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Sustainable Finance News Wrap-Up

- **In focus:** EU's final sustainability Omnibus deal reduces corporates in scope for mandatory sustainability reporting under the CSRD by 90%, shifting the burden away from smaller firms. The move, driven by a political pivot from green ambitions to competitiveness and resilience, raises broader questions about whether regulatory "simplification" could be deregulation in disguise. This risk is amplified by leading European People's Party appearing to look to the right in the European Parliament to push positions through. As the regulatory landscape shifts, and fewer companies are required to report, voluntary corporate sustainability leadership and market-driven transparency will become increasingly important. As corporates look for competitive edges, sustainability criteria in tenders, supplier relationships and consumer preferences will continue to play a key role – while investors will require robust data to steer risks. In any case, the coming years could test whether Europe's sustainability momentum can withstand political and regulatory headwinds.
- **Sustainable product deep-dive - End of year wrap up:** The sustainable bond market stayed strong in 2025. Green bonds hit new highs, with Sweden the fourth largest green bond issuer globally and the Nordics registering record sustainable bond issuance more broadly. Utilities dominated Europe's green bond scene, and we saw the new European Green Bond Standard applied for the first time, with strong investor interest. For sustainability-linked loans, 2025 has been a good year with an increased number of deals signed, compared to 2024. In 2026, we will expect increased focus on transition and possibly also defence and resilience labelled debt. Looking ahead more broadly, next year promises more growth as sustainability strategies and reporting standards mature.
- **In briefs:**
 - Dutch pension fund ends partnership with BlackRock over climate concerns.
 - Sustainability emerges as a strategic priority in HSBC survey.
 - Coal demand is set to hit a record high for 2025, according to annual IEA coal report.
 - EU strengthens Carbon Border Adjustment Mechanism (CBAM) on high-emission imports.
 - The European Commission has eased 2030 emissions targets for carmakers.

This is the last Sustainable Finance newsletter of 2025. Thank you for reading this year and enjoy the holidays! We will return in January.

In focus: First take on broader implications of Omnibus Deal

On December 16, the European Parliament approved the final Omnibus I text which amends the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The deal was the culmination of several rounds of turbulent discussions that have defined the European sustainability field this year, following the initial Omnibus proposal from the European Commission in February.

In essence, the deal significantly narrows the scopes of both Directives to now only capture the very largest companies (see table below). For the CSRD, the amendment entails that companies in scope to report under it has been reduced from about 50,000 to about 4,800, while those in scope can only request information from firms out of scope in accordance with the voluntary reporting standard for smaller firms (VSME). For CSDDD, which will now apply from 26 July 2029, the removal of the requirement for transition plans is one of the key changes.

Original scope, trilogue positions and final deal

	Original scope	European commission omnibus proposal	Council position	Parliament position	Final deal
CSRD	<ul style="list-style-type: none">- 250 employees*- EUR50mn in* turnover- EUR25mn in assets*	<ul style="list-style-type: none">- 1000 employees- EUR50mn in turnover	<ul style="list-style-type: none">- 1000 employees- EUR450mn in turnover	<ul style="list-style-type: none">- 1750 employees- EUR450mn in turnover	<ul style="list-style-type: none">- 1000 employees- EUR450mn in turnover
CSDDD	<ul style="list-style-type: none">- 1000 employees- EUR450mn in turnover	<ul style="list-style-type: none">- 1000 employees- EUR450mn in turnover	<ul style="list-style-type: none">- 5000 employees- EUR1.5bn in turnover	<ul style="list-style-type: none">- 5000 employees- EUR1.5bn in turnover	<ul style="list-style-type: none">- 5000 employees- EUR1.5bn in turnover

**Two out of three requirements met to be covered in the original scope. CSRD rules apply for EU companies in scope, as well as non-EU companies with net turnover over EUR450mn and their subsidiaries with turnover over EUR200mn. Source: European Commission, European Parliament, European Council.*

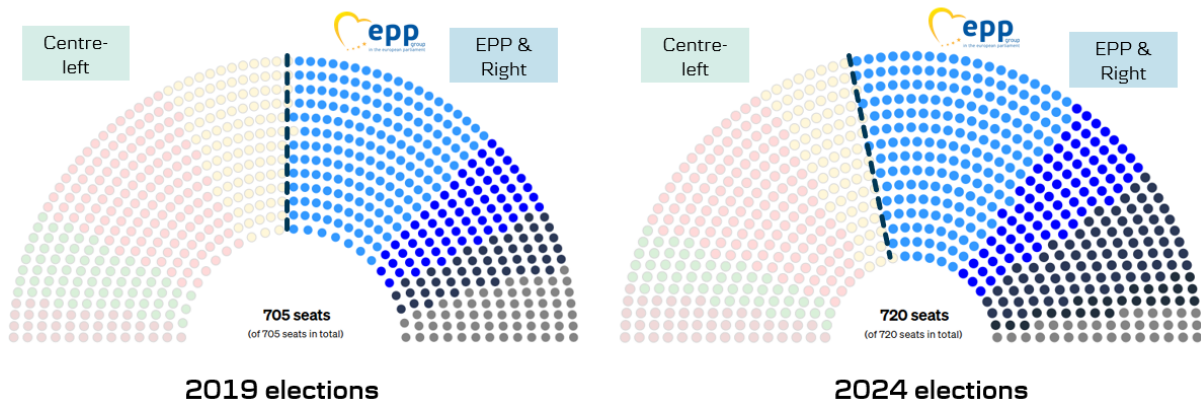
From green wave to focus on competitiveness and resilience

To assess the implications of the deal, which is still pending formal Council adoption, it is useful to begin with unpacking its context. The original CSRD was proposed in April 2021 by the European Commission (EC) to replace the Non-Financial Reporting Directive (NFRD). The EC was led by Ursula Von Der Leyen from the European People's Party (EPP), who had a climate progressive mandate following the "green wave" of the 2019 European Parliamentary Elections. This green wave also meant that European Parliament took the position of pushing progressive sustainability policy through the EU trilogue legislative processes.

Fast forward to the summer 2024 Parliamentary elections, with war in Europe and high inflation, and the electoral wave came in favour of right-leaning parties (see graph below). Von der Leyen's EPP won again, but this time without mentioning the word green and instead focusing on competitiveness, security and resilience (see

[newsletter](#)). With Von der Leyen at the helm, the EC with a new mandate commissioned Draghi to write his [competitiveness report](#) in September 2024 (see [newsletter](#)). The report stressed the need for cutting compliance costs and red tape, leading to the sustainability Omnibus in February 2025.

EPP has significant scope to build majorities with the right should it so wish



Source: Politico

It is against this backdrop the discussions over the sustainability Omnibus have raged over 2025. As Draghi argued that the only way for EU to become competitive and resilient would be to transition, his logic is that a reduced reporting burden through “simplification” would redirect resources to more productive use. According to the EC, the Omnibus I proposal from February was projected to save EUR4.5bn in administrative cost savings. With accounting and consulting houses staffing up on ESG professionals significantly to deliver assurance and advisory following the initial release of CSRD in 2021, there is some truth to mandatory reporting requirements overreaching. The concern for many, however, was that this would go too far and simplification become deregulation, reducing pressure and transparency around corporate sustainability efforts – by extension reducing the transition momentum.

Simplification or deregulation – all eyes on the European Parliament

To navigate the simplification versus deregulation dynamic and its potential impact, we can first assess Parliament behaviour. While it was the driver of implementing stricter rules in the last period (2019-2024), it now appears a driver for slashing them. While taking a relatively lax position on the CSRD compared to the EC and the Council, the Parliament has also in recent days pushed for further EU deforestation regulation (EUDR) postponement and weakening.

More significantly, what both the Omnibus I and EUDR have in common, is that the EPP looked to the right in the Parliament to push positions and legislation through – abandoning its traditional centrist allies. With regards to the Omnibus, this meant offering deals the centre-left were unhappy to take, but still a better deal than what

the right, especially far-right, might push the Parliament position towards should EPP build its majority there.

Hence, the extent that simplification is veiled deregulation will likely depend on whether the EPP keeps looking to the right to push policy – and if the right is able to water out Parliament positions further. Based on the ambitions of the EC Competitiveness Compass (see [newsletter](#)) decarbonisation is still highlighted at a core pillar of EU policy, and transition core to European competitiveness and security.

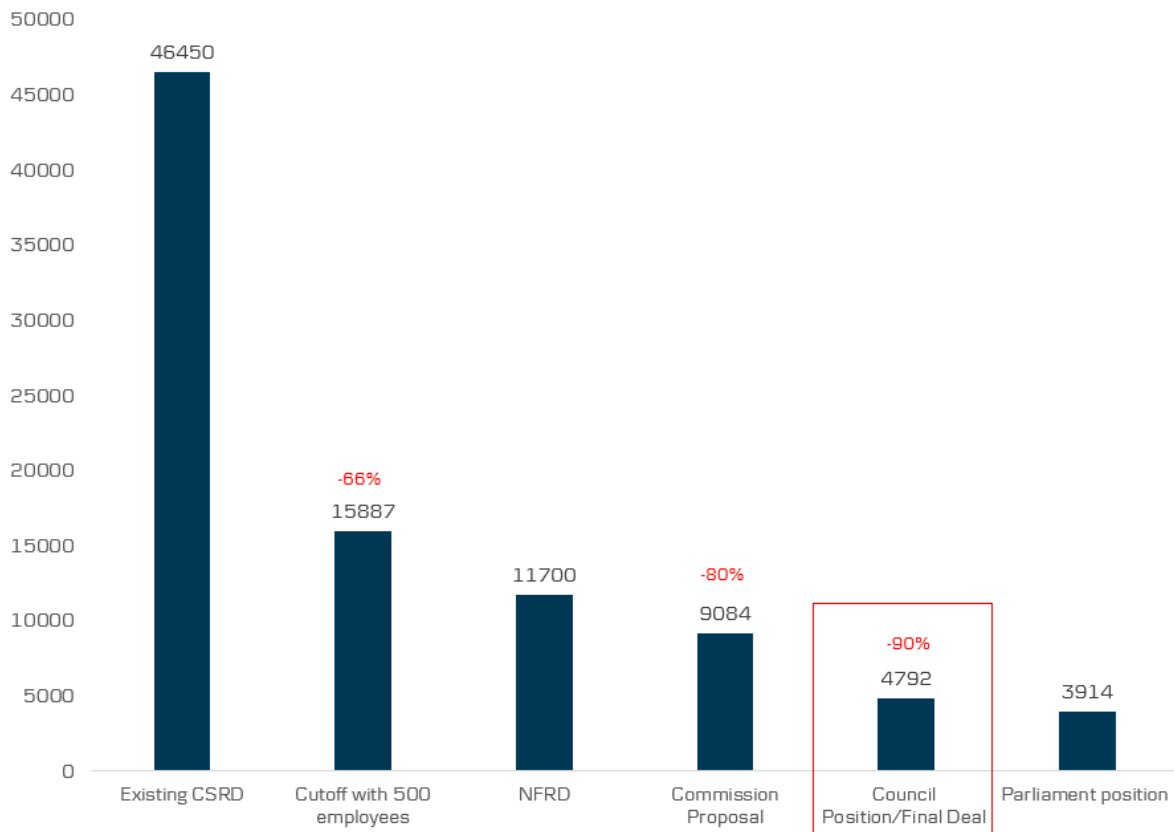
A good litmus test for 2026 might be the [Environmental Omnibus package](#) – released by the EC on December 9. It seeks to promote “simpler and smarter environmental regulation” that promotes sustainable growth, while delivering EUR1bn in annual administrative savings. It will look to accelerate environmental assessments and licenses – likely touching Birds, Habitats and Water Framework Directives, while amending key EU legislation such as the Industrial Emissions Directive and Extended Producer Responsibility obligations. Should the EPP again use the Parliament right to push through its positions, the implication could be deregulatory.

What about corporates? Voluntary drivers firmly in the front seat?

Crucially, the uncertainty associated with projecting legislative changes as simplification or deregulation means it is difficult to assess the risk and rewards associated with being sustainability frontrunners. With regards to CSDDD, CSRD, EUDR and the seeming softening of the ICE engine ban – many corporates with progressive sustainability strategies have complained that they get punished by being frontrunners when regulations are watered out. Further, high ambitions are often linked to manage regulatory risk, hence if regulation is watered out, there is less incentive to be ambitious. Concerns and uncertainty over future deregulation may therefore reduce some momentum for sustainability strategies. Aims such as having resilient long-term business models will be increasingly key to unwavering corporate ambition, but the drivers for this might weaken when EU-level ambition is at risk of slippage.

With regards to sustainability reporting specifically – the Omnibus I deal has a significant impact on corporates. The decline of corporates in scope of the original to the amended CSRD is about 90%. That is a number less than half that of the NFRD which the CSRD replaces (see graph below). Add to that EFRAG [suggested datapoint reduction](#) of nearly two thirds through its work to simplify CSRD accompanying European Sustainability Reporting Standards (ESRS) on December 3, and the reporting burden looks set to be significantly reduced.

Companies in scope of original CSRD, NFRD and final deal



**Percentage highlights extent of scope reduction. Source: Rasche et al*

The implication is that a large swathe of corporates no longer has a mandatory requirement to report on sustainability – at least 42,000 firms that were in the original scope. These will now have to assess how to voluntarily report, be it align more closely with the CSRD's ESRS, use the VSME – which has been considered perhaps too light for larger firms – or look to international standards such as the GRI and ISSB for their reporting. To understand to what extent the Omnibus I has a deregulatory impact, the corporate response will be key – and sustainability requirements in tenders, supplier relationships, consumer preferences, from investors, banks and so on will be key to unlocking the value of deepening sustainability transparency and ambition on material topics.

Sustainable product deep-dive: End of year wrap up

Global Sustainable Bond Market Highlights

The sustainable bond market held steady in 2025, with issuance broadly matching 2024 levels—though still below the 2021 peak when the EU issued tens of Euro billions under its temporary Support to mitigate Unemployment Risks in an

Emergency (SURE). Green bonds continued to dominate, growing 2.2% to reach a new all-time high. China was the standout growth driver, with green issuance surging 70% and now representing about 20% of global supply. In contrast, U.S. volumes softened amid ESG backlash and macroeconomic uncertainty, while Europe held firm thanks to robust FIG (Financials) and SSA (sovereigns, supnationals and agencies) activity. Yet, when green municipal bonds and green/social asset-based securities (ABS) are included, U.S. issuance totalled USD 712 billion—up 10% year-on-year, signalling resilience despite headwinds.

Despite political pushback in the U.S. and regulatory complexity in the EU, ESG remains a core focus for investors. Climate change mitigation is still the top priority, but interest in adaptation strategies and biodiversity is rising. Credible frameworks, strong governance, and robust post-issuance reporting increasingly shape investor demand.

Nordic Market Shines

The Nordics stood out in 2025, achieving record sustainable bond issuance—primarily driven by Nordic financial institutions, whose volumes surpassed last year’s by roughly 22%. The Nordic corporate market recorded its second-best year, with issuance down 3.8% from last year’s peak. Sustainable bonds continue to represent a significant share of the Nordic corporate market at 27%, though this is a decline from the 41% share seen in 2021. The decrease is largely attributable to a wave of M&A financing, which was primarily executed through large conventional bonds.



Source: Danske Bank

Swedish issuers provide the fourth most green bonds globally and Sweden remains the regional leader in sustainable bond issuance, both in terms of number of issuers and market activity. The Swedish krona market is increasingly characterized by sustainable formats, with nearly every second bond issued carrying a sustainable label.

Utilities Dominate the EUR Corporate Market and EU Green Bond Standard

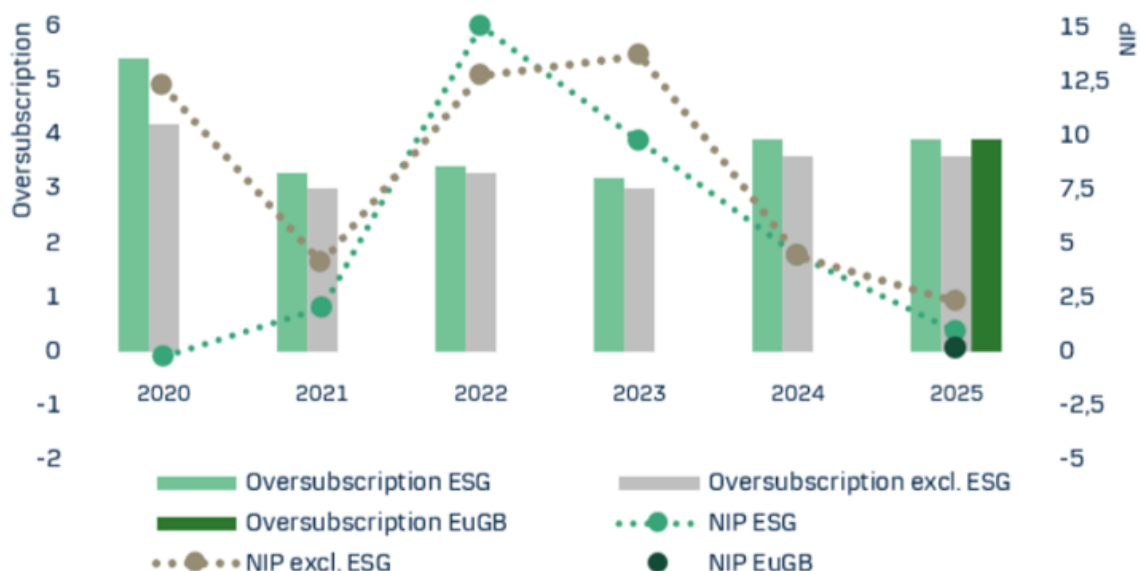
The EUR corporate sustainable bond market declined by approximately 4% in 2025. Despite this, green bond issuance reached record levels, bringing the share of sustainable bonds to around 20% of the total market. Utilities dominated, accounting for about half of all green bond issuance, followed by real estate and consumer discretionary sectors. Together, these three sectors comprised 82% of the market, highlighting a concentration that presents opportunities for new sectors to tap into strong investor demand for diversification.

While green bonds remain the preferred format, sustainability-linked bond (SLB) issuance continues to decline, and the format is approaching a pivotal year as many bonds reach their first target observation date by end of 2025. This will test the credibility of SLBs and place greater emphasis on sustainability reporting and KPI performance. Social and sustainability bonds remain a modest but important part of the market, supporting broader ESG objectives.

2025 marked the introduction of the European Green Bond Standard (EUGBS). While still relatively rare, EUGBS saw strong uptake in the utility sector, where 17% of green bond issuance carried the new label. The standard is lauded for its high market credibility, robust safeguards against greenwashing, and standardized reporting—features highly valued by ESG-focused investors. However, the EUGBS also introduces reduced flexibility in use of proceeds and increased administrative requirements, which may limit eligible project volumes and issuance size.

Renewable energy emerged as the most popular project category under the EUGBS. Oversubscription rates for EUGBS matched those of other green bonds, while new issue premiums were even lower, underscoring strong investor demand.

Oversubscription levels and new issue premium (NIP) for EUR Corporate bonds



Source: Danske Bank

Sustainable Bond outlook for 2026

We expect 2026 to be another strong year in terms of sustainable bond issuance levels. Tailwinds include reinvestment demand from record volumes of maturing bonds over the coming years, continued ESG and labelled sustainability bond fund inflows, and regulatory expansion under the EU Taxonomy. The market is entering a mature phase—marked by seasoned issuers, higher reporting standards, and greater emphasis on credible sustainability strategies.

Sustainable Loan Market Update

2025 has seen significant developments in the sustainable loan market, which appear to reflect a response to a more tense geopolitical situation resulting in a shift in focus from the broad sustainability agenda towards security and resilience as well as climate transition/energy independence.

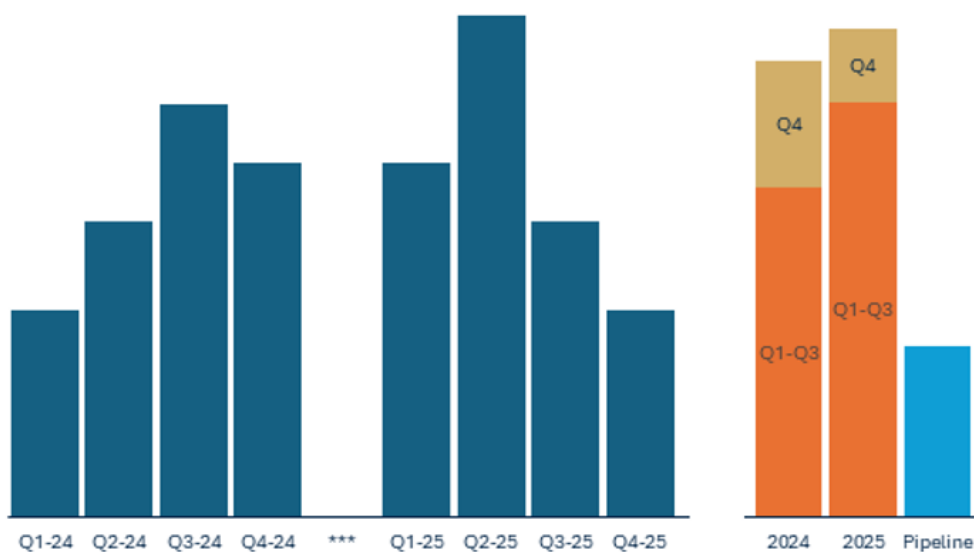
Along this development we have seen LMA, the international standard setter for labelled loans, introducing a new 'transition' format more narrowly focused on the climate transition. We have also seen a few European banks issuing defence/resilience bonds signalling that this format could spill over into the loan market.

For, Sustainability-linked loans, we have seen some major corporate clients refinancing existing sustainability linked facilities without ESG-linkage, while we have also seen clients setting up their first sustainability-linked loans in 2025.

Additionally, we also see an increased interest for green and sustainability-linked guarantees where clients utilize existing sustainability-linked loan structures to connect their guarantee-facilities to sustainability targets.

Public loan market data is not complete, but Danske Bank has experienced an increasing trend with the number of SLL-facilities increasing from 2024 to 2025. We have also seen that appetite for the sustainability-linked format is strongest in Finland and Sweden.

Development in Danske Bank's Sustainability-linked loans 2024 and 2025

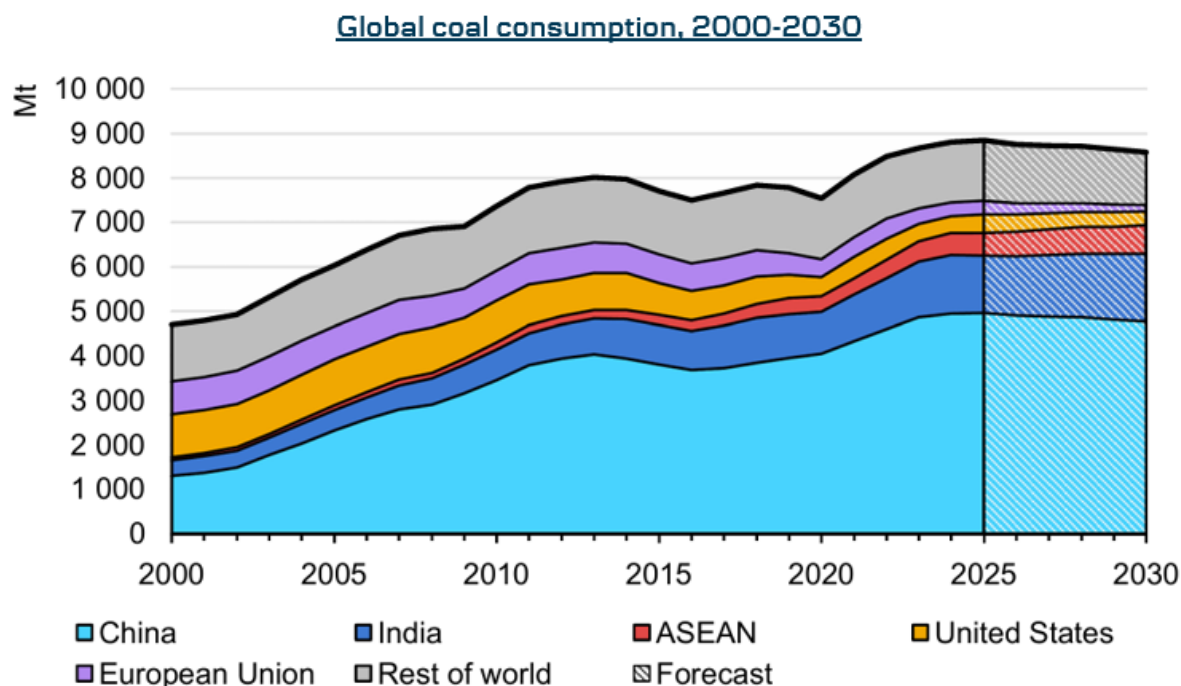


Note: Data for Q4-2025 is not complete. Source: Danske Bank

In brief:

- **Dutch pension fund ends partnership with BlackRock over climate concerns.** PME, the Dutch pension fund managing approximately \$70 billion, is reported to have cut ties with BlackRock Inc., citing concerns that the asset manager no longer aligns with its interests, particularly on climate risk. The pension fund, serving employees in the metals and technology sectors, had previously announced its review of BlackRock after the firm withdrew from a key net-zero alliance earlier this year.
- **Sustainability emerges as a strategic priority in HSBC survey.** The HSBC Sustainability Pulse Survey 2025 reveals that businesses and institutional investors increasingly view sustainability as a key driver of growth and competitive advantage. The survey highlights that 95% of corporates see sustainability as a commercial opportunity, while 99% expect it to deliver differentiated advantages within three years. It also underscores the role of climate technology, with 63% of companies identifying advanced adopters, aiming to expand their adoption to support transition efforts.
- **EU strengthens Carbon Border Adjustment Mechanism (CBAM) on high-emission imports.** On Wednesday, the European Commission proposed measures to close loopholes to prevent circumvention and strengthen the efficacy of EU's CBAM. From 2028, the scope will expand to include specific steel and aluminium-intensive downstream products. Additionally, a temporary fund has been established to support EU producers of CBAM goods and address carbon leakage risks.
- **The European Commission has eased 2030 emissions targets for carmakers.** The original ban was due to force carmakers to cut their production of all combustion engine vehicles by 2035. The revision allows 10% of remaining emissions to be compensated through use of low-carbon steel, or from e-fuels and biofuels. The move follows heavy lobbying from EU car manufacturers and countries, including Germany and Italy. The Commission explains the change with that it sets an ambitious yet pragmatic policy framework to ensure 2050 climate neutrality and strategic independence while providing more flexibility to manufacturers.
- **Coal demand is set to hit a record high for 2025, according to annual IEA coal report.** Rising global energy needs are driving consumption to an estimated 8.85bn tonnes of coal this year, a 0.5% increase from 2024 (graph of the month). Political support for coal in the US has contributed to higher output from coal-fired power plants there, while low wind speeds in Europe also slowed down the shift away from the fuel. The IEA forecasts that the global demand is now plateauing and will be about 3% lower in 2030 compared to 2025. However, there are said to be "many uncertainties" about the outlook, most notably in China, where developments will continue to have an outsize influence on the global picture.

Graph of the month:



IEA. CC BY 4.0.

Source: IEA

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