

GIBSON DUNN

ESG: Risk, Litigation, and Reporting Update

September 24, 2025

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

I. GLOBAL

1. Institutional Shareholder Services Inc. (ISS) Sustainability Solutions announces an update to its scoring methodology for its Environmental and Social Disclosure QualityScore (ESQS)

On August 4, 2025, ISS [reported](#) that ISS Sustainability Solutions will update its ESQS scoring methodology in the fourth quarter of 2025 to respond to changes in sustainability reporting and disclosure expectations and to “better evaluate covered companies’ disclosure preparedness and provide comparably reported data to subscribing investors.” The updated methodology will add 35 factors, including “more detailed data points regarding Scope 3 [greenhouse gas] emissions, business ethics, [and] health and safety.” New answer options will be added for approximately 20 factors to allow more company-specific responses. Eleven factors will be removed, though two factors will be removed only from certain industries given what ISS Sustainability Solutions describes as decreased relevance. ISS Sustainability Solutions plans to share more details about these changes before late September, when companies will be able to verify the new data.

Other highlights

- The Net-Zero Banking Alliance (NZBA) [announced](#) that on August 27, 2025, it initiated a vote of its members to decide whether to transition from a membership-based structure (which expects member companies to make certain climate-related commitments when joining) to instead provide voluntary guidance as a “new framework initiative.” The vote’s outcome is expected to be shared by the end of September 2025.
- On September 2, 2025, the Science Based Targets initiative (SBTi) [released](#) its new draft Power Sector Net-Zero Standard for companies “involved in power generation, transmission and distribution, storage, trade, and retail activities.” The new standard replaces SBTi’s [Quick Start Guide for Electric Utilities](#) and is “designed to enable companies across the power sector to set near- and long-term science-based targets that are practical, credible and aligned with what is needed to reach net-zero by 2050 at the latest.” The draft is open for public consultation until November 3, 2025.

II. UNITED KINGDOM

1. UK Government releases modern slavery reporting template and guidance

On July 30, 2025, the UK Government, in collaboration with the Australian and Canadian governments, [released](#) an “[o]ptional template to serve as a guide for responding to supply chain transparency requirements” in the three jurisdictions. The template aims to ease the administrative burden on companies operating in each of the jurisdictions and groups its recommended reporting requirements into seven themes, one of which includes a description of the organization’s structure, operations, and supply chains and another that focuses on the organization’s training. While organizations can use the template to implement good practices and as a guide when preparing their modern slavery transparency statements and/or annual reports, they must still review the relevant jurisdiction’s legislation, which will vary in its language and obligation(s).

2. Financial Conduct Authority (FCA) publishes a review of climate reporting by asset managers, life insurers, and FCA-regulated pension providers

On August 6, 2025, the FCA [published](#) a webpage on its multi-firm review of climate disclosures. The review focused on the rules requiring asset managers, life insurers and FCA-regulated pension providers to disclose climate-related information in line with the Task Force on Climate-related Financial Disclosures (TCFD), which have applied since January 1, 2022. The FCA found that, while the current TCFD-aligned rules deepened firms’ assessment of climate risks, several issues, including data gaps, methodological inconsistencies, and excessive granularities, have hindered comparability, retail engagement and operational efficiency. In light of this review, the FCA has signaled an intention to streamline the ESG reporting regime for asset managers, life insurers, and FCA-regulated pension providers that are subject to the rules. The FCA is exploring proportionate disclosure reforms, which will aim to enhance accessibility, mitigate and prevent against greenwashing, and reduce duplicative obligations, with further industry consultation expected later this year.

3. FCA circulates letter on sustainability-linked loans (SLLs)

On August 14, 2025, the FCA sent a [letter](#) to the heads of sustainable finance at banks involved in the SLL market, sharing observations from its post-2023 review of the market. The FCA recognized progress in bolstering market integrity, including the wider adoption of transition finance frameworks, but called for greater transparency regarding how SLLs are reflected in banks' sustainable financing targets. The letter also reiterated that banks must evidence classification decisions and maintain robust governance, policies, and escalation processes.

In case you missed it...

On July 24, 2025, the UK Joint Committee on Human Rights (Committee) published a report exploring forced labor in international supply chains of goods that enter into or are sold on the UK market. The Committee, through its six-month inquiry—which included taking evidence from business and industry groups—considered the UK's current legal and voluntary framework in relation to forced labor in international supply chains, and recommends new legislation, including mandatory human rights due diligence and import bans. For more information, see our client alert [here](#).

III. EUROPE

1. Joint U.S.-EU statement on trade and sustainability regulations

On August 21, 2025, the United States and EU issued a [Joint Statement](#) announcing the “Framework on an Agreement on Reciprocal, Fair, and Balanced Trade,” including, among other things, applicable tariffs. The European Commission has published a related [Q&A](#). The Joint Statement highlights the EU's pledge that the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) will not impose undue restrictions on transatlantic trade and also addresses U.S. concerns regarding the Deforestation Regulation and Carbon Border Adjustment Mechanism. While the framework includes terms for both parties, the Joint Statement does not result in any changes to EU domestic law nor does it grant U.S. companies more favorable treatment under this or any EU Regulation, as clarified in the Commission's Q&A. The Q&A further notes that the guiding principle of the discussions “has been to ensure that the [CSDDD] does not result in an unnecessary administrative burden, especially for small and medium sized companies,” an objective to which the Commission is already committed, as reflected by its proposal to simplify the CSDDD (the so called *Omnibus Proposal* currently under consideration by the European Parliament and Council).

2. Proposed amendments to German Supply Chain Due Diligence Act (SCDDA)

On September 3, 2025, the German Federal Cabinet proposed amendments to the German SCDDA for the transitional phase until the CSDDD has been finally enacted (after the Omnibus Proposal changes) and will be transposed into national law. The proposal eliminates reporting duties (which had required both online publication and submission to the competent authority) and exempts several due diligence obligations from the scope of administrative fines (such as conducting a risks analysis, appointing a Human Rights Officer, and retaining documentation). Notably, under the proposal, the substantive due diligence obligations as well as the act's

documentation obligations would remain in place. However, fines for non-compliance with preventive measures and remedial actions would only apply to human rights risks, and not to environment-related risks.

We have reported on these proposed amendments in detail [here](#).

3. Finally (delayed) CSRD transposition in Germany

On September 3, 2025, the German Federal Government also adopted its [draft law](#) transposing the CSRD and the Stop-the-Clock Directive into national law. The draft still requires adoption by the German Parliament (*Bundestag*). Notably, Germany missed the transposition deadline of July 2024 and just recently presented its draft. The current draft does not reflect the Commission's recent omnibus proposals (see the Commission [proposal](#) of February 26, 2025 and our related [client alert](#)), but rather follows the original version of the CSRD, as confirmed in the accompanying [information paper](#) published by the Ministry of Justice. However, in one aspect, the draft goes beyond the original CSRD by providing for a threshold of 1,000 employees (rather than the original CSRD's threshold of 250 employees) for the first wave of reporting obligations (primarily public interest entities)—*i.e.*, for the reporting year 2025 with reports to be published in 2026—thereby aligning in part with the new approach outlined in the Omnibus Proposal.

Other highlights:

- **EU Court ruling on nuclear and gas under EU Taxonomy:** The Court of Justice of the EU upheld the Commission's decision to classify nuclear power and fossil gas as "green" under the EU Taxonomy, dismissing challenges brought by Austria and non-governmental organizations. The court confirmed that the Commission acted within its powers and that these activities can, under certain conditions, contribute substantially to climate change mitigation.
- **CSRD Current Transposition Status:** An overview of the current transposition status of the CSRD into national laws and the "Stop-the-Clock" process under the Omnibus Simplification Package can be found [here](#).

IV. [NORTH AMERICA](#)

1. Financial Accounting Standards Board (FASB) announced a tentative board decision requiring additional disclosures regarding environmental credits

On August 13, 2025, FASB announced a [tentative board decision](#) on proposed Accounting Standards Update (ASU), Environmental Credits and Environmental Credit Obligations (Topic 818). These new disclosure requirements apply to public and private companies and concern credits such as renewable energy certificates, carbon offsets, and cap and trade programs. The decision relates to matters such as asset recognition, measurement, and costing; merger and acquisition activity; liability recognition and measurement; and disclosure requirements for environmental credits and environmental credit obligations (ECOs) that are both qualitative (*e.g.*, significant estimates and judgments made in accounting for environmental credits and ECO liabilities) and quantitative (*e.g.*, costs and expenses related to environmental credits and ECOs). However, the decision also rolled back certain proposed disclosures, including certain balance

sheet and income statement items. Topic 818 will be effective for annual reporting periods beginning after December 15, 2027 (including interim reporting periods) for public companies; all other entities will have an additional year before the amendments are effective. FASB staff is drafting a final ASU for vote by written ballot.

2. Recent climate-related litigation developments

There have been several developments in climate-related litigation, including lawsuits challenging federal government actions and state-level climate legislation and regulation.

Select developments in lawsuits involving federal government actions include the following:

- As described in our [June 2025 ESG Update](#), the Securities and Exchange Commission (SEC) filed a status report with the Eighth Circuit regarding how it would address the climate disclosure rules, stating that the SEC “does not intend to review or reconsider the [r]ules at this time” and asking the court to lift the abeyance and make a ruling since the case has been fully briefed. On September 12, 2025, the court issued an order holding the case in abeyance until the SEC either “reconsiders the challenged [rules] by notice-and-comment rulemaking or renews its defense of the [rules].” The court stated that “[i]t is the agency’s responsibility to determine whether its [rules] will be rescinded, repealed, modified, or defended in litigation.”
- As described in our [June 2025 ESG Update](#), California and 10 other states initiated a lawsuit against the Trump Administration challenging joint resolutions under the Congressional Review Act (CRA) repealing waivers of preemption by the Clean Air Act that authorized California to establish electric vehicle emissions standards. On August 22, 2025, the State of Texas filed a [motion to intervene](#) on the government’s behalf arguing that the waivers, if reinstated, would “effectively allow California to dictate national vehicle emission standards, undermining the sovereignty of Texas and other States.” On September 9, 2025, plaintiffs filed an [opposition](#) to Texas’s motion to intervene, arguing that Texas’s interest lies in determining the lawfulness of the waivers themselves, whereas the plaintiffs’ claims relate to the legality of the repeal of the waivers under the CRA. Relatedly, on August 15, 2025, the U.S. Department of Justice [announced](#) that it filed motions to intervene as well as complaints in two lawsuits against the California Air Resources Board (CARB) challenging CARB’s enforcement of emissions standards subject to the preemption waivers.
- On August 12, 2025, the Environmental Defense Fund and the Union of Concerned Scientists [announced](#) they had filed a complaint against the U.S. Department of Energy and its Climate Working Group, the U.S. Environmental Protection Agency (EPA), the Secretary of Energy, and Lee Zeldin (Administrator of the EPA) in response to the Climate Working Group’s report on GHG emissions that supported the EPA’s decision to rescind its endangerment finding. For more details on the report, see our [July 2025 ESG Update](#). The [lawsuit](#) argues that the actions of the Climate Working Group violated the Federal Advisory Committee Act by not disclosing the formation of the Climate Working Group and not opening the meetings, emails, and other records of the group to the public. Plaintiffs sought a [preliminary injunction](#) to enjoin the Climate Working Group’s operation and asked the court to order disclosure of all records. On September 4, 2025, defendants

filed with the court a [letter](#) from the Secretary of Energy disbanding the Climate Working Group. On September 11, 2025, a hearing on the plaintiffs' motion for preliminary injunction was held, and a hearing on the defendants' motion to dismiss is scheduled for September 23, 2025.

- On August 8, 2025, Washington State [announced](#) that it had filed a lawsuit against the U.S. Department of Commerce, the National Oceanic and Atmospheric Administration (NOAA), and the NOAA Acting Administrator for terminating over \$9 million in Congressionally-directed funds awarded by the NOAA to support climate resilience programs in Washington. The [complaint](#) alleges that the U.S. Department of Commerce and NOAA violated the Administrative Procedure Act and the U.S. Constitution's Spending Clause and separation of powers principles.

Select developments in lawsuits involving state-level climate legislation and regulation include the following:

- As previously reported in our [July 2025 ESG Update](#), 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. Plaintiffs appealed to the Ninth Circuit Court of Appeals on August 20, 2025. Plaintiffs filed a motion for preliminary injunction pending appeal, which the district court denied on September 11, 2025. Plaintiffs then sought an injunction pending appeal from the Ninth Circuit. Plaintiffs requested a ruling by November 3. Further proceedings in the district court have been stayed pending appeal. Meanwhile, CARB has posted a [draft checklist](#) to provide guidance for companies preparing reports under Senate Bill 261, the Climate-Related Financial Risk Disclosure Program.
- On August 15, 2025, Vermont filed a motion to dismiss multiple lawsuits brought by the U.S. Chamber of Commerce, the American Petroleum Institute, the United States, and 24 states as intervenors challenging Vermont's Climate Superfund Act, which allows the state to recover financial damages from fossil fuel companies for the impacts of climate change in Vermont. Vermont argues that the law "does not conflict with federal law or policy, regulate fossil fuel emissions, or punish fuel producers" and instead is a "valid exercise of Vermont's traditional authority to raise revenue, protect the health, safety, and welfare of its citizens, and mitigate environmental harms inside its borders."

Other highlights

- As previewed in our [April 2025 ESG Update](#), on August 12, 2025, Secretary of State Marco Rubio and the Secretaries of Commerce, Energy, and Transportation issued a joint [statement](#) rejecting the International Maritime Organization's (IMO) proposed Net-Zero Framework. The framework sets a global fuel standard to reduce greenhouse gas emissions from the shipping sector and may be adopted in October 2025. The statement indicated the United States will seek support from fellow IMO members against the proposed framework and will "not hesitate to retaliate or explore remedies for [its] citizens should this endeavor fail."

- On September 10, 2025, SEC Chair Paul Atkins delivered a [keynote address](#) at the Organisation for Economic Co-operation and Development's Roundtable on Global Financial Markets. His speech raised concerns about the impact that the CSRD's and CSDDD's double materiality approach will have on U.S. companies as well as concerns about the expansion of the IFRS Foundation's responsibility to include funding for the International Sustainability Standards Board, including to warn that the SEC may reconsider its decision to allow foreign companies to file financial statements in accordance with the IFRS Foundation's International Financial Reporting Standards without reconciling to U.S. GAAP.
- On September 10, 2025, the U.S. House Committee held a [hearing](#) titled "Proxy Power and Proposal Abuse: Reforming Rule 14a-8 to Protect Shareholder Value" that addressed proposed reforms to Rule 14a-8 that could make it more difficult for shareholders to submit shareholder proposals under this rule. Speakers included Gibson Dunn partner [Ron Mueller](#). Specifically, the [memorandum](#) for the hearing indicated that the hearing was intended to "highlight legislative solutions to limit proposals to material issues, curb misuse by special interests, and enhance the transparency of proxy advisory firms."

In case you missed it...

As covered in our [July 2025 ESG Update](#), proxy advisors Glass Lewis & Co., LLC (Glass Lewis) and ISS sued the State of Texas to block a recently enacted law related to proxy advisor recommendations or voting advice based on non-financial factors, such as general governance matters, ESG or diversity factors, or a sustainability score. On August 29, 2025, the U.S. District Court for the Western District of Texas entered a preliminary injunction against the law, blocking enforcement by the Texas Attorney General against Glass Lewis and ISS and set a trial date for early February 2026. For more information, see our client alert [here](#). On September 18, 2025, the State of Texas appealed the preliminary injunction to the Fifth Circuit Court of Appeals and the appeal is still pending as of the date of this alert.

On September 4, 2025, the SEC issued its Spring 2025 Unified Agenda of Regulatory and Deregulatory Actions outlining the Commission's rulemaking priorities under the leadership of Chairman Paul Atkins. The Agenda eliminates certain previously listed potential rulemaking and highlights a sea-change shift in focus toward deregulatory and disclosure simplification actions, as well as crypto assets and crypto-market structure rulemaking reforms, and away from ESG topics. More details can be found in our client alert [here](#).

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.

A collection of our analyses of the legal and industry impacts from the presidential transition is available [here](#).

V. APAC

1. Singapore delays climate disclosure requirements for small companies

On August 25, 2025, the Singapore Exchange Regulation and the Accounting and Corporate Regulatory Authority [announced](#) that it would be extending certain climate reporting obligations for smaller and mid-size companies by up to five years, although all listed companies will still be required to disclose Scope 1 and 2 greenhouse gas emissions from fiscal year 2025, and large listed companies will have to report on Scope 3 value chain emissions from fiscal year 2026. This announcement follows a request by the Singapore Business Federation to delay the requirements described in our [June 2025 ESG Alert](#).

Warmest regards,

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