Sustainability in the financial sector

More, Less or Different?

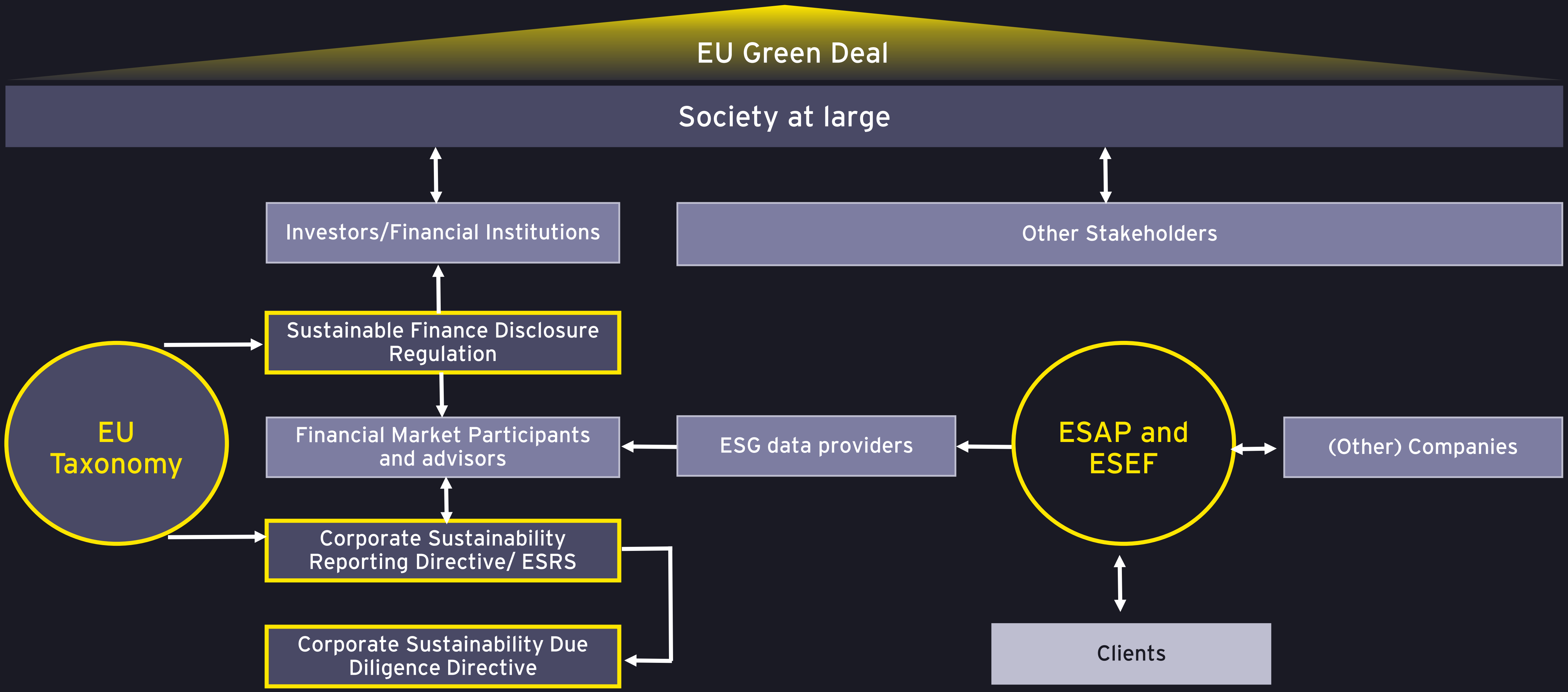
September 2025

The better the question. The better the answer. The better the world works.

EY

Shape the future with confidence

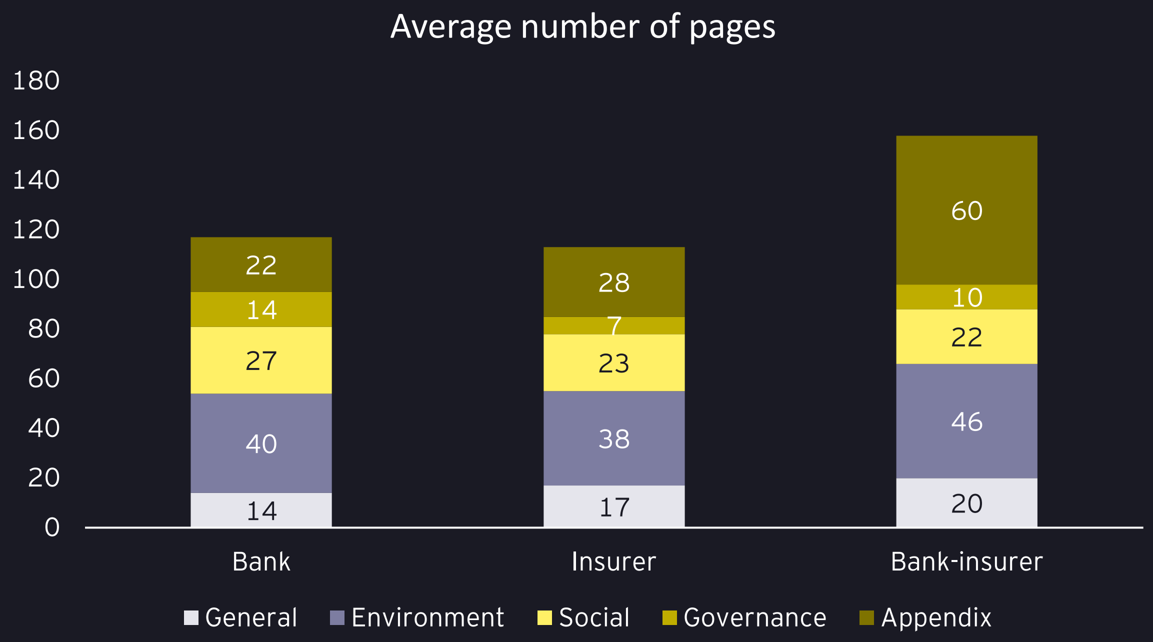
The House of the EU Green Deal



ESAP – European Single Access Point

ESEF – European Single Electronic Format

CSRD Belgian F.S. Benchmark – Size of wave 1 CSRD reports



20 pages on average for general disclosures published by bank-insurers in Belgium

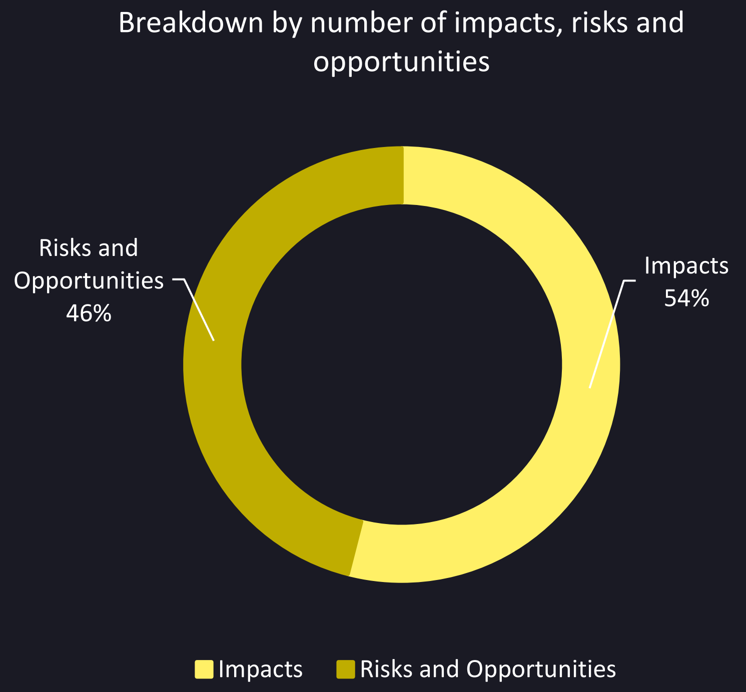
46 pages on average for environmental disclosures published by bank-insurers in Belgium

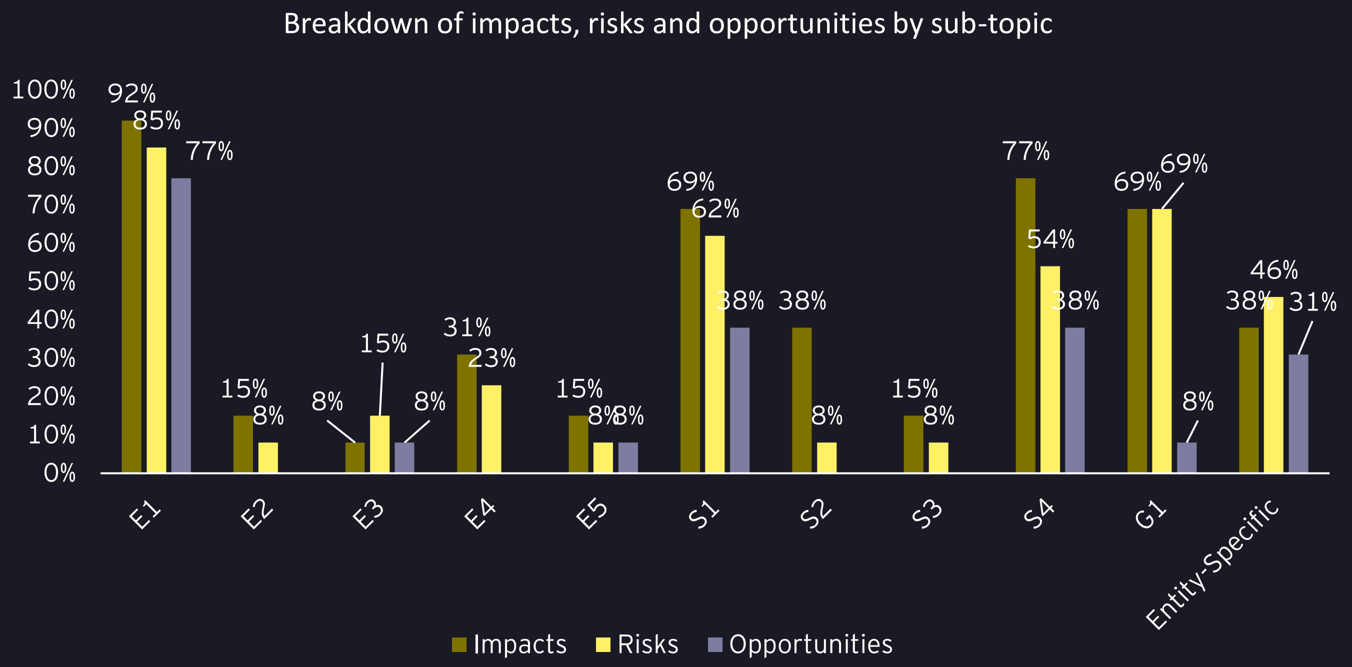
23 pages on average for social disclosures published by insurers in Belgium

14 pages on average for governance disclosures published by banks in Belgium

60 Pages on average for annexe published by bank-insurers

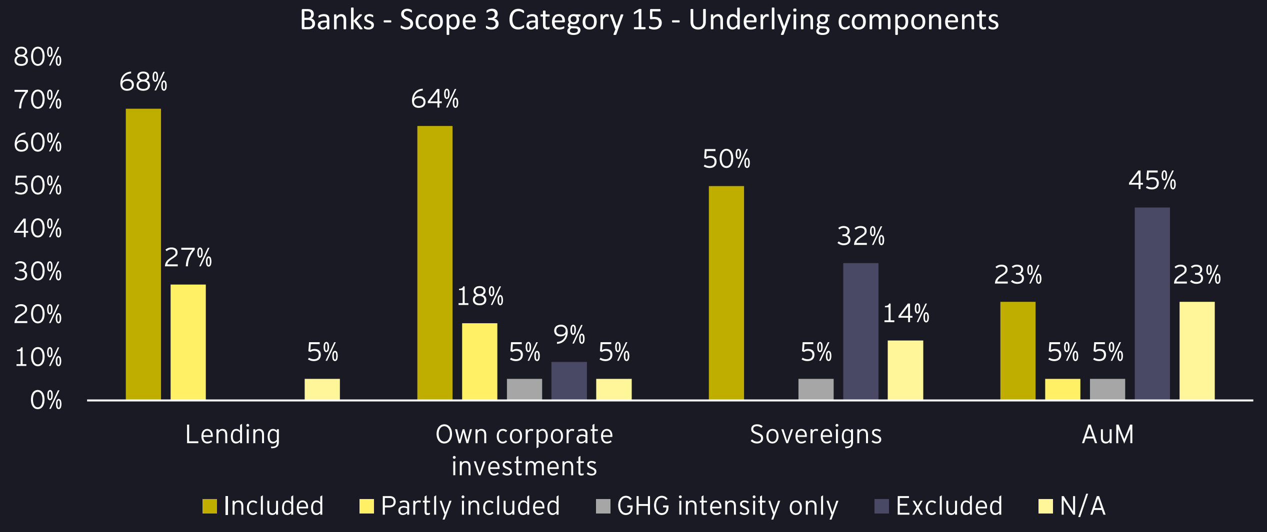
CSRD Belgian F.S. Benchmark - Double materiality assessment

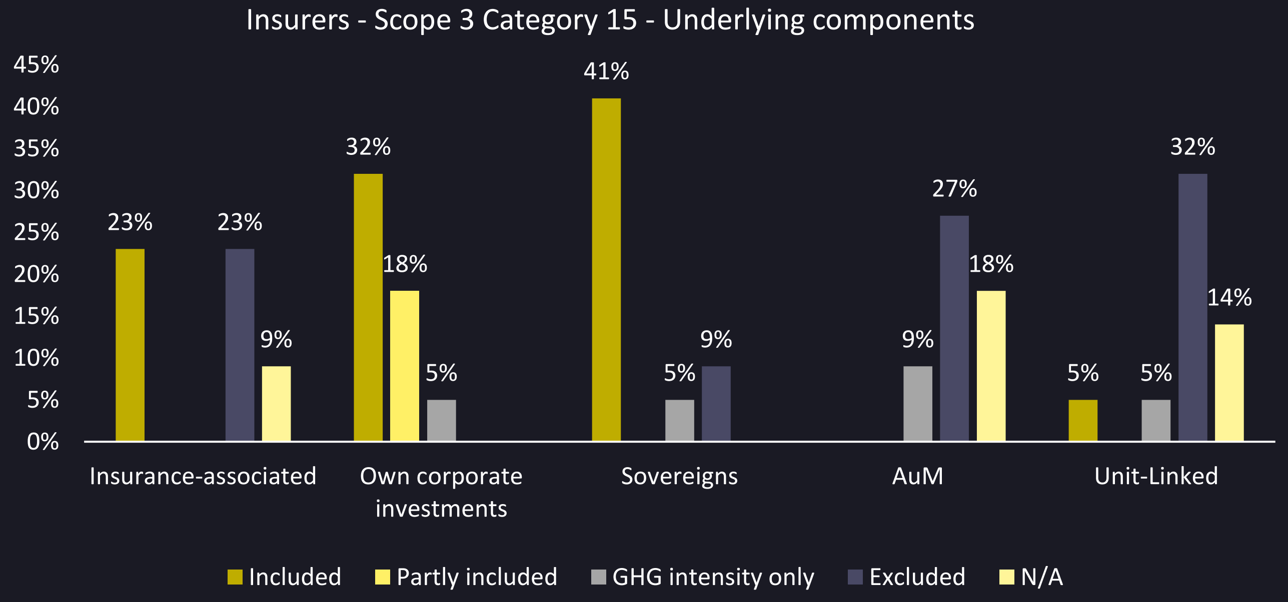




- ✓ The prevailing perspective on the market is the inside-out one accounting for **54%** of total IROs.
- ✓ The bulk of impact materiality is linked to climate change with **92%** of material impacts classified under E1.

CSRD Belgian F.S. Benchmark - Scope 3 category 15

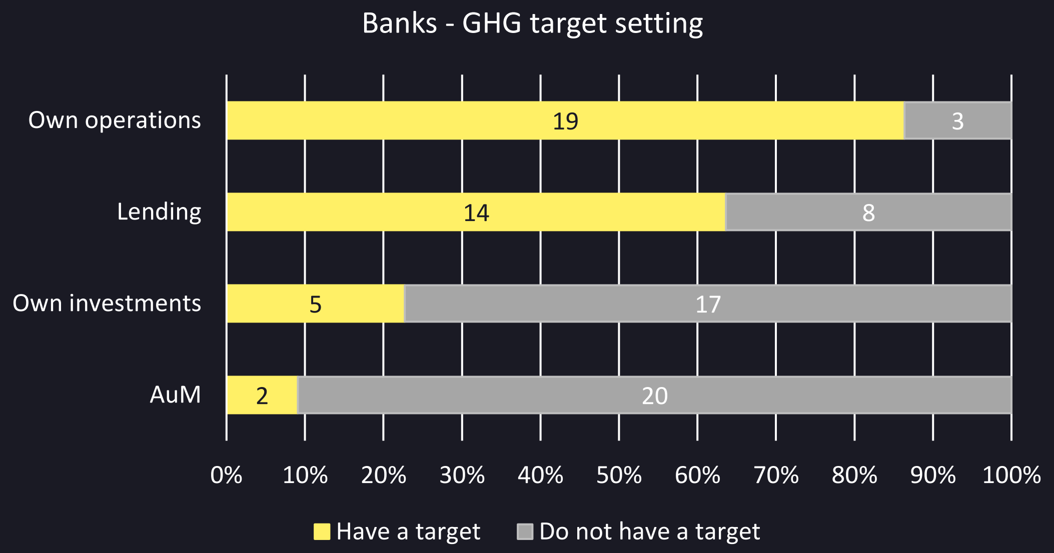


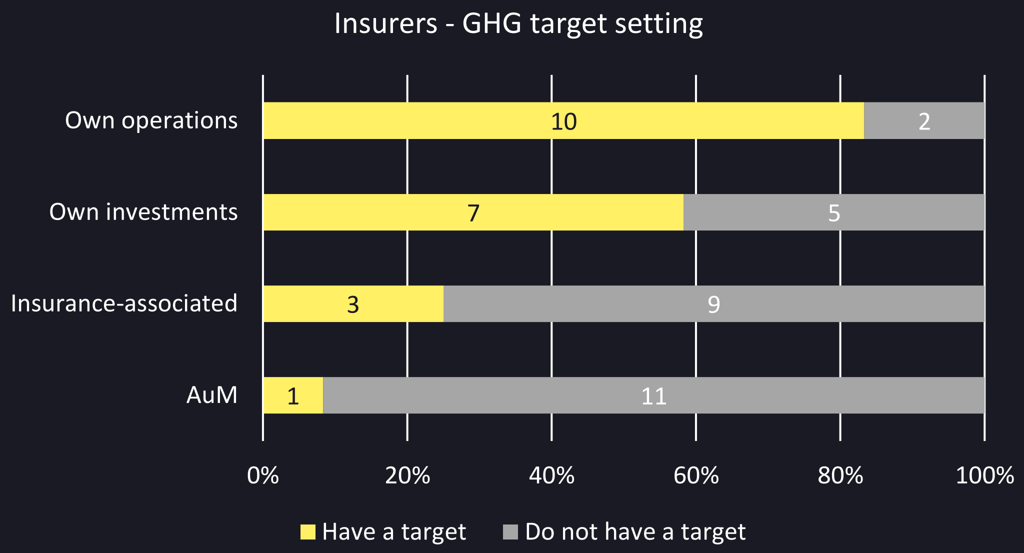


Category 15 disclosures reflects the climate impact of the financial institution and provides insights into its exposure to climate related transitions risks through the following:

- ✓ A look into high-emitting entities that may face regulatory or market pressures to transition
- ✓ By understanding the emission profile of investments shield themselves from potential damages associated with financial risks linked to climate change.
- ✓ Monitoring Scope 3 Cat 15 emissions helps undertakings avoid compliance risks and meet stakeholders´ expectations through commitment to responsible investing.
- ✓ It helps adopt informed strategic decisions such as divesting from high emitting assets
- ✓ It supports scenario analysis to examine how climate risks can impact investment.

Benchmark - Decarbonization targets by type of operations





Banks:

- ✓ Decarbonization efforts for the lending portfolio are typically expressed as sector-specific GHG intensity targets
- ✓ Targets for investments and AuM are often limited to corporate exposures and often consist of a sector-agnostic portfolio-level revenue-based GHG intensity

Insurers and Bank-insurers:

- ✓ Targets for investments and AuM are often limited to corporate exposures and often consist of a sector-agnostic portfolio-level revenue-based GHG intensity
- ✓ Large insurers are leading the way to set GHG intensity targets on their insurance-associated emissions, often split for commercial lines and personal motor (cfr PCAF)

The key driver of the Omnibus package is to simplify rules to empower business growth in the EU

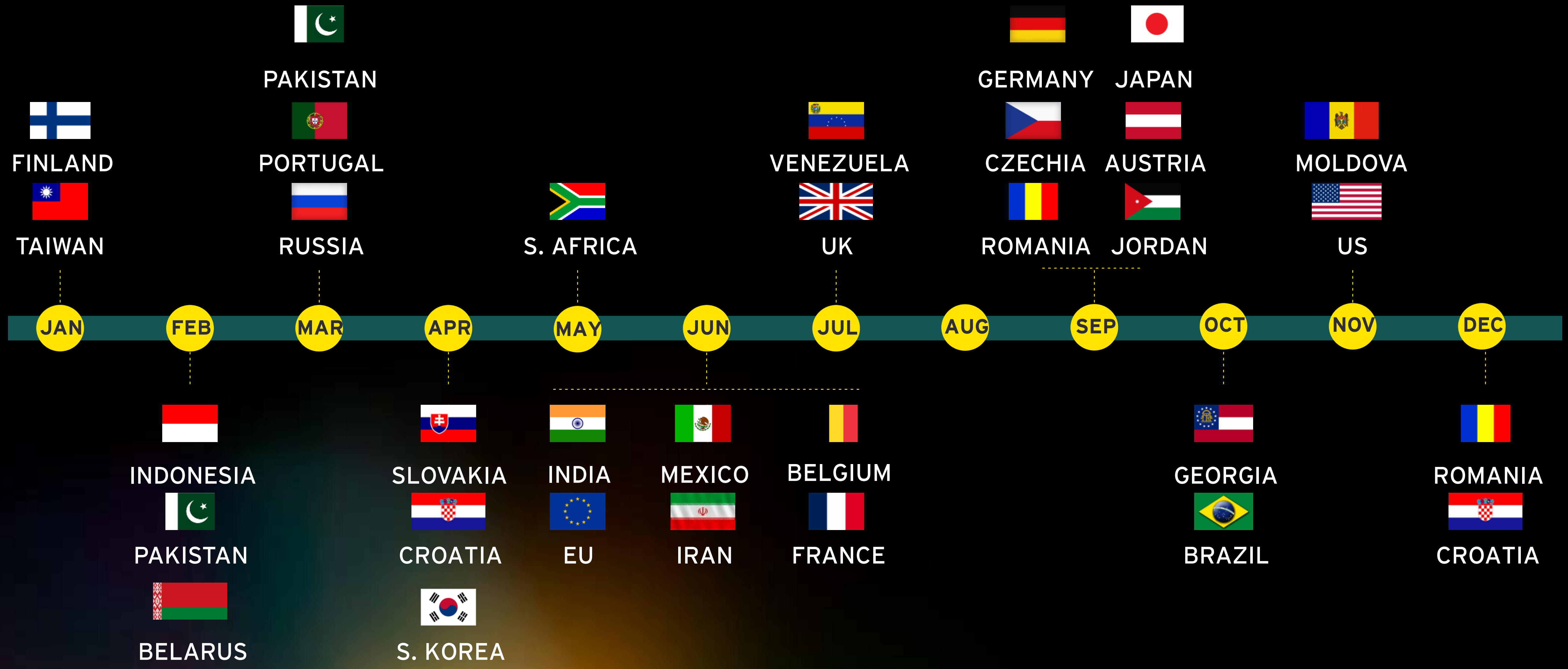
Several factors can be identified as driving the proposed changes in the first EU Omnibus Simplification Package:

1. Enhancing competitiveness and compliance.
2. Encouraging innovation and economic resilience.
3. Fostering transparency and trust.

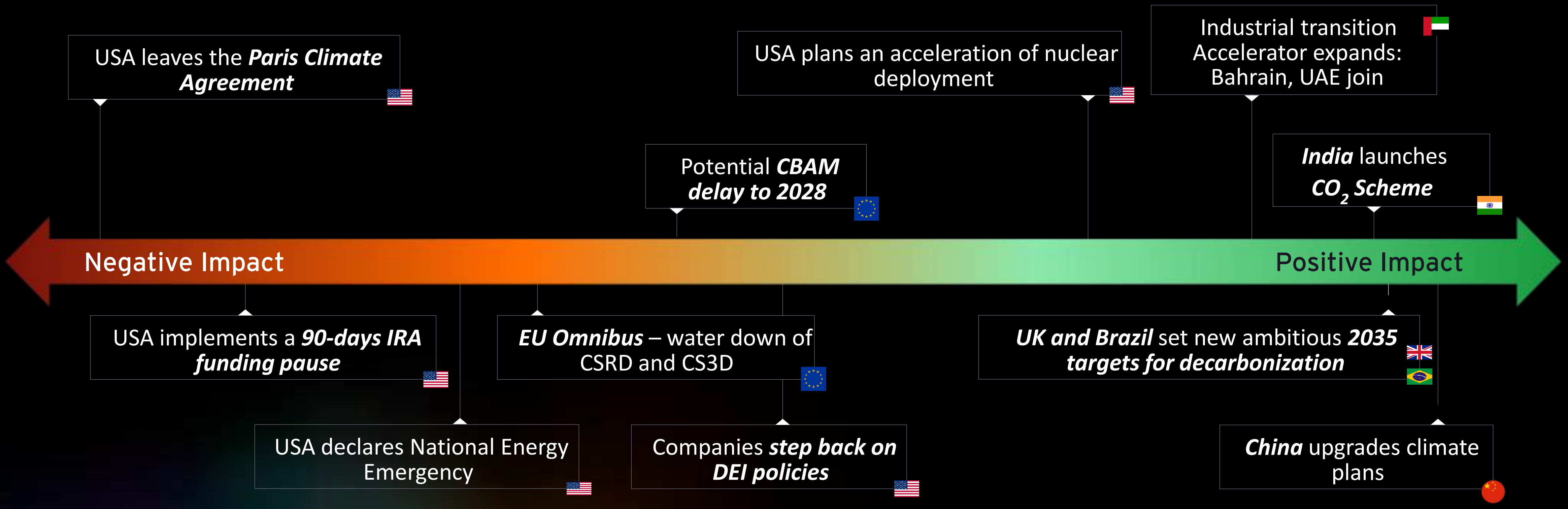
The key principles underlying the simplification in the first EU Omnibus Package are as follows:

1. **More time to implement:**
   The proposal provides additional time for companies to align and prepare for compliance with new regulations.
2. **Fewer companies in scope:**
   By raising application thresholds, the proposal aims to leave only the largest companies in scope, reducing the overall compliance burden (particularly on small and medium-sized enterprises (SME)).
3. **More alignment between different rules:**
   The proposal seeks to harmonize various sustainability reporting and due diligence requirements.
4. **Simplification of rules:**
   The proposal aims to streamline existing sustainability reporting requirements and the due diligence framework.

2024 was a historic year with over 60 nations - representing half of the world's population and 60% of global GDP - holding elections



Impact on sustainability-related initiatives go in both directions…



Whilst most of the geopolitical events negatively impacting the energy transition emerged from the US, some of them already had a ripple effect in EU.

However, many other economics across Asia, Middle-East, and LatAm are still pursuing or reinforcing their target on climate change in a positive direction for the energy transition.

"Climate change doesn't start and stop with elections—and neither does climate action. Leading companies aren't waiting to be told what to do; they're already disclosing climate data because they know transparency equals opportunity. With 86% of the S&P 500 now voluntarily disclosing, it's clear: U.S. companies aspiring to be global leaders understand that climate action is no longer optional—it's a necessity."

CDP Chief Executive Sherry Madera, Baku, COP29

In this geopolitical and economic cycle, sustainability must be even more closely linked to concrete business opportunities

Previous economic cycle

- **Regulatory compliance focus**
  Sustainability as an obligation rather than a driver of business transformation
- **Voluntary commitments**
  Ambitious climate targets have not necessarily reflected new strategies or business models
- **Incentives driven**
  Companies responding to incentives and regulations rather than leading market shifts
- **Fragmented adoption**
  Diversification by experiments, pilot projects, and slow corporate adoption

New economic cycle

- **Energy Security & Resilience**
  Sustainability as a hedge against supply chain risks and geopolitical volatility
- **Value-Creation Driven**
  Companies embedding sustainability into core strategy for competitive advantage and bottom/line value creation
- **Scaling of Climate Technologies**
  Winner & laggers are emerging from the previous economic cycle while new technologies are being developed
- **Proactive and strategic**
  Companies integrating sustainability into M&A, R&D, and long-term business planning

Meanwhile, climate change effects are increasing

Europe's wildfire emissions soar to record highs as extreme heat and drought fuel summer blazes euronews.

Wildfires devastate nearly 10,000 km2 in 2025 with Spain and Portugal hardest-hit euronews.

'We're being cooked alive:' Europe burns as temperatures soar above 100 degrees CNN Climate

2024 Was Earth's Warmest Year On Record, NOAA, NASA, European Centre Find

Wildfires in EU four times above average in 2025 The Brussels Times

Economic losses

- ✓ Up by 8.3% to USD 328 billion (EUR 280 billion) in 2024. Swiss RE report: Natural Catastrophes
- ✓ Reached USD 162 billion (EUR 138 billion) in 1H2025, the highest since 1H2000. Aon: Global Catastrophe Recap: First half of 2025

Insured losses

- ✓ Expected at USD 145 billion (EUR 123 billion) in 2025 with a 1 in 10 probability to exceed USD 300 billion (EUR 255 billion), making it a peak loss year. Swiss RE report: Natural Catastrophes
- ✓ Reached USD 100 billion (EUR 85 billion) in 1H25, the highest since 1H11. Aon: Global Catastrophe Recap: First half of 2025

But European regulators maintain pressure

ECB adds transition risk into collateral framework to manage climate risk within the EU Central Banking system – July 2025

ECB warns that reduced access to climate data could hinder tracking of systemic risks – September 2025

Nine banks in ECB´s crosshairs for fines after failing to meet sustainability expectations – July 2025

Final Report on the Prudential Treatment of Sustainability Risks for Insurers - Nov 2024

EIOPA report on biodiversity risk management by insurers – June 2025

Public statement on the monitoring exercise on the use of climate change scenarios in the ORSA – July 2025

ESG risk management guidelines in line with CRD VI – January 2025

EBA launched a consultation to revise guidelines for retail banking products to prevent greenwashing and ensure high standards for ESG offerings – July 2025

ESA issues draft guidelines for banks and insurances on how to integrate ESG risks in supervisory stress tests – June 2025

ESMA releases thematic notes to promote clarity in sustainability-related communication – July 2025

ESMA publishes its first climate transition plan with commitment to reduce emissions by 31% by 2030– July 2025

ESMA publishes report on the integration of ESG disclosures and risks in the decision-making process for financial institutions – July 2025

What does this all mean for the financial sector?

Omnibus at a glance - where are we today

- ✓ **EU Omnibus Simplification Package** – Aiming to simplify existing sustainability reporting requirements under the Corporate Sustainability Reporting Directive (CSRD) and other acts (read)
- ✓ **'Stop-the-clock' directive** – Delaying sustainability reporting and due diligence for certain companies, with CSRD requirements for wave 2 and wave 3 entities postponed for 2 years (link to the Directive)
- ✓ **Content directive** – Proposal to simplify reporting requirements, including reducing the scope of the CSRD by increasing the employee threshold to 1000 employees, removing listed SMEs and adding a net turnover threshold of over €450 million, subject to further changes during interinstitutional negotiations (read)
- ✓ **'Quick fix' delegated act** – Released in July 2025 (not yet in force), extending transitional provisions in the European Sustainability Reporting Standards (ESRS) for wave 1 CSRD reporters for two years, to include Financial Year 2026 (link to the Delegated Act)
- ✓ **EFRAG** – responsible for refining the first set of ESRS, with the consultation process anticipated to run from end of July until end of September 2025 (more updates)

What does this mean for Financial Services?

Easing the Reporting Burden

- Under these proposals, a number of Financial services will fall out of scope of the EU Taxonomy, CSRD and CSDDD requirements.
- This substantially lowers their reporting burden, although those who have already started work have already made the investment upfront.

Navigating the ESG Data Landscape

- The scope reduction also indicates that the availability of ESG data to financial services in support of their strategic and lending decisions will now be limited and potentially fragmented.
- This means the industry is back to a stance of a heavier reliance on third-party data providers and client engagement to obtain necessary data.

Investor /Stakeholder Expectations

- It is anticipated that European investors will continue to request sustainability information from investee companies, as this is widely recognised as both good business and fiduciary practice.
- Global ESG bond issuance up 4% yoy ($584bn H1 2025)
- Growth in Commercialisation

Regulatory & Timing Considerations

- Immediate uncertainty removed in respect of ‘stop the clock’ however
- Regulators are operating to a different timeline, (ECB EIOPA ESMA)
- The focus then shifts to how quickly simplified reporting requirements are introduced, and how to manage the timeline mismatch

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Key CSRD reporting considerations for financial services

Do the 'quick-fix' amendments alter your disclosure strategy and what are the potential implications?

If you decide to roll-back on year 1 disclosures, are you going to meet stakeholder expectations? How will you satisfy regulatory requirements?

Have you adjusted your reporting roadmap for short-term phase-ins while ensuring long-term readiness?

Risk and Reporting - Are you future-proofing against emerging interoperability requitements and regulatory expectations?

What does your future target operating model look like? Does it change or stay the same? Has AI been considered?

How many companies will report following the adoption of Omnibus

✓80% of the companies will fall out of scope to only 10,000, as per the Parliament Proposal.

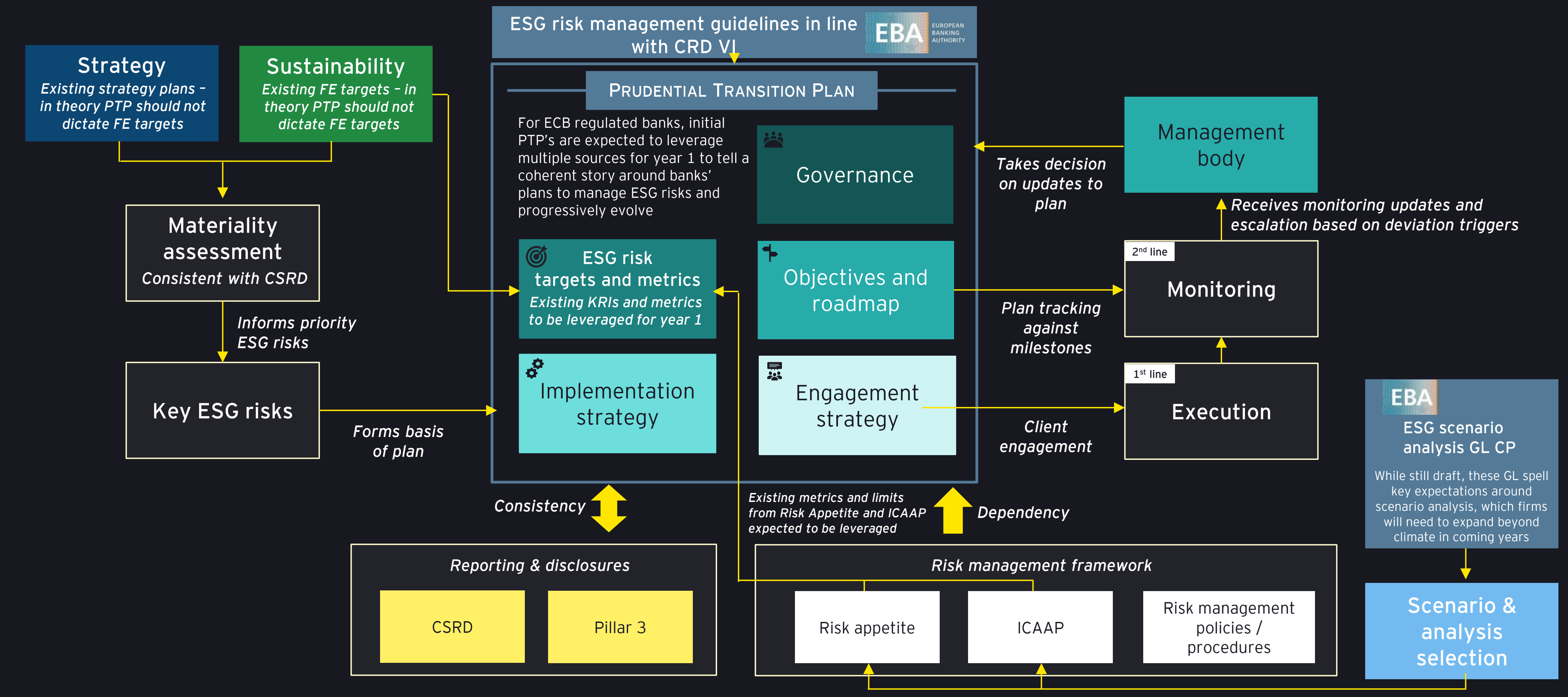
ACCOUNTANCY EUROPE.

June 2025

	CSRD definition	EC Omnibus proposal	EP Legal Affairs draft report
	250 employees and balance sheet total EUR 25 million or net turnover EUR 50 million **	1000 employees and either EUR 25 million or more total balance sheet or EUR 50 million or more turnover	3000 employees and EUR 450 million net turnover
EU MEMBER STATE	Number of companies affected		
Austria	430 *	233	78
Belgium	2.300 *	315	74
Bulgaria	457	121	8
Croatia	307	66	14
Cyprus	350 *	9	4
Czech Republic	125	29	5
Denmark	2.200 *	383	102
Estonia	96	13	1
Finland	1.356 *	252	71
France	4.000 *	1.006	382
Germany	13.981 *	3.140	807
Greece	216	38	4
Hungary	676	207	39
TOTAL	48.276	11.843	3.042

Prudential transition plan: operating model and how it all comes together

The EBA's vision for a prudential transition plan is detailed in its requirements – however, it leverages many existing capabilities in the bank and brings them together in one place, which banks will need to progress starting in 2026



How can Agentic-AI support and enhance the reporting process?

Sustainability reporting is evolving and becoming increasingly complex. Agentic AI can be deployed across the reporting process to support sustainability teams. Sustainability teams can then shift their focus from compliance to strategy.

Prepare				Transform					Assure	
Disclosure strategy	Materiality assessment	Requirements interpretation and gap assessment	Data definition and sourcing	Data collection strategy and lineage	Process, controls and governance framework	Org. structure and design	Digital infrastructure, design and process engineering	Reporting	Assurance readiness	Limited and reasonable assurance

AI Use Case

A — Materiality Assessment

Materiality assessments are time consuming. The process includes manual research (such as peer benchmarking) and stakeholder engagement across multiple different business functions.

B — Gap Assessment

Regulations are continually evolving leading to regular time-consuming evaluations of current state reporting to identify gaps against new regulatory requirements.

C — Data Collection Strategy & Lineage

Establishing data sources, collecting data and having clear lineage is a complex task given the numerous systems and formats involved.

D — Report Production

Producing multiple reports to meet different reporting requirements with a consistent narrative is a time-consuming and complex task.

The imperative of evolving the sustainability function into the product landscape

Product is not static – 1st generation vs 3rd generation

Transition Finance – 4trn investment gap

48% of banks are partnering with FinTechs on carbon tracking and trading

Green and SLL grew over 200% vs. 2020, 51% of activity in EMEA

Clients expect social KPIs and supply chain ESG data, pushing focus beyond climate

Panel

Frank Vandenborre

Ageas

Laurence Van Zuylen

Belfius

Eli Neutelaers

Bank van Breda

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