Latest Developments in Governance, Stewardship and Sustainability

Valoris
Stewardship Catalysts

October 2025

CBAM Reform and Egypt's Alignment Efforts

The European Union approved a simplified version of its Carbon Border Adjustment Mechanism (CBAM) Regulation on September 29, 2025. The changes aim to reduce administrative burden and compliance costs for EU businesses. The reform introduces a 50 tonne de minimis threshold that exempts most small importers and SMEs from CBAM obligations. Procedural simplifications address registration, emissions calculation and verification. Climate coverage of approximately 99 percent of embedded emissions remains in place. The mechanism comes into force in 2026.

Egypt has advanced its preparations in response to the EU's CBAM framework. State affiliated companies in high emission sectors are working on carbon reduction. Aluminum, fertilizers and cement industries lead these efforts. Renewable energy projects, carbon footprint assessments and ESG certifications form part of the strategy. Kima Aswan and Egyptalum lead Egypt's decarbonization efforts. Solar power agreements and emission capture technologies are also progressing. Specialized task forces align Egyptian industrial practices with EU environmental standards.

Climate Action 100+ Benchmark Shows Mixed Corporate Climate Progress

Climate Action 100+, the world's largest investor engagement initiative, released its 2025 Net Zero Company Benchmark on October 22, 2025. The Benchmark assesses 164 major emitting companies across emissions reduction, climate governance and climate disclosure. Results show encouraging progress on absolute and emissions intensity reductions. Sixty-nine percent of companies reduced Scope 1 and 2 emissions over three years. More companies now disclose credible transition plans. However, only 32 percent reduced emissions intensity in line with 1.5°C benchmarks. Significant gaps remain regarding capital allocation to decarbonization efforts.

Target setting remains mixed. Eighty-five percent of companies established medium-term greenhouse gas reduction targets and 80 percent set long-term targets. Only 41 percent set short-term targets. Climate policy engagement plateaued in 2025 after years of improvement. Just 2 percent of companies align both direct and indirect policy advocacy with Paris Agreement goals. The steel sector emerged as a leader with all assessed companies setting robust 1.5°C-aligned long-term targets. Gaps persist across corporate climate accounting, audit disclosures and capital allocation transparency. North America and markets outside the EU and UK particularly lag in these areas.

Insurance No Longer Reliable Climate Risk Shield for Companies

The World Economic Forum (WWF) warned in October 2025 that traditional insurance can no longer effectively protect businesses from escalating climate risks. As climate disasters become more frequent and severe, insurers are retreating from high-risk regions. US insurer State Farm ceased new policies in California while China's Ping An Insurance paid out over $19 billion from 2021 floods alone. The insurance gap is widening dangerously, with uninsured losses potentially doubling from $290 billion in 2023 to $560 billion by 2030. Economic damage from climate shocks could reach 15 percent of global GDP by 2050.

WWF identifies five critical 'blind spots' for board directors. Insurance models are backward-looking and cannot predict unprecedented tail risks. Directors often assume that government or insurer protection will always exist. Boards fail to account for how uninsurability affects capital access and financing costs. Insurance policies hide exclusions on supply chain disruption and business interruption. Rising rebuild costs exceed coverage in many regions. Climate risks now cascade across housing, transport, supply chains and resources in interconnected ways. Taiwan's flooding could disrupt chip supplies globally. The article suggests that boards reimagine insurance as a governance tool to drive resilience rather than as a passive backstop.