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Strategy and Sustainability

2025 ESG trends, ideas, and recommendations for businesses

ESG & Sustainability Transformation

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ESG has become more necessary than ever for businesses and investors as the world struggles with climate change, social injustice, and global health problems. If companies embrace ESG trends in 2025, they can attain a remarkable brand reputation, gain tremendous customer loyalty, and reduce risk while contributing to a more sustainable future. Apart from financial gains, investors increasingly seek investments that are in accordance with their beliefs.

The rising significance of ESG has drastically altered how businesses, their customers, lawmakers, and investors think about sustainability. ESG factors were once widely considered "nice-to-haves" rather than essential factors in company and investment choices. Yet, as ESG has gained popularity, businesses and investors are adopting a more comprehensive strategy, integrating ESG factors into their business plans and decision making procedures.

This post will explore the burgeoning ESG future trends likely to influence business and investing in 2025 and beyond. We will look at the most recent advancements in ESG and their effects on organizations and investors, from broadening ESG criteria to using new technologies for ESG research. Companies and investors may position themselves for long term success while helping to create a more sustainable and fair society by staying ahead of these trends.

1. **Sustainability Impact Measurement.**

Many organisations are just starting on a sustainability journey, which includes first steps such as defining terms within the context of the particular business and beginning to measure sustainability impacts.

A growing number of enterprises are undertaking an ESG materiality assessment that inventory the most significant impacts and concerns the company needs to address. Top sustainability categories to examine include greenhouse gas emissions and energy usage. Sustainability is a component of a company's broader ESG efforts. Mapping all potential ESG issues onto a quadrant to help prioritize initiatives based on their importance and level of impact is a valuable step. What's noted in the top right quadrant would reflect problems with the biggest impact and the most scrutiny, while those in the lower left are the least impactful and scrutinized for an organization. For example, waste disposal would be a much bigger issue for a mining company than a call center. In contrast, the call center might be more concerned with its IT power usage, which likely would be a smaller consideration for a mine.

Mapping ESG and sustainability priorities is fundamentally important because this is your crucial governance artifact where you need to focus.

The materiality assessment can help the company identify the ESG data that needs to be captured and integrated into various analytics workflows. It also provides a basic understanding to help the business leaders guide conversations across the organisation to determine the best way they can contribute and get involved, such as using IoT technology to improve energy efficiency.

2. ESG - The New Wave of Globalisation.

ESG plays an increasingly great role in building value, promoting sustainable growth, and healing social fractures. The pandemic and terrible consequences of climate change serve as a wake-up call for every organisation in the world to prioritise a more sustainable approach. ESG is the trend of globalisation when big and inclusive issues such as environment, social, and governance can only be fully addressed with effective cooperation on a global scale. Today, it is imperative to prepare both at the micro and macro levels for future uncertainties such as epidemics, natural disasters, wars, social riots, or geopolitical conflicts.

Now, the ESG version of globalisation offers a myriad of unique and rare opportunities that businesses and countries big and small can fully take advantage of in their development.

3. Greenhouse Gas Protocol Frameworks.

Scientists across the globe agree the world faces a climate emergency that demands immediate attention. For companies, researching common standards and frameworks is an important step in taking the right actions to support green computing initiatives and other sustainability efforts.

For example, business leaders need to familiarize themselves with the Greenhouse Gas Protocol frameworks, which standardize how enterprises report and manage greenhouse gas emissions. Learning the basics of what scope 1, 2, and 3 emissions mean is a good first step.

What are Scope 1, 2, and 3 emissions?

The Greenhouse Gas Protocol provides categories of greenhouse gas emissions that technology and business leaders should understand. These categories are Scope 1 emissions, Scope 2 emissions, and Scope 3 emissions:

Scope 1 Emissions
These are also known as direct emissions, which include all the emissions produced as the direct result of the operation of a company. This can include emissions produced by manufacturing processes, electricity produced on-site by burning fossil fuels, and emissions produced by chemical processes.

Scope 2 Emissions
Plenty of companies don't produce Scope 1 emissions because they are not running manufacturing processes themselves. Scope 2 emissions are those produced as a result of the generation of electricity, steam, heating, and cooling.
For example, suppose an information technology (IT) company runs server farms that use a lot of electricity. In that case, they will add the emissions produced from the generation of this electricity to their carbon accounting. This type of emission can represent a significant proportion of the total emissions of a company, depending on its sector.

Scope 3 Emissions
Often referred to as supply chain emissions, Scope 3 emissions are indirect greenhouse gas emissions that occur as a consequence of the activities of a company, but from sources not owned or controlled by it. This can include the emissions produced during the manufacturing of the goods that a company buys, for example.

Scope 3 emissions represent a significant proportion of the total emissions produced by companies in the West. For most companies in the service sector, Scope 3 emissions will far outweigh those in Scopes 1 and 2 combined. As such, reducing consumption of third-party goods, or seeking greener alternatives to them, represents a major opportunity for firms to reduce their GHG impact.

If a business leader does not understand the specifics of the enterprise's goals and targets across all three scopes and the timeline (required to address them), then they're going to be floundering around addressing things that aren't important right here, right now, or (they won't give) sufficient attention to those things that are important.

4. **Sustainable Products Will Become the Norm.**

Sectors like fast fashion are quickly becoming 'very uncool'.
Young people are leading the way by purchasing more sustainable products.
Millennials and Gen-Z are more aware than any other generation of the impact of climate change, the loss of biodiversity, and the need to take action.

As the people who were born in the 21st Century enter the workforce, they will have more purchasing power, so you need to ensure your organisation adheres to environmental and sustainability standards if you want to attract them.

5. **Pressure Will Grow on Corporate Boards and Government Leaders to Enhance Their ESG Skills.**

In 2025, corporate boards and government leaders will face rising pressure to demonstrate that they are adequately equipped to understand and oversee ESG issues — from climate change to human rights to social unrest.

The broadened scope of corporate board responsibilities also requires more focus and time commitment from board members to meet their fiduciary duties. Pressure on boards to shore up their ESG credentials is set to grow as investors demand better accountability from the top and a heightened focus on sustainability.

Shareholder activism in this area increased from 2021, including votes against directors for lack of credible climate action plans. This trend is set to pick up speed during the 2025 proxy season. In addition, efforts to diversify boards and create policies that foster meaningful diversity, equity, and inclusion will continue to evolve from a box-ticking approach into a holistic appreciation of how differences in identities, expertise, and leadership styles can drive growth and innovation.

Government and corporate leaders are under pressure to strengthen their ESG skills and integrate sustainability into their policy and planning strategies. They will add adaptation and resilience measures to their investment plans amid the growing economic impact of climate change. In 2021, the U.S. alone experienced 20 storms with losses exceeding $1 billion each.

6. **Deep integration of sustainability into financial reports**

Traditionally, CFOs and financial controllers focused on the financial and operational aspects of a company. With the new trend, they are now expected to take a more active role in integrating ESG considerations into the company's financial strategy and decision-making. Financial leaders are expected to assess how climate-related risks, such as extreme

weather events or new climate policies, may affect the company's short- and long-term financial health.

Companies will begin to include more prominent information about how climate change and other ESG factors affect their operations and financial results. This may include confronting climate risks and how sustainability strategies contribute to a company's resilience and profitability. The integration of ESG into financial reporting will be carried out in accordance with recognised standards, such as those proposed by the Task Force on Climate-Related Financial Disclosures (TCFD) and other international frameworks.

CFOs and financial controllers will use ESG information to make more informed decisions about investments, financing and resource allocation, considering both financial returns as well as environmental and social impact. ESG information will be incorporated into asset valuation and risk management, recognising that environmental and social factors can significantly affect a company's asset value and risk.

CFOs will need to develop competencies on ESG and sustainability issues, which may include additional training and collaboration with sustainability experts. This trend offers an opportunity to innovate sustainable products and services as well as be at the forefront of responsible business practices, which in turn can enhance a company's reputation and competitiveness.

The deep integration of ESG criteria into financial reporting signals an important shift in the company's approach to sustainability, demonstrating its intrinsic link to financial health and long-term business success.

7. There Will Be a Convergence of Governance and Standards.

The convergence of ESG terminology, standards, and initiatives, which began in 2020, is likely to be an area of focus for the foreseeable future.
For example, a standard reporting procedure for climate change matters was introduced by the TCFD.

There is a consultation underway by the EU on sustainable corporate governance, and its conclusions are likely to affect other major economies as well.
A significant development in this trend will be clarifying fiduciary duties that affect directors and trustees.

The International Financial Reporting Standards Foundation is developing a global ESG standard.
The World Economic Forum is collaborating with the 'Big 4' accounting firms to establish standards for ESG reporting metrics and disclosures.

The International Organisation of Securities Commissions is working to support convergence among securities regulators.

8. Climate Adaptation.

Going greener is critical to climate change mitigation, but some organisations are augmenting that with a focus on climate adaptation as well. While mitigation focuses on the prevention and reduction of climate change, adaptation involves alterations to accommodate its current and future effects. Initiatives in Miami to raise street levels are an example of the latter.

Businesses need to address climate adaptation as part of their risk mitigation strategy. Climate adaptation requires exploring all the different ways that climate change could disrupt operations, supply chains, and customers and how businesses and leaders will deal with those disruptions.

From increasing wildfires to more frequent hurricanes to longer droughts, the long-term effects of climate change will increasingly be felt by business operations. Underlying risk models are changing under business leader feet.

Business leaders may need to collaborate to develop a more agile risk modelling process that takes climate change into account. They also need to streamline how risk models tie into business continuity and disaster recovery plans and operational resilience models. This requires more frequent and detailed conversations with critical vendors, and supply chain partners to identify new risks and plan strategies to communicate and address them.

9. Organisations Will Have to Disclose Any Climate Risks They Are Responsible For.

Companies, big and small, will soon have to report on their ESG initiatives and disclose any climate risks they may be responsible for creating.
This will lead to significant changes for firms in terms of share prices, attracting talent, customer loyalty, and investor goodwill.

10. Robust Global Frameworks Promoting Transparency.

The necessity for more robust global frameworks to address environmental and social issues, including climate change, socioeconomic inequality, and human rights breaches, has become more widely acknowledged in recent years. As a result, a push for more accountability and transparency has been made in several industries, including banking, corporate governance, and supply chain management.

In 2025, this pattern is anticipated to continue as stronger international frameworks are created and implemented to address these issues. Among the major forces influencing these trends in ESG are:

Greater Understanding of Social and Environmental Risks: The risks to the environment and society that the world is experiencing, such as socioeconomic inequality, climate change, and human rights breaches, are becoming more widely understood. There is a higher need for accountability and transparency to address these concerns.

Putting More Emphasis on ESG Factors: Investors have begun considering environmental, social, and governance (ESG) factors when making investment decisions as they attempt to control risk and achieve sustainability over the long term. This has provided the impetus for more transparency and sharing of data relating to ESG.

Encourages Greater Corporate Accountability: Companies are under more and more pressure to take accountability for their social and environmental repercussions and to be open and honest about their performance. This has prompted calls for increased accountability and transparency in supply chain management and corporate governance.

The Development of Global Standards and Regulations: Global standards and frameworks, such as the Paris Agreement on climate change and the United Nations Guiding Principles

on Business and Human Rights, are becoming increasingly necessary to solve environmental and social concerns. In addressing these challenges, these frameworks offer a foundation for increased accountability and transparency.

11. ESG Investing Will Continue to Rise.

The ESG investing trend became very popular during the pandemic years, but it does face challenges.
However, the outlook for the global climate changes have led investors and organisations to realise the importance of non-financial considerations and look beyond profits.
The giant global asset manager BlackRock, for example, places sustainability at the centre of its investment strategy.

12. Assessing Natural Capital and Biodiversity Risks Will Continue to Rise in Importance.

Governments and companies are beginning to make progress on commitments to protect biodiversity and nature in their direct operations. For corporates, assessing and managing across their supply chains where materials and inputs are sourced is even more challenging. Data availability and quality as well as generally agreed measurement methodologies remain key challenges. In addition, most of the corporate world still lacks commitments to stop deforestation despite being more easily measured than other natural capital risks, principally due to poor understanding of how to assess the benefits of preservation.

Elsewhere, the benefits of nature-based solutions, such as preserving wetlands, forests, and coastlines, will continue to gain favour as effective strategies to help adapt to the physical impacts of climate change.

Elsewhere, the newly formed Taskforce on Nature-related Financial Disclosures will propose a disclosure framework for nature-related information, including standards and metrics, as well as data requirements, that will bring biodiversity and nature commitments into greater focus.

13. Strong Push for Impact Investing.

Most investors are looking to match their investments with their beliefs and social or environmental objectives, which has given rise to the movement known as impact investing. Impact investing is investing in businesses, nonprofits, or funds to achieve a measurable social or environmental effect.

As investors become more conscious of the environmental and social concerns confronting the world and strive to utilize their assets to make a positive change, impact investing has gained popularity in recent years. With a strong push for impact investment across various industries and asset classes, this ESG market trend is anticipated to continue in 2025.

Among the major forces influencing this trend are:

Growing Demand for Ethical and Sustainable Investing Choices: Investors are looking for possibilities to make investments consistent with their morals and environmental or social objectives. As a result, there is an increase in demand for ethical and sustainable investing solutions, such as impact investments.

Increasing Understanding of the Global, Social, and Environmental Concerns: The urgency of addressing global issues, including social injustice, climate change, and access to healthcare and education, is becoming more widely acknowledged. Impact investing offers a method for investors to support these initiatives while also earning profit.

Enhancing the Availability of Impact Investing Options: The variety of impact investment choices accessible to investors has increased as impact investing has grown in popularity. Among them are impacted funds, green bonds, and other investment options focusing on the social factor.

Possibility of Substantial Financial Gains: Impact investment has been proven to offer the potential for high financial returns, particularly over the long term. This has made drawing investors from a broader spectrum easier for the area.

14. Approaching Net-Zero Holistically.

It is becoming more apparent that a holistic strategy is required to solve the complex challenges of decarbonisation as businesses and governments commit themselves to reaching net-zero emissions. With this strategy, the social, economic, and environmental effects of emissions reduction initiatives are considered together with the complete lifecycle of emissions, from production through end-of-life disposal.

A comprehensive approach to this trend in ESG requires a variety of techniques and initiatives, including:

Switching To Renewable Energy: Moving away from fossil fuels and toward renewable energy sources like solar, wind, and geothermal is crucial for attaining net-zero emissions. This can entail investing in infrastructure for renewable energy sources and putting regulations into place to encourage the switch to clean energy.

Decarbonising Supply Chains: Reducing emissions across the whole supply chain is necessary to achieve net-zero emissions and decrease emissions from direct activities. This may entail collaborating with suppliers to increase sustainability standards and minimise emissions, as well as considering the carbon footprint of raw materials and transportation.

Putting in Place Carbon Trading and Pricing Mechanisms: Carbon pricing tools like carbon taxes or cap-and-trade programs can encourage businesses to invest in greener technology and promote emissions reduction.

Promoting the Circular Economy's Principles: Reducing waste and recycling or reusing materials are critical components of a circular economy strategy to reduce production and consumption's adverse environmental effects. Implementing policies to encourage circularity and revamping goods and processes to be more circular might be part of this.

Investment in Carbon Removal Technologies: The employment of carbon removal technologies, such as direct air capture or carbon sequestration to remove carbon dioxide from the atmosphere, may be necessary to reach net-zero emissions.

15. Carbon Offsetting Will Get Better.

The term "carbon offsetting" refers to "making up for" the emissions of greenhouse gases like CO2.

Companies and organisations that fund carbon offset projects aim to clean up greenhouse gas emissions or prevent the release of harmful gases into the atmosphere.
As net-zero emissions become more prevalent in ESG circles, carbon offsets will become mainstream.

Many people consider offsets to be greenwashing, but perceptions will change as more credible alternatives emerge, allowing quality offset projects to flourish.

16. 'Climate Positive' Becomes the New 'Net-zero'.

With carbon offsets, organisations can reach 'net-zero' goals, but we can expect things to go a step further in the coming years. Net-zero will be surpassed by 'climate positivity' as the next big ESG trend.
Net-zero is where a companies' activities actually reduce the amount of carbon dioxide added to the atmosphere.

17. Governments and Companies Will Face the Challenge of Turning Net zeros Pledges into Near-term Action.

In 2023 & 2025, the number of governments and large companies setting goals to reach net zero emissions by 2050 grew rapidly. But these commitments often lacked interim emission reduction targets or plans to curb indirect emissions that occur along the supply chain. In 2025, we believe that pressure from shareholders and other stakeholders will rise on those entities to develop concrete, near-term plans and begin to act to address emissions across the full value chain.

A 2018 report from the UN's Intergovernmental Panel on Climate Change found that achieving net zero emissions globally by 2050 is critical to avoiding some of the worst effects of climate change. In 2021, the IPCC issued a high-profile climate report that the UN Secretary-General dubbed "a code red for humanity." This year, the IPCC will release new reports that could recalibrate how quickly the world must act to keep from overshooting the target of limiting global warming this century to 1.5 degrees Celsius relative to pre-industrial levels.

With stakes this high, investors will likely demand more than simply setting long-term climate commitments. We think governments and companies will have to provide credible, achievable near-term signposts on their path to decarbonisation. And beyond the established focus on emission reductions, the spotlight will extend to how entities manage exposure to physical climate risks, including the presence and/or adequacy of adaptation and resiliency planning. These expectations will begin to hold entities accountable to their commitments and help address market perceptions of greenwashing.

18. If business Leaders Fail to Act, They May Suffer Consequences.

If you are a director of a company that is failing to act on climate change – or actively and knowingly damaging the planet and its people – you will most likely face consequences.
In the same way that the #MeToo movement eventually caught up with high-profile abusers of the past, so too will the #ClimateEmergency movement catch up with eco-vandals in the future.

Future generations will punish today's poor social and environmental governance. Directors are, even today, being held accountable for acts of environmental destruction.

A high-profile case involving the world's largest mining company's chief executive saw him forced to resign for environmental and cultural vandalism.

Jean-Sébastien Jacques and two other executives had to leave the mining giant Rio Tinto following a shareholder backlash over the firm's decision to blast ancient rock shelters in Australia that were in the way of an iron ore mine. The caves were 46,000 years old.

In the future, as the planet and its inhabitants suffer more due to climate change, we can expect to see mass movements of people seeking to prosecute the companies and their leaders who 'twiddled their thumbs while Rome burned'.

19. New Regulations and Reporting Standards Will Demand More Credible Corporate Disclosures.

While many large companies set sustainability goals and published ESG-related data, investors, regulators, and the broader public are exercising greater scrutiny of corporate sustainability efforts, calling out what they perceive as greenwashing. Much of this skepticism is founded on concerns that companies may be using disclosures and sustainability-related labels on products and services as a marketing tool to appear more proactive on those issues than they truly are.

New global ESG-related standards will continue to evolve in 2022, while global standard setting bodies such as the newly formed International Sustainability Standards Board can help address what may be the largest obstacle to accountability: the lack of a common baseline for disclosure standards consistent across jurisdictions and industries.

To date, agreement on key metrics and reporting frameworks for environmental factors has crystallised more rapidly than for social factors. But 2022 could bring increasing convergence on the data, metrics, and reporting requirements most relevant to social issues — alongside rising pressure to ensure these metrics measure impact, not just inputs.

20. Greenwashing Will Be Punished.

Publicly claiming that your organisation's activities or products are more sustainable than they actually are. This is greenwashing.

The most famous recent example was the VW emissions scandal, where the motor giant lied about its cars' level of diesel emissions.

The moral of the story is very simple: do not lie to your investors or customers; they are bright and will find.

21. More Honest Carbon Footprint Disclosure.

One dilemma facing companies is how and what to disclose about their carbon footprint and other ESG metrics. Some business leaders may want to paint a rosier picture by minimising their reported impact. That's a mistake.

Emerging frameworks for greenhouse gases ask companies to be thorough in capturing the full extent of their emissions, said Rita Soni, principal analyst at research firm Everest Group.

"*The pledges are based on reducing your carbon footprint rather than the absolute numbers*," Soni said.

It is also essential to think about how companies can present these results across various indicators and audiences, she said. While Scope 1 emissions may be more tradeable on carbon exchanges, making meaningful changes on Scope 2 and Scope 3 ones could also have a positive impact on relationships with regulators, investors, employees, and citizens.

Some of the largest banks are starting to explore how they can channel indirect investments out from more carbon-intensive industries toward industries that are actively reducing emissions, Soni said. And some of Everest Group's enterprise clients are asking how they can improve communication with employees around sustainability metrics and support them in taking a more active role in sustainability programs within the company. Similar frameworks for other ESG measures might likewise reward progress rather than punish companies for their current environmental impact.

22. Supply Chain Sustainability.

Creating a more sustainable supply chain will be a critical initiative for most companies -- and a complex and difficult challenge.

Increasingly, business leaders will be called upon to connect the data gaps to help achieve sustainability goals across the supply chain. These efforts often need to combine data from a company's ERP and logistic applications with third-party environmental impact data gleaned from reporting tools offered by organizations such as CDP (formerly the Carbon Disclosure Project).

23. Social Issues in Supply Chains Will Command More Attention.

Recently, companies became acutely aware of their dependency on — and the fragility of — their supply chains. In 2025, we believe this trend will persist as the global economy continues to recover from the pandemic and inflation as management teams focus on heightened supply chain costs and risk of disruption.

Beyond the resilience of supply chains, we also think that social issues in supply chains will garner greater attention, particularly as efforts grow to curb human rights abuses and improve labour conditions.

Existing and proposed legislation will make supply chain traceability and social risk management more important this year. Despite delays in the EU Sustainable Corporate Governance directive, mandatory human rights due diligence legislation at the national level in member states such as Germany, the Netherlands, and France will move a larger swath of companies to identify and act against human rights violations in their supply chains.

Additionally, continued action in the U.S. and other key markets to restrict imports based on forced labour in supply chains will push companies to evidence credible human rights monitoring efforts up the chain. This will be true beyond Tier 1 suppliers and will include raw materials.

24. The Integrity of The Growing Sustainable Debt Market Will Be Tested.

In 2021, total sustainable debt issuance reached a record high of about $960 billion, according to preliminary estimates from the Environmental Finance Bond Database. This

figure includes green, social, and sustainability-linked bonds and represents a 61% increase in just one year. Based on historical trends, there is room for continued growth, if not acceleration in 2025, as companies and governments seek to finance the transition to a net zero economy.

A key challenge for market participants in the coming year will be to manage this growth in a way that preserves the legitimacy of these financing instruments and combats rising concerns about greenwashing. Indeed, diversification and innovation in sustainable debt instruments are likely to continue, risking greater fragmentation across issuers, instruments, sectors, and standards. For instance, with sustainability-linked instruments, which are poised for strong growth from 2025, market participants should be vigilant to ensure that issuers are setting appropriately ambitious performance targets and maintaining transparency over the life of the instrument through periodic and high-quality disclosure. Efforts to further establish and encourage the uptake of clear standards and frameworks, therefore, will be critical in 2025 to guard the integrity of the sustainable debt market as it reaches new heights.

25. Climate Transition Strategies Will Increasingly Embrace Social Issues.

Despite expectations for governments and companies to make meaningful progress on their climate commitments in 2025, they will be doing so in a broader economic and geopolitical climate marked by inflationary trends, higher energy costs, and tightening monetary policy. These shifts will challenge the climate agenda and sharpen attention to managing the social implications of the transition.

In 2025, a key challenge will be balancing actions taken on the 'E' with the 'S' when implementing climate transition plans to account for impacts on developing nations and vulnerable domestic populations. In particular, efforts to promote the low-carbon economy may be disrupted in the absence of credible plans to promote economic and social inclusion, access to affordable critical services, and the availability of decent work. Indeed, at COP26 in November 2021, more than 30 countries signed pledges to support workers and communities hurt by the transition to a green economy. In the face of potential economic headwinds, the support provided to emerging economies to balance climate goals with those of economic growth and poverty alleviation will deeply affect social stability and momentum on the global climate agenda.

26. Working From Home Will Be a Normal Feature of Many Careers.

This is one of the more notable trends in sustainability, but it is surprisingly popular. It turned out that working remotely is also very beneficial for the environment and the health of people.

Having people work from home reduces emissions and fossil fuel consumption because fewer cars are on the road, and less energy is used in office buildings.
Commuting less is the fastest, easiest, and cheapest way for people and employers to reduce their carbon footprints.

We can expect more innovations in remote working in the future.
The old-fashioned (and frankly ludicrous) tradition of thousands of people desperately trying to commute to a city centre office block at the same time every day will change as hybrid work patterns emerge.

27. Renewable Energy Will Become Cheaper.

In the past, fossil fuels were cheaper than renewable energy, and this is rapidly changing. According to the IEA's Renewables 2020, wind and solar energy have become 70% and 89% cheaper in the last ten years, and their capacity will surpass coal within five years. Also, solar power is now cheaper than coal. You can discover what green energy procurement is all about and decide if it fits your organisation. Out the truth eventually.

28. Transparency in Scope 3 emissions and supply chains

Different from Scope 1 and 2 Emissions, Scope 3 emissions are indirect emissions that are not generated directly by a company's operations but along its supply chain. This includes emissions associated with the production of purchased materials and services, the transportation of products, the use of sold products, and the disposal of sold products at the end of their useful life. Companies are realising that a large portion of their total carbon emissions come from indirect emissions. Therefore, to achieve meaningful carbon reduction targets, it is essential to address these emissions. Measuring and managing Scope 3 emissions can be complicated by the lack of visibility and direct control over supplier and partner operations. However, this difficulty does not diminish its importance.

Companies are establishing procurement policies that prioritise sustainability. This may include selecting suppliers based on their environmental performance and including sustainability criteria in the contract. To encourage more sustainable practices, companies are offering incentives to suppliers that help reduce their impact on the environment. This can include better contract terms, collaboration on sustainable projects, and technical assistance. Encouraging collaboration and transparency throughout the supply chain is critical. This may involve sharing best practices, collaborating on emission reduction initiatives, and using a technology platform to improve a tally of Scope 3 emissions. The adoption of tools and technologies to measure and manage Scope 3 emissions is increasing. This may include the application of sustainability management software and analytical tools to assess supplier performance and a product's carbon footprint.

Companies are adopting a responsibility approach that extends far beyond their immediate activities to include environmental impacts throughout the value chain. Investors, customers and regulators are increasingly pressuring companies to be transparent about their Scope 3 emissions and take steps to reduce them. Addressing Scope 3 emissions can open up opportunities for product and process innovation and the development of new, more sustainable business models.

The growing trend towards transparency and emission management Scope 3 highlights the importance of a holistic sustainability approach in supply chains, incorporating internal policies, collaboration, innovation and cutting-edge technology.

29. Advancing Sustainability Through 5G.

The introduction of 5G technology has the potential to improve sustainability initiatives in various ways. The most recent cellular network technology, 5G, provides faster speeds, reduced latency, and more capacity than earlier generations. These ESG technological trends may significantly affect sustainability in the following:

Reducing Carbon Emissions and Enabling Remote Work: By enabling more widespread remote work, 5G technology can reduce everyday commuting and the corresponding carbon emissions. Also, this may aid in easing traffic congestion and enhancing urban air quality.

Enabling Smart Cities and Minimising Resource Usage: Smart cities employ real-time data to optimize resource usage and lower waste, and 5G technology can help make this possible. Smart waste management systems, for instance, have the potential to reduce the quantity of garbage dumped in landfills while reducing pollutants and traffic congestion.

Facilitating Precision Farming and Minimising Environmental Effect: Precision agriculture, which uses real-time data to enhance agricultural yields and lessen environmental impact, can also be made possible by 5G technology. Farmers may maximize their use of water, fertilizer, and other resources, eliminating waste and having a minimal environmental impact, by employing sensors and other IoT devices connected via 5G networks.

Promoting Renewable Energy While Decreasing Reliance on Fossil Fuels: By facilitating the grid integration of more renewable sources, 5G technology can aid in the transition to renewable energy. To increase solar and wind power usage, 5G networks, for instance, can enable more effective energy storage and delivery.

Accelerating Communication and Computation: The use of 5G ensures faster communication, computation, and analysis of ESG data and news, promoting up-to-date ratings and assessments as well as documentation of significant developments.

30. Impact Sourcing.

Sustainability is a critical aspect of a company's ESG efforts, but it's not the only one. Addressing workplace bias and creating better diversity, equity, and inclusion (DEI) strategies has become a critical focus for many organisations. Few companies can truthfully claim to have addressed inequality, however, and most organizations need to work even harder to give fair opportunities to all. One ESG trend that business leaders should understand in this area is impact sourcing, which prioritizes giving business to organizations that focus on employing marginalized and disadvantaged populations.

A substantial uptick in clients asking for information on impact sourcing. These efforts build on more widely known workforce programs that balance gender and racial diversity to include people who have a disability and other groups that might face challenges in the traditional hiring process. In that case, the HR team needs to set up a program to measure the desired objectives. For example, there could be a goal that 50% of new hires come from pools of people with only a community college degree or who lack a credit score. Such programs also need to include training and support to give new hires the appropriate jumpstart to succeed on the job.

31. Climate Stress Testing Will Gain Prominence in The Financial Services Industry.

Investor pressure regarding climate change has historically concentrated on nonfinancial corporations, especially the energy sector. However, major financial institutions and policymakers are beginning to acknowledge the associated long-term threat to financial stability. They’re also starting to recognize the vital role that financing will play in facilitating the low-carbon transition and ensuring the climate resiliency of the economy.

Increasingly, based on the work of the Network for Greening the Financial System (NGFS), central banks are beginning to incorporate climate risk as a stress testing feature for banks and insurers. The European Central Bank’s economy-wide climate stress testing in 2021 showed the need for banks to enhance assessment of their exposure to both climate transition risks and physical risks in order to proactively manage them.

In the U.S., the Federal Reserve is weighing the implications of climate-related risks for financial institutions and the financial system and has called scenario analysis "a potential key analytical tool for that purpose." China, too, has been examining ways of incorporating climate change risk in its stress testing of financial institutions. Much of the work on climate stress tests is coming from collaborative work globally by central banks, something we see continuing in 2025. Insurance regulators are also taking steps to integrate sustainability, and particularly climate risks, into their prudential frameworks.

We view stress testing as a useful starting point as companies work to measure their climate risk. However, we think there will be continued development of qualitative approaches to supplement these assessments.

32. Expanding ESG requirements beyond listed companies

Traditionally, sustainability has been a priority for large listed corporations on the stock exchange, partly due to pressure from investors and regulators. However, we now recognize that businesses of all sizes, including private companies and SMEs, play an important role in global sustainability efforts. SMEs make up a large part of the business structure in many economies and, therefore, their overall impact on sustainability is significant.

Large corporations are increasingly requiring their suppliers, often small and medium-sized enterprises or private companies, to adopt ESG practices. Consumers are increasingly concerned about the sustainability of the companies they interact with, regardless of their size. This is pushing smaller companies to adopt sustainable practices. The development and availability of more affordable and accessible sustainable solutions is making it easier for smaller businesses to implement sustainable practices. A growing number of people are acknowledging that ESG practices can bring economic benefits, such as operational efficiencies when it comes to controlling energy and raw material costs, waste reduction, and an improved brand image, which appeals to companies of all sizes.

SMEs and private companies often face constraints on resources and expertise in sustainability. Overcoming these challenges requires access to adequate training, tools, and financing. Adopting sustainable practices can be an important differentiator, especially in saturated or highly competitive markets. Creating support networks and collaboration platforms can help these companies share best practices and resources for implementing sustainability strategies.

This trend indicates a shift towards a more inclusive and responsible corporate landscape, where sustainability is a central pillar, regardless of size or company type. By involving more companies in sustainable operations, the global ability to achieve important social and environmental goals, such as the United Nations Sustainable Development Goals, will improve.

The adoption of sustainability measures by companies of all sizes demonstrates the need for collective effort and collaboration, overcoming traditional business barriers to achieve sustainability goals.

33. Circular Economy.

From consumers to vendors, an increasing number of stakeholders are interested in extending the product lifecycle via the circular economy model.

Organisations need to explore how to incorporate a circular economy approach, such as ways to innovate product design.

Historically, most business leaders could stage broken products out of view until sending them off for disposal. But new regulations are affecting how companies manage that.

You have to go back and start looking at strategy, architecture, and vendor choices in terms of the end-of-life disposal process.

The company will need to develop ways to measure what percentage of the waste is reused, recycled, or disposed of. They also need to balance security measures against sustainability issues.

34. The Debate Over Divestment Versus Engagement Will Heat Up.

In the last few years, we saw more large asset owners, asset managers, and banks adopt negative screening strategies — in other words, exclusion or divestment of companies with weak ESG practices or high exposure to ESG risk. This approach was most notably applied to fossil fuel and other high carbon intensity companies as well as entities with a high risk of acute and chronic physical climate risks. In 2025, we anticipate that negative screening will become more widespread — especially to decarbonize investment portfolios and loan books, as financial services companies seek to build Paris-aligned investment and lending portfolios, further raising the importance of ESG to credit.

Exclusion policies may have immediate effects on the reduction of the carbon footprint of lending or investment portfolios, but this approach has its drawbacks. Advocates of engagement policies note that breaking ties with companies via divestment or exclusion does not encourage change and could result in the sale of those securities to investors who are less attentive to ESG issues. Proponents of engagement therefore prefer to use their investments to influence change by engaging with companies on key ESG themes like the climate transition or working conditions in the supply chain.

Whether they take an approach of negative screening or engagement, lenders and investors will be under pressure to explain how they arrive at their decisions. They will also face pressure to credibly measure and disclose the concrete outcomes of their chosen approach.

35. Green IT.

IT systems and services that prioritize environmental sustainability are becoming more important as part of the larger climate action movement. CIOs and business leaders need to focus on creating green IT environments. That's particularly true in tech-heavy industries such as banking, finance, and telecommunications, where IT investment has an outsized impact on the company's carbon footprint.

Government action is also giving this area a push.
For example, green IT is a bigger priority for leaders in the wake of the U.S. Energy Act of 2020, which raised power usage effectiveness (PUE) requirements, said Vidisha Suman, a partner in the digital transformation practice at management consultancy Kearney.

Some of the top objects of PUE programs include migrating to more sustainable energy systems, better usage tracking, and more automated energy controls. Many companies are working to adopt green computing best practices, such as redesigning or consolidating data centers, migrating to the cloud, and autoscaling workloads, to minimize their energy

footprint. And AI tools are helping to improve how HVAC systems run in order to reduce power consumption.

36. Responsible AI.

As more companies turn to AI to automate processes, the degree to which algorithms can cause business harm is growing -- and quickly. Regulators and consumers are increasingly calling for responsible and transparent AI. Many of the recent advances in AI are built on black-box algorithms that deliver impressive results. But it's not always clear how and when they break or when they might amplify existing biases.

Many believe that AI will soon steal the majority of human jobs in the not-too-distant future. And if, at a certain level of development, it is quite possible to be smarter than all the best and act against humanity.

Now is the time for CIOs and leaders to operationalize their IT infrastructure to support meaningful AI ethics goals, said Sanjay Srivastava, chief digital strategist at professional services firm Genpact. "Think about the holistic process instead of just the AI piece," Srivastava said.

It's essential to set guardrails around where companies can apply AI, he said. CIOs and entrepreneurs also need to think about explainability for the AI-driven decision process rather than just the decision itself.

For example, when Srivastava's team is doing financial risk analysis on a lending portfolio, they build in the ability for business users to click to understand why the AI model gave a specific recommendation. Sometimes the answer is hidden in the footnote of a financial report.

"*By providing the ability to click to see that footnote, we help the decision-maker be more confident about the AI model's prediction*," he said.
In 2023, the UK hosted the world's first event on AI safety with the participation of most influential organisations, businesses and leaders in science and technology around the globe. This speaks to the concern and urgency of the problem on a very large scale.

The Group of Industrialised Countries (G7) published the first comprehensive international code on advanced artificial intelligence (AI) systems, which makes recommendations so that not only developers but also ordinary users can mitigate the risks posed by this technology.

Also the EU rushed to unify the AI Act to introduce a number of important regulatory measures designed to ensure the responsible development and deployment of AI technologies. The EU AI Act is not just regional law; it has the potential to set a global precedent for AI regulation. Its holistic approach, which focuses on ethical implementation, transparency, and respect for fundamental rights, positions it as a potential blueprint for other countries.

37. Better ESG Analytics.

The question of what data companies should capture for various types of ESG reporting is an emerging area.

The data challenge is significant because ESG-related data is often fragmented within the organisation, and external data needs to be procured and co-mingled with internal data sets.

There's limited historical organisation experience with ESG KPIs and that in turn calls for a rigorous methodology to determine the right KPIs, identify underlying data sources, and perform the necessary data transformations to calculate relevant metrics.

Business stakeholders of all types are focused on sustainability and other aspects of ESG initiatives, so staying abreast of developments is key.

Eventually, all the major enterprise applications will likely support the most common ESG analytics. But in the meantime, businesses will need to integrate a patchwork of tools to meet their ESG data goals. Current applications often require enhancements or modifications to facilitate automated ESG reporting. This might also involve changes or improvements to existing ERP systems.

The security of ESG-related information is critical, too.
Enterprises should improve data security and privacy controls to meet certain ESG disclosures. They need to be prepared for disclosure of data breaches in accordance with Sustainability Accounting Standards Board (SASB) standards for specific industries.

Urgency on ESG and sustainability, despite the complexity.
If ever the statement "if it's not one thing, it's another" felt relevant, it's today. The problems facing business leaders truly seem never-ending. And yet, despite that complexity, companies can't ignore the need for action. And they need to act in a thoughtful and balanced manner.

Still, helpful frameworks, ideas, and advice on ESG and sustainability are coming to the fore. And with a major dose of social justice and climate hope, business leaders can act and make real progress.

38. ESG disclosure becomes mandatory.

Years ago, governments, industry associations, NGOs, and investors often recommended ESG or sustainability disclosures and reports. Many companies have chosen to do sustainability and ESG reporting voluntarily. These reports are intended to demonstrate their commitment to sustainable and responsible practices. However, this voluntary nature often leads to an inconsistent and sometimes superficial approach to disclosing relevant information.

Today, there is a shift towards mandatory reporting. This is driven by greater interest and demand from stakeholders (investors, consumers, regulators, insurance companies, trade unions, and society at large) to deeply understand not only companies' financial performance but also their environmental and social impact. Sustainability reports move from "should haves" to "must-haves."

A good example of these new regulations is the European Union (EU) CSRD directive. This directive expands and strengthens sustainability reporting obligations. As early as 2025, nearly 50,000 companies will have to submit ESG reports under the directive, including non-EU companies operating under the directive or listed on regulated markets. The reporting requirements under CSRD are much more stringent than those of the current EU Non-Financial Reporting Directive (NFRD). This means that even companies with experience

in sustainability reporting will need to incorporate new methods into their ESG data collection and reporting systems.

With the food and beverage industry, the EU's adoption of the Cross-Border Carbon Adjustment Mechanism, the implementation of the European Green Deal and the Farm-to-Fork Policy.

Most recently, the EU introduced regulations related to the circular and sustainable textile program, binding producer responsibility for textile products (EPR - Extended Responsibility for Producers), to be applied from 2025.

Therefore, companies need to assess their readiness and maturity to report under new regulations such as CSRD. This includes identifying key ESG data for reporting, comparing competitors, and creating clear strategies and specific roadmaps for effective compliance. Preparing for these new reporting requirements is both a challenge and an opportunity for businesses. Companies must adapt their internal processes for data collection and verification. At the same time, they can see this as an opportunity to review and improve their sustainability practices and public image. These changes reflect a broader trend towards a sustainable and transparent economy in which sustainable practices are deeply integrated into business operations and financial strategy. New regulations on mandatory disclosure are pushing companies towards greater transparency and deeper integration of sustainability and ESG criteria into strategy and operations.

39. A Data-Driven Approach to ESG.

The use of data by businesses and investors to assess and manage their environmental, social, and governance (ESG) performance has become increasingly common over the last few years. In 2025, this trend is expected to continue, with a focus on data-driven ESG initiatives across a variety of industries.

Among the major forces influencing these ESG trends in 2025 are:

The Requirement for More Accurate and Reliable ESG Data: ESG data solutions are becoming increasingly important in decision-making for investors and businesses. As a result, there is now a higher need for ESG data that is more accurate and reliable.

Technology and Data Analytics Advancements: Collecting, analysing, and reporting ESG data is now simpler due to technological and data analytics developments. This has contributed to the shift toward an ESG strategy that is data-driven.

Stakeholder and Regulatory Pressure: Investors and organisations are under growing pressure from authorities and stakeholders to report on their ESG performance and consider ESG factors when making investment choices. This has contributed to the shift toward an ESG strategy that is data-driven.

Possibilities for Enhanced Performance and Risk Administration: Companies may discover opportunities for ESG performance improvement and enhance ESG risk management by using a data-driven approach to ESG.

In Conclusion,

We anticipate several new ESG trends to emerge in 2025 that will influence how businesses, customers, and even lawmakers, and investors tackle environmental, social, and governance challenges.

To stay on top of the game, companies and investors must adapt and respond as these emerging ESG trends change. They may benefit from YTT's ESG consulting by learning to manage these developments and creating efficient plans for handling ESG opportunities and risks.

ESG factors will undoubtedly become more significant in decision-making as we progress toward a more sustainable future in various industries. Companies and investors may position themselves for long-term success and sustainability by keeping up with new ESG trends and collaborating with experienced ESG consultants like **YTT Consulting**!

Source:

- Top 5 Emerging ESG Trends for 2023 (inrate.com)
- 10 ESG trends to watch in the coming years - The Corporate Governance Institute
- 10 key ESG and sustainability trends, ideas for companies | TechTarget
- Key trends that will drive the ESG agenda in 2022 | S&P Global (spglobal.com)