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**CRCCD
OBSERVATORY
ON SUSTAINABLE
FINANCE AND THE
GREEN ECONOMY**

June 2025
Issue 9



Studio Legale

Milan Rome London
crcdlex.com

CRCCD OBSERVATORY ON SUSTAINABLE FINANCE AND THE GREEN ECONOMY

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CRCCD OBSERVATORY ON SUSTAINABLE FINANCE AND THE GREEN ECONOMY

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The Italian Supreme Court paves the way for climate-related litigation in Italy

1. Foreword

On 21 July 2025, [Order No. 20381/2025](#) of the Joint Civil Divisions of the Italian Supreme Court (the “**Order**”), issued on 18 February 2025, was published, marking a watershed in the evolution of climate-related litigation in Italy.

The ruling declared that Italian courts have jurisdiction over the dispute between environmental organisations and individuals, on the one side, and Eni S.p.A. (ENI) and its two main controlling shareholders, the Italian Ministry of Economy and Finance (MEF) and Cassa Depositi e Prestiti S.p.A. (CDP), on the other.

This was the first time that the Italian Supreme Court had recognised that a company – as well as its controlling shareholders – could be sued in an Italian court for alleged liability for “failure to act on climate change”.

This focus will analyse the contents of the Order and its possible implications for Italian companies or companies operating in Italy.

2. The judgment on the merits and the parallel “Giudizio Universale” case

The legal proceedings underlying the Order (which is also examined in the focus section of [issue 4](#) of the Observatory on ESG-related litigation) began in May 2023, when the environmental organisations Greenpeace Onlus (“**Greenpeace**”) and ReCommon APS (now ReCommon ETS: “**ReCommon**”), together with 12 Italian citizens, brought an action before the Court of Rome against ENI, MEF and CDP.

The plaintiffs’ claims, as set out during the proceedings, sought to obtain from the Italian courts:

- (i) the finding that ENI, MEF and CDP, “as a result of greenhouse gas emissions, particularly CO₂, from the industrial, commercial and energy transport products sold by ENI, have not complied and are not complying with the internationally recognised climate change goals which [ENI] should have adopted in line with the Paris Agreement [on climate change in 2016, editors’ note], with Article 2 of Italian Law 204/2016^[1] and with the scenarios developed by the international scientific community to keep the temperature increase within 1.5 degrees, in breach of Articles 2 and 8 of the ECHR, as provided for in Articles 2 and 7 of the Charter of Fundamental Rights of the European Union^[2]”;

¹ This is the provision of the law ratifying and implementing the Paris Agreement (Italian Law No. 204 of 4 November 2016), which gave it “full and complete implementation” in Italian law.

² Article 2 (*Right to life*) of the European Convention on Human Rights (ECHR) states that “everyone’s right to life shall be protected by law”, while Article 8 (*Right to respect for private and family life*) of the ECHR protects everyone’s right “to respect for his private and family life, his

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- (ii) that ENI, MEF and CDP be found to be jointly and severally liable “for breach of the combined provisions of Articles 2 and 8 of the ECHR, 2 and 7 of the Charter of Fundamental Rights of the European Union, and Articles 2043 of the Italian Civil Code (or alternatively Article 2050 or 2051 of the Italian Civil Code) and Article 2059 of the Italian Civil Code³”, to compensate the plaintiffs for all the pecuniary and non-pecuniary damage suffered “as a result of the consequences of climate change which they have contributed to causing”;
- (iii) that ENI be ordered to “limit the annual aggregate volume of all CO₂ gas emissions (Scope 1, Scope 2 and Scope 3) due to the industrial, commercial and energy transport products sold by it [...] to such an extent that this volume of emissions is reduced by at least 45% by the end of 2030 compared to 2020 levels, or to another extent, to be ascertained during the course of the proceedings, that ensures compliance with the scenarios developed by the international scientific community to keep the temperature increase within 1.5 degrees, hereby establishing, in the event of non-compliance, that ENI be ordered to pay the sum that deemed equitable by the Judge for breach or non-compliance or delay in implementing the measure”;
- (iv) that the MEF and CDP be ordered “to adopt an operating policy to define and monitor climate change goals that ENI S.p.A. should adopt in line with the Paris Agreement and the scenarios developed by the international scientific community to keep the temperature increase within 1.5 degrees, [...] hereby establishing, in the event of non-compliance, that the defendants be ordered to pay the sum deemed equitable by the Judge for breach or non-compliance or delay in implementing the measure”;
- (v) “in the alternative, [...] that the defendants be ordered to take all necessary steps to ensure compliance with the scenarios developed by the international scientific community to keep the temperature increase within 1.5 degrees”.

During the proceedings before the Court of Rome, the defendants’ counsel for ENI, MEF and CDP raised the objection that, *inter alia*, the court had absolutely no jurisdiction on the grounds that such scrutiny of achieving climate change goals set by international sources was not a matter for the courts but rather a political assessment that should be left to the legislative and executive branches.

In support of this argument, during the proceedings the defendants’ counsels also invoked the [ruling](#) pronounced on 26 February 2024 by the same Court of Rome in the so-called [Giudizio Universale case](#). This case was brought in 2021 by the environmentalist association A Sud and over 200 other Italian plaintiffs (including citizens and associations) against the Italian State, represented by the President of the Council of Ministers. The similarity between the two cases (the case against ENI and the *Giudizio Universale* case against the Italian State) is that non-contractual liability was invoked for the failure to achieve the climate change goals set forth in the Paris

home and his correspondence’. Articles 2 (Right to life) and 8 (Respect for private and family life) of the Charter of Fundamental Rights of the European Union (the so-called Nice Charter) provide for similar rights.

³ Article 2043 of the Italian Civil Code (Compensation for tort) provides that “[w]hatever intentional or negligent act, which causes unjust damage to others, obliges the person who has committed the act to compensate for the damage”. Article 2050 of the Italian Civil Code (Liability for the performance of dangerous activities) states that “[w]hoever causes damage to others in the performance of a dangerous activity, by its nature or by the nature of the means used, is obliged to pay compensation, if he does not prove that he has taken all appropriate measures to avoid the damage”. Article 2051 of the Italian Civil Code (Damage caused by things in custody) states that “[e]veryone is liable for the damage caused by things he has in custody, unless he proves unforeseeable circumstances”. Article 2059 of the Italian Civil Code (Non-pecuniary damage) specifies that “[t]he non-pecuniary damage shall be compensated only in cases determined by law”.

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Agreement, accompanied by the request that the defendant be ordered to take the initiatives deemed necessary to comply with such climate change goals (in the *Giudizio Universale* case, the “*adoption of any necessary initiative for the abatement, by 2030, of artificial national CO₂-equivalent emissions to 92% with respect to 1990 levels, or such other, higher or lower amount as may be ascertained in the course of the proceedings*”).

With its *Giudizio Universale* ruling of 26 February 2024, the Court of Rome decided the case at first instance, declaring that the claims are inadmissible “*on the grounds of an absolute lack of jurisdiction*”, stating in particular that “*decisions relating to the methods and timescales for managing the phenomenon of anthropogenic climate change [...] fall within the sphere of competence of the political bodies and cannot be challenged by this judgment [, in which] the plaintiffs essentially ask the Court to annul the measures, including primary and secondary legislative measures [...] that represent implementing the political choices of the legislator and the government to achieve the goals set at an international and European level (in the short and long-term) [,] in breach of a fundamental legal principle of the separation of powers [...] as any subjective right of citizens to the proper exercise of legislative power must be excluded [...] on account of fact that the actions of the legislative branches cannot be examined*”.

In response to the objections raised by the defendants and of this declaration of inadmissibility of the claims at issue, Greenpeace, ReCommon and some of the private citizen plaintiffs brought a motion for a assessment of jurisdiction before the Italian Supreme Court, for the purpose of establishing once and for all whether Italian courts have jurisdiction over their claims.

3. *The ruling of the Joint Divisions*

The Joint Divisions of the Italian Supreme Court of Cassation affirmed that Italian courts have jurisdiction over the dispute, thereby expressly departing from the precedent set forth by the *Giudizio Universale* case:

“[W]hat appears decisive, for the purposes of resolving the issue in question, is the fact that in the judgment on the merits both the Ministry [MEF, editor’s note] and the Cassa [CDP, editor’s note] were sued not in their capacity as public administrations that were responsible for failing to adopt their respective necessary measures to achieve the climate change goals set forth by the sources indicated, but in their capacity as the main shareholders of ENI, to whom the plaintiffs accused of failing to exercise or having improperly exercised their powers as shareholders in order to steer the investee company’s activities towards compliance with such goals. [...]

*Therefore, the reasoning adopted by the Court of Rome in relation to the action brought against the President of the Council of Ministers cannot be extended to the case at hand [...]. In the present case, the plaintiffs are not claiming that the State legislator is liable [...] but that the defendants are liable, as they are entities operating directly or indirectly in the production and distribution of fossil fuels, on account of their failure to adopt the necessary measures to reduce the climate-changing emissions generated by their business activities: the duty entrusted to the Judge therefore consists solely in ascertaining whether the international and constitutional sources invoked (or other provisions that may be identified by the Judge deciding on the merits of the case, in accordance with the principle of *jura novit curia* [that the court is aware of the law]) are capable of imposing a duty to act directly on the defendants, such as to establish their non-contractual liability, and therefore to justify their being ordered to pay compensation in a specific form, pursuant to Article 2058 of the [Italian] Civil Code. [...]*

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The lack of justiciability of the claim brought cannot be invoked in this court, as it only arises in cases in which it is impossible to identify a legal provision that is theoretically capable of protecting the interest at stake in the proceedings, and therefore is not a matter of jurisdiction [...] but a matter on the merits, the resolution of which is entrusted to the court hearing the case”.

The approach taken by the Italian Supreme Court would therefore appear, in essence, to be that “claims for failure to act”, brought by invoking sources of domestic or international law, may very well fall within the jurisdiction of the courts if they pertain to the defendants’ conduct in terms of failure to exercise a business activity (and not a failure to exercise a regulatory power).

With regard to whether *Italian* ordinary jurisdiction specifically applies, the Joint Divisions clarified that:

- (i) the place where the event giving rise to the damage occurs and the place where the damage claimed by the plaintiffs materialises (places that are unequivocally equivalent for establish the link between a claim for non-contractual liability and Italian jurisdiction) are identified, respectively, “*the one (or all of those, having regard to the plurality of places and States in which the activity of the [company] is directly or indirectly carried out) in which the climate-changing emissions are generated*” and “*the one in which [the plaintiffs] reside*”;
- (ii) holding an Italian parent company (in this case, ENI) liable for failure to mitigate the emissions of its foreign subsidiaries does not, *per se*, give rise to an issue of jurisdiction, but rather an issue on the merits, which in the case of ENI must therefore be assessed by the Court of Rome.

4. Conclusions

The Order undoubtedly represents a significant turning point in the context of Italian climate-related litigation, paving the way for new forms of liability for companies operating in sectors having a high level of climate impact.

This ruling opens up a wide range of scenarios of court litigation scenarios against companies and their related entities, which is not limited to controlling shareholders (for instance, management bodies and trade associations), that may be brought by private individuals and representative organisations for claims for damages, including for specific performance, for “failure to take action regarding climate change”.

In doing so, the ruling raises important questions for Italian companies or companies operating in Italy as to whether non-contractual liability for damages resulting from climate change could be extended, thereby potentially impacting corporate strategies and risk management policies.

It is also important to point out that the Supreme Court’s ruling, which only concerns the issue of jurisdiction, does not address the complex substantive issues that the Court of Rome will have to deal with, notably whether ENI and its controlling shareholders have breached a duty to act that is imposed on them by the sources invoked by the plaintiffs.

In this regard, the Joint Divisions’ express reference to assessing whether or not a duty to act is imposed “*directly*” on the defendants could prove to be anything but secondary. This is a duty

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which – as the Supreme Court seems to suggest – cannot be reduced either to a failure to act in lieu of the State, or to the outcome of a quasi-legislative act of judicial origin⁴.

In the next issue of the Observatory, we will revisit that status of ESG-related litigation at the Italian and international level, following on from its focus in [issue 4](#), and will provide an updated overview of the broader context in which the Court of Rome – as well as any other Italian court following in the wake of the Order – is called upon to fulfil this difficult task of ruling on the merits of the case.

FOCUS

Initial outcomes of the debate on the European Commission’s Omnibus Packages

1. *Foreword*

On 26 February, the European Commission published two packages of regulatory proposals (the “**Omnibus Packages**”) aimed at simplifying the EU’s regulatory framework on environmental, social and governance sustainability⁵.

The publication of the Omnibus Packages has sparked a heated debate among operators and, in the intervening months, various types of stakeholders – primarily companies – have voiced their initial considerations on the European Commission’s proposals and their potential impacts. This focus aims to summarise the salient issues stemming from these critical analyses of the Omnibus Packages.

2. *First impressions from the European business world*

The publication of the Omnibus Packages, and in particular the proposals to amend [Directive \(EU\) 2022/2464](#) (the Corporate Sustainability Reporting Directive or “**CSRD**”)⁶, has also attracted criticism from the European business world. This criticism has been neatly summarised in a [survey](#) conducted by the WeAreEurope association in collaboration with the Sustainability & Organizations Institute of HEC Paris.

The survey shows that the majority of the companies involved⁷ substantially support the CSRD in its current form⁸, recognising its ability to ensure transparency and comparability in ESG

⁴ See paragraph 7.2 of order No. 20381/2025: “[I]t must [] be ruled out that the review requested of the Judge ruling on the merits of the case entails encroaching on the sphere of legislative power, which as repeatedly affirmed by these Joint Divisions, can only occur when judge hearing the case, whether under ordinary or special jurisdiction, has not applied an existing provision, but rather a provision that he has himself created, thereby exercising an legislative function which falls outside of his sphere of competence”.

⁵ The Omnibus Packages were extensively addressed by the focus of [issue 8](#) of the Observatory.

⁶ The CSRD, and its transposition in Italy by Italian Legislative Decree No. 125 of 6 September 2024, were discussed at length in the Observatory, namely in section 4 of [issue 2](#), section 1 of the updates of [issue 4](#), section 4 of [issue 5](#) and in section 1 of [issue 6](#).

⁷ More than 1,000 companies based in 26 European countries responded to the survey.

⁸ Sixty-one per cent of the companies involved in the survey said they were satisfied or very satisfied with the CSRD, while only 17 per cent expressed dissatisfaction (of which only 7 per cent called for a radical overhaul). Interestingly, support for the CSRD increases with firm size, rising from 57 per cent support among companies with 250-500 employees to 67 per cent support among companies with over 5,000

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reporting as well as its strategic role both in terms of integrating sustainability into business processes, and in relation to the EU's sovereignty and economic influence. Conversely, the Omnibus Packages, which envisage substantial changes to the content, scope and timing of the application of the CSRD, have been received much more critically: only 25 per cent of the companies surveyed were in favour of the proposal in its current form, while more than half (around 51 per cent) felt that major changes to the Commission's proposals are required during the legislative process.

This disparity between the perceptions of the CSRD and the Omnibus Packages appears to reflect widespread concern among European businesses about the potential impact of the Commission's proposed changes on weakening the overall effectiveness and consistency of European sustainable finance legislation.

3. *Initial positions adopted by supervisory authorities*

Some European supervisory authorities have also already voiced concerns over the proposals set out in the Omnibus Packages.

In an [opinion](#) published on 8 May 2025, the European Central Bank (ECB), while welcoming the European Commission's intention to simplify climate-related reporting requirements for companies, emphasised the importance of striking the right balance in order to ensure that sustainability reporting benefits the European economy and the financial system.

In this respect, the ECB emphasised that a well-balanced sustainability reporting framework is essential for supporting the competitiveness of European businesses and ensuring that market participants understand and assess sustainability-related financial risks. From this standpoint, the availability of harmonised, standardised and reliable sustainability information ensures that investors have access to sound data on which to base their investment decisions, thereby facilitating the allocation of capital to the most rewarding projects.

The ECB expressed particular concerns about the proposed reduction in the scope of the CSRD to include only undertakings with more than 1,000 employees, which would reduce the number of undertakings subject to reporting requirements by 80 per cent. According to the ECB, this could significantly limit access to important sustainability information, reduce the coverage of CO₂ emissions generated by EU undertakings, and even exclude certain significant institutions from the reporting requirements.

The ECB also pointed out that, notwithstanding the benefits of applying voluntary reporting standards, over-reliance on them could lead to self-selection bias (whereby only well-performing undertakings would use them), an increased risk of greenwashing and a lack of external verification. This would have an adverse effect on data quality and comparability.

The ECB is also concerned that the new wording of the transition plan requirement proposed by the Commission – by amending Article 22 of [Directive \(EU\) 2024/1760](#) (the Corporate Sustainability Due Diligence Directive or “CSDDD”) – could be interpreted as imposing an obligation to

employees, thus confirming the greater capacity and propensity of large companies to integrate sustainability into their strategies. There are also significant geographical differences: companies in Eastern Europe show higher levels of concern and difficulty in applying the CSRD, while those in the Nordic countries, Western Europe and especially France (where the dissatisfaction rate is only 16 per cent), voice stronger support.

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adopt such plans but not to implement them. This would significantly reduce their effectiveness and increase the risk of greenwashing.

In response to these concerns, the ECB suggested, *inter alia* to:

- (i) include medium-large undertakings (with between 500 and 1,000 employees) within the scope of these regulations, applying simplified and proportionate reporting standards to them, while not amending the turnover thresholds for third-country undertakings;
- (ii) retain that all significant institutions, regardless of the number of employees, remain subject to reporting requirements;
- (iii) with regard to the European Sustainability Reporting Standards (ESRS)⁹, retain the majority of the data points on climate change (ESRS E1) and the most important data points on biodiversity and ecosystems (ESRS E4), as well as to retain or improve the interoperability between EU and international standards, and develop simplified standards for medium-sized and large companies;
- (iv) clarify the wording of the transition plan provisions in the CSDDD to ensure that these transitions plans are effectively implemented.

The ECB's concerns are also echoed by other European supervisory authorities. The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten* or AFM) has [criticised](#) the narrowing of the CSRD's scope, arguing that it could significantly reduce the information available to investors and other stakeholders.

In this respect, it should also be noted that, shortly before the publication of the European Commission's proposals, the European Banking Authority (EBA) published a [report](#)¹⁰ highlighting the inherent complexity of ESG risks and the urgent need for standardised, high-quality climate data. The report notes that, despite the progress made, access to data on ESG risks remains insufficient and poses substantial challenges in terms of availability, quality and granularity of information, which thus hinders the development of advanced methodological approaches. The EBA considers that data from the CSRD and other sustainable reporting frameworks is crucial for effective climate risk mitigation. The Authority also emphasises that the availability of accurate ESG information is a prerequisite for achieving ESG objectives.

4. *The views of some of the main European representative organisations*

The publication of the Omnibus Packages has attracted the attention of European representative organisations, which have greeted the proposals contained therein with some caution. While recognising the stated objective of simplifying and streamlining the European regulatory framework, these organisations generally stressed the importance of striking a balance between regulatory ambition and operational sustainability for businesses, particularly for SMEs. This reflects a call

⁹ The ESRS were extensively addressed by the Observatory, namely in sections 4.2 and 4.3 of [issue 2](#), section 11 of [issue 4](#), section 6 of [issue 5](#), and sections 4 and 5 of the updates in [issue 7](#).

¹⁰ This is the EBA's report of 24 February 2025, which is discussed in section 3 of the updates of [issue 8](#) of the Observatory.

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for constructive dialogue with the European institutions, aimed at improving the legislative proposals without compromising the effectiveness and operability of the provisions.

Interestingly, such criticisms, albeit with differing levels of emphasis, come from entities that usually hold opposing positions, such as trade unions and businesses.

One of the main criticisms comes from the European Trade Union Confederation (ETUC), which has **expressed** concerns about the risk of deregulation posed by the Omnibus Packages, as well as their proposed changes to the CSRD and the CSDDD. The European Environmental Bureau (EEB) has also voiced this concern, stating that, under the guise of pursuing greater European competitiveness, the Omnibus Packages would dismantle some of the cornerstones of the European Green Deal (the CSRD and the CSDDD) and responsible business practices, thereby effectively slighting democracy. The EEB also points out that the changes proposed by the European Commission would be introduced without democratic processes, impact assessments or consultations. The European Coalition for Corporate Justice (ECCJ) also **expressed** strong criticism, describing the Omnibus Packages as a tool for deregulation that undermines corporate responsibility and compromises the EU's commitments in the fight against the climate crisis and human rights. In particular, the ECCJ condemned, *(i)* the drastic reduction of due diligence obligations, which would be limited only to direct suppliers of companies, *(ii)* the dismantling of the CSDDD's corporate liability regime, *(iii)* the general weakening of obligations relating to climate targets, and *(iv)* the lack of transparency of the legislative process, which would have excluded workers and communities.

Conversely, organisations such as the *Mouvement des Entreprises de France* (MEDEF), together with the *Association Française des Entreprises Privées* (AFEP) and *France Industrie*, recognised some positive impacts of the Omnibus Packages, such as the simplification of legislation for undertakings with fewer than 1,000 employees. However, the three French industrial organisations also **pointed out** that the European Commission's proposals not only fail to address the bureaucratic burdens generated by the legislation for companies with over 1,000 employees, but that they also persist in promoting ESG profiles that do not adequately focus on the realities of companies' management, thereby hindering their transformation efforts and failing to address the imperatives of the ecological transition. On the other hand, a more favourable view was **expressed** by BusinessEurope, which referred to the Omnibus Packages as a positive step towards making it easier to do business in Europe. This organisation particularly appreciated the reduction in unnecessary reporting and regulatory burdens, believing that these measures will enable companies to contribute more effectively to the EU's sustainability goals, while also preserving their competitiveness on the international stage.

As a final note, the *Bureau Européen des Unions de Consommateurs* (BEUC) has **expressed** a generally moderate view on the Omnibus Packages, recognising the legitimate need for regulatory simplification, while voicing concerns about the potential reduction of consumer protections and the reduced availability of sustainability information. In particular, the BEUC expressly urged the Commission to preserve the obligations concerning transition plans, as set out in Article 22 of the CSDDD. The BEUC argues that the Commission's proposed amendment would create uncertainty for businesses adopting such plans and would increase the risk of non-compliance with the commitments made with respect to the plans adopted. It argues that without implementation requirements, this could actually encourage greenwashing practices and mislead consumers, while also undermining the green transition process.

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5. *On the amendment of Article 22 CSDDD*

Regarding the Commission's proposed amendment to Article 22 of the CSDDD, in addition to the aforementioned position statements, attention should also be drawn to the [letter](#) published on 8 May 2025 and signed by a group of legal scholars.

This letter highlights that the Commission's proposal to eliminate the obligation for companies to "put into effect" climate transition plans, limiting it to the obligation to "adopt [them]", would significantly weaken the regulation. This would therefore create structural disharmony between the reporting and the implementation aspects of the regulation by prioritising the former to the detriment of the latter. In other words, the Commission's proposed deletion would ultimately transform the sustainability regulation's role from substantive to merely symbolic, thereby encouraging companies to disclose climate risk mitigation measures to the market without simultaneously committing to their effective implementation. The authors of the letter argue that this approach would significantly increase the risk of greenwashing by enabling companies to officially adopt good practices but without having any real impact in terms of reducing greenhouse gas emissions, and would thus compromise the EU's achievement of its climate goals.

This regulatory development therefore raises questions not only as to whether the regulation can achieve its stated objectives and what these objectives actually are. The decision to prioritise disclosure and due diligence obligations, without imposing the implementation of transition plans, would seem to presuppose that the disclosure requirement alone is sufficient to achieve the EU's goal of climate neutrality by 2050. However – as the authors of the letter point out – without concrete and coordinated action on the part of companies, under the guidance of a clear and binding regulatory framework, there is a risk that climate transition will be more haphazard and costly. Ultimately, this would undermine both the EU's climate goals and the competitiveness of European companies.

6. *Conclusions*

Based on the above, it is possible to identify two major trends of the various stakeholders' positions on the Omnibus Packages.

The first trend basically reflects the fact that although the Commission's initiative builds on the so-called [Draghi report](#) by reducing the administrative burden imposed on companies during climate transition and providing a special regime for small and medium-sized enterprises (SMEs), it does not seem to have adequately addressed the other issues highlighted in that report, such as the need to establish clearer, more specific and uniform standards at EU level. Simplifying largely quantitative obligations without simultaneously adopting specific, quantitative guidelines that would apply in all Member States could in practice hinder operators' ability to adapt and could even lead to increased disparities at EU level.

The second trend instead focuses on the predominantly disclosure-based nature of the obligations under the Omnibus Packages, which leads to an elevated risk of greenwashing at the expense of achieving actual climate transition goals and plans.

The stances on the Omnibus Packages analysed above must also be considered in the context of the broader uncertain and changing framework of EU sustainability legislation. This is confirmed by the fact that, following the approval of the first draft directive contained in the Omnibus

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Package I on 14 April 2025 ([Directive \(EU\) 2025/794](#)), a [Commission Delegated Regulation](#), that was not envisaged in the Omnibus Packages published in February, has now been introduced. This Delegated Regulation postpones the entry into force of most of the ESRS from the 2024 financial year to the 2027 financial year.

As we continue to monitor the progress of the Omnibus Packages in future issues of the Observatory, we will also take into account the other key positions adopted throughout the regulatory development process.

UPDATES

European Union

1. ESMA's Final Report on the integration of risk and sustainability disclosures in the investment fund industry

On 30 June 2025, the European Securities and Markets Authority (ESMA) published its [Final Report](#) on the Common Supervisory Action (“CSA”) conducted together with the national competent authorities of the Member States in 2023 and 2024, on the integration of sustainability risks and disclosures in the investment fund sector.

The CSA, which was launched in July 2023, aimed to assess the compliance of investment fund managers with the following sources:

- (i) EU provisions on the integration of sustainability risks by managers of alternative investment funds ([Delegated Regulation \(EU\) 2021/1255](#)) and undertakings for collective investment in transferable securities ([Delegated Directive \(EU\) 2021/1270](#));
- (ii) the entity-level and product-level sustainability disclosure requirements set forth in [Regulation \(EU\) 2019/2088](#) (the Sustainable Finance Disclosure Regulation or “SFDR”)¹¹ and its [Delegated Regulation \(EU\) 2022/1288](#);
- (iii) the [supervisory briefing](#) published by ESMA itself on 31 May 2022, aimed to enhance supervisory convergence between the national competent authorities of the Member States’ compliance with the Sustainable Finance Disclosure Regulation in the asset management sector¹².

According to ESMA, the results of the CSA show an overall satisfactory level of managers’ compliance with the applicable regulatory requirements. However, ESMA also notes that there is still considerable room for improvement in integrating sustainability risks and disclosures by asset managers, particularly with regard to the SFDR regulatory framework.

¹¹ For an analysis of the SFDR and Delegated Regulation (EU) 2022/1288, please refer to issues [1](#), [2](#) and [5](#) of the Observatory.

¹² Please refer to section 5.3 of [issue 2](#) of the Observatory.

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The main critical issues identified by the Final Report are as follows:

- (i) the use of vague and overly general language used in sustainability disclosures;
- (ii) inconsistencies between pre-contractual and periodic investor disclosures, on the one hand, and marketing materials, on the other;
- (iii) inadequate level of details and inconsistencies in the calculations with regard to disclosures on the principal adverse impacts (PAIs) of investment decisions on sustainability factors;
- (iv) the lack of properly documented sustainability risk integration policies, internal verification and audit processes, and internal escalation procedures in case of breach of said policies;
- (v) the lack of specific criteria and indicators to measure how managers' remuneration policies are consistent with the integration of sustainability risk;
- (vi) the low number of dedicated employees for sustainability tasks or to employees without proven specific expertise.

ESMA's Final Report outlines specific cases of non-compliance identified during the CSA – with the prescribed corrective measures – providing specific examples of good practices identified among operators, as well as its own views on specific issues which its supervisory investigation focused on.

2. *The European Supervisory Authorities' Guidelines on integrating ESG risks into supervisory stress tests*

On 27 June 2025, ESMA, the EBA and the European Insurance and Occupational Pensions Authority (EIOPA) published a [consultation paper](#) containing joint draft guidelines (the “**Guidelines**”) aimed at ensuring that consistency, long-term considerations and common standards for assessment methodologies are integrated into the ESG stress tests applied to banks and insurance companies.

The paper highlights that, despite the growing importance that ESG risks have on financial stability, the ESG stress testing framework and methodologies are not yet fully developed. The paper claims that the initial focus has been environmental risks, particularly climate risks, with a more gradual approach being taken to include social and governance risks. The Guidelines recommend a proportionate approach based on the actual materiality of risks. This approach focuses on short- to medium-term scenarios for assessing financial resilience and medium- to long-term horizons for analysing the strategy and business model of financial entities.

The paper also emphasises the importance of a system-wide coordination across financial sectors and jurisdictions, as well as the need for adequate resources, specialised data management and collection capabilities and a high-level IT infrastructure to support the ESG stress testing process. The Guidelines envisage an ongoing review mechanism to ensure that methodologies and data are constantly updated in line with industry best practices, while promoting transparency and ensuring that the results of stress tests are embedded into the broader supervisory process.

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Consequently, this paper is a key step towards harmonising and strengthening the supervision of ESG risks in the EU financial sector, and its final version is expected to be published by 10 January 2026.

3. *ESMA's consultation on regulatory technical standards (RTS) for ESG rating providers*

On 2 May 2025, ESMA published a *Consultation Paper* entitled “*Technical Standards under the Regulation on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities*” (the “**Rating Consultation Paper**”), which sets out the proposed Regulatory Technical Standards (RTS) that the ESMA is required to prepare pursuant to [Regulation \(EU\) 2024/3005](#).

Regulation (EU) 2024/3005 – discussed in the focus on ESG ratings in [issue 7](#) of the Observatory – introduced a harmonised regulatory framework for ESG rating activities in the EU, with the aim of enhancing the integrity, transparency, comparability, accountability, reliability, good governance and independence of ESG rating activities, thereby contributing to the quality and reliability of ratings and to the EU’s sustainable finance agenda.

The ESMA’s Rating Consultation Paper focuses on three main areas:

- (i) **authorisation and recognition**: the information to be provided in applications for authorisation and recognition to operate as ESG rating providers in the EU, with an emphasis on the differences between EU-based and non-EU-based entities;
- (ii) **separation of activities**: the organisational, physical, technical, and internal control measures to be adopted for the separation of activities in order to prevent conflicts of interest, especially in cases where the ESG rating provider also carries out other regulated activities (e.g., providing investment services or performing banking, insurance, or benchmarking activities);
- (iii) **disclosure requirements**: disclosure requirements towards the public, users of ratings, issuers and rated entities, with the aim of ensuring maximum transparency and comparability of the information provided.

The Rating Consultation Paper has scheduled submissions by 20 June 2025. The ESMA plans to publish the Final Report in the fourth quarter of 2025 and transmit the RTS to the European Commission for their final adoption by October 2025.

The Consultation Paper Rating represents a key step in the implementation of the new EU regime on ESG ratings, with considerable implications for banks, financial intermediaries, insurance companies and listed companies that use or are subject to ESG ratings, as well as for entities that intend to act as ESG providers in the EU.

4. *The EBA's dashboard of quantitative indicators on banks' exposure to transition risk*

On 25 April 2025, the EBA published a new [dashboard](#) containing quantitative indicators on the physical and transition risk exposure of banks in the European Union and the European Economic Area.

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The platform was developed in accordance with Article 29(f) of the EBA's founding regulation ([Regulation \(EU\) No 1093/2010](#)) – introduced by [Regulation \(EU\) 2019/2175](#) – which requires the EBA to set up a monitoring system to assess relevant environmental, social and governance risks, taking into account the 2016 Paris Agreement on Climate Change. The dashboard data is based on the information published by banks pursuant to Article 449a of [Regulation \(EU\) No. 575/2013](#) (the Capital Requirements Regulation or “CRR”) – introduced by [Regulation \(EU\) 2024/1623](#) – on the reference dates of 31 December 2023 and 30 June 2024.

The EBA's initiative also comes in the wake of the [guidelines on the management of ESG risks](#), published by the EBA itself on 8 January 2025, which set out the minimum standards and reference methodologies for the identification, measurement, management and monitoring of ESG risks by institutions subject to [Directive 2013/36/EU](#)¹³. From this standpoint, the dashboard represents a complementary tool that can support banks in implementing these guidelines.

It is worth noting, however, that – as highlighted in the disclaimers published in the dashboard – the EBA's checks on the source data published by banks have been limited to “basic quality assurance checks” and the extent of ESG risk disclosure by banks varies widely across Member States.

Indicators currently included in the EBA dashboard include:

- (i) the share of exposures related to non-financial counterparties operating in sectors that contribute significantly to climate change;
- (ii) the share of mortgage exposures by energy class of the property;
- (iii) the share of exposures sensitive to physical risk;
- (iv) the share of exposures related to assets aligned to the EU taxonomy relating to the Green Asset Ratio (GAR);
- (v) the share of assets that credit institutions claim are aimed at financing the climate transition without being captured by the GAR indicator.

The data published in the dashboard show that European banks have a substantial exposure (above 70 per cent in most Member States) to sectors with a high level of climate impact. In particular, the level of exposure of Italian banks estimated in the EBA dashboard (76 per cent) is not far from that (83.6 per cent) estimated by the Bank of Italy in its recent analysis of the ESG disclosures on a sample of Italian and European banks¹⁴.

In the [press release](#) accompanying the dashboard's publication, the EBA announced its intention to update and evolve the indicators over time, particularly with regard to aligning credit exposures with the EU taxonomy.

¹³ Please see section 5 of [issue 8](#) of the Observatory.

¹⁴ Please see section 6 of [issue 8](#) of the Observatory.

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5. *ESMA's consultation paper on regulatory technical standards (RTS) on the operation of European green bond for external reviewers*

On 7 April 2025, ESMA published a [Consultation Paper](#) entitled “*Technical Standards on the European Green Bond Regulation*” (the “**External Reviewers Consultation Paper**”) on the Regulatory Technical Standards (RTS) provided for by [Regulation \(EU\) 2023/2631](#) (the European Green Bond Regulation (“**EuGBR**”))¹⁵.

The External Reviewers Consultation Paper, which is ESMA's second public consultation paper in relation to the EuGBR¹⁶, sets out the proposed RTS that ESMA intends to adopt in implementation of the EuGBR provisions with regard to external reviewers, i.e. those entities that issue independent opinions on the compliance of green bonds with European standards.

The main changes are as follows:

- (i) the definition of criteria for assessing the adequacy, effectiveness and proportionality of the external reviewers' systems, resources and procedures, including information security, business continuity and risk management requirements
- (ii) criteria for ensuring the independence, authority, resources and competence of the external reviewers' compliance role, as well as access to all relevant information;
- (iii) the criteria for ensuring the soundness of administrative and accounting procedures, internal control mechanisms and information systems and security arrangements;
- (iv) the criteria for ensuring that the information used in external reviewers' activities is of sufficient quality and from reliable sources, with particular attention to documentation, traceability and independent verification of data;
- (v) the definition of the information, form and content of applications for recognition submitted by external reviewers from third countries, including the appointment of a legal representative in the EU;
- (vi) the standardisation of forms, procedures and digital formats for notifying ESMA of material changes in the information provided at registration.

The External Reviewers Consultation Paper set a deadline of 30 May 2025 for submitting contributions. ESMA plans to publish the Final Report and transmit the RTS to the European Commission for their final adoption by 21 December 2025.

The External Reviewers Consultation Paper builds on efforts to enhance the transparency, comparability and reliability of the European green bond market by providing operational and standardised guidance to operators and promoting a harmonised approach at EU level.

¹⁵ The EuGBR was discussed in section 1 of [issue 3](#) of the Observatory.

¹⁶ For the first consultation, please see section 2 of [issue 5](#) of the Observatory.

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6. *The Platform on Sustainable Finance report on the revision and enhancement of technical criteria for sustainable finance*

On 1 April 2025, the Platform on Sustainable Finance – an advisory body of the European Commission established under Article 20 of [Regulation \(EU\) 2020/852](#) (the “**Taxonomy Regulation**”) – published a [report](#) containing recommendations for updating and broadening the technical criteria for assessing a sustainable economy. The report focuses on revising [Delegated Regulation \(EU\) 2021/2139](#) (the “**Climate Delegated Regulation**”)¹⁷ and including new economic activities.

The report emphasises the importance of updating technical criteria in line with the latest scientific, technological and regulatory developments, as well as improving the consistency and user-friendliness of assessment methodologies, with a focus on climate change mitigation and adaptation objectives. It also highlights the need to integrate specific criteria for nature-based solutions and to extend the coverage to vulnerable sectors at risk from climate change, such as health, agriculture and biodiversity.

The report includes recommendations for the updating of greenhouse gas emission thresholds and sets out a pathway for gradual reduction to ensure consistency with the EU’s 2030 and 2050 climate goals, and proposes technical criteria for new economic activities, such as extracting and processing critical raw materials (lithium, nickel, copper), producing energy-efficient industrial components and digital solutions for environmental protection.

The report also stresses the importance of an integrated and proportionate approach and takes into account sectoral and geographical specifics, as well as the need for effective coordination between supervisory authorities, market operators and stakeholders for the purposes of facilitating the adoption and implementation of technical criteria.

Italy

7. *The Bank of Italy’s analysis on Italian banks’ decarbonisation strategies*

On 12 June 2025, the Bank of Italy published an [occasional paper](#) entitled “*Greening the present to decarbonise the future: an analysis of Italian banks’ decarbonisation strategies*” (the “**Paper**”), which analyses the decarbonisation strategies adopted by Italian banks in line with EU climate goals.

The Paper forms part of the Bank of Italy’s broader analysis of Italian banks’ ESG disclosure, which also includes its financial stability and supervisory note published in March 2025¹⁸.

The analysis in the Paper was conducted in the first quarter of 2024 and refers to the situation as at 31 December 2023. It is based on a sample of 243 credit institutions representing 80 per cent of the total assets of the Italian banking system. Of these institutions, 174 were classed as significant institutions and 69 were classed as less significant institutions.

¹⁷ The Climate Delegated Regulation was discussed in section 2.2 of [issue 2](#), section 15 of [issue 4](#), and section 2 of the updates of [issue 8](#) of the Observatory.

¹⁸ Please see section 6 of [issue 8](#) of the Observatory.

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Some of the Paper's main findings are as follows:

- (i) 71 of the 243 credit institutions analysed, representing over 80 per cent of the sample's assets, declared that they had already set or intended to set long-term strategic decarbonisation objectives by 2024;
- (ii) the Italian banking system's commitment in setting long-term decarbonisation strategies goes beyond the scope of regulatory and supervisory requirements, since even institutions that do not expect to be directly subject to the CSRD and the CSDDD have reported to have taken steps to set decarbonisation objectives;
- (iii) the decarbonisation strategies set by the banks analysed focus on credit portfolios and internal business operations, rather than on investment portfolios and services; this reflects – according to the authors of the paper – the fact that the traditional banking model is prevailing among Italian credit institutions;
- (iv) the limited commitment of sectoral decarbonisation targets in the credit granting process;
- (v) 75 of the 243 credit institutions analysed, representing 87 per cent of the sample's total assets, stated that they offer or intend to offer in the upcoming years green lending products to businesses or households.

The Paper also shows that credit institutions are more likely to define decarbonisation strategies for their credit portfolios if they are exposed specific carbon-critical sectors.

In summary, the Paper indicates that Italian banks are gradually integrating sustainability considerations into their business strategies even though they are not bound by minimum regulatory and supervisory requirements, thus reflecting that existence of potential benefits in terms of business opportunities, risk management and its enhanced reputation.

8. *The Bank of Italy's report on status and best practices in integrating climate and environmental risks in less significant institutions*

On 27 May 2025, the Bank of Italy published an updated **report** containing the main findings and best practices that emerged following its review on the 2023-2025 action plans for integrating climate-related and environmental risks into the business processes of less significant institutions (LSIs), in line with its 2023-2025 supervisory expectations developed in April 2022.

The report shows that, at the aggregate level, LSIs have completed 27 per cent of planned initiatives. Of these, 59 per cent were completed on schedule, while 14 per cent were delayed, primarily with regard to building comprehensive databases and upgrading IT systems. Activities relating to governance and organisation are showing greater progress, with around 90 per cent of intermediaries having formalised ESG responsibilities and implemented training plans.

The report also emphasises the importance of taking a structured and integrated approach to managing climate and environmental risks. Best practices includes updating of the responsibilities of board of directors, including ESG objectives in remuneration policies, increasing the range of sustainable financial and insurance products offered, and adopting advanced methodologies

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for assessing materiality and integrating climate and environmental risks into risk management processes.

It also addresses the growing focus on the quality of ESG data, which includes formalised data governance policies, collaboration with external providers and the adoption of adequate IT systems for integrating such data into business processes. In terms of reporting, some banks have already begun to voluntarily publish sustainability information, thereby anticipating future regulatory requirements.

In conclusion, the report provides a valuable update on the progress that LSIs have made in aligning themselves with supervisory expectations regarding climate and environmental risks. It highlights the considerable achievements made, as well identifying issues requiring further attention in order to strengthen the resilience and sustainability of the banking system in the medium term.

9. *The Bank of Italy's Annual report on sustainable investments and climate-related risks*

On 8 May 2025, the Bank of Italy published its [*Annual report on sustainable investments and climate-related risks*](#), for 2024 (the "2024 Report").

The 2024 Report outlines the results achieved by the Bank of Italy in integrating ESG issues into its investment management, with a particular focus on exposure to climate-related risks and in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures and the Network for Greening the Financial System, to which the Bank has been a member since 2019.

It analyses the following issues: (i) the financial portfolio, which includes non-monetary policy financial assets that are not part of the official reserves, such as euro-denominated government securities and supranational bonds, corporate bonds in euros, euro and foreign-currency equities, and alternative investment funds; (ii) the portfolio of foreign currency reserves; and (iii) the Supplementary Pension Fund, of the Bank of Italy employees hired after 28 April 1993. The total value of these portfolios was EUR 190.3 billion at the end of 2024. This does not include monetary policy investments, which are managed and reported by the ECB.

The 2024 Report is divided into four main areas:

- (i) **governance of investments:** the Governing Board, assisted by the Strategies and Financial Risk Committee, is responsible for overseeing the investments and approves the proposals for the strategic allocation of portfolios. The Climate Change and Sustainability Committee provides strategic guidance and coordination and promotes analyses that help to fine-tune the Bank of Italy's sustainable investment methodologies;
- (ii) **strategy:** the Bank of Italy confirms its commitment to three lines of action identified in its [*Responsible Investment Charter*](#): (a) encouraging the disclosure of information on their ESG profiles on the firms, financial intermediaries and other financial system operators; (b) publishing analyses and guides on sustainable finance and regularly communicating ESG results achieved; (c) integrating ESG metrics into the management of its investments and financial risk measurement and management systems;

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- (iii) risk management: the Bank of Italy considers both financial risks as a whole and specific risks that could arise from climate change or other ESG issues. Sustainability risks are monitored in the allocation phase for equity and corporate bonds by favouring firms with the best ESG practices in each sector and those most committed to the climate transition (best-in-class strategy). To mitigate climate transition risk, the portfolios are constructed by considering both the emissions recorded in previous years and the decarbonisation targets of each firm, taking into account the ambition, soundness and time horizon of their commitment. According to the Bank, an assessment of firms – and *a fortiori* their exclusion – based solely on past emissions would in fact risk penalising those most actively committed to converting their production processes and would fail to encourage the reconversion by firms in high-emission sectors;
- (iv) metrics and targets: with regard to indicators, the main change introduced by the 2024 Report is the addition of three new metrics, which have been agreed with the Eurosystem: (a) total Scope 3 emissions; (b) the aggregate share of sustainability, sustainability-linked and social bonds; and (c) the share of exposure to sectors considered to have material nature-related dependencies. The Bank of Italy is committed to periodically updating its investment strategy in order to help pursue, in accordance with its institutional mandate, the Paris Agreement's goals and the European Union's 2050 climate neutrality target. The actual achievement of these targets is affected by a number of factors that make it difficult to set targets for reducing the carbon footprint of investments. Moreover, the Bank also considers that achieving a short-term reduction in the carbon footprint of portfolios, based on the current state of the art, is not necessarily the best way to pursue long-term climate objectives. The Institute has therefore chosen, for the time being, not to set short- and medium-term carbon footprint reduction targets, and to continue to monitor and update the sustainable investment strategy.

The 2024 Report also provides an comprehensive methodological appendix and detailed tables on the ESG and climate-related metrics applied to the various portfolios.

United Kingdom

10. Implementation of the Mansion House Package proposals: the UK government launches three consultations to modernise the applicable sustainable finance framework

On 25 June 2025, during the Climate and Innovation Forum held in London as part of the annual Climate Action Week event, the UK government publicly announced a series of measures it intends to take to modernise the country's sustainable finance framework and ultimately support investment in the clean energy sector, in line with its October 2024 *Mansion House Package*.

In line with this strategy, the UK government has announced the launch of a package of three consultations on: (i) transition planning and related implementation measures to be taken to build a reliable and standardised framework for reporting and disclosure by UK companies; (ii) a proposal for draft sustainability reporting standards specific to the UK market; and (iii) a proposal for a specific voluntary registration scheme for sustainability reporting assurance providers. Each of the three consultations is analysed in more detail below.

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As announced by the UK government, these three consultations collectively represent “*a first step in developing a long-term UK sustainability reporting framework*” and will most likely be complemented in the near future by a consultation focused on simplifying the current non-financial reporting framework under the Companies Act 2006.

(i) Transition planning

The **first consultation** (the “**Transition Planning Consultation**”) pursues the current UK government’s commitment to mandate regulated financial institutions and large companies to develop and implement credible transition plans that align with the Paris Agreement’s goal of limiting temperature increase within 1.5 degrees Celsius. Therefore, the Transition Planning Consultation seeks views on possible ways in which the UK government could implement a more modern framework for corporate reporting on transition planning. The UK government itself has defined the consultation issue as “*the process that entities undertake to define a strategic roadmap for their transition towards net zero*”.

The companies that fall within the scope of the Transition Planning Consultation are regulated financial institutions and FTSE 100 index companies, but it is possible that the range of entities covered will be expanded to include economically significant entities such as large private companies and pension funds. In particular, small and medium-sized companies are likely to be excluded from any transition planning reporting requirements.

The Transition Planning Consultation emphasises the importance of developing and disclosing transition planning as a key tool for mobilising public and private finance in the UK financial markets, asking for stakeholder input on: (i) the design of a transition plan; (ii) the disclosure of the transition plan; (iii) the alignment of the transition plan with climate-related objectives; and (iv) the implementation of the transition plan.

The questions ultimately aim to assess the following two options:

- (ii) introduce a requirement for entities that do not disclose a transition plan (or related information) to explain the reasons for doing so (“**Option 1**”); or
- (iii) introduce an requirement to develop and disclose transition plans (“**Option 2**”).

While under Option 1 relevant entities would not be required to prepare an *ad hoc* transition plan, the requirements of adopting a “*comply or explain*” approach would still significantly improve the level of transparency of corporate disclosure. On the other hand, implementing Option 2 could include a requirement to publish a separate document, in addition to the obligation to prepare annual reports on the progress made in achieving the objectives set out in the transition plans. Finally, with regard to the implementation of Option 2, the Transition Planning Consultation also seeks views on disclosure frequency and the potential introduction of materiality thresholds.

(i) UK SRS

The **second consultation** (the “**UK SRS Consultation**”) was launched to elicit feedback from market participants and assess the suitability of a draft UK-specific sustainability reporting standard (the “**UK SRS**”), intended to form the future basis for a sustainability reporting regime for UK reporting entities and companies.

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Although in draft form, the UK SRS are already closely aligned with the internationally recognised standards published by the International Sustainability Standards Board (ISSB) (the “**ISSB Standards**”). They reflect a number of proposed changes deemed necessary to adapt the application of the ISSB Standards to the UK context.

In particular, the UK SRS Consultation contains proposals for:

- (i) the elimination of the transitional relief contained in the ISSB Standards that allow for the delay of sustainability-related financial reporting in the first year, based on the argument that allowing entities to disclose sustainability-related information at a later date compromises the principle of “*connectivity*” with the financial statements and other narrative reporting;
- (ii) a one-year extension (for a total of two years) of the transitional relief in the ISSB Standards that allow reporting entities to defer disclosure of sustainability-related risks and opportunities beyond those on climate. This means that UK SRS entities would only be required to report on climate-related issues in their first year of applying the ISSB Standards, before extending their reporting to wider sustainability-related matters in the second and subsequent years.

Furthermore, although the ISSB Standards currently include an effective date statement (“*an entity must apply this standard for annual reporting periods beginning on or after 1 January 2024 [...]*”), the UK Government proposes to remove this statement, as the UK SRS will be freely available to any entity wishing to use it on a voluntary basis at a time of its choosing. The draft UK SRS expressly provides that the timing of the application of the principles will depend solely on any subsequent *ad hoc* rules or regulations put in place by the government or the Financial Conduct Authority.

The context in which the UK SRS Consultation was launched is crucial: in fact, it was launched just days after the ISSB published new [guidelines](#) on the application of the ISSB Standards (the “**ISSB Guidelines**”) on 18 June 2025. The ISSB Guidelines give practical guidance to enable companies to provide in-depth disclosures on the subject of climate-related risks and opportunities that could reasonably be expected to affect the company’s cash flows, its access to finance or its short-, medium- or long-term cost of capital. The ISSB Guidelines also specify that jurisdictions that adopt or otherwise engage in the use of the ISSB Standards may supplement the required disclosures with information designed to meet the needs of a broader group of stakeholders, or the disclosure needs of a specific jurisdiction.

- (iii) Register of assurance providers on sustainability reporting

The [third consultation](#) (the “**Assurance Providers Consultation**”) seeks views on a proposal to introduce a registration scheme operated by an Audit, Reporting and Governance Authority (“**ARGA**”) on assurance providers for sustainability-related financial disclosure. The regime would recognise assurance providers as being able to ensure the reliability of information disclosed in accordance with UK SRS, ESRS and any other national standards based on the ISSB Standards. In particular, the Assurance Providers Consultation notes that while the Companies Act 2006 provides for the supervision of the auditing of financial accounts through statutory auditor regulation, there are no equivalent provisions for the supervision of assurance providers for sustainability-linked financial disclosure.

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The main features of the proposal contained in the Assurance Providers Consultation are as follows:

- (i) the creation of a new category of “sustainability assurance providers”, qualified to provide third-party assurance on a company’s sustainability-related financial disclosure and recognised as being able to provide high quality assurance on the information provided in accordance with UK SRS, the standards of the Task Force on Climate-related Financial Disclosures, the ESRS and any other national standards based on the ISSB Standards;
- (ii) oversight by the ARGA as the body responsible for registering assurance service providers, setting eligibility criteria for registration, monitoring their performance and, where necessary, taking proportionate enforcement action when they perform poorly.

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The previous issues of the Observatory are available at the following links:

[Issue 1 \(March 2021\)](#)

[Issue 2 \(November 2023\)](#)

[Issue 3 \(December 2023\)](#)

[Issue 4 \(March 2024\)](#)

[Issue 5 \(June 2024\)](#)

[Issue 6 \(September 2024\)](#)

[Issue 7 \(December 2024\)](#)

[Issue 8 \(March 2025\)](#)

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