

Hey! What's New? 2025-9

The ESG Evolution: What 2025 Holds in Store

According to an article on Baker Tilly International's webpage, stricter regulations, rising investor expectations and rapid technological advancements are poised to make 2025 a defining year for the global environmental, social and governance (ESG) landscape. Five trends stand out as key in shaping how companies will integrate sustainability into their operations and their strategies, explains Gabriel Buzzi and Renato Ruiz, partners at Baker Tilly in Brazil and leaders of the firm's ESG and sustainability practice.

1. The Rise of ESG Regulations and Reporting Standards: The article points out that more rigorous ESG regulations that mandate firms to disclose their performance on ESG factors are continually being introduced. Leading the way are regions like the EU, the United Kingdom and Canada, which have heightened the requirements for ESG reporting. "In 2025, more companies are expected to align with these standards, particularly in markets that already adopt robust frameworks like the Task Force on Climate-related Financial Disclosures," Buzzi explains. "Adopting these standards will enable companies to seamlessly integrate sustainability information into their financial statements, providing stakeholders with clearer insights into ESG-related risks and opportunities."

He adds that companies embracing these standards will strengthen investor confidence by streamlining data analysis and decision making. "The focus on financial materiality will ensure that disclosures are not only relevant but also closely tied to the company's economic performance."

2. A Shift in Focus from Viewing Decarbonization as a Limitation to Recognizing The Opportunities For Value Creation in the Transition. Global carbon markets are becoming essential tools in the fight against climate change, says Ruiz. "This year, carbon trading is set to reach new heights due to stricter regulations and mounting pressure to achieve carbon neutrality goals. The European carbon market, a global benchmark, will continue to expand, while other regions, including Asia and Latin America, will develop their own regulations."

According to Ruiz, that presents both challenges and opportunities. "On the one hand, companies must reduce emissions to avoid high costs associated with purchasing carbon credits. On the other, those capable of generating credits through initiatives such as reforestation and renewable energy projects can diversify revenue streams and enhance their reputation among investors and consumers."

Stricter regulation also drives innovation, he adds, with technologies like blockchain being leveraged to ensure transparency and traceability in carbon trading. "For multinational corporations, the challenge lies in balancing the requirements of multiple markets while exploring opportunities to create positive impacts on a global scale."

3. Sustainable Supply Chains to Become a Key Focus for ESG Performance: In 2025, the sustainability of supply chains will be a strategic priority, Ruiz notes. "Companies face growing pressure to demonstrate that their value chains are environmentally and socially responsible. This includes addressing issues such as carbon emissions, labour conditions, resource usage and

impacts on local communities. Companies that can demonstrate responsibility throughout their supply chains will gain a competitive edge, earning trust from both consumers and investors.”

4. Technology and Innovation Will Help ESG Reporting Go Beyond Compliance: Integrating AI, blockchain and big data analytics into sustainability operations is transforming how companies measure, monitor and report ESG performance. Ruiz explains that “AI is being used to predict climate risks, identify energy efficiency opportunities, and model economic and environmental impact scenarios. Blockchain is revolutionizing supply chain transparency, enabling products to be tracked from origin to end-user. Organizations that invest in technology are not only streamlining their internal processes but are creating tangible value for stakeholders, aligning with global market expectations.”

5. A Growing Awareness That Sustainability Must Be Approached with A Focus on Human Impact and Perspective: Ruiz believes that “climate justice is emerging as a central issue for 2025, highlighting the need to address the unequal impacts of climate change. Vulnerable communities, often the most affected by climate disasters, are calling for greater attention from businesses and governments to mitigate these impacts fairly and equitably. Companies are encouraged to develop initiatives that combine carbon reduction with social benefits, such as job creation, access to clean technologies and investments in environmental education.”

International organizations, such as the United Nations, emphasize climate justice in their Sustainable Development Goals (SDGs), promoting more inclusive policies. For businesses, concludes Ruiz, “this represents an opportunity to lead by example, demonstrating a commitment to a more sustainable and just future for all.”

For more, have a look at [Baker Tilly International | The ESG evolution: What 2025 holds](#).