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Euronext ESG Bond Barometer

Mid-year 2025

The ESG Bond Barometer brings you fresh green finance news, with a specific focus on the sustainable bond market. It features a long and exclusive interview with an ESG leading company, which shares its views on the market and explains its sustainable strategy.

In this edition, **Fibra Uno** takes the stage.



Fibra Uno: pioneering sustainable real estate in Mexico



Interview with Fibra Uno 2

What are the key pillars of Fibra Uno's sustainable strategy?

- **Energy efficiency:** Increasing renewable energy use to 20% and reducing energy intensity across assets.
- **Water management:** Treating and reusing 30% of wastewater.
- **Waste reduction:** Achieving zero landfill waste by 2030.
- **Climate action:** Reducing Scope 1 and 2 emissions by 64.6% and Scope 3 by 32.5%.
- **Social investment:** Allocating MXN 100 million to benefit at least 300 communities.
- **Certifications:** Certifying 4.4 million m² under LEED, BOMA or EDGE.
- **Governance & training:** Providing continuous ESG training to all committee members and promoting diversity and inclusion within governance structures.

Does FUNO's strong ESG dedication help attract new business?

Yes. We are sure that FUNO's ESG commitment is a **competitive advantage**, it has been a differentiator in attracting investments, but it has also allowed us to have specific tenants, who care about the environmental performance of the properties they are in. This is particular in the case of pharmaceuticals who have even audited us in terms of energy and water performance and has been key in their choosing whether to rent spaces with us or with our competitors.

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What is the state of the professional real estate sector in Mexico? How does FUNO contribute to improving environmental performance in this field?

Mexico's real estate sector is growing and diversifying, particularly in industrial and logistics assets due to new companies coming into Mexico. However, environmental standards are still evolving.

FUNO leads the sector by:

- Operating the largest EDGE-certified portfolio in Latin America (1.98 million m²).
- Holding 38% of LEED-certified m² in Mexico, positioning the country 8th globally.
- Piloting global standards, such as obtaining the world's first LEED O+M+V (Operation and Maintenance) Beta certifications for both office and industrial buildings.

How can FUNO work with tenants on environmental aspects? Is the legislation in Mexico supporting the transition?

We have implemented several initiatives to work closely with our tenants:

- "Green clauses" in lease agreements, encouraging shared responsibility for energy, water and waste management.
- Data collection systems to monitor tenant performance and Scope 3 emissions.
- Tenant engagement programmes, such as environmental awareness and joint sustainability initiatives.

Certifying a property in LEED or EDGE has been key to approach our tenants and engage them in this initiative. It is virtually impossible to certify a property if the tenant does not cooperate, so beyond the stamp of the certification, these schemes help us bring closer our sustainability strategy with that of our tenants.

In terms of legislation, starting in 2025 all public companies will have to report under IFRS S1 and S2 which I believe will definitely mark a turning point in terms of transparency and public reporting of these data. Hopefully this will also drag along SMEs that are within the ecosystem of Mexican issuers. I really appreciate the effort of Mexican authorities in making this obligatory rather than voluntary for the first time in the Mexican market.

We need to reuse the EU sustainability funding schemes to strengthen defence investments

Same story, different colour: the European defence sector needs massive investments to upgrade and extend its arsenal. Public spending cannot support this effort alone; therefore, private investments are required. All in all, very similar to our sustainability problem.

There is no debate that defence spending cannot be considered sustainable. That is a misconception that we should all forget. However, the mechanisms, rules, standards and knowledge that EU actors have built over the past decade to support sustainable investments can now be assigned to this additional priority.

Banks are on the frontline for this challenge, given their capacity to support defence-sector suppliers and technology-oriented SMEs. We can see that the bankers in charge of this new objective are often those who were in charge of structuring ESG investments. They are actually reusing sustainable projects' and activities' identification and transparency mechanisms, and are starting to apply them to the defence sector.

But contrary to ESG performance, defence and security activities represent an entire economic sector. Therefore, market participants should ensure that their actions spur investments in new technologies and real infrastructure, rather than creating a financial bubble in large-cap equities.

This is why the bond market seems like a promising tool: reusing the use-of-proceeds system would help direct financial flows toward concrete projects and expenditures. For this reason, Euronext launched the [European Defence Bond Label](#), helping investors identify assets that will effectively reinforce European security and stability. The first European Defence bonds are expected to be available from September.



2 ESG reporting rules and collective initiatives are losing ground: is this actually bad news for sustainable finance?

The English pragmatism prevailed again on 15 July. After five years of discussion and a final consultation, the UK decided to discontinue their taxonomy initiative, stating that “a UK Taxonomy would not be the most effective tool to deliver the green transition”. The majority of the consultation’s respondents indeed expressed concerns about the real-world application and impact of this tool, citing the current problems faced by existing taxonomies. They claim that accelerating green investments would be better achieved using transition plans as well as real economic incentives and policies.

The EU legislators have focused on ESG transparency for almost a decade now, ultimately leading to the creation of the Omnibus package. This might be an indication that sustainability reporting is not the most effective tool to channel investments toward green technologies and transition efforts.

Financial institutions are certainly realising this, with

many withdrawing from Net Zero Initiatives and climate coalitions. Munich Re justified its drawback, saying that “*climate-related disclosures and other related administrative requirements have become very complex, and are disproportionate to the impact achieved in terms of climate protection*”. But again, this does not mean that Munich Re will stop financing climate action.

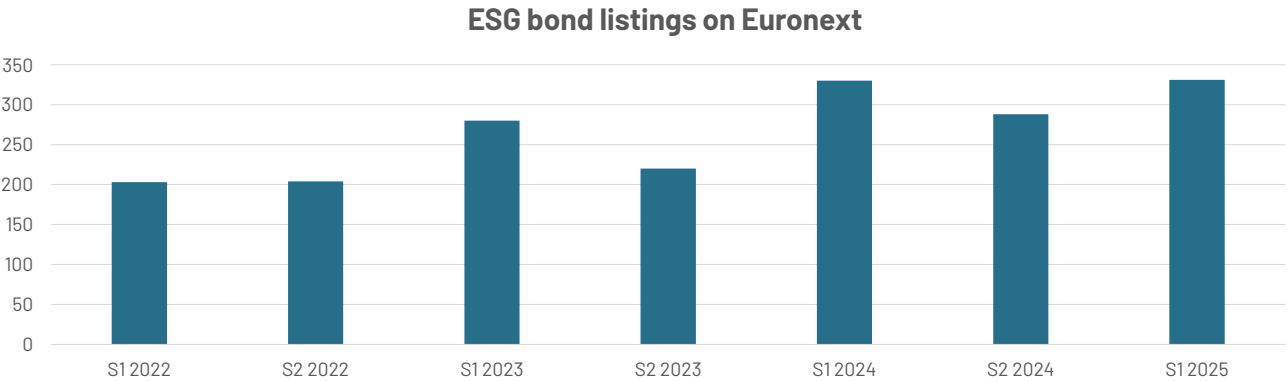
The resources absorbed by an excess of reporting burden may be better allocated to serving sectoral analysis, company engagement and technology understanding. Transparency was supposed to be a tool driving investment decisions, but the weight of reporting requirements grew so enormous that the means became the end: the notorious “*tick-the-box exercise*”. Reporting for the sake of it. Transparency with no meaning.

The trend we are witnessing now could be a powerful backflow for ESG disclosures, but it might also be the beginning of environmental action.



3 Stabilisation of the sustainable bond market

The ESG bond segment is now a mature and robust market, with large recurring issuers and a steady flow of new players that need to finance their transition plans.



Shaping capital markets for future generations



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