ESG View

March 2025

18 March 2025

Welcome to the March ESG View!

I write this from Tokyo where I am visiting to speak at the Economist Impact's World Ocean Summit. The warm and kind welcome of the locals made up for the chilly spring weather which kept the cherry blossoms still nestled shyly in their buds. The investment case for the ocean remains stronger now than ever before, as ocean acidification is the latest planetary boundary to reach critical thresholds. Why does this matter? Well, simply put – acidification significantly impairs the ocean's ability to serve as the 'lungs of the planet' as the ocean is the world's largest carbon sink. The finance-focused discussions focused on blue bonds and ocean-focused investment funds. It was also heartening to see a strong representation of small-island states at the Summit including the attendance by the heads of state for Palau and the Marshall Islands. The Summit coincided with the welcome news of Portugal becoming the first country in the world to enshrine a ban of deep-sea mining into national legislation.

On the theme of planetary boundaries, the European Environment Agency recently published its progress report against its 2030 environmental targets including its long-term priority objective of living well within planetary boundaries by 2050 at the latest. Whilst progress has been made in areas such as eco-innovation and greening the economy, the report card reads 'Could Do Better' on decreasing the region's consumption footprint and increasing the circular material use rate.

Across the Pacific, the United States has made changes to its climate and sustainability policies. Over the past month, these changes have extended beyond domestic initiatives, affecting the country's involvement and funding for several multilateral agreements, including the Sustainable Development Goals (SDGs), the Loss and Damage Fund, and the Just Energy Transition Partnership. Meanwhile, the administration's position on military aid has raised questions about whether defence stocks can be considered ESG-friendly. The UK Financial Conduct Authority (FCA) has been proactive in clarifying its stance on this issue, as covered in our UK update below.

The theme for this month's International Women's Day was: "For ALL Women and Girls: Rights. Equality. Empowerment". The case for further increasing women's participation in the workforce goes beyond the ideal of equality for all. PwC's 'Women in Work 2025' highlighted that increased female workforce participation and a narrowing gender wage gap have contributed significantly to economic growth, adding approximately £6.2bn annually to the UK economy since 2011. And yet, projections indicate it will take nearly half a century to close the gender gap across the OECD.

This edition of ESG View explores the diverse developments in global sustainability efforts. While Europe continues to advance its initiatives, the United States seems to be moving in the opposite direction. On the other hand, the APAC region has experienced progress, with China issuing a framework for green bonds, and Japan introducing its first-ever sustainability disclosure standards. This edition also features the usual round-up of key regulatory, policy and disputes updates from around the world.

Best wishes,

Sonali Siriwardena
Partner, Global Head of ESG
T +44 20 7825 4595
E Sonali.Siriwardena@simmons-simmons.com

GLOBAL DEVELOPMENTS

1. International agreement reached on biodiversity targets (multi-sector)

What: On 27 February, there was an agreement reached on funding for biodiversity protection and steps to achieve the targets of the Kunming-Montreal Global Biodiversity Framework (KMGBF), concluding the UN Biodiversity Conference, COP16 (previously suspended in Cali, Colombia in 2024).

Key details: The agreement focuses on biodiversity finance, planning, monitoring, reporting, and reviewing progress towards the KMGBF. Issues agreed upon include:

- Adopting a strategy to mobilise at least $200bn annually by 2030, with international flows reaching $20bn by 2025 and $30 bn by 2030. The strategy includes public finance, private and philanthropic resources, multilateral development banks, and blended finance;
- The Global Environment Facility and the Global Biodiversity Framework Fund (GBFF) to play key roles in supporting the KMGBF. The Global Environment Facility approved over $3bn in support of the KMGBF, leveraging more than $22bn in co-financing; and
- The Cali Fund launched to support the fair and equitable sharing of benefits from the use of Digital Sequence Information (DSI) on Genetic Resources, with contributions from the private sector. The aim is for at least 50 percent of the Cali Fund resources to be allocated to indigenous peoples and local communities.

EUROPEAN DEVELOPMENTS

1. EU Commission proposes Omnibus Simplification Package (multi-sector)

What: On 26 February, the European Commission published the first of the much anticipated 'Omnibus package,' aimed at simplifying the EU's rules on sustainability reporting and due diligence under the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) and bring in changes to the Carbon Border Adjustment Mechanism (CBAM) and the EU Taxonomy.

Key details: The proposals include:

- A postponement directive to amend the timing of the application of certain requirements under the CSRD and the CSDDD to:
  - Delay CSRD reporting requirements for two years for companies currently due to start reporting in 2026 (broadly large EU undertakings and large non-EU issuers) and reporting in 2027; and
  - Delay the transposition deadline for the CSDDD (until 26 July 2027) and the deadline for application of the CSDDD to the first tranche of companies (until 26 July 2028).
- An amendment directive relating to the nature and scope of certain requirements under the CSRD and CSDDD, aiming to (among other things) reduce the number of in scope undertakings by approximately 80 percent; and
- Proposals for changes to the EU Taxonomy and the Carbon Border Adjustment Mechanism (CBAM).

Next steps: The European Parliament and the Council of the EU will each need to consider the proposals and adopt a negotiating mandate before reaching agreement on the final text, (expected soon, given the transposition date of 31 December 2025). We have prepared a detailed briefing on these first proposals available here and will be covering updates on the Omnibus package closely as it evolves over the coming months.

2. EU reveals Clean Industrial Deal (multi-sector)

What: On 26 February, the European Commission announced its ambitious 'Clean Industrial Deal' which commits to achieving a decarbonised economy by 2050, with an intermediate target of a 90 percent reduction in emissions by 2040 relative to 1990.

Key details: While the details of the deal are comprehensive, key initiatives include progressing:

- The Affordable Energy Action Plan to lower energy bills and promote low-carbon transition by speeding up clean energy roll-out and enhancing energy efficiency;
- The Industrial Decarbonisation Accelerator Act to boost demand for EU-made clean products by introducing sustainability and resilience criteria in procurement;
- The Clean Industrial Deal to mobilise over €100bn to support clean manufacturing, introducing a new state aid framework, enhancing the Innovation Fund, and creating an Industrial Decarbonisation Bank;

- The EU Critical Raw Material Centre to aggregate demand for critical raw materials, and the Circular Economy Act to accelerate circular transition by 2026, aiming for 24 percent material circularity by 2030;
- Clean Trade and Investment Partnerships to diversify supply chains as well as strengthen the Carbon Border Adjustment Mechanism; and
- A Union of Skills to be established, which will invest in workforce development, with Erasmus+ reinforcing education and training programs to address skills shortages.

Our view: The deal is an ambitious framework which will need to be implemented strategically if the EU aims to position itself as a leader in global clean technology and circular economy practices. We will provide further updates on the deal as they emerge.

3. EU Commission FAQ on Taxonomy Regulation (multi-sector)

What: On 5 March, the European Commission published a Commission Notice, setting out FAQs on the interpretation and implementation of provisions of three Level 2 delegated acts made under the Taxonomy Regulation.

Key details: The relevant delegated acts addressed include the Environmental Delegated Act, the Climate Delegated Act and the Disclosures Delegated Act. The FAQs are intended to help financial undertakings implement the legislation rather than to introduce any additional requirements.

The notice contains technical clarifications responding to frequently asked questions (FAQs) on:

- The objectives of climate change mitigation and climate change adaptation, as set out in Annexes I and II to the Taxonomy Climate Delegated Act;
- The objectives of water and marine resources, the transition to a circular economy, pollution prevention and control, and biodiversity and ecosystems, as set out in Annexes I to IV of the Taxonomy Environmental Delegated Act; and
- The generic 'do no significant harm' (DNSH) criteria for climate change adaptation, for pollution prevention and control and for the protection and restoration of biodiversity and ecosystems.

4. EBA report on common methodology for ESG exposures/data availability (banking)

What: On 24 February, the European Banking Authority (EBA) published a report on data availability and the feasibility of a common methodology for ESG exposures.

Key details: The EBA's report evaluates the availability of data on ESG risks, and the possibility of creating a standardised method for identifying banking book credit exposures to these risks. It highlights challenges in standardising ESG risk identification and classification, and discusses potential building blocks for a robust methodology, including sustainability reporting frameworks, stress testing, and ESG scores from credit assessment institutions.

Key findings include:

- Significant data gaps exist for social and governance risks, with climate risk data mainly available for large corporations and mortgage exposures;

- A standardised approach is most feasible for climate-related transition risks in non-financial corporates and, to a lesser extent, for mortgage exposures to households; and
- If the EU pursues a common methodology, the EBA suggests starting with the most advanced practices, like those for large corporates, before expanding to other areas.

Next steps: The EBA plans to assess the riskiness of exposures linked to environmental or social factors compared to unrelated exposures and may revise the prudential framework based on this assessment.

UK DEVELOPMENTS

1. FCA statement on defence investments and sustainability regulations (financial institutions)

What: On 11 March, the FCA published a statement setting out its position on sustainability regulations and UK defence, clarifying that there is nothing in its rules, including those relating to sustainability, that prevents investment or finance for defence companies.

Key details: The FCA notes that its sustainable finance rules apply to firms providing financial products and services as well as some listed companies. They do not require financial institutions to treat defence companies differently because they are in the defence sector. The FCA also reminds firms that its rules should not be confused with financial institutions' own policies relating to the type of businesses they wish to support and their own appetite for risk, noting that it is rightly up to individual lenders and investors whether they provide the capital that defence companies need, or whether to invest elsewhere.

Our view: In its statement, the FCA provides further information on regimes such as the Sustainability Disclosure Requirements and the regulations on ESG ratings providers, in efforts to clarify its function as a supervisory authority as opposed to setting investment perimeters. Given the pace of regulatory change in a volatile geopolitical environment, ongoing guidance and communication on regulatory expectations are anticipated to clarify how ESG-related regulations sit within the broader landscape.

2. CCC unveils recommendations for the UK's Seventh Carbon Budget (multi-sector)

What: On 26 February, the Climate Change Committee (CCC) presented to the Secretary of State, a new pathway for the UK to achieve decarbonisation by 2050. This statutory report provides advice to the UK Government on the level of the Seventh Carbon Budget (2038 to 2042), which aims to reduce the UK's greenhouse gas emissions by 87 percent from 1990 levels by 2040, including emissions from international aviation and shipping.

Key details: The CCC report emphasises the importance of electrification and low-carbon technologies, with a focus on rapid deployment and market solutions, supported by policy measures to provide confidence to investors and consumers. The CCC stresses the need for proactive government engagement with affected communities, particularly in sectors like oil and gas, to develop funded transition plans, while highlighting the economic benefits of Net Zero, such as increased energy security and job opportunities in green sectors.

3. UK Government publishes responses to Employment Rights Bill consultations (multi-sector)

What: On 04 March, the UK government published responses to its consultations on collective consultation and fire and re-hire, Government response to the consultation on the application of zero hours contracts measures to agency workers, a Government response to the consultation on creating a modern framework for industrial relations and statutory sick pay.

Key details: The consultations relate to the Employment Rights Bill (the 'Bill') which aims to support increased productivity and create the right conditions for long-term sustainable, inclusive and secure economic growth by introducing a raft of new employment law rights including making unfair dismissal a "day one" right with a light touch procedure for dismissal during an "initial period" of employment (expected to be a 3 -9 month probation period). The Bill completed its third reading in the House of Commons and has moved to the House of Lords.

Next steps: If the Bill receives Royal Assent before Parliament breaks for its summer recess, some provisions may come into force in October 2025 but most changes are not expected to take effect until 2026, with details set out in separate regulations. See our Employment Insight for more information.

AMERICAS DEVELOPMENTS

1. US withdraws from Just Energy Transition Partnership (multi-sector)

What: On 4 March, the United States withdrew from the Just Energy Transition Partnership (JETP) initiative, which it helped launch to support developing countries in their shift from coal to clean energy.

Key details: The withdrawal ends the US contribution to the $45bn in climate finance pledged to support JETP efforts in South Africa, Indonesia, and Vietnam. This decision is part of a series of funding cuts for international climate initiatives under the new Trump administration. The US has also rescinded pledges to the Green Climate Fund and exited the Paris Agreement. Despite the US withdrawal, other partners in the International Partners Group (IPG), including the EU, Germany, the UK and France, remain committed to continuing the JETP work.

Our view: The US withdrawal from the JETP represents a significant shift in its international climate policy but is in line with the current administration's stance on international climate agreements. While other donor nations remain committed, the absence of US support could impact the scale and speed of global coal transition efforts.

2. US introduces Act to prevent extraterritorial scope of ESG regulation (multi-sector)

What: On 12 March, US Senator and Senate Banking Committee member Bill Hagerty, announced the introduction of the Prevent Regulatory Overreach from Turning Essential Companies into Targets (PROTECT USA) Act of 2025. The proposed legislation aims to shield US companies from extraterritorial regulation, such as the European Union's CSDDD. According to one estimate, around 315 US-headquartered companies will be directly subject to the CSDDD.

Key details: The Protect USA Act would prohibit certain US entities from being forced to comply with any foreign sustainability due diligence regulation or being sued for action or inaction related to such regulations and establishes a private right of action for such entities to bring civil actions against the violator in US federal court, including for compensatory and punitive damages when aggrieved.

Our view: The introduction of the Protect USA Act is in line with Senator Hagerty's record of opposing the CSDDD. In September 2024, Senator Hagerty and Representative Andy Barr had urged the Biden-Harris Administration to oppose the CSDDD. As the CSDDD is currently under review by the European Commission's Omnibus process, it will be interesting to observe how the Protect USA Act evolves.

simmons + simmons

APAC DEVELOPMENTS

1. New Zealand proposes the introduction of an “anti-woke” banking bill (financial institutions)

What: On 20 February, New Zealand’s First’s Financial Markets (Conduct of Institutions) Amendment (Duty to Provide Financial Services) Amendment Bill (Bill), targeting what the NZ First party calls “woke” bank lending practices was drawn from the ballot.

Key details: If enacted, the Bill would prohibit banks from denying banking services to businesses for ESG reasons and will mean that no New Zealand business can be denied banking services unless the decision is grounded in law. Banks could be fined up to $500,000 for each breach and an individual could be imprisoned for up to three months or fined $50,000.

Our view: It remains to be seen whether the Bill will survive the legislative approval process. Historically, where private members bills are proposed, only a minority make it to first reading. However, financial institutions will be observing this development and others like it closely, to see whether the anti-woke rhetoric continues to gain momentum in the APAC region.

2. Chinese Ministry of Finance released the framework for sovereign green bonds (financial institutions)

What: On 20 February, the Ministry of Finance of the People’s Public of China (MOFCOM) released The People's Republic of China Sovereign Green Bond Framework (Framework).

Key details: The Framework marks China’s first green bond issuance framework backed by sovereign credit. The funds raised through the Sovereign Green Bonds issued under this Framework will be used to finance and/or refinance eligible green initiatives from the MOFCOM's fiscal budget. These eligible green projects cover six key categories: clean transportation, sustainable water and wastewater management, environmentally responsible management and restoration of living natural resources and land use, marine ecosystem protection and restoration, pollution prevention and control, as well as resource utilisation and recycling.

Our view: The Framework aligns with both the China Green Bond Principles (2022 Edition) and ICMA’s Green Bond Principles (2021 Edition), ensuring consistency with global standards. Through this initiative, China aims to encourage more domestic entities to participate in the international sustainable finance market. Additionally, it supports the nation’s transition toward low-emission business models while attracting experienced foreign investors and capital. This move is particularly significant given European investors’ strong appetite for responsible and green investments and amid global uncertainty in emissions reduction, such as the US withdrawal from the Paris Agreement. China’s sovereign green bond issuance could provide fresh impetus to the global green transition.

3. China moves to refine the mechanism for green bond issuance by overseas institutions in the Interbank Bond Market (financial institutions)

What: On 19 February, the Chinese National Association of Financial Market Institutional Investors (NAFMII) released the “Notice on Refining the Mechanism for Green Bond Issuances by Overseas Institutions in the Interbank Bond Market,” (Notice).

Key details: According to the Notice, "Reputable Overseas Entities", which include non-financial enterprises with strong reputations and experience in green bond issuance, as well as "Two Types of Institutions" (foreign governmental agencies and international development institutions), are now permitted to issue bonds under their existing frameworks. These entities may utilise standards such as the Common Ground Taxonomy, the EU Taxonomy, or ICMA's Green Bond Principles when issuing Green Panda Bonds, in addition to adhering to China's domestic regulations.

Our view: The Notice aligns China’s green finance initiatives with global standards, making it easier for global issuers to participate. The Notice offers flexible options for proceeds management, including bond-by-bond approaches or pooled funding, as well as using NRA accounts for escrow, which helps tackle challenges faced by foreign issuers. Furthermore, it is a strong step to bolster China’s position in sustainable finance, fostering market openness and international collaboration.

simmons + simmons

BEST OF THE REST

A round-up of key ESG regulatory and policy updates from around the globe worthy of a mention in this edition:

- Global: The Initiative Climate International (iCI), a PRI-supported initiative, has launched guidance on the Voluntary Carbon Market (VCM), for private market participants to help achieve net-zero goals.
- Global: The World Economic Forum (WEF) risk report has been published concluding that nature-related risks remain one of the most persistent and pressing challenges for businesses.
- Global: President-designate of COP30 André Corrêa do Lago has published a public letter setting out his vision for the UN climate conference to be held in the Amazonian city of Belém, in November.
- EU: ESMA has published a document, Overview of planned consultation papers 2025 which includes two ESG consultations expected in Q2 2025 concerning Green Bond Regulation and the ESG Rating Regulation.
- UK: The PRA and FCA each published a letter providing the government with an update confirming it has no current plans to publish new rules on diversity and inclusion and will not do so until there is substantive implementation of any new legislation in this area.
- UK: The FCA has published a Dear CEO letter to the Asset Management sector setting out its supervisory priorities, including implementation of the sustainable disclosure rules (SDR).
- UK: The Environment Agency published guidance on the treatment of permanent cessation of activity under the UK Emissions Trading Scheme (UK ETS).
- US: In a speech before the UN's General Assembly, a representative of the Trump administration announced that the US "rejects and denounces" the UN's 2030 Agenda for Sustainable Development and its 17 SDGs and will no longer reaffirm them as a matter of course.
- France: On 20 February, France adopted a new law that will ban per- and polyfluoroalkyl substances (PFAS) in several products, including clothing and cosmetics.
- Philippines: The Securities and Exchange Commission (SEC) of Philippines is implementing mandatory sustainability reporting for listed companies by 2026, adopting a phased approach to facilitate the transition.
- Japan: The Sustainability Standards Board of Japan (SSBJ) issued its first-ever sustainability disclosure standards to enhance corporate sustainability reporting in Japan.
- Japan: Japan's cabinet approved a bill to amend the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy which will allow offshore wind projects to be built in its exclusive economic zones (EEZ).
- Saudi: The Asian Infrastructure Investment Bank (AIIB) and the Kingdom of Saudi Arabia (KSA) signed a joint declaration of intent outlining a framework to advance sustainable development across the region.

ESG DISPUTES ROUND-UP

It has been another busy month in the world of ESG Disputes. In this ESG Disputes roundup, we cover some interesting new developments from the US, which show that the pro-ESG movement in the US is still present, despite the political headwinds. We also cover some recent cases on why service providers such as law firms and other consultancies should be careful to manage their own ESG risks.

To start with, we have some quick updates on existing and new cases:

- On 20 February, the French public prosecutor dismissed a criminal complaint filed against TotalEnergies' Board of Directors and biggest shareholders which alleged criminal liability for their role in climate change and related harm. The French public prosecutor found that, despite there being evidence relating to TotalEnergies' responsibility for global warming and the associated consequences, French law did not criminalise this behaviour. The NGOs who brought the complaint are now considering bringing a civil claim on the same basis.
- On 10 February, the Swiss consumer authority FRC filed a complaint against sports brand ON for misleading advertising of its ‘Cyclon’ sneaker subscription, which promises eco-friendly, recyclable shoes. Despite the brand's claims, an investigation in June 2024 found that no shoes have been recycled, leading the FRC to accuse ON of misleading customers about its sustainability efforts. The case will now be decided by Zurich courts.

As covered in our previous ESG View Disputes round-up, Trump’s second office (“Trump 2.0”) is widely predicted to see an increase in anti-ESG sentiment, with economic growth being prioritised over environmental concerns. Whilst claims against corporates pursuing ESG initiatives have grown, continuing pro-ESG litigation demonstrates that stakeholder ESG demands remain high.

One way in which claimants are seeking to champion ESG is through greenwashing claims against consumer facing brands. Notable mentions include:

- A class-action was filed in the north California District Court **against** one of the largest sugar firms, Florida Crystals, which brands itself as the US’s most environmentally conscious and climate-friendly sugar company. The lawsuit accuses the company of deceiving consumers and endangering public health by using environmentally harmful pre-harvest burning practices.
- A group of consumers have brought a claim against Apple in the California federal court of San Jose. The complaint alleges that Apple’s claims that their watches are “carbon neutral” and environmentally friendly are false and misleading, on the basis that the two carbon offsetting projects which Apple relied upon to meet its corporate emissions target did not provide “genuine” carbon reductions.
- In another class-action filed in Maryland, it is alleged that the makers of Gore-Tex, the brand name for waterproof fabric, “knowingly concealed” ongoing use of environmentally harmful chemicals in the production of its waterproof membranes.
- The Superior Court for the District of Columbia has rejected attempts by industrial meat company Tyson Food, Inc to avoid potential liability following a claim filed by the Environmental Working Group accusing it of misleading consumers about the environmental impact of its industrial beef production.
- The highest court – the Supreme Court – has allowed cases filed by Democratic-led states (including California, Connecticut, Minnesota, New Jersey and Rhode Island) against major fossil fuel companies to progress. The actions allege that the companies deceived the public about the effects of greenhouse gas emissions.

Our view: Whether the pro-ESG direction of travel will abate over the long term remains uncertain but given federal legislation and regulation is unlikely during Trump 2.0, pro-ESG lawsuits may fill the resulting vacuum. Companies, asset managers and investment advisors should therefore ensure that sustainability statements are clear, verifiable and not misleading, and take extra care when making statements to consumers.

1. ESG risks for service providers (multi-sector)

What: As part of NGOs and other pro-ESG stakeholders looking for alternative ways to apply pressure on companies to improve their ESG standards, we are seeing an increasing number of claims and complaints being made against those service providers who assist companies who are considered to be ESG outliers.

Key details: On 12 February, Greenpeace Netherlands issued a complaint to Dutch notary firm Loyens & Loeff in connection with its assistance to JBS's listing on the New York stock exchange and the relocation of its HQ to the Netherlands. JBS has long been a target for ESG campaigners. In February 2024, the New York Attorney General filed a complaint against JBS for misrepresenting its environmental credentials, although this claim was dismissed and ordered to be amended in January 2025.

Similarly, on 10 March, the Financial Times reported that Ad agency AMV BBDO is facing employment tribunal claims that it harassed a senior staff member after she warned that its campaigns could "*greenwash*" its client, the confectionery and pet food group Mars. As reported in February's ESG View, UK advertising firm WPP is also facing a complaint regarding its work for clients in high-risk ESG sectors.

Our view: Service providers should be careful to manage their ESG exposure when assisting clients in high-risk industries. These firms will often be subject to professional obligations which can be interpreted broadly to require them to avoid assisting with activities which could create ESG-related harms. Where the firm is particularly instrumental in facilitating harmful activity, it could also be considered jointly liable. However, the success of these cases has yet to be tested.

2. Breach of corporate duty of vigilance - dispute settled (multi-sector)

What: In February, agreement was reached following a judicial mediation between three environmental groups (Surfrider, ClientEarth, and Zero Waste France) and the French bottled water and dairy group Danone for allegedly breaching the duty of vigilance regarding its plastic use. This duty is mandated under the French Corporate Duty of Vigilance Law (2017), which requires large French companies to publish a vigilance plan and guard against environmental and social violations in their value chains.

Key details: The environmental groups claimed in 2023 that Danone's vigilance plan did not address plastics and requested the Court to direct the company to issue a new plan and pay €100,000 per day if a new plan was not issued within six months. Danone disputed the claim, stating that it had already decreased its global plastic use by 12 percent between 2018 and 2021. The mediation resulted in Danone agreeing to issue an updated vigilance plan comprising:

- An update of its risk assessment in relation to the use of plastic;
- A strengthening of its policy of mitigating and preventing risks in relation to the use of plastic, particularly by implementing reuse and recycling solutions; and
- A publication of its plastic "footprint".

Our view: This mediation outcome demonstrates the importance of constructive dialogue between companies subject to the French Corporate Duty of Vigilance Law and its stakeholders, especially in light of the "Omnibus" legislative developments, which aim to remove NGOs from the definition of stakeholders provided for in the Corporate Sustainability Due Diligence Directive.

ESG CONSULTATION ROUND-UP

Some notable ESG policy consultations in flight across the globe that are currently open for comment. Engagement is a great opportunity to influence the direction of travel for ESG matters.

1. EU Commission call for evidence on EU Taxonomy (multi-sector)

What: On 26 February, the European Commission published a call for evidence on a draft Delegated Regulation amending the Disclosures Delegated Act. Amendments are also proposed to the Taxonomy Climate Delegated Act and the Taxonomy Environmental Delegated Act.

Key details: The amendments are intended to simplify reporting requirements, by introducing a financial materiality threshold and reducing reported data points by around seventy percent. Additional proposals include:

- Simplifying general reporting templates by shortening them and removing duplications;
- Simplifying key performance indicators (KPIs) of financial institutions and postponing the application of the trading book KPI and the fees and commission KPI until 2027; and
- Introducing a 10 percent *de minimus* compliance undertaking which would result in exempting large undertakings with a wide variety of activities from assessing the compliance with the technical screening criteria of non-material economic activities.

Tming: The consultation is open until 26 March. See here for our detailed note on proposals. for our detailed note on proposals.

2. England's Environmental Agency consults on decarbonisation under energy permitting regime (energy sector)

What: On 28 February, the Environment Agency published a consultation on guidance regarding decarbonisation readiness under the Environmental Permitting (EP) regime.

Key details: The Environmental Permitting (Electricity Generating Stations) (Amendment) Regulations 2025 introduce a requirement for operators of new and substantially refurbished combustion plants to include a Decarbonisation Readiness (DR) report as part of their EP application in England, effective from 28 February 2026. The draft guidance outlines how operators should prepare a DR report as part of an EP application. There are distinct sections for operators opting to submit DR plans via the carbon capture route or the hydrogen conversion route. The consultation seeks feedback on the clarity of the guidance and whether additional guidance is necessary. The consultation closes on 9 May 2025.

simmons + simmons

3. IIGCC consults on new climate resilience investment framework (asset management)

What: The Institutional Investors Group on Climate Change is consulting on a Climate Resilience Investment Framework (CRIF) which aims to help investors consider how physical climate risks may require enhanced management to protect long-term financial returns.

Key details: The CRIF is designed to complement the Net Zero Investment Framework (NZIF) and outlines how better management of physical climate risks from a financial materiality perspective can offer numerous benefits. Notable differences from NZIF include target setting as process-based, not outcome-based, reflecting the specific nuances of climate resilience. The consultation is open until 10 April.

4. UK consults on sustainable aviation fuel mechanism (transport/aviation)

What: The UK Government's Department for Transport is consulting on an initiative aimed at supporting producers of sustainable aviation fuel (SAF) through the establishment of a "revenue certainty mechanism" (RCM) to be funded by jet-fuel suppliers.

Key details: The RCM plan aims to reduce risk by introducing an industry funded price guarantee to ensure steady income flow for producers, including where SAF prices fluctuate, and giving investors confidence to invest in SAF plants in the UK. The government stated that the mechanism allows the cost to be spread across the supply chain, ensuring that it is borne by those benefiting from the supply of fossil aviation fuel and is requesting feedback on how the mechanism could be funded and views on proposals to introduce a levy on suppliers of jet fuel.

Timing: The consultation closes 31 March, with plans for a Sustainable Aviation Fuel (Revenue Support Mechanism) Bill to be brought to Parliament in Q2.

LATEST SIMMONS ESG INSIGHTS

Recent podcasts

- ESG and Sustainability Trends 2025 in Europe (13 March)

Recent Publications

- ESG – Commission proposes changes to Taxonomy Regulation Level 2 RTS (6 March)
- The EU Omnibus I and II packages (4 March)
- UK watchdog's greenwashing rulings show ongoing scrutiny of eco claims (20 February)
- European Accessibility Act

CONTACT US

Simmons & Simmons is a leading international law firm with over 320+ partners and 2,500 employees throughout our network of 22 offices in Europe, Asia, the Middle East and the US*.

Our ESG approach is not to have an ESG practice but to adopt an integrated, holistic, cross-discipline approach so that we can combine ESG experts and deep technical knowledge with product/business line expertise.

If you need help understanding the current and upcoming ESG legislative and regulatory landscape or your supply chain obligations or supply chain best practice, or you would like assistance in mitigating your supply chain risk, we can help.

Sonali Siriwardena
Partner, Global Head of ESG
T +44 20 7825 4595
E Sonali.Siriwardena@simmons-simmons.com

ESG Team
T +352 26 21 16 23
E esg@simmons-simmons.com

NOT YET A RECIPIENT OF OUR ESG VIEW?

If you would like to receive our ESG View in your inbox on a monthly basis, please subscribe here.

** representative office not practising US law.*