March 2025

Developments in ESG governance, disclosure, financial regulation and litigation

ESG Matters

In this March edition of ESG Matters, our Highlight discusses the Omnibus Proposal by the European Commission. Our Spotlight section provides updates on recent developments in ESG governance, disclosure, financial regulation, and litigation.

1 February in brief

Omnibus has been the talk of the town in February, and it will remain in the spotlight over the coming months. In our Highlight section, we delve into this core development, setting the stage for further discussions. But there is so much more to be explored, as you will read in this edition. For instance, the Omnibus Package is not just about CSRD, CSDDD, and Taxonomy. It also encompasses initiatives like **InvestEU**, which aims to boost sustainable investments by fostering innovation and competitiveness across Europe.

Moreover, the **EU Carbon Border Adjustment Mechanism** (CBAM) is a pivotal development, designed to encourage cleaner industrial production in non-EU countries while creating a level playing field. The EC also published the **Clean Industrial Deal**. Our Spotlight section signals these critical developments that should not be missed. And don't forget to check the **ACM** focus areas for 2025, that also touch ESG topics, and the implications of the DNB's updated guide on managing climate-related and environmental risks.

Stay informed with the latest on ESG-related cases across the EU, as we navigate the evolving landscape together.

2 Highlight: Sustainability Omnibus Proposal

On 26 February 2025, the European Commission published the Sustainability Omnibus, which proposes far-reaching changes to the CSRD, CSDDD, and EU Taxonomy. Read our update for an overview of the key proposed changes. In this Highlight, we examine key aspects of the proposals regarding CSRD and CSDDD.

Legislative process

The Omnibus is a political proposal by the European Commission (EC). It marks the first step in the EU legislative process for the proposed amendments. The Council and European Parliament may fully or partly reject the proposals. Ordinary EU legislative processes usually take about two years on average. However, these proposals will likely be processed faster as it follows a fast-track procedure and because of political urgency. The existing CSRD and CSDDD remain applicable, unless if and insofar as the proposal would be adopted. Political dynamics could lead to amendments or rejection of the proposal.

Separate postponement proposal

On CSRD and CSDDD, the EC has submitted two proposed amendments. Firstly, a proposal to postpone the existing CSRD by two years for companies that will first report in FY 2025 and FY 2026, and the CSDDD by one year for the first group of in-scope companies (COM2025(80)). Secondly, a more comprehensive proposal that addresses the scope and substantive requirements of the CSRD, CSDDD, and EU Taxonomy (COM2025(81)). The EC aims to have the postponement amendment adopted as soon as possible. A rapid adoption of the postponement proposal could offer legal clarity for companies currently preparing their first CSRD report, pending the more comprehensive amendments that would remove them entirely from scope. This is particularly relevant for so-called ‘second wave’ and ‘third wave’ companies, who are due to report over FY 2025 or FY 2026 based on the current CSRD. The ‘first wave’ companies due to first report over FY 2024 are not addressed in the postponement proposal.

CSRD limitation of scope

The Omnibus proposes a significant scale-down of the CSRD’s scope, limiting it to EU companies with more than 1000 employees and either a net turnover exceeding EUR 50 million or a balance sheet exceeding EUR 25 million. Other large undertakings, EU listed companies, financial institutions, and (re)insurance captives and undertakings would be excluded if they do not exceed 1000 employees at an individual or group level. This exclusion would also apply to EU Taxonomy-reporting in the CSRD report. For non-EU companies, the CSRD’s application threshold is proposed to increase from EUR 150 million to EUR 450 million net turnover within the EU.

Simplification of ESRS and stronger value-chain cap

For companies that will remain in scope of CSRD, the EC proposes to simplify the harmonised reporting standards (ESRS) within six months of the application date of the proposal. This would include clarifying the double materiality analysis (DMA), removing reporting requirements or making them voluntary, prioritising quantitative data over narrative text, and cancelling the development of sectoral ESRS.

For companies that would become out-of-scope from CSRD, the EC proposes to develop simplified voluntary reporting standards (VSME). Member States would have to ensure that in-scope companies only request data for their CSRD reporting within the limits of those VSME, except if it is commonly shared in their sector. This so-called value chain cap aims to limit the trickle-down effects of the CSRD by protecting SME's from burdensome ESG data requests from in-scope companies.

CSDDD due diligence

The existing CSDDD requires companies to conduct risk-based ESG due diligence across their entire 'chain of activities'. The Omnibus proposes to limit this due diligence to companies' own operations and direct (tier 1) business partners, unless credible information suggests that adverse impacts occur further down the chain of activities. It would also narrow the definition of 'stakeholder'. These limitations contrast with the approach of the existing CSDDD, OECD Guidelines, and UN Guiding Principles, which all mandate risk-based due diligence on a much wider part of the value chain. This may result in discrepancies with voluntary commitments, or unclarity about when potential impacts identified under CSRD processes are credible enough to require action under CSDDD. Importantly, the proposal would remove the harmonised civil liability regime and the minimum supervisory fine cap of 5% of net worldwide turnover. Instead, the EC will develop guidelines together with member states.

CSDDD climate plan

The current CSDDD requires companies to 'adopt' and 'put into effect' a Paris-aligned climate mitigation plan. The proposal suggests removing the requirement to 'put into effect' the climate plan but adds that the climate plan should include implementing actions. CSDDD would still complement the CSRD, as CSRD merely requires reporting on the climate plan, if the company has one, whereas CSDDD requires companies to actually adopt such climate plan.

Taxonomy Regulation

This proposal addresses reporting requirements under the Taxonomy Regulation. It includes amendments to Taxonomy's Disclosures Delegated Act, Climate Delegated Act, and Environmental Delegated Act.

CBAM and InvestEU

Significant changes are also proposed to the EU Carbon Border Adjustment Mechanism (CBAM) Regulation and the InvestEU program. For more information, refer to our Spotlight section.

What this means for you

- The Omnibus proposal represents a significant development with potentially substantial impacts. Your company might fall out of formal scope. For in-scope companies, the CSRD, CSDDD and Taxonomy requirements may be drastically revised. CBAM and InvestEU will also be significantly changed.
- The Omnibus proposal marks the first step in the legislative process. It will now be sent to the European Parliament and the Council, who will determine whether they agree with the proposal or seek additional changes. Societal and political pushback are ongoing and may result in significant changes to the current proposal.
- The current CSRD, CSDDD and Taxonomy Regulation are the only valid legal acts. Therefore, companies cannot put preparations for their FY 2025 CSRD sustainability statements aside, until there is more clarity on the postponement proposal. This may change in the coming months, especially if the postponement proposal would be adopted.
- In the Netherlands, Parliament has proposed to delay the pending CSRD implementation process, until the Ministry clarifies the consequences of the Omnibus package.
- The focus on voluntary reporting should not be underestimated. Even if companies are exempt from mandatory CSRD and Taxonomy reporting, market practice may push for voluntary application and disclosure. Additionally, out-of-scope companies may report due to previously made commitments (climate commitments, adherence to net-zero alliances, etc.) or stakeholder expectations.

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3 Spotlight on ESG developments

Governance & transition

EC publishes Omnibus package: CSRD, CSDDD and Taxonomy reporting

On 26 February, the EC published the Omnibus Package, including proposals to significantly scale down EU corporate sustainability reporting requirements (CSRD), due diligence obligations (CSDDD), and sustainable finance rules (EU Taxonomy). Additionally, the EC released a working document outlining the next steps and implementation timelines for sustainability reporting and due diligence obligations, as well as a working document detailing the simplifications of CBAM. The package also includes a Q&A, providing an overview of the proposed measures and expected impacts. For a detailed overview of the proposed changes, refer to our Highlight section.

EC publishes Omnibus package: consultation on Taxonomy Delegated Acts

On 26 February, the EC published a Call for Evidence for its proposed Omnibus amendments to three Delegated Acts (DAs) under the EU Taxonomy Regulation: the Disclosures DA, Climate DA, and Environmental DA. The consultation is open until 26 March 2025. The Omnibus proposals relating to CSRD and CSDDD are not open for public consultation. Feedback will be considered before finalising the EC's proposals for the Taxonomy DAs. The EC's final approval of the proposals is expected in Q2 2025.

EC publishes Omnibus package: CBAM

On 26 February, the EC published the Omnibus Package, including proposals to significantly scale down and simplify the EU carbon border adjustment rules (CBAM and annexes), and to strengthen InvestEU. The existing CBAM puts a price on the carbon emitted during the production of carbon intensive goods imported into the EU. It aims to encourage cleaner industrial production in non-EU countries and create a level playing field. Omnibus proposes to scale down and simplify CBAM. For instance, CBAM's application threshold of goods whose individual value per consignment is below EUR 150, would be changed to exclude importers for whom the net mass of imported CBAM goods does not exceed 50 net tons per year. The EC estimates that this would exclude 90% of importers, while 99% of emissions would remain in scope.

EC publishes Omnibus package: Clean Industrial Deal and InvestEU

On 26 February, the EC published the Omnibus Package, including the Clean Industrial Deal. The EC proposes to (i) adopt a new Clean Industrial Deal State Aid Framework to accelerate the approval of state aid for renewable energy, decarbonise industry and ensure sufficient manufacturing capacity of clean tech; (ii) strengthen the Innovation Fund and propose an Industrial Decarbonisation Bank, aiming for EUR 100 billion in funding; (iii) launch a call under Horizon Europe to stimulate research and innovation in these areas; (iv) amend the InvestEU Regulation, including through EFSI, funds from past investments, and legacy instruments, to increase the amount of InvestEU financial guarantees to support clean investments, mobilising up to EUR 50 billion for the deployment of clean tech, clean mobility and waste reduction. Member States should have fewer barriers to support businesses and mobilise private investments. Administrative requirements would be simplified, notably for SMEs.

ESMA publishes technical standards on Green Bonds Regulation

On 14 February, The European Securities and Markets Authority (ESMA) published its final report on the technical standards for the Green Bonds Regulation. After public consultation, ESMA revised the draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) based on stakeholder feedback. The final draft RTS and ITS have now been submitted to the EC for adoption, pending non-objection from the EP and Council. These standards will apply to ESMA-registered external reviewers starting 21 June 2026, with 'best efforts' compliance being expected during the transitional period.

EC publishes working programme 2025

On 11 February, the European Commission (EC) published its working programme 2025, detailing key strategies, action plans and legislative initiatives for the first year of its five-year mandate. In line with earlier communications, the focus is on implementing regulations, reducing regulatory burdens, and simplifying regulations. The EC will publish five omnibus proposals in 2025. In Q1 2025, it will publish the 'First Omnibus package on sustainability', the 'Second Omnibus package on investment simplification', the Clean Industrial Deal (all published on 26 February), the Action plan on affordable energy, and the European Climate Law amendment. In Q3 2025, the EC will release the 'Third Omnibus package, including on small mid-caps and removal of paper requirements and the Sustainable Transport Investment Plan. In Q4 2025, it will publish the proposal for a revised SFDR and the Industrial Decarbonisation Accelerator Act. See the annex for the full agenda and pending proposals.

ACM publishes focus areas for 2025 including sustainability

On 5 February, the Dutch Authority for Consumers and Markets (ACM) published its 2025 focus areas (see also the English version). On sustainability, ACM aims to (i) curb greenwashing, particularly in the food sector; (ii) guide businesses on sustainability cooperation within competition rules; (iii) agricultural and nutrition sector collaborations and sustainability certification labels for the agricultural sector; and (iv) prepare for enforcement of the CSDDD. On the energy transition, ACM aims to (i) promote flexible grid use to reduce congestion; (ii) develop a feed-in tariff for fair cost distribution; (iii) educate stakeholders about opportunities arising from the new Dutch Energy Act; and (iv) design a regulatory framework for gas and electricity system operators post-2027.

EU study finds mixed progress on EU Green Deal

Five years after its launch, the European Green Deal has made significant strides, yet challenges remain, according to a JRC study published on 30 January. This comprehensive study covers 154 targets in climate, energy, circular economy, mobility, agriculture, biodiversity, and pollution. the study finds 32 targets are on track, 64 requiring acceleration, and 15 showing no progress or regression. Key successes include steady reductions in greenhouse gas emissions and progress in recycling and clean energy. However, renewable energy expansion, biodiversity protection, and data monitoring need faster action, with 28% of targets lacking sufficient data. Full implementation at the Member State level and systemic shifts across sectors are essential to meet the ambitious 2030 and 2050 goals.

Disclosure

EU-wide tracker of CSRD reports published

The Sustainability Reporting Navigator published an open source EU-wide tracker of published CSRD sustainability statements. It links to published annual reports and indicates the relevant pages for finding the CSRD sustainability statements.

Financial institutions & regulation

EBA publishes report on data availability and common methodology for ESG exposures

On 24 February, The EBA published a report on ESG data availability and accessibility, and the feasibility of a standardised methodology for identifying credit exposures to ESG risks. The report shows progress in data availability, but signals that the ESG data landscape remains incomplete. It expects significant improvements from initiatives like CSRD and ESRS. While methodologies for assessing transition risk and mortgage exposures are developed, other ESG risks are still in early stages and mostly qualitative. Few institutions measure credit risk linked to ESG factors, focusing primarily on climate risk. The EBA concludes that a standardised methodology is feasible but should follow a sequenced approach due to the insufficient evidence of ESG risks' impact on credit risk.

ECB publishes working paper on green and brown returns

On 18 February, the ECB published a working paper asking: 'Does investing in green companies pay off?'. The paper concludes that in regions with a functioning carbon market, such as the EU, green investments can be financially rewarding. The study shows that green firms have outperformed their brown counterparts in recent years. It suggests that the existence of a well-regulated carbon market helps explain the observed green equity premium. The research also indicates that a well-regulated carbon market explains the green equity premium and that investor preference for green financial assets is unlikely to change this outcome.

Frank Elderson highlights climate risks for financial stability

On 12 February 2025, the ECB published Frank Elderson's speech, '*From concept to delivery: accounting for climate and nature in maintaining price stability and keeping banks safe and sound*'. Elderson emphasised that while central banks and regulators are not climate policymakers, they must account for climate risks to fulfil their mandate and maintain financial stability. Key initiatives include integrating climate factors into macroeconomic analyses, prioritising climate-conscious companies in bond purchases, and exploring the inclusion of climate risks in collateral requirements for loans. Since 2020, banks have been required to incorporate climate risks into their governance, strategy, and risk management, backed by clear deadlines and potential sanctions. Elderson stressed that climate and natural risks will continue to rise, making reliable data and reporting essential under the EU's sustainable finance framework.

ECB publishes article on banks' funding of the green transition

On 12 February 2025, the ECB published an article titled '*Green investment needs in the EU and their funding*'. The article highlights the significant role of European banks in financing the eurozone's green transition. Banks, providing nearly 60% of debt financing for non-financial companies and over 80% of household debt, play a key role in shaping the transition of carbon-intensive sectors. Despite a decline in CO_2 emissions from companies financed by eurozone banks between 2018 and 2021, banks remain exposed to high-emission industries, particularly in the industrial, energy, and transport sectors. The article stresses the need for further integration of European capital markets to expand private funding beyond traditional bank lending, ensuring a more resilient green transition.

DNB publishes consultation on climate and environmental risks Guide

On 11 February, the Dutch Central Bank (DNB) published a consultation on its updated Guide on climate-related and environmental risks. DNB applies this guide in its supervision of insurers, pension funds, investment firms and institutions and electronic money and payment institutions, but not to banks (covered by the ECB Guide). The Guide provides an updated overview of legislation on climate and environmental risks, explains these risks, and provides points of attention for managing these risks. Additionally, it provides a detailed sectoral overview of legal frameworks and good practices for risk management. The consultation is open until 26 March 2025.

PSF publishes report on simplifying the EU Taxonomy

On 5 February, the EU Platform on Sustainable Finance (PSF) published a report 'Simplifying the EU Taxonomy to foster sustainable finance'. It proposes five measures: (i) on DNSH (do no significant harm): a distinction between users (non-financial and financial entities), uses (turnover and capital expenditure), and geographies (EU and non-EU exposures); (ii) applying a materiality principle with clear thresholds and simplified calculations, and a limited mandatory scope; (iii) clear guidelines for using estimates and safe harbours for financial sector reporting; (iv) allowing proxies and estimates for GAR (green asset ratio) and GIR (green investment ratio) with simplified retail assessment and reduced denominator; (v) voluntary and simplified disclosure regimes for SMEs, banks, and investors.

ESMA publishes 2026-2028 Programming Document

On 31 January, the ESMA released its [2026-2028 Programming Document] outlining its strategic focus. On sustainability, preventing greenwashing remains a top priority. ESMA aims to boost investor confidence in ESG investments by promoting high-quality sustainability disclosures and will actively monitor the implementation of guidelines like the ESG Fund Names and Sustainability Information Enforcement Guidelines. In Q2 2026, ESMA will release a report on greenwashing risks and finalise a project under the European Commission's Technical Support Instrument.

Litigation

French food company settles due diligence case

On 21 February, French food company Danone settled a case relating to its approach to plastics in its mandatory due diligence plan. The case was initiated by several NGOs in 2023 based on the French ***loi de vigilance***. After the Paris Judicial Court ordered mediation, the food company agreed to (i) update various risks related to the use of plastic in its due diligence plan; (ii) strengthen a policy for mitigating and preventing the risks associated with the use of plastic, in particular relating to reuse solutions; (iii) publication of its plastic footprint; and (iv) annual meetings from 2025 to 2027 between the NGOs and Danone.

Italian competition authority fines logistics group for greenwashing

On 8 February, the Italian competition authority (*Autorità Garante della Concorrenza e del Mercato*) fined logistics group GLS with EUR 8 million for unfair commercial practices relating to sustainability (read the full decision in Italian). The authority found the group's sustainability initiative non-transparent and that its website statements were ambiguous. Also, payments made by customers under the mandatory sustainability program were found higher than the actual costs for the program.

French prosecutors' office dismisses criminal complaint against energy company

On 7 February, the French prosecutors' office dismissed a criminal complaint against French energy company TotalEnergies. NGOs and individuals had argued that the company should be prosecuted for its role in global warming and for related damages. While the prosecutor acknowledged the company's GHG emissions, the allegations were found insufficiently substantiated. It found that current French criminal laws do not provide a basis for criminal prosecution of the company's activities.

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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