(17) SFDR, ESMA notes that the concrete changes coming out of an anticipated forthcoming review of the SFDR will not be applicable in the near future. Accordingly, it stresses supervised entities should continue to be aware of regulatory expectations when seeking to comply with the current provisions.

Going forward, ESMA encourages NCAs to continue proactive engagement with FMPs and follow ups with those cases where vulnerabilities were detected, including enforcement, where appropriate.

Building on the findings of the CSA exercise, ESMA will continue exchanging and cooperating with NCAs on this topic and related follow-up actions. ESMA will facilitate discussions among NCAs to foster a common supervisory culture across the EU and to promote effective, sound and consistent supervision with regard to the integration of sustainability risks and disclosures.

The Central Bank has indicated that it also intends to share an industry communication containing its findings and expectations following the CSA and the publication of the report. The Central Bank will engage with relevant firms to address the findings from the CSA as well as with ESMA with regard to the analysis of the data gathered as part of the CSA.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) outlining the key takeaways from the final report and its thematic note on sustainability-related claims as outlined in section 4.1 of this report.

### 1.3 Morningstar and EFAMA on SFDR fund market

On 29 April 2025, Morningstar published its '*SFDR Article 8 and Article 9 Funds: Q1 2025 in Review*', [report](#) 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 March 2025, examining aspects such as flows, assets, launches, closures, reclassifications, and the acceleration of fund name changes as asset managers seek to comply with ESMA's guidelines on funds using ESG or sustainability-related terms in their names ahead of the deadline of 21 May 2025. The report also noted Article 8 fund inflows rise and Article 9 fund outflows deepen.

#### Key takeaways

- In Q1 2025, Article 8 funds received inflows of an estimated EUR 52 billion of net new money, the highest since late 2021, supported by increased subscriptions into fixed-income funds.
- Redemptions from Article 9 funds persisted for the sixth consecutive quarter as investors pulled a record EUR 7.9 billion, compared with EUR 7.7 billion in the prior quarter. Combined assets in Article 8 and Article 9 funds edged down slightly to EUR 6 trillion, representing 58% of the total EU fund market.
- In comparison, Article 6 funds, which represent a smaller portion (42%) of the EU fund universe, extended their dominance overflows, attracting EUR 112 billion in net subscriptions in the first quarter.
- Actively managed Article 8 funds continued their flow recovery by garnering EUR 43 billion. In contrast, inflows into passive Article 8 funds almost halved to EUR 9.6 billion.
- Newly incepted Article 8 and Article 9 funds, accounted for a reduced share (47% from 57%) of the total number of funds launched in the EU.
- Fund rebranding activity accelerated. At least 262 Article 8 and Article 9 funds with ESG-related terms in their names rebranded in the first quarter, including 185 that swapped terms and 75 that removed ESG-related terms from their names altogether, a notable uptick compared with the previous quarter.

In the past 15 months, it estimates at least 470 Article 8 and Article 9 funds using ESG- or sustainability-related terms in their names have rebranded, representing about 11% of funds in scope of the ESMA fund guidelines. More name and portfolio changes will be reflected in the data in the coming months, beyond the May 21 deadline for the ESMA fund naming rules.

On 7 April 2025, the European Fund and Asset Management Association ("EFAMA") released its latest [market update](#) '*The SFDR fund market – latest market trends and upcoming SFDR review*' which also examines the recent trends focusing on Article 8 and Article 9 funds in 2024.

The report also makes recommendations for the upcoming SFDR review:

- The SFDR review must **increase transparency and accessibility for retail investors**. Future categories should enhance understanding and engagement, enabling investors to make choices that reflect their sustainability preferences without feeling overwhelmed by jargon and excessive paperwork;
- The SFDR must be **aligned with the rest of the EU's Sustainable Finance framework**, particularly corporate sustainability reporting under the CSRD and the investor sustainability preferences outlined in the Markets in Financial Instruments Directive (MiFID) and the Insurance Distribution Directive (IDD); and
- Before implementing any changes to the SFDR, **a thorough market impact analysis is necessary**, focusing on whether amendments will improve consumer protection, foster product innovation, and respect the diversity of existing ESG strategies.



## 2. Sustainability reporting related developments

### 2.1 Commission omnibus simplification package

On 26 February 2025, the Commission published its [proposals](#) on an omnibus simplification package on sustainability:

- a [Directive](#) as regards the dates from which member states are to apply certain provisions of the CSRD and of the CSDDD; and
- a [Directive](#) that amends provisions of the Audit Directive, Accounting Directive, CSRD and CSDDD.

The package was accompanied by [Q&A](#) document and a [speech](#) by Commissioner Albuquerque on competitiveness and the simplification omnibus.

The 'stop-the clock mechanism' sets out a two-year postponement to sustainability reporting requirements under the CSRD for all companies that are currently required to comply from financial year 2025 or 2026 depending on their size (i.e. large undertakings that are not public interest entities, subject to the revised eligibility criteria). The mechanism also postpones the transposition deadline for the CSDDD to 26 July 2027, as well as the first phase of its application to in-scope companies by one year to 26 July 2028.

The second proposed Directive seeks to make sweeping reforms in relation to both the nature and scope of the due diligence and reporting obligations set out in the relevant legislation, and the companies falling in scope of those obligations.

In particular, the number of companies subject to mandatory sustainability reporting obligations introduced by the CSRD would be vastly reduced by approximately 80%, with only large undertakings that have greater than an average number of employees greater than 1,000 being required to comply (different thresholds apply for non-EU companies) and the mandatory reporting standards would be revised and simplified. Additionally, there would be no sector-specific reporting standards, avoiding an increase in the number of prescribed datapoints that undertakings should report. The proposal also includes amendments to the Accounting Directive that provide for derogations from the reporting requirements in Article 8 under Taxonomy.

Out-of-scope undertakings (including those with up to an average number of 1,000 employees) not subject to the mandatory reporting requirements of CSRD, would be permitted to use the proportionate voluntary standard to be adopted by the Commission as a delegated act, based on the VSME standard developed by EFRAG and are also protected by a value-chain cap from excessive information requests from larger companies within scope.

In addition, the scope of the due diligence obligations in the CSDDD would be limited, most notably by reducing the requirements to map and analyse risks in relation to indirect business partners and downgrading the requirements for meaningful stakeholder engagement. Further, companies will no longer be obliged to terminate business relationships as a last resort when severe potential or actual adverse impacts are identified. The required frequency for periodic monitoring of the adequacy and effectiveness of a company's due diligence policy and measures would also be extended from 12 months to five years.

On 16 April 2025, following EU Council final approval, [Directive - EU - 2025/794](#) as regards the dates from which EU member states are to apply certain corporate sustainability reporting and due diligence requirements to delay requirements of the CSRD and CSDDD (the **"Stop the Clock" Directive**) was published in the OJ and entered into force the following day. EU member states are required to introduce implementing legislation creating legal certainty on the start date of CSRD and CSDDD obligations for in-scope undertakings by 31 December 2025.

The co-legislators must now consider the more substantive legislative changes in the second proposal. As the legislative proposals take the form of EU Directives, subject to the measures taking effect following publication in the official journal of the EU ("OJ"), member states would be expected to transpose the second proposal, within 12 months of the proposed Directive taking effect.

Walkers' Finance & Capital Markets team have published an [advisory](#) highlighting the key takeaways on the Stop the Clock measures, focusing on the removal of Irish SPVs and listed SMEs from the scope of CSRD mandatory reporting obligations.

## 2.2 Commission “quick fix” for companies already conducting ESRS reporting

On 9 July 2025, the Commission adopted a [Delegated Regulation](#) amending Delegated Regulation (EU) 2023/2772 which sets out the European Sustainability Reporting Standards (“ESRS”). The ESRS specify the information which companies must disclose against pursuant to their sustainability reporting obligations under the CSRD.

The proposed ‘quick fix’ amendments are designed to reduce the reporting burden on companies already reporting pursuant to the CSRD for the 2024 financial year (so called ‘wave one’ companies). Pursuant to the ‘Stop the Clock’ Directive adopted as part of the sustainability omnibus package of February 2025, wave two and three companies have seen their reporting obligations delayed by two years. Wave one companies were not captured by this change.

The quick fix delegated regulation would provide that “wave 1” companies will not have to report additional information for FY2025 and FY2026 and extends certain previously unavailable phase-in reliefs.

Preparations are underway for a broader revision of the ESRS framework as part of the sustainability omnibus package of reforms. On 27 March 2025, EFRAG was officially [mandated](#) by the Commission with simplifying the ESRS, with its simplification advice due by 31 October 2025.

In a status update in June 2025, EFRAG [announced](#) that it is aiming to reach a 50%+ reduction in mandatorily disclosable data points under the ESRS with no new data points and is due to report to the Commission on the simplified ESRS in Q4 2025.

## 2.3 European Union (Corporate Sustainability Reporting) Regulations (S.I. No. 309 of 2025)

On 7 July 2025, the European Union (Corporate Sustainability Reporting) [Regulations \(S.I. No. 309 of 2025\)](#) (the “Regulations”) were signed into law by the Minister for Enterprise, Tourism and Employment.

The Regulations give legal effect to further amendments to the European Union (Corporate Sustainability Reporting) Regulations 2024 (S.I. No. 336/2024) and swiftly transpose Article 1 of the “**Stop the Clock**” Directive (outlined at section 2.1 of this report) as regards the dates from which certain corporate sustainability reporting requirements apply. The sustainability reporting requirements for those undertakings that are currently required to comply from financial year 2025 or 2026 depending on their size are postponed by two years respectively, to 2027 and 2028, while negotiations are progressing at EU level to agree substantive changes to the scope of CSRD and CSDDD. The main Omnibus proposal is currently being negotiated and is expected to be agreed by the co-legislators by the end of 2025.

The Regulations accordingly provide welcome clarification for Irish businesses with respect to the ‘stop the clock’ postponement for so-called wave 2 and wave 3 companies as well as rectifying certain anomalies identified with the earlier Irish regulations, impacting the scope of companies covered. Notably, the Regulations now confirm that for the purposes of the CSRD-reporting “a company shall not be deemed to be a large company under section 280H [Companies Act] solely by virtue of the company ... being an ineligible entity” (which included a broad range of regulated Irish financial services providers). Accordingly, by disapplying the deeming provisions this category of financial services provider will only be in scope for CSRD reporting where they meet the CSRD size thresholds.

Further clarifications and rectifications in the Regulations align the Irish transposition more closely with the EU law, including for example, the definition of net turnover for the purposes of assessing the CSRD thresholds, delivering greater legal certainty for business at all levels in Ireland.



# 3. Taxonomy related developments

## 3.1 Omnibus sustainability package – Taxonomy simplification

On 4 July 2025, the Commission adopted a [Delegated Regulation](#) and accompanying annexes amending:

- Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act) as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities; and
- Delegated Regulations (EU) 2021/2139 (Taxonomy Climate Delegated Act) and (EU) 2023/2486 (Taxonomy Environmental Delegated Act) as regards simplification of certain technical screening criteria (TSC) for determining whether economic activities cause no significant harm to environmental objectives.

The adoption of the proposed legislation follows a Commission [CfE](#) on simplifying the Disclosures Delegated Act under the Taxonomy run in Q1 2025.

The Delegated Regulation forms part of the Commission's proposed omnibus package amending sustainability due diligence and reducing and simplifying reporting of companies. The simplification of reporting requirements under Article 8 of the Taxonomy, include:

- Companies will be exempt from assessing taxonomy-eligibility and alignment for economic activities that are not financially material for their business. For non-financial companies, activities are considered non-material if they account for less than 10% of a company's total revenue, capital expenditure or operational expenditure. For activities classed as financially material, the Commission believes that it is appropriate to introduce a graduated approach to the materiality of the different classes of information to be reported. Financial companies only need to report simplified key performance indicators ("KPIs") and have an option not to report detailed taxonomy KPIs for two years.
- Taxonomy reporting templates will be streamlined by cutting the number of reported data points by 89% for financial companies and by 64% for non-financial companies.
- Reporting templates relating to performance and exposures to fossil gas and nuclear activities will be significantly reduced by the removal of general reporting duplications. Criteria for *do no significant harm* ("DNSH") to pollution prevention and control related to the use and presence of chemicals will be simplified.

The Delegated Regulation will be submitted to the Council of the EU and the European Parliament for scrutiny. It is due to enter into force 20 days after publication in the OJ and will apply from 1 January 2026 and will cover the 2025 financial year. Undertakings are given the option to apply the measures starting with the 2026 financial year.

## 3.2 Platform recommendations on Taxonomy simplification

On 26 March 2025, the Platform for Sustainable Finance (the "Platform") published its [response](#) to the consultation on the draft delegated act amending the Taxonomy delegated acts.

On 5 February 2025, the Platform published a [report](#) setting out recommendations to the Commission to simplify and improve the effectiveness of Taxonomy reporting.

The report comes within the Platform's mandate to advise the Commission on the usability of the taxonomy under Article 20 of the Taxonomy.

The report made a number of proposals to simplify taxonomy reporting including:

- Reducing the corporate reporting burden by more than one-third, including through making the operational expenditure KPI mandatory for research and development costs only but voluntary for other types of operational expenses, establishing a materiality threshold for the calculation of KPIs in all non-financial company reporting, and simplifying reporting templates.
- Introducing a lighter DNSH compliance assessment process, reviewing all DNSH criteria and introducing a "comply or explain" approach for DNSH assessment for the turnover KPI, as a temporary measure.

The report is based on two years of market observations, pilot projects and stakeholder feedback, and builds on the Platform's previous work, including its recommendations on data and usability and a compendium of market practices. The report also contains recommendations for the Platform's next mandate. The Platform's recommendations have been considered by the Commission in the preparation of its CfE on the Disclosures Delegated Act (*outlined at section 3.1 above*).

On 1 April 2025, the Platform published a further [report](#) entitled 'Advancing sustainable finance' with a number of recommendations to the Commission on technical screening criteria for new activities as well as its first review of the Climate Delegated Act (Delegated Regulation (EU) 2021/2139).

## 4. Other ESG-related developments

### 4.1 ESMA thematic note on sustainability-related claims used in non-regulatory communications

On 1 July 2025, ESMA published a [thematic note](#) on sustainability-related claims used in non-regulatory communications.

This publication outlines four guiding principles on making sustainability claims (accurate, accessible, substantiated and up-to-date), aligned with previous publications from the ESAs and offers practical dos and don'ts, illustrated through concrete examples of good and poor practices, based on observed market practices.

The thematic note focuses on sustainability credentials such as labels or awards, as these references are among the most used claims in retail-investor focused communications. It does not introduce new regulatory or reporting requirements, but aims to support FMPs making clear, fair and not misleading sustainability claims and so address greenwashing risks in support of sustainable investments.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) which outlines the key takeaways from ESMA's thematic note on sustainability-related claims.

### 4.2 ESMA consultation on ESG Ratings RTS

On 2 May 2025, ESMA published a [consultation paper](#) on RTS under [Regulation \(EU\) 2024/3005](#) on the transparency and integrity of ESG rating activities (the "Regulation").

The Regulation primarily regulates ESG rating providers operating within the EU and states that providers established in the EU will need to be authorised and supervised by ESMA. The Regulation states providers must comply with transparency requirements with regard to their methodologies and sources of information. Providers are required to notify ESMA by 2 August 2026 to continue operating in the EU and are required to apply for authorisation or recognition by 2 November 2026.

The draft RTS cover the following aspects that apply to ESG rating providers:

- The information that should be provided in the applications for authorisation and recognition.
- The measures and safeguards that should be put in place to mitigate risks of conflicts of interest within ESG rating providers who carry out activities other than the provision of ESG ratings.

- The information that ESG rating providers should disclose to the public, rated items and issuers of rated items, as well as users of ESG ratings.

The proposals are designed to enhance the integrity, transparency, comparability, and independence of ESG rating activities, while also aiming to simplify procedures and reduce burdens for smaller providers.

The 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 ESAs are mandated to prepare further draft RTS to specify the information required.

The consultation closed on 20 June 2025 and ESMA expects to publish a final report and submit the draft RTS to the Commission for adoption in October 2025.

### 4.3 Defence readiness omnibus proposals

On 17 June 2025, the Commission adopted the [Defence Readiness Omnibus](#) package aimed at simplifying and boosting industrial defence readiness.

The package comprises a number of legislative and non-legislative measures, including a draft [Commission Notice](#) on the application of the sustainable finance framework and the CSDDD to the defence sector (the "Notice") and a draft [Commission Delegated Regulation](#) with Annex amending Delegated Regulation (EU) 2020/1818 (EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks) as regards the definition of "controversial weapons" (the "Amending Delegated Regulation").

The Notice clarifies that the EU sustainable finance framework is compatible with investing in the defence sector. The Commission recalls that the framework sets no limitations on the financing of any sector, including the defence sector, and encourages defence sector investments, like those in any other sector, to be assessed on a case-by-case basis.

In the Notice, the Commission explores risk mitigation in engagement with the defence industry. On the SFDR principle adverse impact ("PAIs") indicators, the Notice outlines PAI indicator 14 - *'share of investments in investee companies involved in the manufacture or selling of controversial weapons'* - only covers the disclosure of exposure to four categories of controversial weapons: anti-personnel mines, cluster munitions, chemical weapons and biological weapons, and that the definition of controversial weapons does not cover nuclear weapons.

The Notice encourages operators to not treat defence as a de facto non-contributing sector in their assessment of sectors which make a positive contribution towards social sustainability. Financial market participants may conclude, based on a careful case-by-case assessment, that economic activities conducted by the EU defence industry to safeguard peace and security contribute to social objectives, provided they do not significantly harm any other sustainability objectives and that the company conducting the activity follows good governance practices.

On the BMR, the Amending 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. Prohibited weapons, shall mean anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling, of which is expressly prohibited by the international arms conventions to which the majority of member states is party. The relevant international treaties and conventions to which member states are parties reference prohibited weapons rather than controversial weapons.

The proposals are being adopted under the ordinary legislative procedure and the Parliament and the Council must adopt the same final text before they can be formally adopted, published in the OJ and entered into force, with a transitional period of application for the Amending Delegated Regulation of six months regarding already existing benchmarks authorised.

#### 4.4 ESMA technical standards on the European Green Bond Regulation

On 14 February 2025, ESMA published its [final report](#) on the technical standards for (EU) 2023/2631 Regulation (the "European Green Bond Regulation").

Following consultation, ESMA has revised the draft RTS and implementing technical standards ("ITS") based on feedback received.

The draft RTS and ITS have been submitted to the Commission for adoption and will be subject to non-objection by the European Parliament and Council. The RTS and ITS are set to apply to ESMA-registered external reviewers from 21 June 2026, while compliance on a 'best efforts basis' is expected during the transitional period.

On 7 April 2025, ESMA published its [consultation](#) on the remaining RTS for external reviewers pursuant to the European Green Bond Regulation.

The RTS relate to the following aspects of the external reviewer regime:

- appropriateness, adequacy and effectiveness of systems, resources and procedures;
- authority, resources, expertise and access to relevant information of the compliance function;

- soundness of administrative and accounting procedures, internal control mechanisms and effectiveness of information systems controls;
- quality and reliability of sources of the information used for external reviews;
- information, form and content of applications for recognition; and
- notification of material changes in the information provided at registration.

ESMA will consider the feedback received to the consultation by 30 May 2025 and expects to publish a final report and submit the draft RTS to the European Commission for adoption by 21 December 2025 at the latest.

#### 4.5 Central Bank note on Planning for the Transition to Net Zero

During May 2025, the Central Bank published an [information note](#) entitled 'Perspective on Planning for the Transition to Net Zero' providing a comprehensive perspective on the importance of transition planning for achieving net zero greenhouse gas (GHG) emissions by 2050. The goal of the publication is to assist regulated firms in understanding of the evolving sustainability landscape and to better navigate the regulatory environment. The document is not formal guidance but serves as an accessible roadmap for firms, particularly those in the financial services sector, to align their strategies with climate objectives and evolving regulatory requirements.

The Central Bank believes that clear, credible and actionable transition plans are a good practice for firms even when there is no legislative requirement to publicly disclose a transition plan. In this regard, Table 2 of the information note provides an overview of what the Central Bank sees as key components of a transition plan. It outlines that for an effective transition to net-zero, there must be leadership by firms, such as through embedding climate considerations into board and management levels, developing action plans and milestones towards decarbonising, identifying, and managing climate related financial risks.

The note also encourages all firms to transparently engage with stakeholders and investors regarding transition strategies.

#### 4.6 Central Bank Climate Observatory Report

On 14 January 2025, the Central Bank published the latest edition of its [Climate Observatory report](#) providing an annual update of climate-related metrics for the economy and financial sector.

Part A addresses global trends in the progression of climate change, mitigation and impact. Part B provides certain insights into climate risks for banks, insurers and funds using climate-aligned financial sector data. The report concludes with an overview and a timeline of the European sustainable finance regulations that have come into effect over the last 12 months.

#### 4.7 ESMA TRV Article – Fund Names: ESG-related changes and their impact on investment flows

On 10 April 2025, ESMA published its [latest risk article](#) on ESG-related fund names changes and their impact on investment flows. The report explores whether fund managers' decisions to incorporate ESG terms into their funds' names lead to additional investor interest. If so, this may incentivise potential greenwashing behaviour, undermine investor trust and hinder efforts to promote sustainability within EU financial markets.

ESMA's results indicate that adding an ESG term can significantly boost fund inflows, especially in the immediate quarter following the name change, with a sustained positive impact in subsequent quarters. However, the impact varies depending on the specific ESG terms used, with environmental-related terms showing the most substantial effect on inflows, highlighting the importance of ensuring that name changes are reflected in portfolio investments. The article notes funds adding ESG-related terms to their name enjoy a cumulative increase in flows over the first year of 8.9%, all else being equal. ESMA's findings demonstrate the strong financial incentives for fund managers to consider adding ESG terms to the names of funds as well as the importance of its naming guidelines to help protect investors by ensuring that, when a fund name includes ESG language, its portfolio investments are aligned with investors' ESG preferences.

ESMA expects to incorporate the indicators developed in the current analysis and continue to monitor fund market trends and the impact of the guidelines on EU funds. In future research ESMA will explore the analysis further, including whether and how funds adjust their portfolio to align with the use of ESG terms in their name.

#### 4.8 CSA on BMR ESG Disclosure: Final Report

On 9 April 2025, ESMA published a [report](#) on its findings and conclusions on the CSA exercise conducted with NCAs on ESG disclosures under BMR. The CSA took place during 2024.

This was the first CSA that ESMA conducted together with NCAs in its role as a direct supervisor of benchmarks administrators. ESMA makes recommendations to the Commission to clarify and simplify disclosure rules under BMR Level 2 measures and to alleviate the regulatory burden for benchmarks administrators. It also makes recommendations to benchmarks administrators with the objective to enhance transparency and comparability of ESG information for the benefit of users of benchmarks. In the report ESMA considers the wider regulatory context on sustainable finance and the need to ensure consistency and compatibility of the ESG disclosure requirements across the various sustainable finance legislations.

Building on the findings of the report, ESMA is expected to continue liaising and cooperating with the NCAs and the Commission on follow-up actions. These will include the need to use supervisory convergence tools to build a stronger supervisory culture across the EU and promote effective, sound and consistent supervision regarding ESG disclosure.

#### 4.9 Platform updated handbook on Benchmarks' ESG disclosures

On 28 March 2025, the Platform published an [updated handbook](#) on climate benchmarks and benchmarks' ESG disclosures with updates from its data science hub. The Handbook focuses on EU Paris-Aligned Benchmarks and EU Climate Transition Benchmarks, with its recommendations also applying to concepts derived therefrom.

# 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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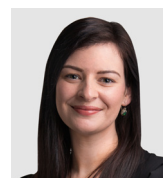


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