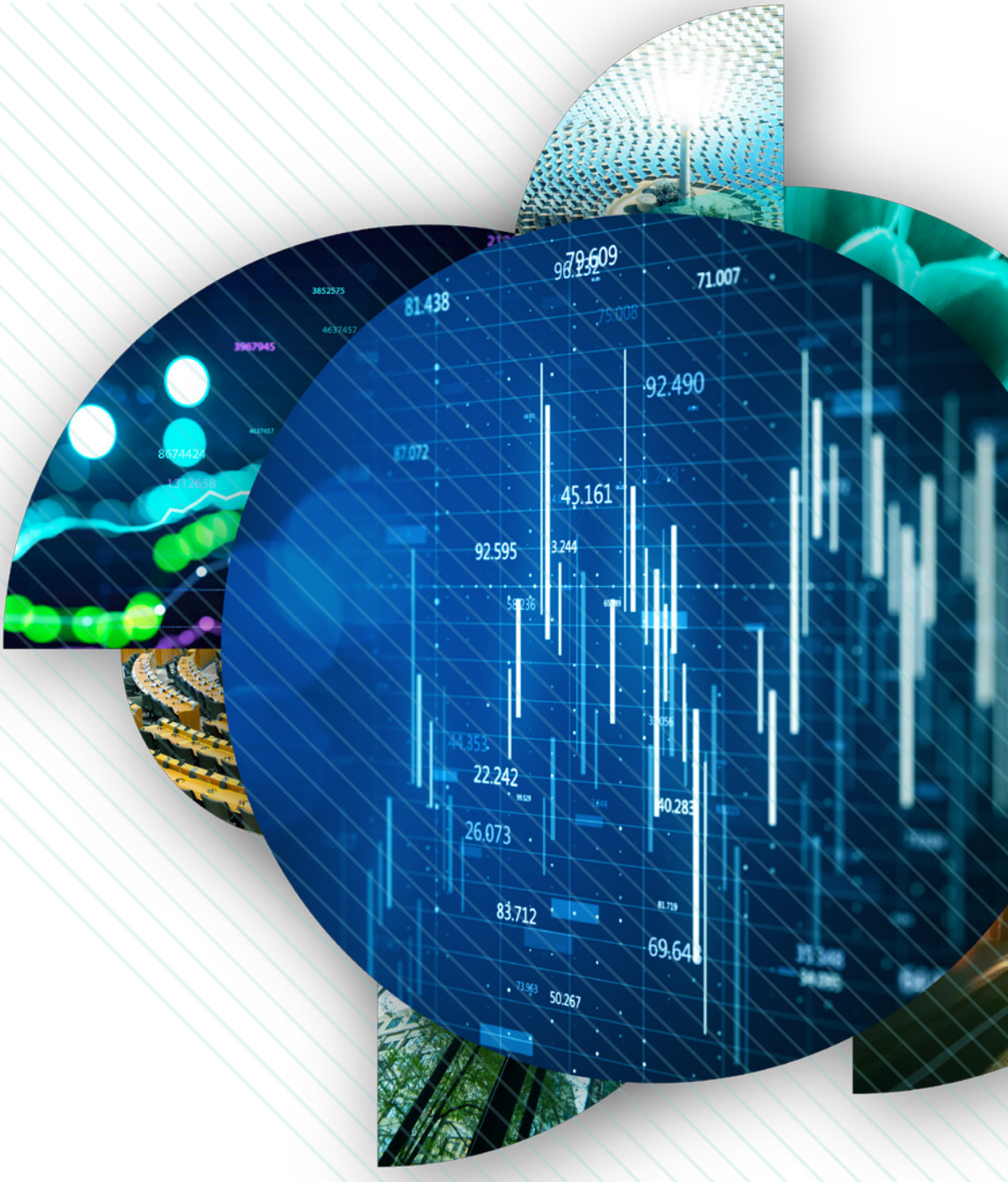
NORTON ROSE FULBRIGHT

ESG | Sustainability

Financial Services regulatory ESG updater

6 June – 6 July 2025



Introduction

Environmental, Social and Governance (ESG) is changing the landscape for financial institutions as a wide range of stakeholders including investors increasingly expect them to make their operations more sustainable. Financial services regulators also view ESG as a priority, embedding the principles of climate-related financial risks into their supervisory frameworks and dealing with institutions that may be making exaggerated or unsubstantiated sustainability-related claims that do not stand up to closer scrutiny (so-called 'greenwashing'). However, the key problem for institutions, particularly those operating cross border, is that there is limited uniformity in regulation, financial services regulators are at different stages in developing their ESG regulatory framework particularly in relation to disclosures and taxonomy. It is therefore critical that institutions monitor the latest announcements from the regulators.

The purpose of this updater is to track ESG regulatory developments from the period 6 June to 6 July 2025, from the United Kingdom, France, Europe Union, the Netherlands, United States, Australia, and certain international regulators.

This month's highlights

3 July 2025 – One year on: All quiet on the greenwashing front?

Recently, a key milestone was passed with little or no fan-fare, however that is not to undermine its significance for firms across financial services. On 31 May 2025, the Financial Conduct Authority's (FCA) anti-greenwashing rule became a year old – a year in which the FCA has begun to actively supervise its compliance. This short note provides an update on where we are now, and the key lessons from this activity.

Background

The rule was introduced as part of the UK's broader Sustainable Disclosure Requirements (SDR) framework. Its aim is to ensure that sustainability-related claims made by financial firms are fair, clear, and not misleading helping to build trust among consumers and combat concerns of exaggerated or unsubstantiated environmental claims. From the outset, the rule has applied across the entire spectrum of UK financial services firms, regardless of size or sector. This includes banks, asset managers, investment firms, and insurers. Its broad scope is designed to promote a culture of transparency and accountability in how sustainability is communicated to clients and the market. It is also worth noting that while sustainability linked loans (SLLs) are typically governed by market-led principles (like those from the Loan Market Association (LMA)), the anti-greenwashing rule remains relevant in this context, particularly following the amendments discussed immediately below. The FCA has previously expressed concerns about the SLL market, particularly around greenwashing risks and the LMA updated the Sustainability-Linked Loan Principles earlier this year to help address these.

Earlier this year, the FCA issued Handbook Notice 127, updating the ESG sourcebook to clarify the anti-greenwashing rule. Most notably, it removed the hyperlink to the Glossary term for the word 'communicates' in ESG 4.3.1R(1)(a) and ESG 4.3.1R(1)(b). This amendment ensures that the word 'communicates' has a broader, natural meaning which will give proper effect to the rule as previously consulted on, as opposed to linking it specifically to financial promotions. The FCA took the view that this linkage had been to potentially narrow the application of the rule, which had not been the policy intention (i.e. which was that it should apply much more broadly to firms' communications about products and services). Additionally, there has been confirmation that ESG 4.3.1R(1)(a) and ESG 4.3.1R(1) (b) are not intended to be read cumulatively. The FCA confirmed, paragraph ESG 4.3.1R(1) (a) will apply to communications that are not financial promotions and paragraph ESG 4.3.1R(2)(b) will apply to communications that are financial promotions.

Activity

The FCA has been actively monitoring firms for their compliance with the anti-greenwashing rule and the rule has been referred to in official communications particularly the February 2025 portfolio letter to the asset management and alternatives sector. There was also the announcement last year by the FCA of its first ESG-related enforcement investigation albeit that this appeared to relate to climate-related disclosures not greenwashing.

In parallel, the FCA continues to collaborate with both the Advertising Standards Authority (ASA) and the Competition and Markets Authority (CMA) to address misleading sustainability claims. Notably, the CMA has already taken enforcement action against several companies for potentially deceptive environmental claims. Following the enactment of the Digital Markets, Competition and Consumers Act 2024, the CMA now has the authority to impose fines of up to 10 per cent of global turnover for non-compliance, significantly increasing its enforcement leverage. The FCA and ASA also continue to coordinate efforts around tackling greenwashing. The ASA has, for example, taken action in several high-profile cases, setting a tone that may indicate how the FCA's approach to enforcement could evolve.

So whilst there has so far been no 'big' announcement from the FCA as regards an enforcement action against a firm's failure to comply with the anti-greenwashing rule it is clear that the rule remains on the regulator's radar and it is probably only a matter of time before we see one. To avoid becoming the subject of that announcement firms can take a number of steps and these are set out below.

Governance

To remain compliant with the anti-greenwashing rule, firms should take a proactive and systematic approach to sustainability communications. This begins with ensuring that all environmental or sustainability-related claims are accurate, clear, consistent, and substantiated, enabling meaningful comparison and avoiding the risk of misleading consumers. These principles should be firmly embedded within the firm's internal policies, operational frameworks, and governance structures. This includes implementing controls to oversee how sustainability claims are developed, approved, and used across various business functions.

In practice, firms should conduct regular reviews of marketing materials, public disclosures and client communications to ensure alignment with stated sustainability commitments. Product governance and approval processes should also integrate checks on the credibility and transparency of ESG-related claims. In essence, the verification process involves ensuring that any sustainability claim made by a firm is truthful, transparent, and can be backed up with evidence. The FCA guidance on the anti-greenwashing rule emphasizes the importance of firms being able to justify their claims and adapt their communications to suit their audience. In addition, firms subject to the Consumer Duty will need to consider its rules and in particular the FCA's expectations under the anti-greenwashing rule for the retail market are consistent with the Duty. Firms should test their communications to check that that they are likely to be understood by customers and meet their information needs. Importantly, compliance must not be treated as a one-off exercise, instead ongoing monitoring, staff training, and clear lines of accountability should be established to respond to evolving regulatory expectations and to reinforce a culture of transparency and integrity in all ESG-related communications.

Materials

We have published numerous items to assist firms including:

- FCA's finalised guidance on the anti-greenwashing rule podcast
- Webinar on ESG and greenwashing in financial services
- Webinar SDR vs SFDR and the increasing risk of greenwashing
- Global greenwashing webinar

How we can help

We have assisted firms with their compliance with the anti-greenwashing rule and this includes providing training, advising on internal compliance policies, providing health-check reviews of existing materials and providing briefings to the board.



United Kingdom

26 June 2025 – UK Government consultations to support banks and large companies in developing climate transition plans

The UK Government issued three consultations intended to support banks and large companies in developing climate transition plans.

The consultations are on:

- How to take forward the UK Government's commitment on transition planning to support the market to invest in sectors that will deliver the clean energy superpower mission. The UK Government has committed to mandating *"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"* and the UK Government announced in November 2024 that it would consult in the first half of 2025 on how best to take forward the transition plans policy. This consultation seeks views on how the UK Government could take forward its manifesto commitment.
- New UK Sustainability Reporting Standards to provide clear, comparable information for investors on sustainability related financial risks and opportunities to enable them to make informed investment decisions. As part of the Mansion House package in November 2024, the UK Government set out the steps that it is taking to establish a sustainable finance framework that delivers credible and decision-useful sustainability-related financial information to the financial markets. The UK Sustainability Reporting Standards (UK SRS) will serve as the foundation for this framework. This consultation seeks views on exposure draft UK SRS, which are based on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. The UK Government proposes six minor amendments to the standards for application in a UK context.
- The development of a voluntary registration regime for the providers of assurance of sustainability reporting, supporting growth in this important sector. This consultation seeks views on a proposal for the planned Audit, Reporting and Governance Authority to be given responsibility for creating a voluntary registration regime for entities that offer third-party assurance services for sustainability-related disclosures.

Next steps

The deadline for comments on each consultation is 17 September 2025.



European Union

23 June 2025 – Council agrees position on sustainability reporting and due diligence requirements

The Council of the EU issued a press release stating that Member States' representatives had agreed the Council's negotiating mandate on simplifying sustainability reporting and due diligence requirements to boost EU competitiveness. The proposal forms part of the 'Omnibus I' package adopted by the European Commission (Commission) on 26 February 2025 to simplify EU legislation in the field of sustainability.

Next steps

The Presidency can enter negotiations with the European Parliament, once the latter reaches its own negotiating position, with a view to reaching an agreement on this file.

25 June 2025 – Platform on Sustainable Finance – next cut-off date for stakeholder request mechanism

The Commission updated its webpage on the Platform on Sustainable Finance.

The Commission has added text to the 'Stakeholder request mechanism' section. The mechanism was launched in October 2023 and allows stakeholders to submit suggestions based on scientific and/or technical evidence, on new activities that could be included in the EU taxonomy or on possible amendments to the technical screening criteria of existing activities. So far, a total of 646 requests have been received through the stakeholder request mechanism by the first cut-off date – 15 December 2023. The Platform, together with the Commission, is currently assessing these requests.

The new text in the section reads:

"The Commission is conducting a comprehensive review of the existing EU taxonomy technical screening criteria, with the aim of updating them and improving their usability. A delegated act is expected to be adopted in the second quarter of 2026. Therefore, the next cut-off date of the stakeholder request mechanism is 15 September 2025."



France

There have been no reported updates this month.



The Netherlands

30 June 2025 – AFM exploratory study on how asset managers carry out their engagement activities and how effective they prove to be

The Dutch Authority for the Financial Markets (AFM) conducted an exploratory study on how asset managers carry out their engagement activities and how effective they prove to be. Notably, the study demonstrates that limiting engagement efforts to a select group of companies and focusing on a limited number of specific ESG themes can increase the quality of engagement.

The study also notes that, although effectiveness is difficult to demonstrate, engagement may contribute to a sustainable investment strategy. Specific ESG-promoting measures aimed at, for example, strengthening governance or the provision of information on a company's sustainability performance are useful small steps forward and represent a push in the right direction.



United States- SEC and CFTC

6 June 2025 – SEC Commissioner Peirce makes the case against ESG mandates

Securities and Exchange Commission (SEC) Commissioner Hester M. Peirce criticized ESG mandates for distorting capital flows, obscuring material information and rewarding *"lobbying prowess"*.

At the International Center for Insurance Regulation at the Digital Insurance Forum, Ms. Peirce warned that the ESG movement substitutes analysis with *"a box-checking exercise"* based on *"generic metrics and criteria concocted by a hodge-podge of interest groups"*. Ms. Peirce argued that ESG rules consume *"tremendous amounts of corporate resources"* and distract boards from value creation. For investors, she warned that ESG disclosures obscure material information and open the door to litigation.

Ms. Peirce also criticized shareholder proposals from activists who *"often own only a tiny percentage of company shares"* but force companies into private ESG concessions that may harm long-term value. Ms. Peirce praised recent SEC steps to limit such proposals and called for a formal rule *"embedding in the SEC rulebook an explicit commitment to materiality"*.

On international developments, she warned that Europe's ESG mandates risk spreading *"economic malaise globally"* and called for global regulators *"to work as hard to dismantle the ESG regulatory edifice as they have in building it"*.

13 June 2025 – SEC withdraws 14 rulemaking proposals

The SEC withdrew 14 proposed rulemakings that were issued between March 2022 and November 2023. This included Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices.

The SEC stated it *"does not intend to issue final rules with respect to these proposals"* and, if the SEC *"decides to pursue future regulatory action in any of these areas, it will issue a new proposed rule".*



Australia

19 June 2025 – AEMC delivers enhanced consumer protections regarding energy deals

The Australian Energy Market Commissioner (AEMC) announced major reforms that will deliver stronger protections for energy consumers.

The new rules are in response to the Energy Minister's requests submitted in August of 2024. They will restrict energy retailers from raising prices more than once per year, remove unfair fees for vulnerable customers and ensure hardship consumers benefit from the cheapest available deal.

AEMC Chair Anna Collyer described the changes as a significant milestone in consumer protection. They mark the first time the Commission has formally applied equity considerations to protect Australia's most vulnerable energy users.

25 June 2025 – Australian Gas Networks in Court over alleged Greenwashing

The Australian Competition and Consumer Commission (ACCC) has commenced Federal Court proceedings against Australian Gas Networks Limited (Australian Gas Networks) alleging it made false or misleading representations in its 'Love Gas' TV and digital advertising campaign.

The regulator alleges that Australian Gas Networks misled millions of consumers when it represented that the gas it distributed to households on its network would be renewable within a generation.

The Australian Gas Network claims were contained in advertisements which featured a voiceover stating, "some things never change, but the flame we use will" and "it's becoming renewable". The final frame of each advertisement featured the words "Love gas. Love a renewable gas future."

The ACCC alleges that the gas distributor did not have reasonable grounds for making the unqualified claims about the future of gas. The regulator is seeking penalties, declarations, injunctions, costs and other orders.

1 July 2025 – Banana Boat and Hawaiian Tropic owner in court over alleged greenwashing

The ACCC commenced Federal Court proceedings against Edgewell Personal Care Australia Pty Ltd (Edgewell) and its US parent company for alleged false or misleading claims.

The ACCC alleges that Edgewell breached ss 18, 29(1)(a) and 29(1)(g) of the Australian Consumer Law when it made claims that many of its Hawaiian Tropics and Banana Boat sunscreen products were 'reef friendly.' Several Hawaiian Tropics products packaging contained the words 'reef friendly' and included a picture of coral.

Edgewell claimed that the sunscreens were 'reef friendly' because they did not contain 'oxybenzone or octinoxate.' These chemicals have been banned in some jurisdictions, including the State of Hawaii, due to the damage they cause to reefs. However, the sunscreens contained other ingredients which the ACCC alleges cause harm to reefs or risk causing harm to reefs.

The ACCC is seeking penalties, declarations, injunctions, costs and other orders.

International regulators – FSB, IOSCO, Basel Committee, NGFS, SASB, IFRS, ISSB

There have been no reported updates this month.

Brochures and resources

ESG is high on the regulatory agenda.

To help our financial services clients navigate the complexities associated with embedding ESG considerations and compliance into their businesses, we have designed our ESG offering around the following 6 "Pillars": (i) Governance (ii) Risk identification, assessment and mitigation (iii) Policies and procedures (iv) Product design, labelling, manufacturing and distribution (v) Disclosures and reporting (vi) Regulatory interventions, investigations and disputes.

We have also produced a number of resources, including articles, podcasts and newsletters, to help clients navigate this evolving, complex landscape:



Global Regulation Tomorrow

Our blog, Global Regulation Tomorrow offers a convenient resource for those keeping track of the evolving and increasingly complex global financial services regulatory environment.



Financial Services Regulatory Developments in ESG

Developed by our global financial services regulatory lawyers and integrated risk advisory group, our Financial Services Regulatory Developments in ESG Hub provides resources and insights to help clients stay informed of key regulatory developments in the sector.



ESG and Sustainability Insights newsletter

Our ESG and Sustainability Insights newsletter brings together recent insights and resources on key topics affecting your business, including climate change and regulation, business and human rights, sustainable finance, energy transition and more.



US Regulatory Intelligence

Written and edited by practicing lawyers, our newsletter goes out each business day to 20,000 market participants. The news covers all significant events in U.S federal financial regulation and regulatory enforcement.

Contacts

Global

Jonathan Herbst
Global Head of Financial Services, London
+44 20 7444 3166
jonathan.herbst@nortonrosefulbright.com

Haney Saadah
Managing Director of Risk Consulting, EMEA, London
+44 20 7444 2519
haney.saadah@nortonrosefulbright.com

Simon Lovegrove
Global Director of Financial Services Knowledge, Innovation and Product, London
+44 20 7444 3110
simon.lovegrove@nortonrosefulbright.com

Europe

Claire Guilbert
Partner, Luxembourg
+352 28 57 39 298
claire.guilbert@nortonrosefulbright.com

Sébastien Praicheux
Partner, Paris
+33 1 56 59 54 25
sebastien.praicheux@nortonrosefulbright.com

Roberto Cristofolini
Partner, Paris
+33 1 56 59 52 45
roberto.cristofolini@nortonrosefulbright.com

Salvatore Iannitti
Partner, Milan
+39 02 86359 429
salvatore.iannitti@nortonrosefulbright.com

Floortje Nagelkerke
Partner, Amsterdam
+31 20 462 9426
floortje.nagelkerke@nortonrosefulbright.com

Michael Born
Counsel, Frankfurt
+49 69 505096 421
michael.born@nortonrosefulbright.com

United States

Andrew Lom
Global Head of Private Wealth and Head of Financial Services, New York
+1 212 318 3119
andrew.lom@nortonrosefulbright.com

Steven Lofchie
Partner, New York
+1 212 318 3075
steven.lofchie@nortonrosefulbright.com

William Troutman
Partner, Los Angeles
+1 213 892 9208
william.troutman@nortonrosefulbright.com

Australia

Helen Taylor
Partner, Sydney
+61 2 9330 8218
helen.taylor@nortonrosefulbright.com

Kate Green
Partner, Sydney
+61 2 9330 8928
kate.green@nortonrosefulbright

Elisa de Wit
Partner, Melbourne
+61 3 8686 6266
elisa.dewit@nortonrosefulbright.com

NORTON ROSE FULBRIGHT

Norton Rose Fulbright provides a full scope of legal services to the world's preeminent corporations and financial institutions. The global law firm has more than 3,000 lawyers advising clients across more than 50 locations worldwide, including Houston, New York, London, Toronto, Mexico City, Hong Kong, Sydney and Johannesburg, covering the United States, Europe, Canada, Latin America, Asia, Australia, Africa and the Middle East.

Law around the world

nortonrosefulbright.com

Norton Rose Fulbright Verein, a Swiss verein, helps coordinate the activities of Norton Rose Fulbright members but does not itself provide legal services to clients. Norton Rose Fulbright has offices in more than 50 cities worldwide, including London, Houston, New York, Toronto, Mexico City, Hong Kong, Sydney and Johannesburg. For more information, see nortonrosefulbright.com/legal-notices. The purpose of this communication is to provide information as to developments in the law. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter which concerns you. If you require any advice or further information, please speak to your usual contact at Norton Rose Fulbright.

© Norton Rose Fulbright LLP. Extracts may be copied provided their source is acknowledged.
65777_GLO – 07/25