January 2026

Developments in ESG governance, disclosure, financial regulation and litigation

ESG Matters

In this January edition of ESG Matters, our Highlight looks ahead on legal ESG developments in 2026. Our Spotlight section provides updates on recent developments in ESG governance, disclosure, financial regulation, and litigation.

1 Highlight: What's ahead for ESG in 2026?

First, on behalf of the entire team, we wish you a wonderful and healthy 2026!

In 2025, we collectively covered no less than 307 topics including a variety of aspects of ESG transition, governance, transparency, litigation, and noteworthy advancements within the financial sector. We will continue these updates in 2026. In this first edition of ESG Matters in 2026, we highlight some key topics anticipated for 2026.

Looking ahead to 2026: a new year, a shifting geopolitical and regulatory landscape?

In 2025, the EU fundamentally reversed the trend of a continuous increase in ESG-related regulations that started around 2018. Not only has the EU halted the stream

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of new ESG regulations: it initiated a wave of profound scale-downs aiming to simplify regulations and promote the competitiveness of European companies. The year 2026 will be a year of transition, in which the new ESG rules will be implemented and tested. For legal professionals, this means a year of alertness, flexibility and strategic thinking in a changing environment, where rules are being rewritten, whilst existing obligations remain in place. And that also in an, at least, challenging geopolitical landscape!

Here are some expected updates:

Governance & transition: The Omnibus agenda?

- The 2025 Omnibus project focused on transparency: CSRD and Taxonomy. The simplification of InvestEU, also referred to as Omnibus II, was published in December 2025. Throughout 2026, eight additional Omnibus packages will be further developed.
  - Agriculture (Omnibus III)
  - Digitalisation and Batteries (Omnibus IV)
  - Defence (Omnibus V)
  - Chemicals (Omnibus VI)
  - Data, cybersecurity and AI (Omnibus VII)
  - Environment (Omnibus VIII)
  - Automotive (Omnibus IX)
  - Food and Feed Safety (Omnibus X).
- To say the least: a lot to look out for!

Disclosure: less is more?

- The impact of Omnibus I on reporting obligations will be significant. The proposed changes lead to a reduction of around 90 per cent of the scope for certain categories of companies.
- For wave 2 companies, which will be covered by the CSRD for the first time in 2026, a crucial choice arises: invest in compliance with current standards, wait until the simplified rules are final or prepare for voluntary standards?
- At the same time, the European Financial Reporting Advisory Group (EFRAG) is working on simplified European Sustainability Reporting Standards (ESRS). The proposed adjustments are expected to lead to a 61 per cent reduction in data points. Voluntary standards for small and medium-sized enterprises (VSMEs) are being developed, and a cap on value chain reporting is being considered to reduce the administrative burden on supply chains.
- At the national level, Dutch implementation legislation for the CSRD is finally expected in 2026.

Financial institutions and regulation: Higher expectations?

- Whilst regulations for non-financial companies are being simplified, we are seeing an intensification of ESG requirements and regulatory expectations for financial institutions.

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- The European Central Bank (ECB) has recently taken several enforcement actions against banks making insufficient progress in managing climate and environmental risks. For 2026, we expect the ECB to further strengthen its expectations for banks. Through CRD VI and EBA Guidelines, ESG risk management will be further integrated in prudential supervision.
- European regulators (ESAs) are working on consistency between their supervisory frameworks and the revised CSRD. The European Securities and Markets Authority (ESMA) has announced it will issue thematic publications in 2026 on transition finance and sustainability claims, areas where it identifies greenwashing risks.
- Regulations will change as well. The revision of the SFDR, informally referred to as SFDR 2.0, will enter the negotiation phase in 2026. The proposal clearly reflects the desire to come to a simpler and more practical regime.
- Finally, two important regulations will enter into force in 2026: the EU Green Bond Regulation (which set uniform requirements for the use of the 'European Green Bond'-label, with registration requirements for external reviewers), and the ESG Rating Regulation (introducing a registration and supervision regime for ESG rating agencies, with provider registration expected to become operational in mid-2026).

Environment and climate: Enabling a fair and swift transition?

- Lengthy permitting procedures are a major bottleneck in moving towards a climate neutral and sustainable economy. In 2026, several EC proposals to speed up permitting procedures for renewable energy and energy transition projects, including electricity grid expansions, will follow the EU legislative process. Most notably, the proposals introduce flexibility for projects with limited effects (such as nitrogen and bird mortality) during the construction phase and clear benefits for the energy transition during the operational phase.
- The compliance deadline of the Water Framework Directive is looming: by December 2027 water quality objectives must be achieved for rivers, lakes and groundwater across the EU. 2026 will see further evaluation of discharge permits and increased focus by the authorities on discharge of substances of very high concern, newly detected substances and PFAS.

Litigation: A new front?

- The ESG simplification and deregulation may lead to less and potentially less burdensome rules, at the same time it may also be a driver for more ESG-related litigation. As governments step back, NGOs, consumer organisations and investors may seek action through courts. This could lead to an increase in climate cases, ESG liability claims and greenwashing actions.
- Some specific cases deserve attention. The district court is expected to rule in the Bonaire's case against the Dutch State on climate adaptation and sea level rise. The cases from Milieudefensie against Shell and ING will continue, as does the Belgian climate case (*Klimaatzaak*) on both governments and companies to 'do their part' to mitigate climate change and the Belgian case from a farmer against Total regarding the consequences of climate change. Also worth noting are two German cases in which the BGH will consider whether the two major automobile

manufacturers can be required to stop selling passenger cars with combustion engines

We will continue to monitor these themes closely and provide practical insights in every edition of ESG Matters. Stay tuned – 2026 is just getting started!

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2 Spotlight on ESG developments

Governance & transition

Revision of EU Deforestation Regulation published in Official Journal

On 23 December, Regulation (EU) 2025/2650 to postpone and simplify the EU Deforestation Regulation (EUDR) was published in the Official Journal of the EU. It postpones the application of the EUDR for all operators until 30 December 2026, and for micro and small operators until 30 June 2027. Among other things, due diligence requirements are limited to first operators placing products on the market, with a simplified declaration for micro and small primary operators. Certain printed products are removed from the scope. By 30 April 2026, the EC will conduct a new simplification review. The revised regulation will now be published in the Official Journal of the EU and enter into force three days after publication.

EU institutions formally approve Omnibus I on simplification of CSRD and CSDDD

On 18 December, the EP and Council formally approved the provisional agreement on the substantive Sustainability Omnibus I proposal to simplify the CSRD and CSDDD. See last month's Highlight for more information on the content of Omnibus. This means that the provisional agreement is now finalised and will be published in the Official Journal of the EU.

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Revision of InvestEU under Omnibus II published in Official Journal

On 11 December, Regulation (EU) 2025/2005 to simplify the InvestEU programme (Omnibus II) was published in the Official Journal of the EU. It aims to support EU policies relating to the Competitiveness Compass, the Clean Industrial Deal, defence industrial policy and military mobility. The Regulation increases the EU guarantee under InvestEU by EUR 2.9 billion and facilitates the combined use of the Invest EU guarantee with existing capacity available under three legacy programmes (EFSI, CEF and the InnovFin debt facility). The Regulation also facilitates member states' contributions to InvestEU and simplifies administrative requirements.

EC proposes simplifications to EU Green Bond and ESG Rating Regulations

On 4 December, the EC proposed the Market integration package under the Savings and Investments Union (SIU) strategy. It aims to reduce barriers in the EU single market for financial services. On ESG, the EC proposes simplifications of the EU Green Bond Regulation and the ESG Rating Regulation. The proposed amendments to the EU Green Bond Regulation aim to streamline reporting and verification obligations, clarify definitions, and increase proportionality, particularly for smaller issuers. For the ESG Rating Regulation, the EC proposes simplifications to reduce compliance burdens, clarify supervisory expectations, and improve consistency across Member States, while maintaining oversight designed to enhance the reliability and independence of ESG ratings.

Ombudswoman finds maladministration in relation to Sustainability Omnibus I

On 27 November 2025, European Ombudswoman Teresa Anjinho concluded that the EC committed maladministration in relation to Sustainability Omnibus I. The Ombudswoman found that the EC did not fully apply its Better Regulation rules, when preparing Omnibus, including shortcomings in transparency, documentation of urgency, a stakeholder consultation of less than 24 hours over a weekend, publication of supporting evidence, and climate consistency assessments. The Ombudswoman recommends a predictable and consistent application of Better Regulation rules and made suggestions, including clarifying requirements for climate assessments and minimum consultation standards in urgent procedures.

Disclosure

EC publishes guidance on Taxonomy reporting

On 17 December, the EC published a draft FAQ to help companies prepare for the simplified disclosure rules under the EU Taxonomy Regulation that apply from January 2026. It contains general questions on application timelines, reporting by credit institutions, comparative data, opt-out regime, the materiality approach towards Taxonomy reporting, and reporting on special purpose vehicles (SPVs). Formal adoption of the FAQ is expected in Q1 2026, after the publication of the Omnibus Delegated Act in the Official Journal.

EFRAG submits draft simplified ESRS to EC and launches ESRS knowledge hub

On 3 December, the European Financial Reporting Advisory Group (EFRAG) submitted its draft simplified European Sustainability Reporting Standards (ESRS) as technical advice to the European Commission. The proposed revisions of the ESRS introduce flexibility, proportionality and phasing-in measures, and reduce the number of mandatory datapoints by 61%. Key changes include a streamlined materiality assessment, greater proportionality across reporting steps, flexibility in using estimates in case of limited data availability, and enhanced interoperability with ISSB Standards. The EC will now prepare a Delegated Act to revise the ESRS. On 4 December 2025, EFRAG launched the ESRS Knowledge Hub to support ESRS and VSME implementation through guidance and additional background information.

SBTi publishes chemical sector pathways and implementation criteria

On 2 December, the Science Based Targets initiative (SBTi) published the Chemical Sector Pathways and Implementation Criteria. It provides sector-specific guidance for chemicals manufacturers to set science-based climate targets aligned with global net-zero goals. The pathways can be applied to companies involved in the production of primary, base, intermediate, specialty and consumer chemicals, as well as pharmaceuticals and chemical recycling activities. They may also be relevant for companies that purchase substantial volumes of primary chemicals. The criteria specify emissions reduction pathways for different activities and emission sources, covering both direct (scope 1) and selected value-chain (scope 3) emissions. The Chemical Sector Pathways are designed to be used alongside the SBTi Corporate Net-Zero Standard and the Corporate Near-Term Criteria.

Financial institutions & regulation

Consultation on Dutch implementation of CRD VI

On 15 December, the Dutch Ministry of Finance launched a public consultation on the Dutch Implementation Decree capital requirements 2026 to implement CRD VI into Dutch law. The Implementation Act capital requirements 2026 was consulted earlier this year. With regard to ESG, environmental, social and governance risks will be further integrated into the internal governance and risk management frameworks of banks, investment firms subject to the Capital Requirements Regulation, and third-country branches. While Dutch law already contains general requirements on sound business operations and risk management, existing rules are deemed insufficient to fully capture ESG risks. Banks and in-scope investment firms will now directly be required to draw up ESG plans. These plans must address how institutions manage ESG risks as part of their overall strategy and risk framework. Small and non-complex banks may comply with this obligation in a simplified manner, in line with the EBA Guidelines on the management of ESG risks. The EBA guidelines apply from 11 January 2026, with an extended compliance deadline of 11 January 2027 for small and non-complex banks. The consultation runs until 26 January 2026.

AFM launches public consultation on revision of guidelines on mortgage advice

On 12 December, the AFM launches a public consultation (in Dutch) on the revision of the AFM Guidelines on mortgage advice which date from 2011. The draft Guidelines contain a chapter on sustainability, which sets out AFM's supervisory expectations for mortgage advisors on guiding the customer in relation to the energy label, energy saving measures, and house foundation damage. Stakeholders are encouraged to share their feedback with the AFM. The consultation will close on 23 January.

AFM publishes report on sustainability requirements under POG and suitability assessments

On 10 December, the Dutch Authority for the Financial Markets (AFM) published a news item (also in Dutch) including an ESG update and factsheet on investment firms' compliance with sustainability requirements for product oversight and governance (POG) and the suitability assessment. AFM is positive about the steps that investment firms have taken. However, compliance needs to improve as AFM expects continued efforts to improve the quality and granularity of information on both client preferences and product sustainability characteristics. AFM provides additional clarification of the sustainability requirements for POG and the suitability assessment, as well as good practices.

AFM publishes report on climate plans and emissions reporting of banks and insurers

On 3 December, the Netherlands Authority for the Financial Markets (AFM) published the report Towards Transparent Reporting on Climate Transition Plans and Financed Emissions. It presents the results of a review of the first voluntary CSRD reports of four large Dutch banks and four insurers. All institutions disclosed information on their climate transition plan and financed emissions. However, the scope, level of detail and degree of standardisation vary significantly. While banks provide sector-level insights and related targets, greater consistency in definitions and measurement methods is needed to improve clarity and comparability. For insurers, emissions are broadly disclosed per asset class in a comparable manner, although the level of detail differs. Transition plans mainly focus on emissions from own investments. Reliance on estimates and external data providers introduces uncertainty. AFM calls for greater consistency in metrics, clearer disclosure of portfolio scope, and stronger links between emissions data and transition plans.

PCAF launches updated GHG accounting standard for financial institutions

On 2 December, the Partnership for Carbon Accounting Financials (PCAF) published a significant update to its Global GHG Accounting and Reporting Standard for the Financial Industry. The revised Standard broadens methodological coverage, introducing new approaches for financed emissions across use-of-proceeds structures, securitisations, sub-sovereign debt, and optional treatment of undrawn loan commitments. It also adds guidance on forward-looking metrics and financed avoided emissions, helping institutions separate future projections from historical inventories. For insurers, two new methodologies now cover treaty reinsurance and project insurance, closing key gaps in measurement. Developed by global working groups, the updated Standard aligns with emerging frameworks such as IFRS S1 and S2 and is available for immediate use, though phased integration is expected. These changes mark a step towards more consistent, transparent reporting of emissions linked to financial activities.

ECB and DNB publish report on financed emissions from EU bank lending

On 2 December, the Dutch Central Bank (DNB) and the European Central Bank (ECB) published statistics on financed greenhouse gas emissions from bank lending to European companies in 2023. Banks in the euro area financed 116 million tonnes of CO_2 in 2023, down from 165 million tonnes in 2018, representing a 29% reduction. For Dutch banks, financed emissions from loans to European companies fell from 5.6 million tonnes of CO_2 in 2018 to 3.0 million tonnes in 2023 (-47%). Despite having one of Europe's largest banking sectors, the Netherlands ranked ninth in bank-financed emissions. The decline in financed emissions reflects a combination of factors: higher corporate valuations reducing banks' share of financing, real emission cuts by companies, and Dutch banks shifting portfolios towards lower-carbon businesses. The statistics only cover scope 1 emissions from EU companies, but the trajectory is clear: finance is moving towards a leaner carbon footprint.

ECB takes enforcement measures for climate and environmental risk assessment

On 10 November, the European Central Bank (ECB) imposed periodic penalty payments amounting to EUR 187,650 on Spanish bank ABANCA for failing to comply with an ECB decision for ABANCA to sufficiently identify, assess and document the materiality of its Climate & Environmental (C&E) risks by 31 March 2024. The decision forms part of the ECB's broader supervisory approach to C&E risks, which began with the publication of its guide on climate-related and environmental risks in 2020, followed by a climate risk stress test and thematic review in 2022.

Litigation

Swiss court declares corporate climate case admissible for damages and emissions reduction

On 19 December, the Cantonal Court of Zug (Switzerland) declared admissible the climate lawsuit filed by four Indonesian fishers against Swiss cement producer Holcim. The plaintiffs seek damages for alleged violations of personal rights, and a duty for Holcim to reduce annual direct and indirect CO_2 emissions (Scopes 1–3). The Court ruled the claims of the plaintiffs are admissible. It did not on the merits of the case, as it was still in the preliminary phase. Holcim has announced that it will appeal the ruling.

Dutch mass claim launched against Tata Steel

On 19 December, residents living near Tata Steel in IJmuiden launched a mass claim through the 'Frisse Wind' Foundation (*Stichting Frisse Wind*), seeking approximately EUR 1.5 billion in compensation on behalf of around 330,000 individuals. The claim cites health impacts, diminished quality of life, falling property values, and psychological distress (including stress and anxiety) linked to ongoing emissions of dust, odour, particulate matter, lead, and heavy metals. Frisse Wind is calling not only for financial compensation but also for stronger measures to protect residents in the future.

High emissions at Tata Steel sinter plant trigger EUR 2.4 million conditional penalty

On 19 December, the North Sea Canal Area Environmental Service (OD NZKG) imposed a conditional penalty (*last onder dwangsom*) on Tata Steel EUR 2.4 million for breaching emission standards at its sinter plant. Tests showed water-fluoride levels up to 60 times above the legal limit and exceedances of heavy metals (chromium and nickel). Tata Steel has two weeks to put an end to the violations. In addition, inspectors detected non-dioxin-like PCBs, which, while not subject to fixed limits, must be minimised under Dutch ZZS rules. By 1 January 2026, Tata Steel must update its Hazardous Substances Avoidance and Reduction Programme (VRP-ZS) to show measures taken to prevent PCB emissions. OD NZKG will review the revised plan for compliance.

ECHR rejects complaint against Austria

On 11 December, the European Court of Human Rights (ECHR) dismissed the case *Fliegenschnee and Others v. Austria* as inadmissible. The applicants, three individuals and NGO Global 2000, claimed Austria violated Articles 2 and 8 ECHR by failing to ban fossil fuel sales. The Court held they lacked victim status and reiterated that Article 8 does not grant a right to specific climate measures. Emphasising subsidiarity and the margin of appreciation, the Court confirmed that states retain broad discretion in shaping climate policy.

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.

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