



ESG & Sustainability Report 2025

Risk, Regulation, and Long-Term Resilience

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1. Executive Summary

This report provides an overview of the 2025 global ESG landscape, showing how environmental, social, and governance factors have become financially material for investment decisions, corporate strategy, and regulatory compliance. It covers ESG measurement through KPIs and global disclosure frameworks and highlights the shift toward audit-grade, decision-useful ESG data.

Key developments include COP30's focus on translating climate commitments into action, growth in ESG ratings, regional regulatory divergence, and investor recalibration toward credible, outcome-based ESG integration.

The report examines structural ESG shifts, environmental and social performance trends, governance quality, and recent global ESG transactions, offering a forward-looking view on embedding ESG strategically to drive resilience, competitiveness, and long-term value creation.

Overview

ESG has evolved into a structured, financially material framework shaping investment decisions, corporate strategy, and regulatory compliance. Through standardized KPIs across environmental, social, and governance pillars, organizations can measure performance, manage risk, and align disclosures with global frameworks such as SASB and IFRS sustainability standards.

COP30: Global Climate Action Snapshot

COP30 represents a shift from climate ambition to execution, focusing on implementing COP28 Global Stocktake outcomes and driving measurable ESG-aligned climate action. By prioritizing enhanced national commitments, sector-wide transformation, and stronger accountability, COP30 reinforces near-term progress toward Paris Agreement targets while highlighting remaining gaps in global climate action.

Global Landscape – 2025

The global ESG ecosystem is undergoing a structural transformation, driven by the rapid expansion of ESG ratings, widening regulatory divergence across regions, and a more disciplined approach from investors. As ESG data becomes increasingly financial-grade and embedded in capital allocation decisions, ratings and regulatory frameworks are no longer peripheral disclosures but core inputs into risk assessment, compliance, and long-term value creation.

Structural ESG Shifts

By 2025, ESG has transitioned from voluntary disclosure to mandatory regulatory compliance, with enforcement, assurance, and supervisory oversight creating financial, legal, and reputational consequences comparable to financial reporting. Capital markets are repricing ESG risk rather than exiting, favouring companies with credible, verifiable transition strategies. Fragmented global frameworks and rising assurance requirements have elevated ESG to a level risk, demanding audit-grade data, strong governance, and coordinated execution across finance, legal, and sustainability functions.

Environmental

Environmental performance under the ESG framework shows uneven but progressing global momentum. Europe leads sustainability outcomes across SDG-linked indicators, while emerging regions face structural challenges in energy access, climate resilience, and biodiversity. At the same time, the rapid growth and maturation of carbon credit markets and the gradual decline in global GHG emissions reflect increasing corporate and policy alignment with climate goals. However, current emissions reduction trajectories remain below Paris-aligned pathways, underscoring the need for faster, more integrated environmental strategies to achieve credible ESG performance by 2030.

Social

The Social pillar of ESG is increasingly material to corporate performance, risk management, and capital access. Strong social outcomes reflected in high Social Progress Index scores support workforce stability, productivity, and resilience, while weak social environments heighten operational, regulatory, and supply-chain risks. As disclosures tighten and investor interest in social-linked instruments grows, effective human capital and social risk management have become critical to long-term competitiveness.

Governance

The regional governance analysis highlights Europe as the global benchmark for institutional quality, characterized by high scores and low dispersion across countries. Asia-Pacific follows closely, driven by strong developed markets but with notable intra-regional variation. The Americas display a polarized governance landscape, while Africa's lower average masks selective governance leaders. Together, the charts underscore that governance risk is increasingly regional in pattern but country-specific in impact.

Latest ESG Transactions

Recent multi-region ESG transactions highlight the deepening integration of sustainability into global capital markets. IFC's investment in Brookfield's Catalytic Transition Fund channels capital toward decarbonization and clean energy in high-growth emerging markets, while Saudi Arabia's debut sovereign green bond signals strong ESG momentum in the Middle East. Slovenia's Sustainability-Linked Bond framework further demonstrates Europe's shift toward performance-based sovereign financing, collectively underscoring growing investor demand for measurable, climate-aligned outcomes across regions.

Future-Outlook (2025-2030)

Over the next five years, ESG's ability to deliver lasting economic and societal value will depend on how effectively organizations move beyond compliance toward strategic integration. Despite short-term political and market volatility, ESG investing remains resilient, supported by strong growth in Europe, Asia, and emerging markets. The ESG landscape will be shaped by widening regional regulatory divergence, rising expectations for transparency and board-level expertise, technology-driven reporting, selective ESG "hushing" in the US, and increasing investor activism influencing corporate strategy.

2. Overview

ESG has evolved from a values-based concept into a structured framework shaping investment decisions, corporate strategy, and regulatory compliance. Understanding the foundations of ESG is critical to assessing how environmental, social, and governance factors now influence long-term enterprise value. This section establishes the baseline from which ESG's rapid transformation into a regulated and financially material discipline can be understood.

Environmental, Social, and Governance (ESG) is an investment approach focusing on environmental responsibility, social impact, and strong corporate governance. It provides a framework for assessing how effectively organizations manage ESG-related risks and opportunities, recognizing that sustainability extends beyond environmental concerns.

Over the past decade, ESG has moved from a niche focus to a mainstream investment criterion. Across industries, ESG factors are increasingly used to evaluate long-term business resilience and performance, guiding decisions such as excluding underperforming firms, prioritizing leaders, or integrating ESG insights into traditional financial analysis.

2.1 Key Indicators

Key performance indicators (KPIs) are metrics used to evaluate an organization's overall performance. ESG KPIs specifically measure performance across environmental, social, and governance dimensions, including areas such as

greenhouse gas emissions, water usage, waste management, diversity and human rights practices, and executive oversight and policies. These indicators may be broad in scope or highly detailed, depending on their purpose.

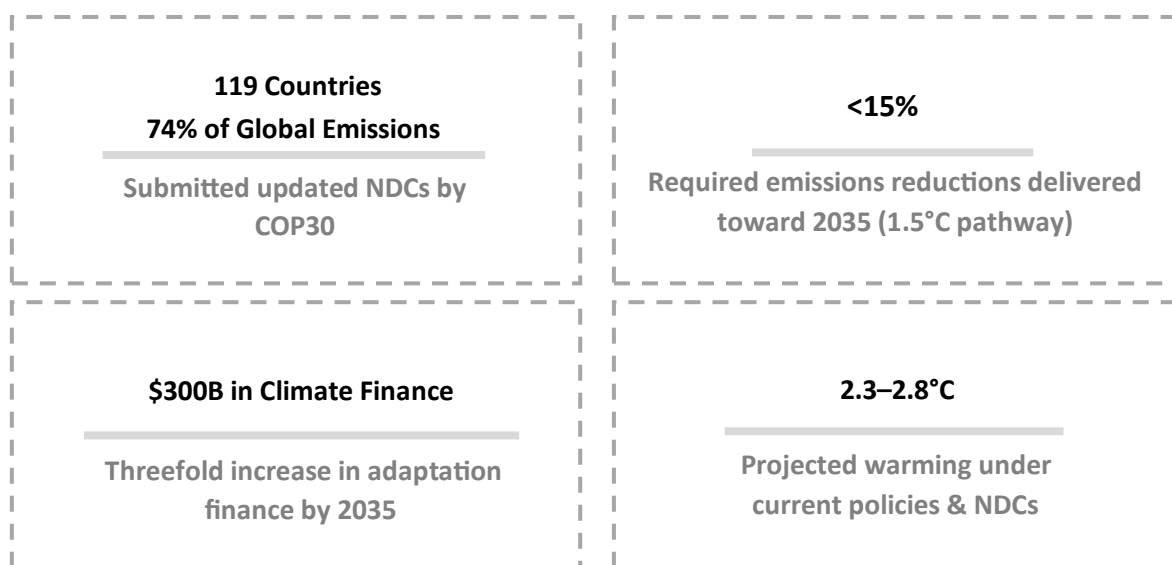
For ESG data tracking to be effective, measurement systems should comprehensively cover all three ESG pillars: **environmental, social, and governance**, each defined by specific criteria that measure a company’s positive or negative impacts. Environmental criteria measure greenhouse gas emissions, energy consumption, waste generation, and biodiversity impact. Social criteria measure the company’s impact on stakeholders across its value chain, including employees, customers, suppliers, and communities. Governance criteria measure the quality of corporate management, including board independence, executive remuneration, shareholder rights, and ethical business practices.

Organizations should track ESG KPIs relevant to their industry, geography, objectives, and values. Standardized disclosure frameworks, such as SASB, provide sector-specific guidance and metrics, which many integrate into ESG reporting. SASB standards also support components of IFRS sustainability and climate-related disclosure requirements (IFRS S1 and S2).

3. COP30: Global Climate Action Snapshot

COP30, the 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) marks a critical implementation phase in the global ESG agenda, building directly on the foundations established at COP28. Positioned as an execution-focused summit, COP30 emphasizes translating climate commitments into measurable outcomes across policy, capital markets, and corporate strategy. Central to this approach is the implementation of the first Global Stocktake outcomes agreed at COP28, reinforcing accountability and near-term action aligned with the Paris Agreement.

The COP30 Action Agenda prioritizes large-scale transformation across energy, industry, transport, nature, agriculture, resilience, and social development, supported by cross-cutting enablers such as finance, governance, and technology. Governments are expected to submit enhanced Nationally Determined Contributions ahead of COP30, strengthening 2030 emissions targets and introducing new 2035 goals, while integrating adaptation, just transition, and loss-and-damage considerations.

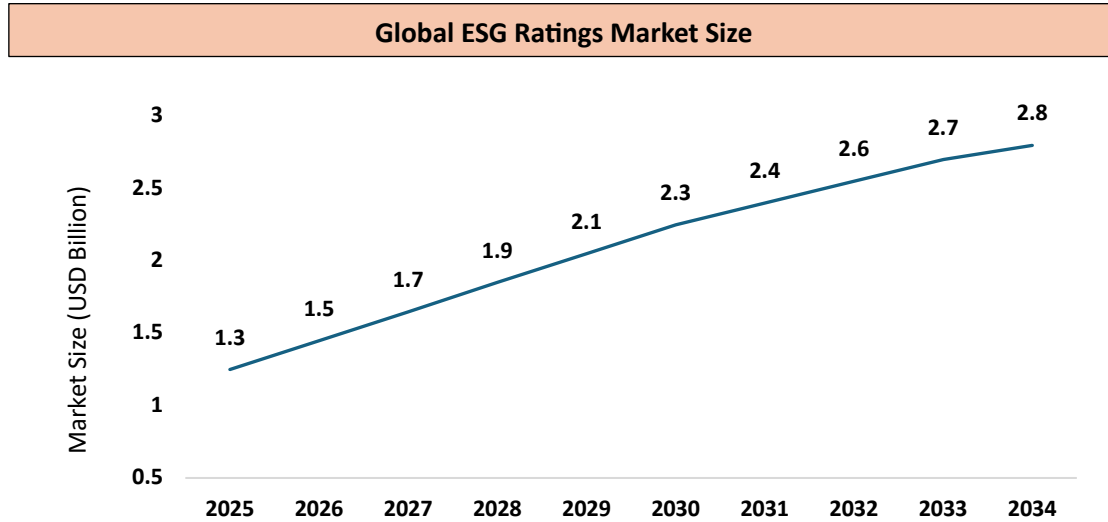


COP30 provides a concise overview of global climate action, summarizing participation by major emitters, progress on national climate plans, and remaining gaps in achieving long-term targets.

4. Global Landscape – 2025

4.1 Global ESG Rating

The Global ESG Ratings Market size is projected at USD 1.25 billion in 2025, anticipated to climb toward USD 1.40 billion by 2026, and estimated to grow to almost USD 2.8 billion by 2034, reflecting a strong CAGR of 12% for the period spanning 2025 to 2034.



Source: Business research insights, 2026

4.2 Regulatory Divergence

ESG regulations vary across regions, with the EU having the highest intensity and emerging markets mostly voluntary. Countries like the UK, US, Japan, Singapore, and India follow moderate standards, while China applies selective domestic rules.

ESG Regulation Heatmap by Region

Region	Regulatory Intensity (1–5)	Primary ESG Frameworks
EU	5	CSRD, ESRS, EU Taxonomy
UK	4	TCFD-aligned disclosures
US	3	SEC Climate Disclosure Rules
Canada	3	ISSB-aligned
Japan	3	ISSB-based
Singapore	3	ISSB-based
China	2	Selective domestic ESG rules
India	3	BRSR (mandatory for top listed)
Emerging Markets	1	Mostly voluntary

Source: Planetary P&L, Sustainability Disclosure Tracker

By 2025, ESG regulation is highly fragmented: the EU enforces mandatory, audit-level reporting; the US focuses on litigation and financial materiality; and APAC adopts ESG selectively, emphasizing investor relevance. Global companies must manage legal risk, disclosure consistency, and cross-jurisdictional compliance rather than follow a single framework.

4.3 Investor Recalibration, Not Retreat

Despite headlines suggesting an ESG backlash, investor behaviour in 2024 – 2025 reflects recalibration rather than withdrawal. Capital has become more selective, demanding higher-quality disclosures, credible transition plans, and measurable outcomes.

While some ESG funds experienced net outflows, total sustainable investment assets have remained resilient. Investors are shifting away from broad, label-driven ESG products toward strategies that integrate sustainability into risk management, cash-flow durability, and long-term value creation.

This shift reflects a maturation of ESG investing:

- Reduced tolerance for greenwashing
- Greater scrutiny of emissions targets and transition CAPEX
- Increased focus on financially material ESG risks

Implication:

Companies with weak execution or vague commitments face rising capital costs, while those with credible ESG integration continue to attract long-term investment.

5. Structural ESG Shifts in 2025

ESG has transitioned from voluntary reporting to mandatory compliance, with regulatory, assurance, and governance requirements increasing across jurisdictions. Investors are repricing ESG risk rather than exiting, while boards and executives face heightened accountability, making ESG a core factor in capital allocation, operational decision-making, and long-term enterprise resilience.

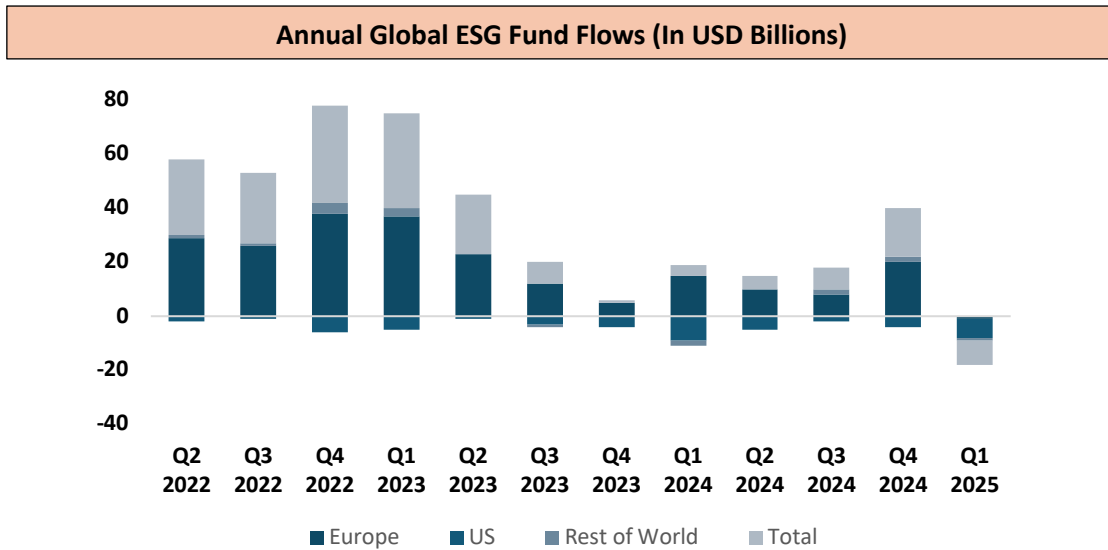
5.1 Capital Repricing vs Capital Exit

Contrary to narratives of an ESG retreat, capital markets in 2025 are repricing ESG risk rather than exiting ESG entirely. While certain ESG-labelled funds have experienced outflows, total sustainable investment assets remain substantial, and capital continues to favor companies with credible transition strategies and financially material ESG integration.

Investors are shifting away from broad ESG labels toward deeper analysis of execution quality, scrutinizing emissions trajectories, transition CAPEX, governance quality, and downside risk. ESG performance increasingly influences cost of capital, valuation multiples, and access to long-term funding.

Companies with weak ESG execution face higher financing costs, while those with credible, verifiable strategies continue to attract capital.

Global ESG Fund Flows (2022 – 2025)



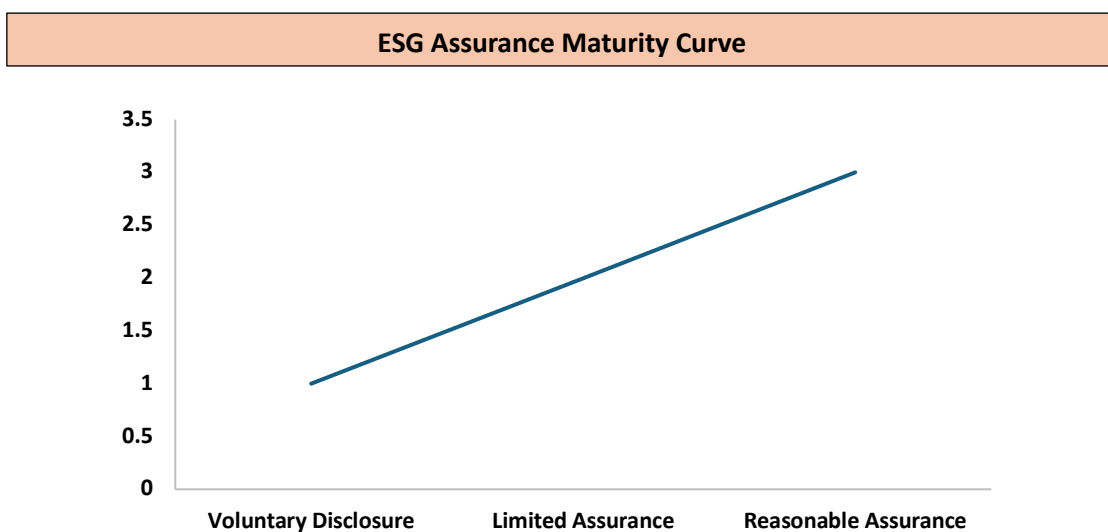
Source: Morningstar Direct

5.2 Assurance as the Credibility Threshold

Assurance has emerged as the minimum credibility threshold for ESG reporting. Regulators, investors, and boards increasingly expect ESG disclosures to be subject to independent verification, mirroring the evolution of financial reporting. Under CSRD, limited assurance is mandatory, with a pathway toward reasonable assurance over time.

This shift exposes organizations with weak data governance, fragmented systems, and unclear ownership of ESG metrics. Without robust internal controls, companies face a heightened risk of greenwashing accusations, regulatory findings, and litigation.

ESG data must meet audit-grade standards, requiring ICFR-like controls, clear accountability, and system-enabled traceability.



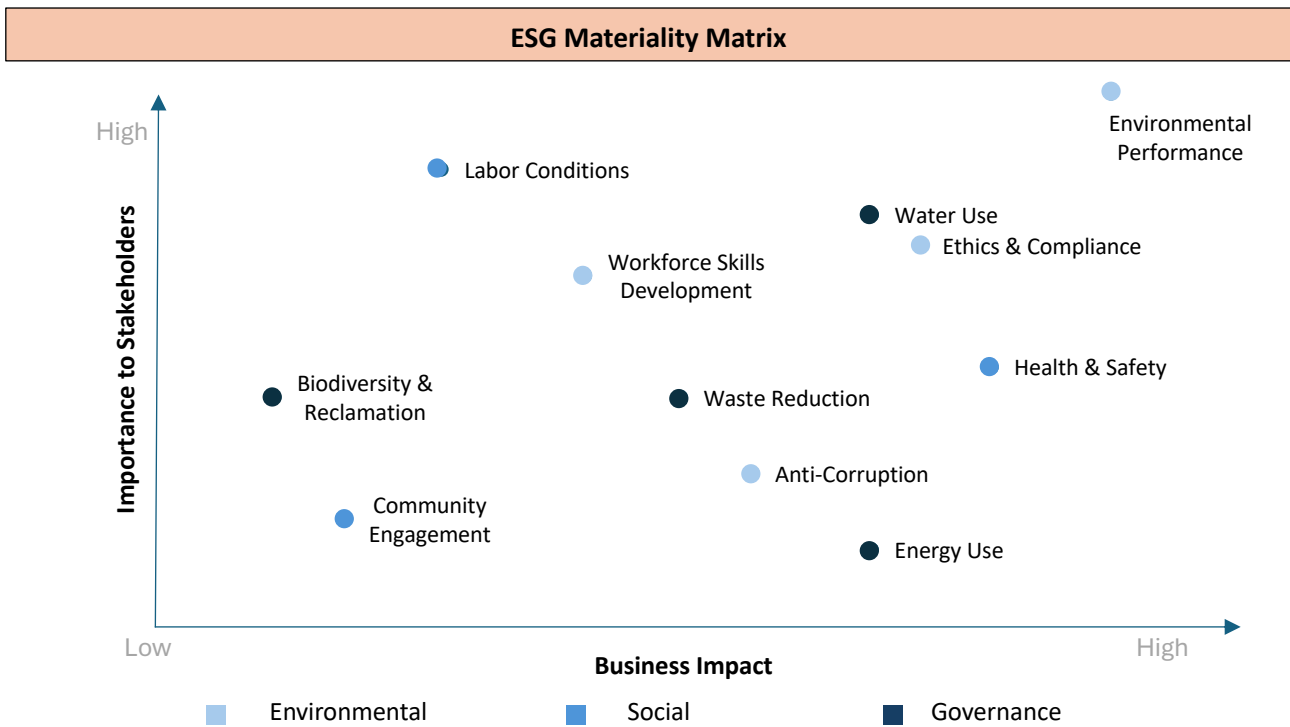
Source: SDG Index

5.3 ESG as a Board-Level Risk

ESG has evolved into a core board-level risk and value topic, comparable to cybersecurity or financial controls. Climate risk, social disruption, and governance failures increasingly affect strategy, capital allocation, and long-term enterprise value. Regulators and investors now expect boards to demonstrate ESG competence, active oversight, and accountability mechanisms.

ESG is no longer delegated; it is governed. Board capability and oversight quality increasingly differentiate leaders from laggards.

5.4 ESG Materiality Matrix



Source: Audioboard

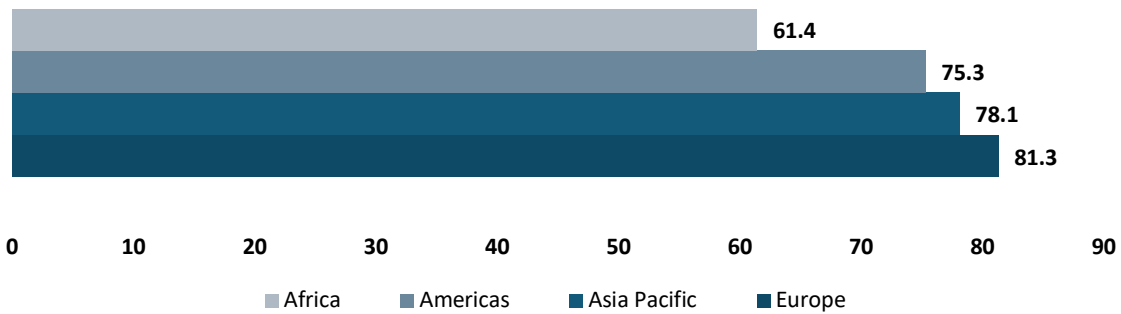
6. Environmental (E)

6.1 Environment and sustainability development index

As part of the ESG framework, environmental sustainability focuses on climate action (SDG 13), life on land and below water (SDGs 14 & 15), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), and responsible consumption and production (SDG 12). The SDG Index tracks regional progress toward these goals on a scale of 0–100, with 100 indicating full achievement.

Regionally, Europe leads due to strong policies, renewable energy adoption, and biodiversity protection. Asia Pacific follows showing good progress but with variation between developed and emerging economies. The Americas reflecting moderate performance, with North America ahead of Latin America, where deforestation and emissions remain challenges. Africa has the lowest average facing hurdles in energy access, water and sanitation, climate resilience, and biodiversity conservation.

SDG Index Average Score



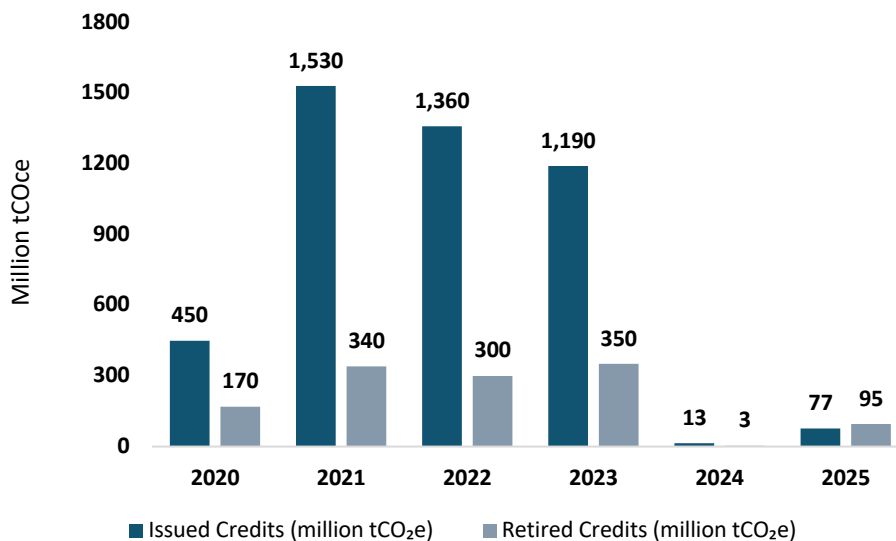
Source: SDG Index

6.2 Global Carbon Credit Issuance and Retirement

Between 2020 and 2021, the market experienced a sharp increase in issuance, signalling the acceleration of corporate ESG commitments and climate mitigation initiatives. Over subsequent years, issuance gradually declined while retirements remained steady or increased, indicating a maturing carbon market where companies are increasingly utilizing credits to achieve net-zero or carbon-neutral targets.

From an **Environmental (E) perspective**, this trend underscores the role of carbon credit mechanisms in reducing greenhouse gas emissions and promoting sustainable corporate practices. By tying financial instruments to measurable emission reductions, organizations are incentivized to adopt cleaner technologies, invest in renewable energy, and enhance energy efficiency. The rising retirements relative to issuance in 2024 – 2025 suggest that companies are actively using carbon credits to fulfil environmental obligations, aligning with **global climate goals such as the Paris Agreement**. Overall, the graph demonstrates how carbon markets serve as a tangible link between corporate environmental responsibility and global sustainability outcomes, reinforcing the centrality of the “E” factor in ESG reporting and investment decisions.

Carbon Credit Issuance and Retirement (2020 – 2025)



Source: World bank

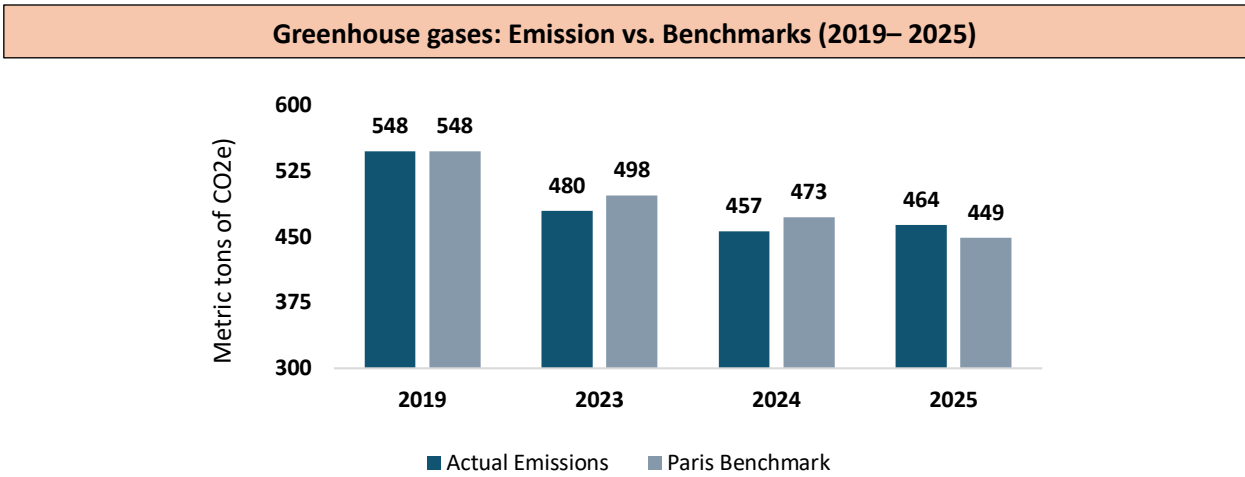
The graph shows global carbon credit issuance and retirement trends from 2020 – 2025, highlighting the growing role of carbon markets in ESG accountability. Issuance surged initially, reflecting rising climate commitments, while retirements increased steadily, reaching 95 million tCO₂e in H1 2025, signalling greater use of credits to meet net-zero

goals. This shift indicates a maturing market where carbon credits increasingly support measurable emissions reduction and alignment with global climate objectives.

6.3 Greenhouse Gas Emissions Trends

Greenhouse gas (GHG) emissions remain the **most material indicator within the Environmental pillar of ESG**, as they directly reflect an organization’s or economy’s contribution to climate change, transition risk exposure, and long-term sustainability alignment. Absolute emissions trends, alongside reduction trajectories, are central to evaluating climate performance, regulatory preparedness, and credibility of net-zero commitments.

The decline in greenhouse gas emissions since 2019 demonstrates meaningful progress under the Environmental pillar of ESG; however, the current reduction pace remains below Paris-aligned benchmarks. While Europe and select markets exhibit strong decarbonization momentum, variability across regions highlights the need for accelerated, structurally embedded emissions-reduction strategies to achieve best-in-class ESG performance by 2030.



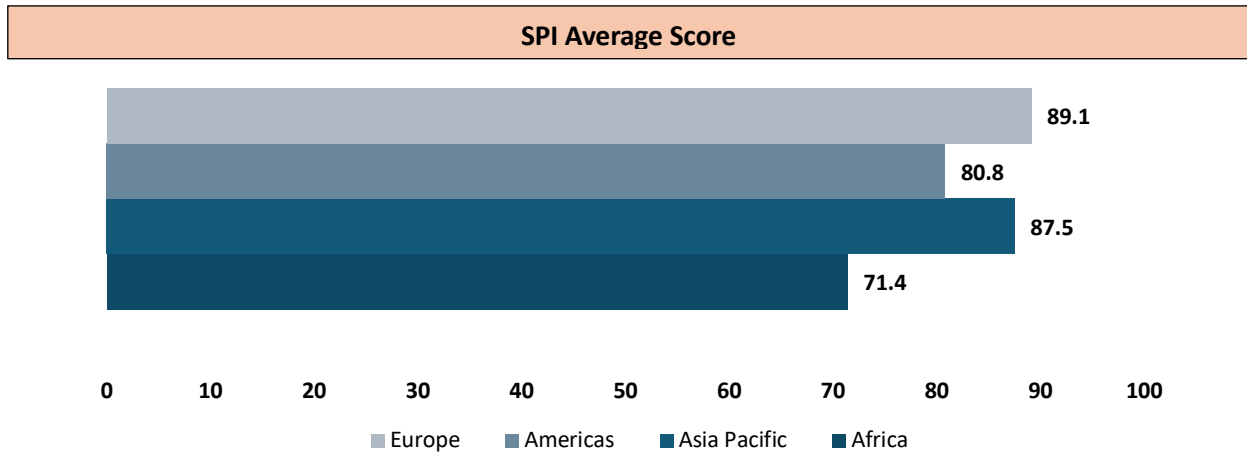
Source: CGI ESG Report, 2025

7. Social (S)

Social performance has become a central component of ESG, directly influencing operational efficiency, financial outcomes, and access to capital. Companies are expected to proactively manage human capital, labor practices, and workforce stability, with transparent disclosures under frameworks like CSRD and ESRS covering diversity, turnover, training, health and safety, and engagement.

The **Social Progress Index (SPI)** highlights regional social outcomes, showing that strong societal infrastructure like healthcare, education, and inclusion supports better workforce stability and social risk mitigation. Social risks also manifest through litigation, regulatory scrutiny, and supply-chain disruptions, making compliance, due diligence, and remediation critical. Strong social management, aligned with high SPI environments, enhances productivity, retention, innovation, and resilience, while weak performance or low SPI contexts increase attrition and operational costs. Growing investor interest in social bonds further links measurable social outcomes to access to targeted capital, making workforce and social management, in conjunction with SPI insights, a key driver of long-term competitiveness.

The **Social Progress Index (SPI)** measures real social outcomes across three dimensions: *basic human needs, foundations of wellbeing, and opportunity*. Globally, Europe and North America lead with high SPI scores, reflecting strong healthcare, education, rights, and inclusion. Asia Pacific shows wide variation, with East Asia scoring higher and South Asia lower. Africa has the lowest regional average, indicating gaps in basic services, health, and opportunity.



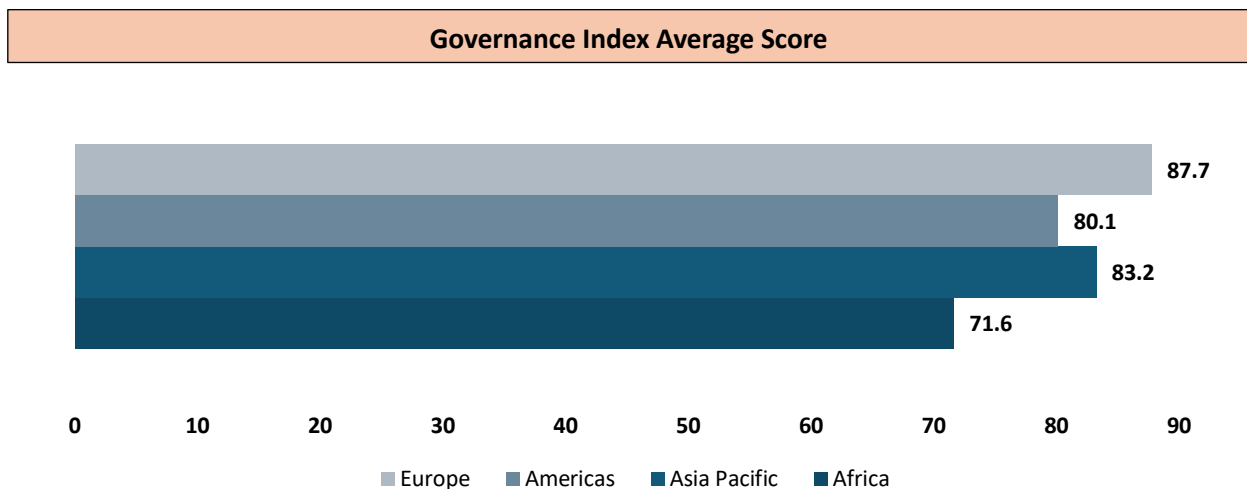
Source: World Population Review

8. Governance (G)

Governance is the backbone of credible ESG performance, ensuring accountability, risk mitigation, and reliability of disclosures. Boards are expected to demonstrate measurable ESG competence through skill matrices, link executive compensation to verifiable ESG outcomes, and implement financial-grade internal controls over ESG data, similar to ICFR frameworks.

Europe leads globally with high governance standards, reinforcing low governance risk and investor confidence. Asia-Pacific shows strong top-tier governance but moderate intra-regional divergence, highlighting selective investment opportunities. The Americas are polarized, with Canada as a governance anchor and other jurisdictions showing structural challenges. Africa, while having the lowest regional average, exhibits islands of institutional strength, emphasizing the need for country-level due diligence.

Strong governance, aligned with high Social Progress Index (SPI) regions, enhances strategic decision-making, operational stability, and long-term enterprise value, whereas weak governance in low-SPI regions increases exposure to compliance, financial, and reputational risks.



Source: World Economics

9. Latest ESG Transactions

Global / Multi-Region ESG Transactions

ESG Transaction 1

ESG Transaction 2

ESG Transaction 3

IFC Invests \$100M in Brookfield Catalytic Transition Fund

- IFC committed \$100M to Brookfield’s \$5B fund for energy transition and sustainable projects in emerging markets (Asia, Latin America, Africa, Europe, Middle East).
- Focus: decarbonization, clean energy infrastructure, sustainable business transitions.
- IFC also provided \$75M co-investment to catalyze private capital.
- **Impact:** Boosts climate-aligned investments in markets with high ESG potential.

ESG Transaction 1

ESG Transaction 2

ESG Transaction 3

Saudi Arabia raising €1.5 billion through Green Bonds

- First sovereign green bond issued in Feb 2025, raising EUR 1.5B (~\$1.6B).
- Funds renewable energy, energy efficiency, and sustainable infrastructure projects.
- **Impact:** Marks Middle East ESG market growth; oversubscribed due to strong investor demand.

ESG Transaction 1

ESG Transaction 2

ESG Transaction 3

Slovenia Sustainability-Linked Bond Framework

- In 2025, Slovenia launched a Sustainability-Linked Bond (SLB) framework, linking bond returns to achieving sustainability targets such as GHG reductions, renewable energy share, and energy efficiency KPIs.
- **Impact:** Expands Europe’s sovereign SLB market, aligns investments with measurable ESG outcomes, encourages public sector climate action, and attracts global ESG investors seeking performance-based sustainable investments.

10. Future Outlook (2025–2030)

The next five years will determine whether ESG delivers lasting economic and societal value or remains a compliance burden. Strategic choices made today will shape competitiveness, resilience, and stakeholder trust. This section outlines how ESG is expected to evolve and what organizations must do to stay ahead.

10.1 Current State of ESG Investing

ESG has remained resilient despite recent headlines about divestment and declining popularity. The global ESG assets were projected to reach **\$35 – 50 trillion** by 2030. Recent setbacks are minor compared with the overall growth, driven by investors viewing ESG as long-term, governance-focused investments. Europe and Asia remain strongholds, while US investors are more cautious due to political pressures.

Political environments have shaped ESG adoption. While Trump’s return in the US has posed challenges, most governments in Europe, Asia, and other major markets continue supporting ESG principles. Regulations such as the EU’s CSRD have increased transparency and accountability, creating a fragmented global ESG landscape.

10.2 The Future of ESG

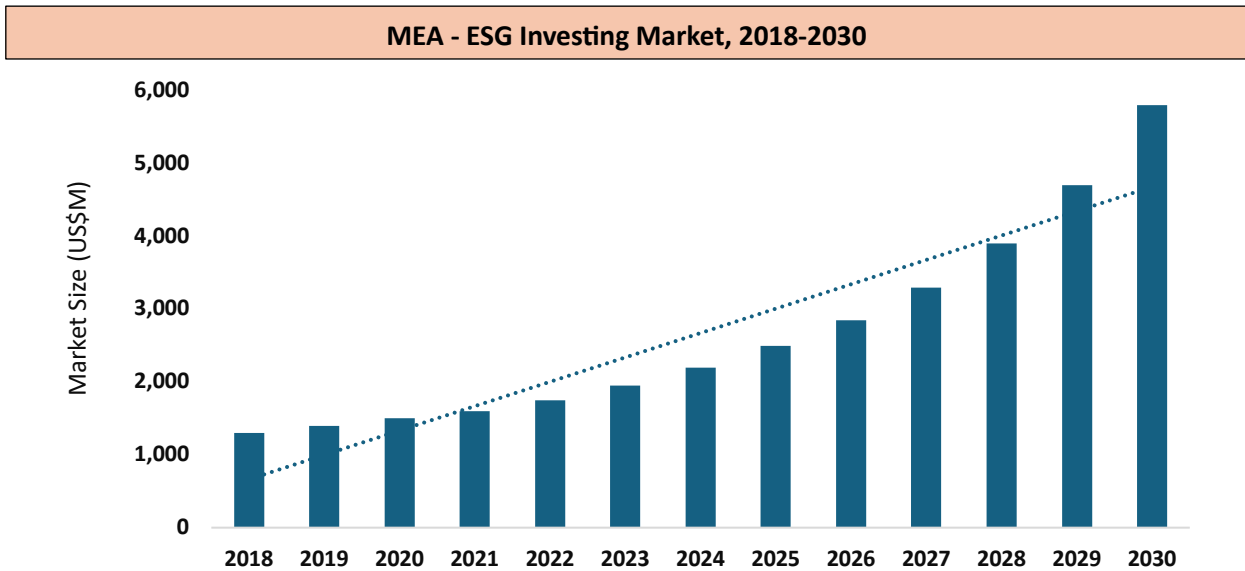
For governance professionals making strategic ESG decisions, there is no one-size-fits-all answer, as strategies depend on company goals, industry, and national context. However, several trends are emerging:

1. Regional divides will widen – Europe and Asia continue ambitious ESG programs with new regulations, while the US and some emerging markets face political resistance. Boards of trans-Atlantic companies will need to navigate two very different regulatory and political landscapes.
2. Transparency will require upskilling – Many companies, particularly in Europe and Asia, will need new expertise on boards and executive teams to comply with evolving ESG reporting standards. ESG-related training will become increasingly critical.
3. Technology will drive ESG reporting – AI, blockchain, and other digital tools will revolutionize ESG monitoring, enabling real-time supply chain oversight and automated sustainability audits. The future of ESG reporting is digital, scalable, and precise.
4. “Hushing” may emerge in the US – Companies may pursue ESG initiatives quietly, avoiding public discussion to prevent political backlash, while still committing to sustainability goals.
5. Corporate activism will increase – Polarized ESG attitudes are likely to fuel more investor activism, which boards must anticipate, as aggressive campaigns could threaten corporate strategies.

10.3 Market Highlights

Middle East & Africa:

The ESG investing market in Middle East & Africa is expected to reach a projected revenue of USD 5 billion by 2030. A compound annual growth rate of 18.1% is expected of Middle East & Africa ESG investing market from 2025 to 2030.



Source: Grandview Research

MEA ESG investing market highlights

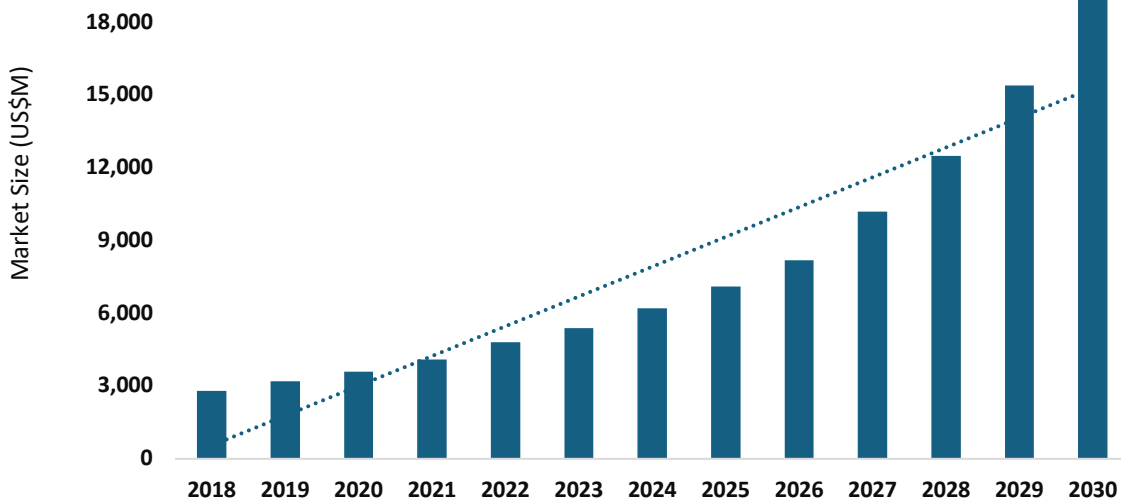
- The market is expected to grow at a CAGR of 18.1% from 2025 to 2030.
- In terms of segment, ESG integration was the largest revenue generating type in 2024.
- Green Bonds is the most lucrative type segment registering the fastest growth during the forecast period.

- Country-wise, Saudi Arabia is expected to register the highest CAGR from 2025 to 2030.

Asia:

The ESG investing market in Asia Pacific is expected to reach a projected revenue of USD 19 billion by 2030. A compound annual growth rate of 22% is expected of Asia Pacific ESG investing market from 2025 to 2030.

APAC - ESG Investing Market, 2018-2030



Source: Grandview Research

Asia Pacific ESG investing market highlights

- The market is expected to grow at a CAGR of 22% from 2025 to 2030.
- In terms of segment, ESG integration was the largest revenue generating type in 2024.
- Green Bonds is the most lucrative type of segment registering the fastest growth during the forecast period.
- Country-wise, Australia is expected to register the highest CAGR from 2025 to 2030.

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