

September 2025

Developments in ESG governance, disclosure, financial regulation and litigation

ESG Matters



In this September edition of ESG Matters, our Highlight discusses the EU Deforestation-free products Regulation. Our Spotlight section provides updates on recent developments in ESG governance, disclosure, financial regulation, and litigation.

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1 July and August in brief

After a brief summer break, this edition of ESG Matters updates you on both July and August.

We saw many relevant developments, with Omnibus resulting in concrete legislative proposals to scale down EU sustainability reporting. The European Commission also launched several initiatives to support the competitiveness and green transition of the chemicals sector. Some items from the spotlight section that stand out:

Omnibus and transparency

- ESRS quick fix for wave 1 companies
- draft ESRS and public consultation under the omnibus framework

Transition

- EU Chemicals Omnibus and EU Chemicals Industry Plan

Financial institutions

- DNB's updated guidance on climate risk management for insurers, pension funds, investment firms and investment institutions (banks are in scope of the ECB-guide)
- SBTi's voluntary net zero standard for financial institutions
- EBA's no-action letter on ESG risk disclosures under CRR3

Climate litigation

- The ICJ advisory opinion on climate change (Vanuatu)

But as always, the spotlight section already is the result of a selection. All developments are noteworthy! We hope you enjoy reading through the overview.

Finally, in this month's highlight article, our criminal law experts provide you with a comprehensive overview of relevant changes for companies following from the EU Deforestation Regulation.

As always, we look forward to hearing from you about any questions you may have.

2 Highlight: Navigating the EUDR: a guide to the EU's Deforestation-free products Regulation

To address deforestation and environmental concerns, the European Union adopted the Regulation on Deforestation-free products ultimately replacing the EU Timber Regulation. For this blog, our Corporate Crime & Business Integrity team has compiled an overview that highlights the key differences between the EUTR and EUDR and explains how companies can remain compliant.

The EU Regulation on Deforestation-free products ("EUDR"), which entered into force on 29 June 2023, will apply on 30 December 2025 for operators and large enterprises (non-SMEs) and on 30 June 2026 for micro, small and medium-sized enterprises (SMEs), repealing the EU Timber Regulation ("EUTR"). However, the EUTR remains in force until 31 December 2028 for timber (products) that were produced before 29 June 2023 (the entry into force of the EUDR) and placed on the market from 30 December 2025. For timber products produced after 29 June 2023, the EUTR will be repealed when the EUDR enters into application.

The Netherlands Food and Consumer Product Safety Authority (NVWA) has stated in its 2025 annual plan that combating deforestation will be one of its priorities. This focus is supported by recent findings following various dry runs, highlighting due diligence is most effective when integrated into standard business procedures. Non-compliance with the EUDR may result in exclusion from tenders and/or subsidies for up to 12 months, confiscation of non-compliant products, administrative fines, or even criminal investigations into companies and their directors. For companies in the Netherlands, criminal fines can even reach up to 10% of their annual turnover, emphasising the importance of compliance.

The EUDR requires operators and traders to conduct thorough supply chain due diligence, including risk assessments and the implementation of mitigation measures for deforestation-linked products. While third-party platforms and software can assist with EUDR-compliance, ultimate responsibility for due diligence remains with the companies themselves. The extent of these responsibilities varies depending on company size, supply chain position and a country's risk classification. Ongoing discussions about the scope and risk classifications, including a potential "no risk" category, have created some uncertainty. Until a definitive outcome is reached, companies are advised to introduce and maintain due diligence procedures for all sourcing countries.

Download [‘Navigating the EUDR: a guide to the EU’s Deforestation-free products Regulation’](#) here. This overview can give companies a clear understanding of the changes ahead.

The latest EU developments

As of April 2025, the European Commission has updated its guidance documents, introducing measures and clarifications aiming to reduce the administrative burden on companies. For instance, one authorized representative may submit a due diligence statement on behalf of group companies, and companies may now submit due diligence statements annually instead of for each shipment or batch. At the same time, the European Commission had released a draft delegated regulation on environmental matters for consultation, which outlines the products covered and those exempted by the EUDR, such as product samples, waste, or second-hand and used products. The consultation has concluded; however, the draft has not yet been adopted by the European Commission.

EU discussions on country benchmarking

In addition, on 22 May 2025, the European Commission adopted Regulation 2025/1093 establishing a country classification system based on deforestation risk levels with corresponding due diligence requirements. However, the European Parliament has objected to this proposed classification list, raising concerns about the methodology and data quality. Additionally, the country classification list has prompted discussions on introducing a "no risk" category, which would exempt certain countries from standard EUDR requirements. There have been reports that the United States is seeking such a classification. To date, a revised classification list has not been published, leaving the regulatory framework uncertain.

What this means for you

- Despite ongoing discussions about reducing the administrative burden of EU environmental legislation, companies are still expected to prepare for the EUDR's application as of 30 December 2025, since there are currently no direct official indications (yet) of further postponement.
- To ensure compliance companies should closely monitor the developments regarding the scope of the EUDR and the potential impact on specific relevant products.
- As the country benchmarking system remains unclear, companies should stay prepared and continue implementing due diligence procedures

Contact our experts



Simone Honig | partner
Corporate Crime
+31 6 46 63 47 61
simone.honig@nautadutilh.com



Nienke Kerssies | associate
Corporate Crime
+31 6 51 86 96 92
nienke.kerssies@nautadutilh.com



Max van Roermund | associate
Corporate Crime
+31 6 57 83 63 29
max.vanroermund@nautadutilh.com

3 Spotlight on ESG developments



Governance & transition



SBTi launches pilot on net-zero standard for automotive sector

On 18 August 2025, the Science Based Targets initiative (SBTi) [launched a call](#) for automakers and auto parts manufacturers to pilot its draft Automotive Sector Net-Zero Standard, a new sectoral framework for setting emissions reduction targets aligned with the 2050 net-zero goal. The call is open until 12 September 2025.



Guidance document for Deforestation Regulation published in Official Journal

On 12 August, the European Commission (EC) [guidance](#) on the EU Deforestation Regulation (EUDR) was published in the Official Journal of the EU. This document clarifies key definitions, reduces the number of required due diligence statements, and simplifies due diligence requirements for large downstream companies. Political discussions on the EUDR's country benchmarking system are still ongoing.



EU launches consultation on upcoming Circular Economy Act


On 4 August, the EC opened a [consultation](#) on the EU Circular Economy Act, aiming to double the EU's circularity rate and establish global leadership in the circular economy by 2030. The Act focuses on tougher e-waste and recycling rules and reforms for a single market in secondary raw materials and circular products. Key proposals include revising end-of-waste criteria, expanding and digitising producer responsibility schemes, and mandating circularity in public procurement. The consultation runs until 6 November 2025, with adoption of the Act expected in 2026.

EC seeks input on new EU framework for climate resilience and risk management

On 24 July, the EC launched a [call for evidence](#) to support the development of an integrated EU framework for climate resilience and risk management. The goal is to strengthen the EU's ability to handle rising climate-related risks like heatwaves, droughts, and floods. Building on existing climate risk strategies and assessments, the framework will tackle behavioural, financial, institutional, regulatory and informational barriers to effective risk management and enhance coordination across Member States and sectors. The consultation runs until 4 September 2025, with adoption of the framework expected in Q4 2026.

EC launches public consultation on simplification of reporting rules on waste, products, and industrial emissions

On 22 July, the EC launched a [call for evidence](#) to simplify administrative processes for environmental requirements related to waste, products (circular economy), industrial emissions, and permitting. The goal is to reduce administrative burdens while maintaining policy objectives. Stakeholders can comment on reporting obligations under the Waste Framework Directive, extended producer responsibility, as well as digitalisation of reporting. The EC started an ongoing [study](#) on this topic, and consultation runs until 10 September.



Dutch ministry launches consultation on implementation of EU hydrogen and gas package

On 18 July, the Dutch Ministry of Climate and Green Growth launched a [public consultation](#) on the Dutch implementation of the EU hydrogen and gas package (Directive (EU) 2024/1788 and Regulation (EU) 2024/1789), mainly amending the Dutch Energy Law (*Energiewet*). It aims to (i) promote an open and fair EU market for hydrogen; (ii) ensure access to existing pipelines and energy markets for sustainable gases; (iii) guarantee transparent and inclusive planning of energy infrastructure; and (iv) improve consumer rights and tools to choose the cheapest and cleanest energy. The consultation covers the Dutch distribution system operator's design and hydrogen production for third parties. It is open until 30 September.

EC launches consultation on roadmap for nature credits

On 18 July, the EC launched a [call for feedback](#) on its [Roadmap towards nature credits](#). The roadmap aims to incentivise private investments in nature-positive actions, such as wetland restoration or forest expansion. Nature credits should generate aid ecosystem restoration and provide additional income for farmers, foresters, fishers, landowners, and local communities. Potential buyers and investors include private companies, financial institutions, and other investors seeking to benefit from or address nature-related risks and opportunities. The roadmap plans to develop standards, certification, and governance to ensure credibility and prevent greenwashing. The call for feedback runs until 30 September 2025, alongside a call for expert group applications.

EC adopts methodology for low-carbon hydrogen to unlock investment and scale-up

On 18 July, the EC adopted a new [GHG emission methodology](#) for low-carbon hydrogen and fuels, fulfilling the Hydrogen and Gas Market Directive and completing the EU's hydrogen regulatory framework. It sets a 70% GHG emissions reduction threshold for hydrogen to qualify as low-carbon, offering legal clarity and flexibility to accommodate diverse energy mixes, including CCUS and low-carbon electricity. It supports the Clean Industrial Deal and aims to boost investment in hard-to-abate sectors like aviation and heavy industry. The Act now moves to the European Parliament and Council for scrutiny. A public consultation on nuclear PPAs for hydrogen production will follow in 2026.



EU Ombudswoman questions EC procedure on Omnibus proposal

On 16 July, the EU Ombudswoman [requested](#) the European Commission to explain its reasoning for not conducting an impact assessment, public consultation, or climate consistency assessment for the Omnibus I proposal. The Ombudswoman also raised concerns over the limited stakeholder input and unusually short internal review timelines. While the Ombudswoman cannot reverse decisions by EU institutions, it may issue recommendations up to a special report to the European Parliament, which must then take appropriate action. The Commission must respond by 15 September 2025. If the Commission accepts the Ombudswoman recommendations, this may delay the Omnibus package by several months.

EC proposes 90% emissions reduction target by 2040

On 2 July, the EC proposed an [amendment](#) to the EU Climate Law to set a binding 2040 target of a 90% net reduction in greenhouse gas emissions compared to 1990 levels. Building on the existing 2030 target (–55%), the proposal aims to provide predictability for industry, attract green investment, and reinforce Europe's energy independence. The plan introduces flexibilities such as limited use of international credits post-2036 and sectoral balancing to ensure a pragmatic and fair transition. The proposal also aligns with the EU's Clean Industrial Deal, presenting supporting measures including a new state aid framework, CBAM simplification, and guidance on tax incentives. The target will now go to the European Parliament and Council for adoption and will shape the EU's post-2030 climate policy and COP30 positioning.

EC publishes Omnibus VI to simplify chemical product rules

On 8 July, the EC published [Omnibus VI](#), which proposes a simplification of requirements and procedures that apply to chemical products. More specifically, it proposes to postpone and scale down certain obligations under the CLP Regulation, and to scale down the Cosmetic Product Regulation and the Fertilising Products Regulation (see also the [Q&A](#)). The proposals will now be forwarded to Council and European Parliament under the ordinary legislative procedure.



EC publishes Chemicals Industry Action Plan

On 8 July, the EC published the EU [Chemicals Industry Action Plan](#), aiming to enhance the competitiveness of the EU's chemical sector. The plan outlines several key measures:

- Maintaining critical production within the EU and opening new markets.
- Ensuring energy security by promoting decarbonisation and supporting the shift toward a clean and circular economy.
- Creating lead markets and encouraging innovation.
- Simplifying the regulatory landscape.

The Commission will take several actions, including consulting on the use of chemical recycling for single-use plastics and amending the EU Taxonomy's 'do no significant harm' (DNSH) criteria for pollution prevention – both in Q3 2025, revising the REACH Regulation, establishing a Critical Chemicals Alliance, and adopting a new bioeconomy strategy – all planned for Q4 2025. Additionally, a new Circular Economy Act is scheduled for adoption in 2026, and the inclusion of non-permanent carbon capture and utilisation (CCU) products in the EU ETS will be assessed in Q2/Q3 2026. Several PFAS-related measures are expected in 2026.



Disclosure



EFRAG launches consultation on revision of ESRS under Omnibus

On 1 August, the European Financial Reporting Advisory Group (EFRAG) launched a [public consultation](#) on the [draft amended European Sustainability Reporting Standards \(ESRS\)](#) as part of Omnibus. The proposed revisions would reduce both mandatory and voluntary datapoints by 68%, compared to the existing ESRS, and shorten the total length of the standards by 55%.

Key changes include:

- Simplification of the Double Materiality Assessment (DMA), including audit documentation.
- Improved clarity and conciseness, allowing greater flexibility in how information is organised.
- Removal of overlaps between general disclosures and topical standards.
- Elimination of almost all voluntary ('may') disclosures and removal of all sub-subtopics, with clearer language and simplified concepts.
- New flexibilities and reliefs, such as exemptions for information that would require undue cost or effort to obtain.
- Enhanced alignment and interoperability with global reporting standards.

The consultation is open until 29 September. EFRAG is scheduled to provide its technical advice to the EC by the end of November.

EC publishes preliminary VSME as a recommendation

On 30 July, the EC endorsed the [Voluntary reporting standard](#) for Small and Medium-Sized Enterprises (VSME) relating to the CSRD. It recommends SMEs to report based on these standards. The recommended VSME do not represent the final VSME to be adopted under Omnibus I, but they will serve as a basis for that future voluntary standard. Under the proposed 'value-chain cap' under Omnibus, companies in scope of the CSRD may in principle only request information from out-of-scope companies insofar as it is reflected in the VSME.

EFRAG publishes Stay of Play 2025 report on first wave of ESRS implementation and launches portal over 650 CSRD reports

On 23 July, EFRAG published the [EFRAG 2025 State of Play portal](#) and a [report](#) analysing the first year of CSRD reporting across the EU, including several case studies. Key findings of the report include:

- The high-level structure of the reports is comparable and consistent.
- Report lengths vary widely: on average, reports are 115 pages, with southern EU companies issuing longer statements (e.g. Spain, 222 pages) and northern EU companies producing shorter ones (e.g. Denmark, 69 pages).
- E1, S1, and G1 were disclosed in over 90% of statements. Sub-topics such as Biodiversity Animal Welfare (G1) and Microplastics (E2) were considered material in less than 5% of instances. Additionally, 10% of preparers identified all 10 topical standards as material.
- A significant gap is the lack of broad stakeholder engagement in the double materiality assessment (DMA).
- 55% of companies reported having a climate transition plan (Netherlands: 73%), but disclosure of the elements of these plans varies, hindering comparability.

EC adopts ESRS quick fix for wave 1 companies

On 11 July, the EC adopted a [quick fix delegated act](#) including an [annex](#) for companies already reporting under CSRD (so-called wave 1 companies). A summary of the amendments can be found [here](#). While wave 1 companies must still report under CSRD, the proposal will alleviate these companies from reporting on topical standards E4, S2, S3, and S4 in FY 2025 and FY 2026. Companies with > 750 employees will also benefit from the phase-in provisions that currently apply to firms with ≤ 750 employees. Summarised information must still be reported if the company considers a topical standard to be material based on its double materiality assessment (DMA). Because the EC has a legal basis to adopt this act, it does not require approval by the European Parliament and Council. The delegated act and annex will now be published in the Official Journal of the EU.



EC adopts simplification of EU Taxonomy reporting

On 4 July, the EC adopted a [Delegated Act](#) to streamline EU Taxonomy reporting requirements as part of Omnibus (see also the [annexes](#) and [FAQs](#)). It aims to reduce red tape for companies while maintaining climate and environmental objectives. Key changes include exemptions for non-material activities, simplified KPIs for financial institutions, and reduced datapoints (64% for non-financial companies and 89% for financial undertakings). Parliament and Council will now have a four-month scrutiny period. The measures will apply from 1 January 2026 for reports on FY 2025, with optional deferral to 2026.

ISSB publishes exposure drafts amending SASB standards and IFRS S2 guidance

On 3 July 2025, the International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards (IFRS) Foundation published two exposure drafts. The [first draft](#) proposes changes to the SASB Standards, while the [second draft](#) suggests amendments to industry-based guidance for EFRS S2. Key updates include reviews for extractives & minerals processing and processed foods sectors, metric alignment across 41 industries, and climate-related revisions for the industry specific guidance for IFRS S2 implementation. The comment period is open until by 30 November 2025.

GRI launches consultation on textiles and apparel sector standard

On 28 June, the Global Reporting Initiative (GRI) opened a [public comment period](#) for its draft Textiles and Apparel Sector Standard, which aims to improve transparency and comparability in sustainability reporting across the sector. The standard addresses key issues such as labour rights, emissions, and waste in complex supply chains. Stakeholders can submit feedback via an online survey until 28 September 2025. A multi-stakeholder Working Group representing all global regions is overseeing the development. The final standard is expected in Q2 2026 following revisions based on public input.



Financial institutions & regulation

NZBA pauses activities to revise structure

On 27 August, the Net-Zero Banking Alliance (NZBA) [announced](#) that it will pause its ongoing activities. Members will vote on a proposed transition from a membership-based alliance to a voluntary framework initiative. The outcome of the vote will be shared at the end of September 2025. NZBA encourages banks to stay committed to their net-zero goals during this period.

ECB study: Climate litigation drives up loan costs and tightens lending terms

On 6 August, the European Central Bank (ECB) published a [working paper](#) on how climate-related lawsuits affect corporate borrowing. Analysing over 5,000 bank loans to 329 firms between 2006 and 2021, the study finds that climate litigation risk is already priced into lending decision, with significant financial consequences for affected companies. Key insights include: firms facing climate lawsuits pay on average 4% higher interest rates; they typically receive smaller loans with shorter maturities; penalties are more severe for firms with poor environmental track records or ESG controversies; banks are especially cautious when lawsuits are new or legally uncertain, highlighting the role of legal unpredictability. The findings underscore that climate litigation is more than a reputational issue. It has direct financial impacts that shape access to capital, influence corporate strategy, and signal emerging priorities for investors and regulators alike.

EBA issues no-action letter on CRR3 ESG risk disclosures

On 5 August, the European Banking Authority (EBA) issued a [no-action letter](#) advising national supervisors not to prioritise enforcement of certain ESG risk disclosure requirements under CRR3 due to potential changes from the Omnibus package. EBA considers that the pending Omnibus package will directly impact the EBA's ESG risk disclosure standards. EBA recommends that authorities do not prioritise enforcing and collecting templates EU 6–10, Template 1 column c, and Template 4 column c for large EU-listed institutions. For other institutions, this applies to all relevant templates under Commission Implementing Regulation (EU) 2024/3172. That day, EBA also released an updated [ESG risk dashboard](#). On 14 August, the Dutch Central Bank (DNB) [announced](#) that it will follow EBA's no-action letter.



ESAs publish Q&As on SFDR

On 4 August, the European Supervisory Authorities (ESAs) published four new [Q&As](#) on the Sustainable Finance Disclosure Regulation (SFDR) and its Regulatory Technical Standards (RTS). The added Q&As specify the meaning of the Principal Adverse Impact (PAI) indicators on ‘water usage and recycling’ and ‘energy consumption in GWh of owned real estate assets per square meter’. They also clarify how to report on a minimum percentage of sustainable investments. Lastly, they clarify that the calculation of top investments or shares of investments in periodic disclosures is regulated by sectoral legislation.

IIGCC opens consultation on net zero guidance for externally managed funds

On 1 August, the Institutional Investors Group on Climate Change (IIGCC) launched a public [consultation](#) on guidance to set and implement net zero targets for externally managed funds. The document adds to the Net Zero Investment Framework 2.0, offering more tailored support for asset owners investing through third-party managers. The guidance particularly is particularly suited for smaller asset owners such as family offices and endowments with limited in-house capacity. The consultation is open until 12 September 2025.

NVB publishes new templates to improve climate disclosures

On 30 July 2025, the Dutch Banking Association (NVB) published two [reporting templates](#): one on financed emissions, and one on climate targets (see also the [news release](#)). The templates relate to the Climate Commitment signed by Dutch financial institutions, which includes a commitment to map the CO₂ emissions of all relevant financing and investments and to report on them. Building on different methodologies used by Dutch banks, the templates aim to improve the readability and comparability of banks’ climate-related disclosures.

ECB announces introduction of climate factor in Eurosystem collateral framework

On 29 July, the ECB [announced](#) that it will introduce a climate factor in the Eurosystem’s collateral framework (see also the [FAQ](#)). This factor will aim to incorporate potential climate-related shocks into the value assigned to assets pledged as collateral by banks borrowing from the Eurosystem. The adjustment for each asset will be determined by an uncertainty score consisting of: (i) a sector-specific stressor; (ii) an issuer-specific exposure; and (iii) an asset-specific vulnerability. Further details will be provided closer to implementation, which is expected in the second half of 2026.



SBTi publishes net-zero standard for financial institutions


On 22 July, the Science Based Targets initiative (SBTi) published the [Financial Institutions Net-Zero Standard](#) to align lending, investing, insurance underwriting, and capital market activities (scope 3, category 15) with net-zero. See also the [summary](#) containing supporting documents. The standard complements the [Financial Institutions Near-Term Criteria](#). Among other things, it requires immediate cessation of project finance explicitly linked to fossil fuel expansion activities; no further general purpose finance of companies involved in coal expansion; an absolute cut off in 2030 for general purpose finance to oil and gas companies involved in expansion, while allowing for engagement; net-zero transition for portfolio energy activities by 2050. Institutions should set at least one near-term target for each in-scope financial activity. It also requires a no-deforestation assessment by 2030 and a net zero-carbon ready real estate policy. Additionally, institutions should conduct a base-year assessment, assess and communicate progress, and substantiate SBTi claims.

NGFS publishes input paper on integrating adaptation into transition plans

On 22 July, the Network for Greening the Financial System (NGFS) and other organisations published a [Note on Integrating Adaptation and Resilience into Transition Plans](#) including [main takeaways](#). It presents a framework across five pillars, offers guidance on adaptation metrics and targets, and outlines a maturity pathway for institutions at varying readiness levels. It aims to help financial actors better integrate adaptation alongside mitigation efforts, reduce exposure to physical climate risks, and tap into new investment opportunities.

SBTi publishes guidance for five-year climate target updates

On 18 July, the SBTi [published](#) two new documents to support companies in meeting the mandatory five-year review of their validated climate targets. The [Five Year Review Guidance](#) outlines the process for reviewing and updating targets to ensure continued alignment with the latest climate science and SBTi criteria. A second document, the [SBTi Commitment and Target Status](#), introduces expanded target status categories to improve transparency and clarity on the SBTi Target Dashboard. These changes aim to strengthen accountability and ensure targets remain scientifically robust. The new status framework takes effect on 18 December 2025.



NGFS publishes notes on climate target setting and scenario analysis

On 16 July, the NGFS released two [notes](#) to support financial institutions and supervisors in their use of climate transition plans to manage climate-related financial risks. They provide guidance on the integration of climate targets and scenario analysis into strategic and risk management frameworks. The first note, [Climate Target Setting and Transition Plans](#), outlines how institutions can set credible and forward-looking climate targets aligned with broader business and risk objectives. It also offers guidance for supervisors assessing the quality and realism of those targets in the context of financial stability. The second note, [Interactions Between Climate Scenario Analysis and Transition Plans](#), outlines how climate scenario analysis can inform transition strategies, while also showing how transition plans can improve the design and application of scenario tools.

DNB publishes final guidance on managing climate and nature-related risks

On 15 July, DNB published the final version of its updated [Guide for Managing Climate and Nature-Related Risks](#). The Guide applies to insurers, pension funds, investment firms, and payment institutions (not to banks, who are subject to the ECB guide). It includes updated legal frameworks and expanded good practices, including new content on nature-related risks and the role of climate action plans. DNB highlights the prudential relevance of climate and nature-related risks and expects institutions to integrate those into their risk management. As of 2026, these risks will also factor into the assessment of prudential risks. Supervision will gradually shift from awareness-raising to enforcement, with greater focus on compliance based on the nature and materiality of the risks.

FSB updates G20 on progress under Climate Risk Roadmap

On 14 July, the Financial Stability Board (FSB) published its 2025 update of the [Roadmap for Addressing Climate-related Financial Risks](#). The report outlines progress on four key areas: firms' disclosures, climate data, vulnerability analysis, and supervisory tools. It also sets out the FSB's medium-term strategy, focusing on international coordination, information sharing, and identifying financial stability risks, such as physical climate risks and insurance gaps. It reiterates the need for consistent, granular, and comparable climate-related financial data.



ECB publishes blog post on banks' climate and nature risk management

On 11 July, ECB executive board member Frank Elderson published a [blog post](#) on climate and nature-related risk management by EU banks. Since 2019, banks have implemented more advanced climate risk management practices, particularly on climate stress testing and materiality assessments. By the end of 2024, over half of banks had implemented leading practices for at least some exposures. Key gaps remain in coverage, especially in areas like operational risk and mortgage portfolios. A small number of banks is still under assessment relating to their climate and environmental risk management. The ECB will continue monitoring progress and support banks through an updated compendium of good practices and informal dialogues in 2026 ahead of transition plan requirements in 2027. Stress testing, comprehensive risk coverage, and better data remain central to improving preparedness.

EBA launches public consultation to revise POG Guidelines

On 9 July, the EBA launched a [public consultation](#) on the revision of its Product Oversight and Governance (POG) Guidelines for retail banking products, with a focus on ESG features. The revisions aim to prevent greenwashing, ensure high standards of business conduct, and protect consumers from risks such as mis-selling or misleading practices. The changes aim to clarify how existing POG rules apply to ESG-related products without adding major regulatory burdens. Proposed revisions address e.g. internal controls, target market definition, distribution channels, and information provided to distributors and customers. The consultation is open until 9 October 2025.

AFM publishes three focal points for CSRD reporting

On 3 July, the Dutch Authority for Financial Markets (AFM) published a [report](#) on CSRD reporting by wave 1-companies (also in [English](#)). The AFM compliments companies for their progress in structuring, accessibility and visual clarity of information. At the same time, it provides three focus points for CSRD reporting companies going forward:

- double materiality assessment (DMA): explain how impact, risks and opportunities (IROs) are determined to help stakeholders understand the choices made;
- analysis: explain the considerations for each sustainability topic;
- consequences: illustrate the interplay between the IROs and strategy and business model.

The AFM reiterates that despite the Omnibus proposal, AFM remains committed to a [growth path](#) (also in [English](#)).



UN FIT publishes transition plan guide for insurance underwriting portfolios

On 2 July, the United Nations-convened Forum for Insurance Transition to Net Zero (FIT) published a transition plan guide called '[Underwriting the transition](#)'. It provides insurance market participants (insurers, reinsurers and brokers) with a framework to develop and disclose credible transition plans for underwriting portfolios. It identifies key elements of a credible transition plan, including a checklist to assess credibility. It also includes several case studies. In November 2025, UN FIT expects to publish a 'total balance sheet' transition guide.

ESMA publishes thematic note on ESG credentials and greenwashing

On 1 July, the European Securities and Markets Authority (ESMA) published its first [thematic note](#) in a series on greenwashing, focusing on ESG credentials. It aims to clarify ESMA's expectations towards market participants when they make sustainability claims. In line with earlier ESA reports on greenwashing, sustainability-related communications should generally be accurate, accessible, substantiated, and up to date. The note provides several good and bad practices relating to communication on ESG credentials, industry initiatives, labels and awards, and comparisons to peers.




Litigation



ACM to review sustainability claims on coffee and cocoa products

On 26 August 2025, the Dutch Authority for Consumers and Markets (ACM) [announced](#) it will intensify its oversight on sustainability claims on coffee and cocoa products. Within the sector, The ACM identified these products as having the highest number of potentially misleading claims. These products often use vague terms such as 'responsibly grown', while responsible can have different meanings without a clear explanation. Sustainability and responsibility can for instance relate to climate impact, working conditions, human rights or animal welfare. The ACM urges producers to review their sustainability claims based on the [ACM guidelines regarding sustainability claims](#). The announcement follows an ACM [letter](#) to the food sector earlier this year.



Milieudefensie sends letter to large Dutch companies on climate plans

On 26 August 2025, Friends of the Earth Netherlands (Milieudefensie) [sent letters](#) to 28 large Dutch companies, asking them to submit an updated climate transition plan. The NGO will rank these plans in its upcoming climate crisis index. The letter states that companies without Paris-aligned climate strategies face growing legal and financial risks, relating to litigation, limited insurability of assets, and reputational harm.

Italian competition authority imposes EUR 1 million fine on webshop for greenwashing

On 5 August, the Italian Competition Authority (AGCM) [announced](#) an EUR 1 million greenwashing fine against the website operator of webshop Shein. The AGCM found that Shein used vague, exaggerated, or misleading environmental claims to market its clothing products online. References to circular design or the recyclability of garments were presented in an unclear or unsubstantiated way. One clothing line was marketed as using 'green' fibers, without clarification of environmental benefits and that this line represented only a small fraction of the company's total offering. This could mislead consumers into thinking the line, and the company's wider range, is more sustainable than it in fact is. The company's net-zero commitments for 2030 and 2050 were found too vague and were contradicted by its rising emissions in 2023 and 2024.

USA state treasures warn investment firms for sustainability considerations

On 31 July, state treasurers from 21 USA states sent [letters](#) to CEOs of major investment firms based in their states, requesting them not to embed sustainability and climate considerations, including the EU CSRD, in their investment strategies and engagement activities. They also request proxy voting guidelines with a singular focus on shareholder value and a full disclosure of all initiatives that could influence investments or engagement. The treasurers ask for a reply by 1 September 2025.



International Court of Justice delivers advisory opinion on climate change and international law

On 23 July, the International Court of Justice (ICJ) delivered its unanimous [advisory opinion](#) on the on states' climate change-related obligations under international law (see also the [summary](#)). The ICJ confirms climate change is an existential threat to all life. Among other things, states must apply regulatory due diligence to reduce GHG emissions. Nationally Determined Contributions (NDCs) under the Paris Agreement should, taken together, be capable of achieving the primary temperature goal of 1.5°C. The *lex specialis* argument, that specific climate treaties exclude other sources of law, is rejected. States that withdraw from climate treaties remain bound by customary international law to reduce emissions, prevent significant environmental harm, and cooperate to protect the environment. States may commit an attributable internationally wrongful act by not taking appropriate action to protect the climate system from GHG emissions, including through fossil fuel production, fossil fuel consumption, the granting of fossil fuel exploration licences or the provision of fossil fuel subsidies. Such internationally wrongful acts may require restitution, compensation or other forms of satisfaction in case of a causal nexus with climate injury by states. This may include ecosystem restoration, rebuilding of infrastructure, or on an exceptional basis financial compensation. The principle of non-refoulement applies to persons displaced across borders due to climate change. The ICJ opinion adds to advisory opinions by the ITLOS and IACHR.

Australian court rejects duty of care to protect islanders from climate change

On 15 July, the Federal Court of Australia [ruled](#) that the Australian government does not have a legal duty of care to protect Torres Strait Islanders from climate change impacts. The case, brought by indigenous people, argued that government inaction on emissions targets and inadequate coastal protections violated their rights, culture, and property. While the court acknowledged the existential threat of climate change and the community's vulnerability, it concluded that decisions on emissions and adaptation funding involve political judgments beyond judicial review.



Inter-American Court delivers advisory opinion on climate emergency and human rights

On 3 July 2025, the Inter-American Court of Human Rights (IACHR) issued its [advisory opinion](#) on the obligation of States to respond to the climate emergency under inter-American human rights conventions. The IACHR recognises the right to a healthy climate as an independent right. States must prevent irreversible harm to climate systems, recognised as *ius cogens* norm, regulate activities to mitigate climate change, adopt national adaptation plans, and cooperate internationally. States should define a mitigation target which needs to be as ambitious as possible and carried out with special attention for vulnerable individuals and groups. They are required to implement corporate obligations, such as human rights and climate change due diligence legislation. They also have a positive obligation to adopt measures to ensure the protection, restauration and regeneration of ecosystems. States must provide access to climate information and protect environmental rights defenders from violence and intimidation.

Questions?

If you have any questions or comments on a specific ESG topic, please contact our [Sustainable Business & Climate Change team](#). To receive ESG Matters, please [sign up](#).

Key contacts



Frans van der Eerden | **partner Financial Law**. Focus on financial regulatory & sustainability



Jens Mosselmans | **partner Public Law & Regulatory**. Focus on energy transition and public regulatory



Maartje Govaert | **partner Employment & Pensions**. Focus on social pillar of ESG (employment law matters)



Geert Raaijmakers | **partner Corporate Governance**. Focus on sustainable corporate governance



Iris Kieft | **partner Public Law & Regulatory**. Focus on public regulatory, energy, climate change and the circular economy



Freerk Vermeulen | **partner Dispute Resolution and head of the Supreme Court Litigation Team**. Focus on climate litigation and sustainability strategy



Suzanne Kröner-Rosmalen | **partner Corporate Governance**. Focus on sustainable corporate governance, ESG disclosures and strategy



David Wumkes | **partner Real Estate**. Focus on real estate, sustainability and energy projects

Meet the [whole team](#)

Editors: [Kim Heesterbeek](#), [Erik van Engelenburg](#) & [Dorine Verheij](#)