June 2026

Developments in ESG governance, disclosure, financial regulation and litigation

ESG Matters

In this June edition of ESG Matters, our Highlight discusses the stricter greenwashing rules introduced by the Empowering Consumers for the Green Transition Directive. Our Spotlight section provides updates on recent developments in ESG governance, disclosure, financial regulation, and litigation.

1 May in brief

The introduction of the Omnibus proposal has marked a clear shift towards scaling down and more tailoring of ESG transparency requirements. At the same time, there is also a clear shift towards further focus on transition. This is also reflected in this episode of ESG Matters. Examples include:

- the OECD publishing a report on responsible business conduct for a just transition;
- the SBTi publishing its 2026–2030 strategy;
- the UN General Assembly adopting a resolution on the ICJ Advisory Opinion on climate change.

Regulation keeps developing as well on transparency and on ESG risk management. In May, we saw:

- the European Commission launching consultations on the draft revised ESRS and

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the VSME standards under CSRD;

- ESMA publishing a statement on its common supervisory action on MiFID II sustainability requirements;
- ECB publishing two reports on good practices for climate and nature risk management and stress testing.

Please refer to our Spotlight section for these and other developments.

This month's Highlight discusses the Empowering Consumers for the Green Transition Directive, which will have an important impact on sustainability claims in product offerings. The national legislation implementing the Directive will apply from 27 September 2026, for which companies should prepare accordingly.

2 Highlight: Empowering consumers for the green transition: stricter greenwashing rules

From 27 September 2026, organisations must comply with stricter anti-greenwashing rules under the Empowering Consumers for the Green Transition Directive. Despite its impact on organisations and rising litigation and enforcement risks, the Directive has received relatively little attention. In this Highlight, we recap the content of the Directive and share several insights from the updated European Commission Q&As.

Sustainability claims require careful substantiation

In the July 2025 edition of ESG Matters, we discussed the key elements of the existing EU greenwashing framework and the additional requirements introduced by the Empowering Consumers for the Green Transition (ECGT) Directive. The ECGT Directive regulates 'sustainability claims' in business-to-consumer (B2C) communications. Sustainability claims are defined as commercial statements which create the impression that a good or service has a positive or reduced sustainability impact, including through green imagery, overall presentation, or omitted information. In principle, any organisation that markets goods or services to consumers using sustainability claims is in scope.

An important element of the ECGT Directive is the strict regulation of generic sustainability statements, which are sustainability claims that are not specified in clear and prominent terms on the same medium. Examples include: 'environmentally friendly', 'carbon neutral', 'gentle on the environment', 'energy efficient', and 'biobased'. Such claims will always qualify as misleading the average consumer, unless the organisation holds an EU-recognised ecolabel relevant to that sustainability claim. Alternatively, organisations may use a voluntary sustainability label that meets the requirements of the ECGT Directive.

Litigation and public enforcement

Across Europe, NGOs have brought greenwashing cases based on the UCPD (the predecessor of the ECGT Directive) at national courts over the past years. Sustainability claims have been found misleading in several cases, with courts finding that sustainability information is likely to materially influence consumers' purchasing decisions. Such greenwashing litigation risks will further increase under the ECGT Directive. Under Dutch civil law, a breach of the ECGT Directive can entitle consumers to seek a declaration for law, claim monetary damages, or attempt to nullify the contract.

Next to civil litigation, national supervisors may also take enforcement action on greenwashing. In the Netherlands, the ACM has the authority to take public enforcement measures based on the ECGT Directive. Under the UCPD, this often included a 'normative conversation' with the organisation on potentially misleading sustainability statements and the publication of a press release on the ACM website.

Insights from the updated Q&As

Last month, the EC published an updated version of its Q&As document on the ECGT Directive, originally published in November 2025. The Q&As aim to facilitate a coherent application of the ECGT Directive. We highlight three topics addressed in the Q&As.

Claims relating to the climate

Companies regularly market their products or services by referring to the (reduced) climate impact of the product or the company. If such claims are formulated generically – such as 'carbon-neutral', 'climate neutral', 'carbon compensated', or 'carbon positive' – they are always considered misleading, unless the company can demonstrate recognised excellent environmental performance with an EU-recognised ecolabel.

The ECGT Directive requires a case-by-case assessment of claims relating to the future environmental performance of the product or company. For example, this includes communications on the company's transition to carbon or climate neutrality. Such claims are prohibited in B2C communications, except if they meet the following criteria: (i) they are based on clear, objective, publicly available and verifiable commitments that are (ii) set out in a detailed and realistic implementation plan that (iii) includes measurable and time-bound targets and other relevant elements necessary to support its implementation, such as allocation of resources, and that is (iv) regularly verified by an independent third party expert, whose findings are made available to consumers.

Claims relating to social characteristics

The ECGT Directive not only regulates environmental claims but also claims on the 'social characteristics' of a product or service. This may for example relate to the quality and fairness of working conditions, respect for human rights, gender equality, inclusion and diversity, or animal welfare. The ECGT Directive includes such social characteristics among the main characteristics of a product. Companies must be able to provide evidence on their factual claims on this topic. It must be assessed on a case-by-case basis whether claims on the social characteristics of a product or service are likely to mislead the average consumer.

Sustainability labels

The ECGT Directive requires that sustainability labels are based on a certification scheme or are established by public authorities. If they are not, they are prohibited. Such certification scheme must in short meet the following requirements: (i) certification by an independent third-party verification; (ii) publicly available requirements and terms; (iii) monitoring by a competent, independent third party; (iv) transparent, credible and open to all companies; (v) non-exclusive; (vi) based on consultation with experts and stakeholders; (vii) allowing for the use of a corresponding sustainability label. Any sustainability label on the market as of 27 September 2026 must comply with these provisions.

Sustainability claims: a balancing act

Discussions on whether sustainability claims are likely to mislead the average consumer often revolve around nuanced questions, such as whether sustainability claims are formulated sufficiently clear and precise, whether they are sufficiently substantiated, and whether the relevant context is provided. This is not always an easy feat. On the one hand, companies must provide sufficient information to consumers in relation to sustainability to comply with anti-greenwashing rules. On the other hand, organisations will want marketing communications to be understandable, concise and to-the-point. A common pitfall in practice is that organisations formulate sustainability claims too vaguely or generically, without sufficient context on the overall sustainability impact of the product or company.

National implementation: infringement procedures

The ECGT Directive should have been implemented into national laws by 27 March 2026. Several EU Member States, including Belgium, the Netherlands and Luxembourg, have not yet done so at the time of writing this article. The European Commission (EC) has therefore started infringement proceedings by issuing letters of formal notice. The Member States now have two months to respond and to notify full transposition.

In the Netherlands, the transposition process is almost completed at the time of writing this article. The Senate has adopted the proposal for the Dutch Implementation Act on the ECGT Directive on 26 May 2026. The next and final step will be its publication in the Dutch Government Gazette, which usually takes place within a few weeks. Despite the ECGT Directive not yet being formally implemented, it will very likely apply in the Netherlands from 27 September 2026 and companies should prepare accordingly.

What it means for you:

- As of 27 September 2026, B2C communications must take into account these new anti-greenwashing rules, including on social and circularity characteristics. Non-compliance exposes the organisation to litigation and enforcement risks, with potentially significant reputational impacts.
- Generic sustainability claims are generally considered misleading, except if the company holds a recognised ecolabel. Alternatively, the company may use a voluntary certification scheme that meets the requirements of the ECGT Directive.

- To ensure compliance, organisations should review existing communications on all media, including websites, social media, billboards, in writing, and audiovisual commercials.
- Organisations may need to revise their communication policies and provide training to relevant personnel involved in communications.

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3 Spotlight on ESG developments

Governance & transition

ESMA publishes Q&As on ESG Ratings Regulation

On 28 May, the European Securities and Markets Authority (ESMA) published four new Q&As on the EU ESG Ratings Regulation. The Q&As address the defined ranking system, transitional provisions, ESG rating providers established after entry into force, and material changes to registration information.

EC adopts Delegated Regulation under ESG Ratings Regulation

On 26 May, the European Commission (EC) adopted a Delegated Regulation setting out regulatory technical standards (RTS) under the ESG Ratings Regulation. The RTS specify the information to be included in an application for authorisation or recognition as an ESG rating provider. The Delegated Regulation is now subject to a scrutiny period of two months (with the possibility of extension by another two months) by the Council and the European Parliament (EP). In case of no objections, it will apply from 2 July 2026.

OECD publishes report on responsible business conduct for a just transition

On 26 May, the Organisation for Economic Co-operation and Development (OECD) published a report on responsible business conduct in the context of the low-carbon transition, focusing on the protection of workers, communities and consumers. The report outlines how companies can apply the due diligence framework to address social impacts associated with the transition. It highlights that these impacts are often insufficiently considered in corporate transition planning and emphasises the role of responsible business conduct in supporting a just transition.

SBTi publishes 2026–2030 strategy

On 21 May, the Science Based Targets initiative (SBTi) published its 2026-2030 strategy. The SBTi will shift its focus from target-setting and validation towards supporting companies in the implementation of climate targets. The strategy introduces more tailored, sector- and geography-specific approaches to target-setting and emphasises improved data, benchmarking, and tracking of real-world progress. It also aims to enhance interoperability with existing frameworks and reduce fragmentation across the sustainability reporting landscape. In addition, the strategy expands SBTi's scope to include high-emitting sectors and strengthens its presence in Asia and Africa.

EC launches consultation on draft Implementing Regulation for CBAM

On 13 May, the EC launched a consultation on a draft Implementing Regulation setting out rules for the application of the Carbon Border Adjustment Mechanism (CBAM). The CBAM Regulation obliges EU importers to purchase certificates reflecting the carbon price that would have been paid if the goods were produced in the EU. Moreover, it provides rules for calculating reductions in CBAM certificates based on prices paid in third countries, requirements for evidence of such payments, and criteria for the qualification and independence of verifiers. The consultation closes on 10 June 2026.

EC publishes simplification review of Deforestation Regulation

On 4 May, the EC published several documents relating to its simplification review of the revised EU Deforestation Regulation (EUDR). The package includes an updated guidance document on the EUDR, updated FAQs, and a Draft Delegated Act on the product scope of the EUDR. In its report to the EP and Council, the EC proposes further developments of the information system and the planned establishment of new trade facilitation tools. This should lead to an aggregated 75% reduction in annual compliance costs for in-scope companies.

Disclosure

TISFD launches consultation on draft TISFD framework

On 26 May, the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), founded in 2025, launched a consultation on its draft TISFD Framework. This voluntary reporting framework aims to enable businesses and financial institutions to report on people-related information. The draft includes (i) conceptual foundations; (ii) proposed general requirements; (iii) draft disclosure recommendations; and (iv) areas for future development. Future editions will include a set of recommended metrics and implementation guidance.

PSF publishes advice on Taxonomy Delegated Acts

On 27 May, the EU Platform on Sustainable Finance (PSF) published its advice to the European Commission (EC) on the draft revised Climate and Environmental Delegated Acts under the Taxonomy Regulation. The PSF issues 280 recommendations, mainly focusing on the Climate Delegated Act. It also calls for an upgrade of the Taxonomy compass and a comprehensive review of all Taxonomy-related FAQs. Finally, the Platform highlights five cross-cutting issues.

EC launches consultations on ESRS and VSME under CSRD

On 6 May, the EC launched a consultation on the draft Delegated Regulation amending the European Sustainability Reporting Standards (ESRS). It aims to reduce reporting burdens, including fewer datapoints and lower compliance costs. It should decrease reporting costs by more than 30%, reduce mandatory datapoints by over 60%, and cut total datapoints by over 70%. On the same day, the EC also launched a consultation on the sustainability reporting standards for voluntary use (VSME) for companies with fewer than 1,000 employees. Undertakings in scope of the CSRD may not require more information from out-of-scope entities than disclosed according to the VSME (the ‘value chain cap’). Both consultations closed on 3 June 2026. Adoption of both standards is planned for Q2 2026 and application for 1 January 2027, with optional early use from 2026. After adoption, the standards are subject to a two-month scrutiny period by the Council and EP (to be extended by two months).

Financial institutions & regulation

NGFS publishes note on economic and financial impacts of extreme weather events

On 20 May, the Network for Greening the Financial System (NGFS) published a note examining the economic and financial impacts of extreme weather events. It highlights how extreme weather shocks can negatively affect economic activity and how these impacts are transmitted through financial systems, with the risks potentially being underestimated in existing modelling approaches. The findings underline the importance of integrating extreme weather impacts more systematically into risk assessment and financial stability frameworks.

SBTi publishes new resources for financial institutions

On 19 May, the SBTi published its financial institutions getting started guide and an explanatory note for insurance underwriting. These new resources aim to support financial institutions in advancing climate target-setting and implementation. The publications continue the development of the SBTi framework for financial institutions, which increasingly extends beyond lending and investment activities to include insurance underwriting. The explanatory note provides additional methodological clarity to support the integration of underwriting portfolios into net-zero strategies.

ESMA publishes statement on CSA on MiFID II sustainability requirements

On 13 May, ESMA published a statement on the results of its Common Supervisory Action (CSA) on the integration of sustainability considerations into suitability assessments and product governance processes under MiFID II. It outlines key findings and supervisory expectations. Among other things, ESMA emphasises the importance of continued implementation of MiFID II sustainability requirements, while acknowledging ongoing changes in the sustainable finance framework. ESMA encourages national authorities to apply a proportionate supervisory approach focused on dialogue rather than enforcement during the transition period, without prejudice to cases of clear violations.

ECB publishes reports on good practices for climate and nature risk management and stress testing

On 8 May, the European Central Bank (ECB) published an updated report on good practices for climate and nature-related risk stress testing. It highlights areas where banks face challenges and provides guidance on prudential transition planning, scenario analysis and stress testing, and the integration of nature-related risks. This includes more granular risk modelling, enhanced client engagement, and the use of available datasets and tools. In the new release, greater attention is paid to physical risk modelling and integrating nature-related risks into stress testing. On the same day, the ECB also published a more comprehensive report with its insights on this topic over the period 2020-2025.

ESMA publishes report on corporate reporting enforcement in 2025

On 7 May, ESMA published its report on the supervision and enforcement of corporate reporting from 1 January 2025 to 31 December 2025 in the EEA. On the enforcement of sustainability reporting, ESMA focused on compliance with the CSRD/ESRS and Article 8 Taxonomy Regulation. Supervisors took enforcement actions on 30% of the examined sustainability reports. Most enforcement actions related to reporting on climate change under ESRS E1 and on the general disclosures required by ESRS 2. Overall, the disclosures on the materiality assessment process and description of the material impacts, risks and opportunities were found satisfactory for most issuers and the scope and structure of the sustainability statement were generally complied with.

Litigation

Three NGOs file complaint with French financial supervisor against French energy company

On 27 May, three French NGOs filed a complaint with the French Autorité des Marchés Financiers (AMF), alleging that certain climate-related communications by French energy company TotalEnergies are potentially misleading to investors and therefore violate article 223(1) of the Règlement général of the AMF. The NGOs argue that the company repeatedly suggested in its institutional documentation that its strategy is aligned with the goals of the Paris Agreement and with the IEA's Net Zero 2050 scenario, while simultaneously planning to expand its fossil fuel production. Despite recently acknowledging that its 2050 carbon neutrality target may be 'out of reach', the company allegedly continues to present itself as a key player in the energy transition in its latest Sustainability & Climate 2026 Progress Report. The NGOs also submitted a complaint to the European Securities and Markets Authority (ESMA).

EC opens infringement procedures on implementation of ECGT Directive

On 28 May, the European Commission (EC) initiated infringement procedures against 20 EU Member States for failing to fully transpose the Directive on Empowering Consumers for the Green Transition (ECGT) by the 27 March 2026 deadline. The concerned Member States have two months to notify complete transposition measures. In absence of a satisfactory response, the EC may issue a reasoned opinion. The ECGT Directive must apply in EU Member States from 27 September 2026.

UN General Assembly adopts resolution on ICJ Advisory Opinion on climate change

On 20 May, the United Nations (UN) General Assembly adopted a resolution on the International Court of Justice (ICJ) Advisory Opinion on the obligations of States in respect of climate change. Among other things, it calls on all UN Member States to take all possible steps to avoid causing significant damage to the climate and environment, including emissions produced within their borders, and to follow through on their existing climate pledges under the Paris Agreement. States are urged to transition away from fossil fuels in energy systems in a just, orderly and equitable manner to reach net zero by 2050. While not legally binding, the resolution signals broad international support for the ICJ Advisory Opinion.

EC updates Q&A on ECGT Directive

On 18 May, the EC published an updated version of its Questions & Answers (Q&A) on the Empowering Consumers for the Green Transition (ECGT) Directive. The Directive will apply from 27 September 2026 in EU Member States. Among other things, the updated Q&As clarify that environmental claims are to be assessed regarding whether the average consumer expects environmental benefit. It also clarifies the scope of the ECGT Directive.

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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