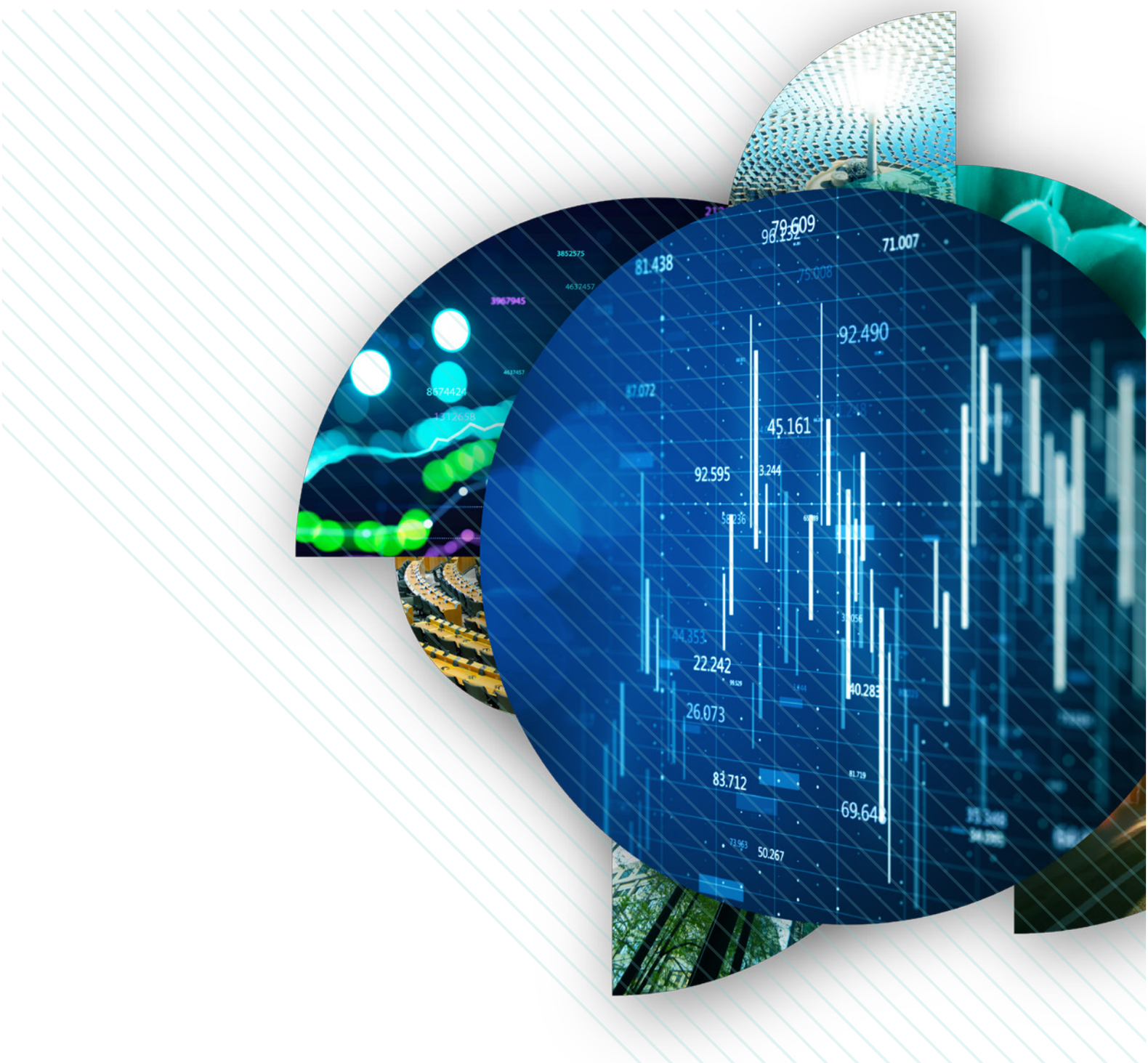
NORTON ROSE FULBRIGHT

ESG | Sustainability

Financial Services regulatory ESG updater

6 August – 6 September 2025



Introduction

ESG is changing the landscape for financial institutions as 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 greenwashing issues.

There is limited uniformity in regulation as financial services regulators are at different stages in developing their ESG regulatory framework, particularly in relation to disclosures and taxonomy, which is a challenge for many institutions operating across borders. It is therefore critical to monitor the latest regulator updates.

To help you, we have tracked ESG regulatory developments from August 6 – September 6, 2025, from the UK, France, EU, the Netherlands, the US, Australia as well as other key international regulators.

This month's highlights

7 August 2025 – FCA multi-firm review of firms' climate reporting

The Financial Conduct Authority (FCA) published its findings following a multi-firm review of firms' climate reporting in line with its rules.

Background

In 2021, the FCA finalised its new ESG sourcebook, requiring asset managers, life insurers and FCA-regulated pension providers to disclose climate-related information in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. In 2023, the TCFD disbanded after fulfilling its mandate and the International Sustainability Standards Board (ISSB) assumed responsibility for monitoring climate-related disclosures. The TCFD's recommendations were incorporated into the ISSB's IFRS S1 and IFRS S2 standards.

The FCA have reviewed its rules and how they have been working with firms, reviewing a sample of 10 TCFD entity reports and 77 TCFD product reports whilst engaging with trade associations and 7 firms in-scope of the TCFD rules.

Findings

Overall, the FCA found that rules have helped firms consider climate change as a material risk, build their capabilities and integrate climate risks and opportunities into their strategies. The rules have also helped firms be more transparent with their clients and consumers about how they take into account climate risks when managing or administering assets on their behalf.

However, the FCA highlights certain challenges that firms encountered such as the availability of data specifically quantitative data to support forward looking disclosures such as scenario analysis and firms providing consistent well-developed methodologies. Firms also felt that while detailed disclosure information is helpful for institutional investors, it may be too complex for retail investors, particularly at the product level from a reporting and accessibility perspective. Firms, specifically asset managers noted that they are required to report under multiple sustainability disclosure regimes and consider the TCFD rules to be too granular. Upon review, firms have asked the regulator to clarify the future of its TCFD rules and develop a proportionate and practical regime that is consistent with international standards whereby sustainability disclosures should be simplified and streamlined.

Next steps

The FCA have updated its webpage to clarify how firms in scope of both its TCFD and Sustainability Disclosure Requirements (SDR) rules can report efficiently under both regimes.

The FCA in light of its findings are considering how to streamline and enhance its sustainability reporting framework which include the SDR, the ISSB standards and its developments on transition plans. The regulator states it will continue to work closely with the Government and regulatory counterparties to support consistent outcomes along the investment chain. It also plans to engage further with industry to guide its next steps.

United Kingdom

14 August 2025 – FCA follow up letter on the sustainability-linked loans market

The FCA published a follow up letter to share insight from its ongoing engagement with banks active in the sustainability-linked loans (SLLs) market.

Since the FCA's previous letter in 2023, which highlighted concerns on market integrity, credibility, incentives and conflicts of interest, the FCA have welcomed constructive engagement with banks active in this market. As part of the Government's Financial Services Growth and Competitiveness Strategy, the SLL market present opportunities for the transition to net-zero for the UK's financial sector, being an important part of a bank's transition finance toolkit.

Developments observed since 2023 included sustainability performance targets being more aligned to a borrower's business model, the declassification of SLLs, how banks need to evolve their transition finance framework to distinguish SLLs in their targets (whether by default or outright exclusion from financing targets) and a shift towards a more client-focused approach for promoting SSLs when a client is deemed ready. The FCA notes there are still barriers preventing some borrowers from using SLLs which include the costs for SMEs financing through SLLs for developing an internal reporting framework or acquiring mandatory external assurance and the large loan sizes required.

Next steps

The FCA will work closely with the Transition Finance Council as it drives towards the Transition Finance Market Review's recommendations to promote the competitive position of the UK as a transition finance hub.

The FCA will also continue to monitor the market and welcomes feedback and engagement on the matters raised in this letter.

19 August 2025 – Transition Finance Council consults on entity-level Transition Finance Guidelines

The Transition Finance Council issued a consultation on draft entity-level Transition Finance Guidelines (the draft Guidelines), which aim to address the current absence of a consistent framework capable of application across asset classes for identifying and evaluating credible transition finance at entity-level.

Background

The draft Guidelines would be voluntary and are designed to complement existing frameworks such as those developed by the Transition Plan Taskforce and the ISSB. The existing frameworks help companies to communicate their transition plans, whereas the draft Guidelines build on this by focussing on how to assess the credibility of an entity's ambition, and near-term transition planning and progress.

Four principles

The draft Guidelines are divided into four principles in relation to assessing the credibility of transition finance:

1. Credible ambition – sets interim targets to reduce emissions and having metrics and actions to achieve them.
2. Action into progress – sets out how it can progress implementation actions with the purpose of meeting any interim targets and metrics it has set.
3. Transparent accountability – entities will integrate their implementation actions and interim targets and metrics into its business planning, organisational processes, and governance.
4. Addressing dependencies – the entity will analyse and consider any material dependencies in determining its implementation actions and interim targets and metrics; managing these in relation to which it has leverage, by prioritising the most material.

These principles are then intended to be supported by certain universal factors containing practical criteria which are evidence points for assessing whether the principles have been satisfied. The Universal Factors are for entity-level assessment and should be met by any entity regardless of its size, geography or other context, to be considered transition finance.

Next steps

The consultation will close at 12pm on 19 September 2025. The Transition Finance Council intends to release a second consultation later in 2025, with the Guidelines being issued in final firm next year.



European Union

6 August 2025 – EBA no-action letter on the application of ESG disclosure requirements

The European Banking Authority (EBA) published an opinion in the form of a no-action letter on the application of the provisions relating to disclosures on ESG risks.

Background

On 22 May 2025, the EBA issued a consultation paper on draft implementing technical standards (draft ITS) amending European Commission (Commission) Implementing Regulation (EU) 2024/3172. The proposals amend the Pillar 3 disclosures framework by incorporating the requirements set out in the Capital Requirements Regulation 3 (CRR 3) regarding ESG related risks, equity exposures and the aggregate exposure to shadow banking entities. The deadline for comments on the consultation paper was 22 August 2025.

The Commission's Omnibus Package proposes substantive reforms in the areas of sustainable finance reporting, sustainability due diligence, and the EU Taxonomy. These legislative developments, particularly those related to the EU Taxonomy, have a direct impact on the structure and content of ESG risk-related disclosures contained in the draft ITS. However, there is some uncertainty as to how the final version of the Omnibus Package will look once agreed by the co-legislators and as such the EBA will only be in a position to finalise the draft ITS once there is certainty.

Opinion

In the Opinion the EBA makes certain recommendations to the Commission and Member State competent authorities. It provides that for the period starting from the reference date of 30 June 2025 until the draft ITS are adopted and enter into force to not prioritise the enforcement of the:

- Disclosure of certain ESG disclosure templates (notably EU 6 to EU 10, and specific columns in Templates 1 and 4) of Commission Implementing Regulation (EU) 2024/3172, for large institutions with listed securities.
- Collection of templates EU 6 to 10, and specific columns in Templates 1 and 4 of the EBA Decision EBA/DC/498 of 6 July 2023, for large institutions with listed securities.
- Disclosure of the corresponding ESG templates under Commission Implementing Regulation (EU) 2024/3172 for all other institutions recently brought under the scope of Article 449a of the CRR.

Dashboard

The EBA has also published an updated version of its ESG risk dashboard. The ESG risk landscape across EU/EEA banks appears stable, thus reflecting the long-term horizon of climate-related risks and the gradual pace of change in banking portfolios.



France

There have been no reported updates this month.



The Netherlands

There have been no reported updates this month.



United States- SEC and CFTC

4 September 2025 – SEC Unveils Spring 2025 Rulemaking Agenda

In its Spring Unified Agenda of Regulatory and Deregulatory Actions, the Securities and Exchange Commission (SEC) outlined short- and long-term regulatory actions that administrative agencies plan to take.

The agenda is organized under three sections: (i) Prerule Stage, (ii) Proposed Rule Stage, and (iii) Final Rule Stage.

There are 3 rules at the Prerule Stage, including, among them, foreign private issuer eligibility and asset-backed securities registration and disclosure enhancements. There are 16 rules at the Proposed Rule Stage, including, among them, rulemaking on crypto assets and crypto market structure, amendments to the custody rules, shareholder proposal modernization, and rationalization of disclosure practices. There are 2 in the Final Rule Stage, including implementation of joint data standards under the Financial Data Transparency Act.

SEC Chair Paul S. Atkins said the Spring 2025 agenda signals a renewed focus on innovation, efficiency, and investor protection and among other things highlighted plans to cut disclosure burdens. He also said the SEC will revisit the Consolidated Audit Trail over cost and privacy concerns while dropping items from the Fall 2024 Regulatory Agenda. Among the items dropped were (i) Enhancement of Climate-Related Disclosures for Investors, (ii) Enhanced Disclosures by Advisers of ESG Practices, (iii) Amendments to the Definition of Exchange, and (iv) Regulation Best Execution.



Australia

6 August 2025 – NSW Bill to expand the remit of environment policies and extend directors' liability

New South Wales Government Minister Jihad Dib has introduced the Environmental Legislation Amendment Bill 2025. The Bill would enable Protection of the Environment Policies (PEPs) to apply to businesses.

PEPs set environmental standards, protocols and guidelines. At present, they only apply to government authorities. Importantly, noncompliance with a PEP is not an offence. However, the instruments allow the Environmental Protection Authority to set expectations for environmental standards and drive behavioural change.

Minister Dib provided that the new approach recognises that PEPs will be more effective if they apply to all entitles whose actions affect the environment.

In addition, the Bill ensures that executive liability provisions are embedded across all environmental protection legislations including the Waste Avoidance and Resource Recovery Act 2001 and the Product Lifecycle Responsibility Act 2025. These provisions mean that if a company commits an executive liability offence, directors can also be held liable.

12 August 2025 – Quaker Houghton Australia Pty Ltd ordered by consent to pay $260,000 pecuniary penalty

The Environment Protection Authority (EPA) brought proceedings against Quaker Houghton Australia Pty Ltd (QHA) for a 28,000-litre oil spill into a public stormwater drain network in Victoria. The spill started with an equipment failure that was undiscovered for several days which left an oil layer in the water which is considered to have caused the death to toadfish and contaminated Elwood and St Kilda beaches.

The EPA alleged that QHA contravened sections 25(1) and 133(1) of the Environment Protection Act 2017 (Vic) by depositing industrial waste into the public stormwater system (an unauthorised location) and failing to use plant and equipment in a way that reasonably minimised the risk of harm.

Following court ordered mediation QHA admitted to the contraventions. In making the consent orders, Quigley J was satisfied that QHA had taken proper remedial and reporting action and had taken its environmental and corporate responsibility seriously, including by working with the EPA to bring the litigation to an end. QHA was ordered to pay $20,000 in compensation to the Department of Transport and Planning for cleanup costs, a $260,000 pecuniary penalty and publish a written adverse publicity notice in a local newspaper.

22 August 2025 – Federal Court of Australia upholds Scarborough gas project approval

Doctors for the Environment and Australia (DEA) brought proceedings against the National Offshore Petroleum Safety and Environmental Management Authority (Authority).

DEA argued that the Authority acted unlawfully in approving Woodside Energy Scarborough's environmental plan for its offshore project. DEA argued the Authority did not fully understand how the project's impacts would be managed and that the environmental plan was vague, uncertain and did not meet the standard required under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023. As a result, DEA argued the Authority did not properly apply the relevant legal criteria when approving the plan.

The Federal Court of Australia dismissed DEA's application. Justice McElwaine stated that:

> *"the Regulations do not (explicitly or implicitly) prescribe any methodology that must be implemented to demonstrate that the environmental impacts and risks of the activity will be reduced to as low as reasonably practicable and will be of an acceptable level."*

Further, his Honour provided it is not the court's job to scrutinise the Authority's decision. Rather the court's role is to review whether it was 'open' to the Authority to approve the environment plan under the guidelines.

28 August 2025 – ASIC and APRA host superannuation CEOs to discuss governance, risk and expenditure practices

The Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA) recently hosted two joint superannuation CEO roundtables. The discussion reflected a shared commitment to uplifting governance, risk management and expenditure practices to enhance member outcomes and services. There was a consensus that risk culture should be a shared responsibility, integrated into all roles rather than a stand-alone function.

Regulators and CEOs discussed the importance of aligning spending with member outcomes, emphasising that expenditure decisions must be underpinned by robust governance and oversight under the Best Financial Interest Duty. APRA clarified that its focus is not on cost reduction but on ensuring that spending decisions are purposeful, transparent, and demonstrably in members' best financial interests.

These roundtable discussions reemphasise the regulators' focus on corporate governance and directors' duties failures.

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.

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