GIBSON DUNN

Gibson Dunn ESG: Risk, Litigation, and Reporting Update (July 2025)

Client Alert | August 19, 2025

We are pleased to provide you with Gibson Dunn's ESG update covering the following key developments during July 2025. Please click on the links below for further details. I. GLOBAL

1. **The International Accounting Standards Board (IASB) publishes near-final guidance on disclosing uncertainties in financial statements, using climate risks examples**

On July 24, 2025, the IASB published a near-final draft of illustrative examples of how companies could report uncertainties in their financial statements, such as climate-related risks, under the IFRS Accounting Standards. The examples provide guidance of disclosure under the existing accounting rules and respond to stakeholder feedback that raised concerns about insufficient information and apparent inconsistencies in companies' disclosures regarding uncertainties. The climate risk-focused examples cover topics such as materiality determinations and disclosures related to assumptions, credit risk, decommissioning and restoration provisions, and the disaggregation of information based on dissimilar risk characteristics. The finalized examples are expected to be released in October 2025. ***Other highlights:***

- On July 10, 2025, ISS Sustainability Solutions announced the launch of a new Sovereign Climate Impact Report, a complement to its Climate Impact Report covering corporate issuers, to provide investors with tools to evaluate climate risks across sovereign and sub-sovereign portfolios through the use of over 180 different metrics.
- On July 22, 2025, the Science Based Targets initiative published the Financial Institutions Net-Zero Standard, which outlines science-based guidelines for financial institutions when setting targets to achieve net zero by 2050, covering lending, asset owner investing, asset manager investing, insurance underwriting, and capital market activities.
- On July 3, 2025, the International Sustainability Standards Board (ISSB) published new exposure drafts of proposed amendments to the SASB Standards and the IFRS S2 industry-based guidance, including to (i) review nine prioritized industries (eight of which are in the Extractives & Minerals Processing sector), (ii) align metrics for water management and workforce health and safety, and (iii) update the IFRS S2 industry-based guidance to align with climate-related content in the SASB Standards. Both drafts are open for comment until November 30, 2025.
- On July 3, 2025, the InterAmerican Court of Human Rights issued its advisory opinion regarding the obligations of States to take measures to mitigate and adapt to the effects of climate change. You can read more in our Alert here.
- On July 7, 2025, the Association for Chartered Certified Accountants and Chartered Accountants Australia and New Zealand jointly published a guide for applying the International Standards on Sustainability Assurance 5000's requirements relating to materiality assessments and disclosures in sustainability assurance. Relatedly, on July 8, 2025, Australia's Accounting Professional and Ethical Standards Board published new auditing standards that set forth new

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requirements for sustainability reporting and assurance in support of the implementation of Australia's new mandatory climate-related disclosures that became effective January 1, 2025.

II. UNITED KINGDOM

1. **His Majesty's Treasury (HM Treasury) responds to consultation on UK green taxonomy**

On July 15, 2025, HM Treasury published its response to the UK green taxonomy consultation, which it launched in November 2024 as previously discussed in our November 2024 ESG Update, concluding a green taxonomy is not an effective tool and will not be pursued by the UK Government. Consultation feedback was mixed, with 55% of responders expressing mixed or negative sentiment. The response cited no compelling evidence that taxonomies proportionately channel capital or curb greenwashing, and noted taxonomies have a limited impact on investment risk or economics. The UK Government will instead prioritize the UK Sustainability Reporting Standard, transition plans, and sector roadmaps.

2. **Financial Conduct Authority (FCA) publishes new climate disclosure rules for the public offers and admissions to trading regime**

On July 15, 2025, the FCA published Policy Statement PS25/9, which will replace the UK Prospectus Regulation and take effect from January 19, 2026. The policy broadly aims to simplify capital raising, reduce costs, increase market competitiveness, and broaden retail investor participation. As part of the policy, the FCA has introduced a new climate-related disclosure rule for certain issuers (including issuers of equity securities and depositary receipts representing equity shares but excluding closed ended investment funds, open-ended investment companies, and shell companies) and optional disclosures for sustainability-labelled debt instruments. Any issuers subject to the new climate disclosure rule that have previously published a material transition plan must now include a summary of that transition plan in their prospectus. The FCA's approach aligns with the recommendations of the Task Force on Climate-related Financial Disclosures and the International Sustainability Standards Board. ***Other highlights:***

- On July 21, 2025, the Independent Water Commission published its final report. The Commission's recommendations include the abolishment of Ofwat (the current water services regulator) and the creation of a new integrated regulator, combining the functions of Ofwat, the Drinking Water Inspectorate, and water functions from the Environment Agency and Natural England. The UK Government is set to respond to the final report in the Autumn.
- On July 22, 2025, the Department for Environment, Food and Rural Affairs launched a public consultation on the proposed Environmental Compensatory Measures Reforms for offshore wind development. The reforms are intended to provide more clarity on the requirements for environmental compensation when unavoidable damage to a Marine Protected Area occurs during offshore wind development.
- On July 24, 2025, the Joint Committee on Human Rights published its report on forced labour in UK supply chains. The report found that the UK was falling behind the EU and the U.S. and should introduce new legislation to, among other things, mandate a duty of human rights due diligence on companies and update the existing Modern Slavery Act 2015.

III. EUROPE

1. **European Commission adopts voluntary sustainability reporting standards for small and medium-sized undertakings (SMEs)**

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On July 30, 2025, the European Commission adopted a recommendation on a voluntary sustainability reporting standard for SMEs. Prepared by the European Financial Reporting Advisory Group (EFRAG), the proposed voluntary reporting standard for small and medium-sized undertakings (VSME) is designed to ease the burden on SMEs. Even though these entities are not required to report under the Corporate Sustainability Reporting Directive (CSRD), entities in scope of the CSRD may request information from SMEs to fulfill their own reporting obligations. The VSME provides a simplified framework for entities in scope of the CSRD to raise such requests appropriately and for SMEs to respond to them. Notably, the European Commission's recommendation also includes practical guidance, including explanations of terms used in the standard and templates for reporting.

2. **EFRAG publishes updated European Sustainability Reporting Standards (ESRS) Exposure Drafts**

On July 31, 2025, EFRAG published the revised Exposure Drafts of the ESRS. The revision is part of the EU's Omnibus Simplification Package, which aims to reduce reporting burdens on companies. The revised ESRS are now over 55% shorter, with significantly fewer mandatory datapoints (a reduction of 68%). A key amendment to the ESRS concerns the double materiality assessment (DMA), a key CSRD requirement. The amendment clarifies that companies should focus on the most obvious topics and ensure evidence is reasonable and proportionate. In response to feedback about the intensity and effort required for DMA, EFRAG introduced practical considerations, such as focusing on the most likely material topics based on the business model and context and allowing a top-down or bottom-up approach in performing the assessment, together with clearer criteria for determining material impacts, risks, and opportunities. Additional simplifications include making sustainability statements more concise and readable, improving alignment with IFRS sustainability standards, and introducing relief mechanisms to reduce undue reporting burdens (such as phasing in certain disclosure requirements and allowing the use of internal or publicly available data for value chain reporting, both for up to three years). Due to ongoing discussions, some issues could not be addressed in the revised draft. For example, there is still no clarification of the meaning of the term "compatibility with 1.5°C" for climate transition plan disclosures. Also, the drafts do not address enhanced relief for commercially sensitive information. EFRAG is seeking further feedback from stakeholders through a 60-day public consultation until September 29, 2025, with the final standards expected to be published by the end of November 2025.

3. **European Commission publishes draft "Quick-Fix" Delegated Regulation postponing reporting requirements for wave-one companies under the ESRS by two years**

On July 11, 2025, the European Commission published a draft Delegated Regulation postponing certain reporting requirements for wave-one companies (*i.e.*, large Public Interest Entities (PIEs)), due to report under the CSRD from January 1, 2025 and unaffected by the "Stop-the-Clock" Directive, for two years. The new amendments allow all wave-one companies to postpone reporting on the anticipated financial effects of certain sustainability-related risks for an additional two years. Companies not exceeding 750 employees can also delay reporting on Scope 3 greenhouse gas emissions as well as all requirements under ESRS E4, S1, S2, S3, and S4 through financial year 2026. Importantly, all larger companies now receive similar phase-in relief regarding ESRS E4, S2, S3, S4, and several requirements under ESRS S1; however, larger companies must still report on Scope 3 emissions. The delegated act is now subject to review by the European Parliament and the Council of the European Union. If no objections are raised, it will apply from January 2026 for reporting on the 2025 financial year.

4. **Update on PFAS[1]: European Chemicals Industry Action Plan**

On July 8, 2025, the European Commission published the "European Chemicals Industry Action Plan," which includes a section titled "Providing clarity on PFAS." This section

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outlines the European Commission's current position on the proposed restriction of PFAS. While the European Commission appears to support a ban on PFAS in consumer uses, such as cosmetics, food contact materials, and outdoor clothing, it also acknowledges the need for continued use in strategic sectors like healthcare, defense, semiconductors, and others, under strict conditions where adequate alternatives are not yet available. Derogations for critical uses are expected to be accompanied by requirements to reduce emissions at all lifecycle stages and by clear incentives to innovate. A restriction proposal was submitted to the European Chemicals Agency (ECHA) in 2023 by Denmark, Germany, the Netherlands, Sweden, and Norway. ECHA's scientific committees are currently evaluating the proposal, with conclusions expected in 2026. The European Commission plans to present its own proposal shortly thereafter.

5. **Status of Omnibus discussions and CSRD / Omnibus "Stop-the-Clock" Directive transposition update**

In light of summer recess, there have been no significant developments in the legislative process surrounding the Omnibus Simplification Package. The rapporteur of the European Parliament, Jörgen Warborn, stressed in an interview that the main goal of the project is to cut costs, reduce regulatory burden, and restore competitiveness. It is expected that the European Parliament will agree on a negotiation position by the end of October. Afterwards, trilogue negotiations between the European Parliament, the European Commission, and the Council of the EU will begin. Similarly, there are also no updates regarding the transposition of the CSRD or of the "Stop-the-Clock" Directive. An overview of the current transposition progress across Member States can be found here. ***Other highlights:***

- The EU Commission is thinking about delaying the review of the EU's Sustainable Finance Disclosure Regulation until the first quarter of 2026 in light of the ongoing Omnibus Simplification discussions.

IV. NORTH AMERICA

1. **Climate regulation developments at the U.S. Department of the Interior and the Environmental Protection Agency (EPA)**

On July 17, 2025, the U.S. Department of the Interior updated its guidelines for states applying to federal orphaned wells programs. These new guidelines aim to reduce burdens on grant recipients by removing the requirement that states conduct pre- and post-plugging methane measurement, providing discretion to states in identifying and plugging orphaned wells, and eliminating the Department's post-award environmental review and approval process. Also on July 17, 2025, the Department of the Interior stated that it seeks to eliminate longstanding right-of-way and capacity fee discounts for existing and future solar and wind projects to help increase the development of clean coal and domestic natural gas. This announcement comes in response to an executive order titled "Ending Market Distorting Subsidies for Unreliable, Foreign-Controlled Energy Sources" that was issued on July 7, 2025 and directs various agencies to implement the One Big Beautiful Bill Act. For details regarding the August 15, 2025 notice from the IRS and Treasury related to the termination of tax credits for wind and solar facilities, see our client alert here . On July 29, the EPA released a proposal to rescind the EPA's endangerment finding. As covered in our February 2025 ESG Update, the endangerment finding declared that greenhouse gases pose a threat to public health and welfare and serve as the basis for EPA greenhouse gas regulations under the Clean Air Act. A virtual public hearing began on August 19, 2025 and will conclude on August 22, 2025, and a public comment period is open until September 22, 2025. Relatedly, on July 29, 2025, the U.S. Department of Energy published a report developed by five scientists titled "A Critical Review of Impacts of Greenhouse Gas Emissions on the U.S. Climate," which concludes that "models and experience suggest that CO2-induced warming might be less damaging economically than commonly believed, and excessively aggressive mitigation policies could prove more detrimental than beneficial." On July 18, 2025, the EPA announced it is planning on

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shutting down the Office of Research and Development, which is responsible for the agency's scientific research oversaw grant programs that fund universities and private companies. The EPA will instead create a new Office of Applied Sciences and Environmental Solutions, which the EPA's press release stated "will allow EPA to prioritize research and science more than ever before and put it at the forefront of rulemakings and technical assistance to states." On July 24, 2025, the House Appropriations Committee approved the Fiscal 2026 Interior, Environment, and Related Agencies Appropriations Act, which proposes cutting the budget of the EPA by 23%. The bill also features provisions promoting domestic mining, increasing budgets for the Bureau of Ocean Energy Management and Bureau of Land Management for offshore and onshore oil and gas development, respectively, requiring onshore and offshore oil and gas leases, prohibiting the use of the social cost of carbon, and prohibiting the EPA from imposing methane fees on oil and gas producers.

2. **D.C. Circuit limits plaintiffs' ability to sue companies for remote supply chain allegations**

On July 22, 2025, the D.C. Circuit issued an opinion in a case brought by West African cocoa farmers who sued several multinational cocoa and candy companies, alleging that the companies should be held liable for harms they allegedly have suffered on third-party farms. The D.C. Circuit affirmed dismissal of plaintiffs' claims on standing grounds and adopted the arguments of defendants, reasoning that plaintiffs had not done enough to establish that any of plaintiffs' alleged harm was "fairly traceable" to the companies—none of whom owned farms or had direct relationships with those farms. This case, together with a decision from last year similarly rejecting claims against technology companies brought by cobalt miners in the Democratic Republic of Congo, sets out limitations that courts may impose on the scope of indirect liability for companies based on alleged harms that happen throughout the global commodity supply chain.

3. **Glass, Lewis & Co., LLC (Glass Lewis) and International Shareholder Services Inc. (ISS) sue Texas over Senate Bill (S.B.) 2337**

On July 24, 2025, proxy advisors Glass Lewis and ISS each separately sued the State of Texas to block its recently enacted law (S.B. 2337) that would require proxy advisors to provide certain disclosures to shareholders and the company if the proxy advisor makes a recommendation or provides voting advice based on non-financial factors, such as ESG or diversity factors or a sustainability score. For more details on S.B. 2337, see our prior client alert. Both ISS and Glass Lewis seek to enjoin enforcement of the law, which is set to take effect on September 1, 2025. Among other causes of action, both complaints allege that S.B. 2337 violates the First Amendment's prohibition on viewpoint discrimination and freedom of association, is unconstitutionally vague under the Fourteenth Amendment, and is preempted by the Investment Advisers Act of 1940, federal law regulating investment advisors. ISS also argues that S.B. 2337 violates the Constitution's Contracts Clause, and Glass Lewis argues that S.B. 2337 violates the Dormant Commerce Clause and is preempted by the Employment Retirement Income Security Act of 1974. On July 24, 2025, Glass Lewis filed a motion for preliminary injunction, and on July 28, 2025, ISS filed a motion for preliminary injunction. On August 15, 2025, the Attorney General for the State of Texas filed a response to each motion for preliminary injunction and concurrently filed a motion to dismiss in each case. The hearing for the preliminary injunctions is scheduled for August 28, 2025, which will be a joint hearing for both cases. Relatedly, on July 11, 2025, the Missouri Attorney General announced the launch of an investigation and parallel lawsuits against both Glass Lewis and ISS, stating that ISS and Glass Lewis "have used their influence to push far-left DEI and ESG agendas into corporate boardrooms under the guise of impartial investment advice." ***Other highlights:***

- On August 13, 2025, the U.S. District Court for the Central District of California denied plaintiffs' motion to preliminarily enjoin California's climate-related reporting laws. The California Air Resources Board has announced a second

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virtual workshop scheduled for August 21, 2025 at 9:30 a.m. Pacific Time, which will discuss various aspects of implementing regulations for the new laws.

- On August 7, 2025, an Executive Order was signed directing the federal banking agencies, National Credit Union Administration, and Small Business Administration to investigate whether financial institutions have engaged in "politicized or unlawful debanking" practices in violation of federal law. For more information, see our recent client alert.
- On July 29, 2025, state finance officials from 21 states sent letters to the top executives at 25 different U.S.-based, asset management firms pushing the firms to reaffirm their "commitment to traditional fiduciary duty" by, among other things, ceasing to frame climate change as a long-term risk.
- On July 28, 2025, the Florida Attorney General launched an investigation into CDP and the Science Based Targets initiative (SBTi), claiming the organizations "violated state consumer protection or antitrust laws by coercing companies into disclosing proprietary data and paying for access under the guise of environmental transparency." On August 8, 2025, 23 states led by the Attorney General of Iowa sent a letter to SBTi expressing their concerns that "SBTi and the financial institutions that commit to its Standards risk violating federal and state antitrust laws as well as state consumer protection laws."
- On August 1, 2025, the court denied the defendants' motion to dismiss in the federal lawsuit brought by 11 state Attorneys General against BlackRock, Inc., State Street Global Advisors, and The Vanguard Group alleging the three illegally manipulated the coal market through their investments in publicly traded coal companies. More information on the lawsuit can be found in our November 2024 ESG Update.
- As discussed in our June 2025 alert, the SEC filed a status report with the Eighth Circuit regarding how it would address the climate disclosure rules. Specifically, the status report stated that the SEC "does not intend to review or reconsider the [r]ules at this time" and asked the court to lift the abeyance and make a ruling since the case has been fully briefed. On July 30, 2025, the intervenor states responded, urging the Eighth Circuit to hold the cases in abeyance until the SEC more thoroughly explains its future course of action for the rules.

In case you missed it… On June 20, 2025, the Texas governor signed House Bill 229, which adds definitions to the Texas Government Code to define "male," "female," and similar terms in relation to biological sex and requires governmental entities that collect information about the sex of individuals "for the purpose of complying with antidiscrimination laws or for the purpose of gathering public health, crime, economic, or other data" to "identify each individual as either male or female." The Gibson Dunn Workplace DEI Task Force has published its updates summarizing the latest key developments, media coverage, case updates, and legislation related to diversity, equity, and inclusion, including a recent client alert analyzing guidance from the U.S. Department of Justice on the application of federal antidiscrimination laws to entities receiving federal funds. Gibson Dunn has provided analysis of the One Big Beautiful Bill Act, including changes made to the tax benefits for clean energy projects and provisions related to employee benefits and compensation matters. A collection of our analyses of the legal and industry impacts from the presidential transition is available here. **V. APAC**

1. **Singapore issues practical guidance to advance adoption of Singapore-Asia Taxonomy (SAT) for Transition Finance**

On July 9, 2025, the Singapore Sustainable Finance Association, supported by the Monetary Authority of Singapore, published practical guidance to facilitate real-world application of the SAT in green and transition financing. The guidance aims to address data gaps by recommending the use of interim thresholds, sunset dates, and revised criteria when full taxonomy alignment data is lacking, distinguishes between "amber" (*i.e.*,

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activities transitioning towards green energy or enabling significant greenhouse gas emissions) thresholds and measures, and advises on assessing entity-level transition plans. It also provides early industry thinking on how financiers and borrowers can reference SAT to recognize the transition efforts.

2. **Singapore and the UK to collaborate on energy transition and sustainable infrastructure investments in Southeast Asia**

On July 12, 2025, Singapore and the UK announced a major collaboration to support clean energy transition and sustainable infrastructure development across Southeast Asia. As part of this, the UK pledged up to £70 million through British International Investment to Singapore's Financing Asia's Transition Partnership (FAST-P) initiative. The funding will be delivered through British International Investment and aims to support low-carbon energy projects and enhance regional energy security.

3. **Monetary Authority of Singapore and People's Bank of China reaffirm collaboration in green and transition finance**

On July 11, 2025, the Monetary Authority of Singapore and the People's Bank of China reaffirmed their commitment to advancing green and transition finance at the third Singapore-China Green Finance Taskforce meeting. The meeting brought together over 40 public and private sector participants to review progress on joint initiatives in sustainable finance. Key areas discussed included taxonomy interoperability, cross-border green finance flows, and leveraging technology for sustainable finance adoption. The session also explored new opportunities in biodiversity financing and Shanghai's green finance transition. [1] Per- and polyfluoroalkyl substances.

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