



ESG Knowledge Update | July 2025

Osborne Clarke LLP

European Union, Global, United Kingdom, USA | July 14 2025

Legal and regulatory news

European Union

The Council of the EU has now agreed its negotiating mandate on the Commission's proposal, introduced under the **Omnibus I package**, to reduce the reporting burden for companies imposed by the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The European Parliament still needs to reach its negotiating position and, once it has done so, the two bodies can start negotiations to reach an agreement on the final text.

The Commission has already proposed to remove 80% of companies from the **scope of CSRD**, by increasing the employee threshold to 1,000 employees and removing listed SMEs from the scope. The Council builds on this by introducing a net turnover threshold of at least €450 million. It has also included a review clause regarding a possible extension of the scope to ensure adequate availability of corporate sustainability information.

While the Commission's proposal did not cover the **scope of CSDDD**, the Council proposes that the thresholds be increased to 5,000 employees and €1.5 billion in net turnover.

The Council has also proposed further **simplification of CSDDD's** rules on identification and assessment of actual and potential adverse impacts, and climate mitigation transition plans (including postponing the obligation to adopt transition plans by two years). The Council mandate also **postpones the application of the CSDDD** by one year to 26 July 2028.

Confusion surrounds the status of the **EU's Green Claims Directive** following the last-minute cancellation of a meeting due to be held on 23 June at which the directive was expected to have been agreed. The Commission's initial statement that the directive had been withdrawn was criticised by the Parliament at a press

conference as being beyond the Commission's powers. Further news as to the status of the directive is expected; however, many commentators are expecting it to be axed.

The Commission's proposal to delay due diligence requirements under **the Sustainable Batteries Regulation** from 2025 to 2027, introduced under its Omnibus IV package, was approved by the European Parliament on 10 July. The Council of the EU is expected to formally adopt the regulation at an upcoming meeting, after which it will be published in the Official Journal and come into effect.

The Commission has published a roadmap towards a system of **nature credits** and is asking for feedback on the roadmap until 30 September 2025.

On 1 July, the Commission issued a call for evidence on extending the scope of the **EU's carbon border adjustment mechanism (EU CBAM)** to certain steel and aluminium-intensive downstream products and adding further anti-circumvention measures to the regime. This call for evidence sits alongside the previously announced proposals to exempt small importers from the EU's CBAM and other simplification proposals.

The Commission has adopted a regulation to simplify the application of the **Taxonomy Regulation**. The simplification regulation must be agreed to by the European Parliament and the Council of the EU and is expected to apply from 1 January 2026.

The **European Banking Authority** published a consultation on 9 July to revise its guidelines on product oversight and governance arrangements for retail banking products to take into account products with ESG features and greenwashing risks. The consultation closes on 9 October and the EBA expects to publish its final guidelines in Q1 2026, which will be applied from 1 December 2026.

On 1 July, the **European Securities and Markets Authority (ESMA)** published a thematic note on clear, fair and not misleading sustainability-related claims by market participants.

United Kingdom

On 25 June, the UK government published a consultation seeking views on **UK Sustainability Reporting Standards (UK SRS) S1** and **UK S2** which are based on the International Sustainability Standards Board (ISSB) standards. Subject to a positive endorsement decision by the government, the FCA will use these standards to introduce requirements for UK-listed companies to

report sustainability-related information. The government also has plans to implement disclosure requirements against UK SRS for companies that are not regulated by the FCA. The consultation closes on 17 September 2025. If endorsed, the government aims to publish the final UK SRS S1 and UK SRS S2 in autumn 2025.

Also on 25 June, the UK government published a consultation on introducing **climate-related transition plan** requirements. The consultation seeks views on how the government should take forward its manifesto commitment to mandate “UK-regulated financial institutions (including banks, asset managers, pension funds and insurers) and FTSE 100 companies to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement”. The consultation acknowledges the wider context including potentially mandating climate-related transition plans via the proposed UK Sustainability Reporting Standards (UK SRS) and use of the Transition Plan Taskforce (TPT) disclosure framework. The consultation closes on 17 September 2025.

On 3 June 2025, the Financial Reporting Council published its revised **UK Stewardship Code 2026**, which establishes the core principles of effective stewardship and sets a high standard of transparency for asset owners and asset managers, and for the service providers that support them. The new code aims to reduce the reporting burden on signatories to it and will apply from 1 January 2026 for reporting thereafter.

The Department for Environment, Food and Rural Affairs has announced that **biodiversity net gain** for nationally significant infrastructure projects will be delayed from November 2025 to May 2025.

The National Audit Office published a report on the functioning of the UK Emissions Trading Scheme (UK ETS). It finds that the transition from the EU Emissions Trading System to the UK ETS was successful but that the relatively low price of carbon under the UK ETS may not sufficiently incentivise participants to invest in low carbon technologies to reduce their emissions.

International

The ISSB published exposure drafts on 3 July of proposed amendments to the **Sustainability Accounting Standards Board (SASB) materials** which entities are required to refer to when applying IFRS S1 and IFRS S2.

The IFRS Foundation published new guidance on 23 June on disclosures about **climate transition plans**. The guidance builds on material developed by the Transition Plan Taskforce for which the

IFRS Foundation took responsibility in 2024.

The US's "**One Big Beautiful Bill**" was signed into law on 4 July, reversing numerous clean energy measures introduced under President Biden's Inflation Reduction Act.

Market news

Consumer body Which? published research finding that greenwashing is widespread and compliance with the UK's CMA's Green Claims Code is low...NGO ClientEarth has published a legal opinion on climate transition plans...

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