Shape the future with confidence

June 2025

Please find below this month's edition of Sustainability Policy Developments. This newsletter is prepared by the EY Global Public Policy team in collaboration with other EY colleagues.

Was this message forwarded to you? Click here to subscribe. You can find the May edition of our newsletter here.

Sustainability reporting and assurance

Global

On 15 May, the **Global Reporting Initiative (GRI)** launched a public consultation on proposed amendments to its **sector-specific standards** to align with its revised topical standards on biodiversity (GRI 101), climate change (GRI 102) and energy (GRI 103). The consultation covers updates to the oil and gas, coal, agriculture and mining sector standards to better reflect evolving environmental risks, including natural ecosystem conversion, greenhouse gas (GHG) emissions and climate resilience. The consultation is open until 13 July.

On 12 May, the **Group of Central Bank Governors and Heads of Supervision (GHOS)**, the oversight body of the **Basel Committee on Banking Supervision**, reaffirmed their expectations related to the implementation of the **Basel III standards**, emphasizing their importance in maintaining financial stability amid recent market disruptions. GHOS also agreed to prioritize further analysis of financial risks arising from extreme weather events, reinforcing efforts to integrate climate-related financial risks into global supervisory frameworks. As part of this initiative, the Basel Committee will publish a **voluntary Pillar 3 disclosure framework** to support jurisdictions in improving transparency around climate-related financial risks.

On 12 May, the **International Federation of Accountants** released *The State of Play: Sustainability Disclosure and Assurance (Five-Year Trends and Analysis, 2019-2023) report*. Conducted in collaboration with the **Association of International Certified Professional Accountants** and the **Chartered Institute of Management Accountants**, the study analyzed disclosures from 1,400 companies across 22 jurisdictions, revealing significant growth in sustainability assurance since 2019. Among other findings, the study says that "companies are obtaining sustainability assurance over the information they disclose at a significantly increasing rate—approaching 75%." At the same time, however, the study finds that fragmentation in standards used by countries for both reporting and assurance persists, with over 90% of companies reporting that they use multiple standards and frameworks.

On 8 May, the **International Auditing and Assurance Standards Board** confirmed it will withdraw its assurance standard for GHG statements (**ISAE 3410**) following the approval of **International Standard on Sustainability Assurance 5000 (ISSA 5000)** in November 2024. ISAE 3410 will officially be phased out when ISSA 5000 takes effect on 15 December 2026.

Europe, Middle East, India and Africa

On 29 May, the **United Kingdom (UK) Financial Reporting Council** launched a public consultation regarding a proposed UK adaptation of the **ISSA 5000**. The draft standard is intended for voluntary use by assurance providers and aligns with the international standard to reduce the burden on firms conducting assurance engagements across multiple jurisdictions. The consultation period is open until 31 July.

On 22 May, the **European Banking Authority (EBA)** proposed amendments to **Pillar 3 disclosure requirements** under the **Capital Requirements Regulation (CRR3)**. The consultation aims to finalize the implementation of CRR3 disclosure requirements, expanding **environmental, social and governance (ESG) risk-related disclosures** to all banks and includes information on shadow banking and equity exposures. The proposed measures clarify existing disclosure requirements for large banks, ensuring alignment of the **Green Asset Ratio** with the **European Union (EU) Taxonomy regulation**. The EBA proposal aligns with broader **European Commission (EC)** efforts, including the **Omnibus Simplification Package**, to streamline sustainability reporting obligations. The EBA launched a public consultation on the amendments, which is open until 22 August.

On 8 May, **German Chancellor Friedrich Merz** called for the **EC** to abolish the **Corporate Sustainability Due Diligence Directive (CS3D)** as part of a wider initiative to lessen compliance and regulatory pressures on businesses. This announcement follows a coalition agreement aimed at forming a government that includes repealing Germany's own **human rights and environmental supply chain due diligence law (LkSG)**. On 20 May, **French President Emmanuel Macron** publicly joined Chancellor Merz in calling for CS3D's elimination, stressing the need to enhance European competitiveness by reducing regulatory burdens. Although these statements were political in nature, they do not guarantee that the law will be repealed. It remains under negotiation and does not reflect the **Council of the EU's** official stance.

On 8 May, the **European Central Bank (ECB)** published its formal opinion on the **EC's Omnibus Simplification Package**. While supportive of the EC's ambition to streamline reporting, the ECB expressed concerns about the EC's proposal to remove 80% of companies from mandatory sustainability reporting under the **Corporate Sustainability Reporting Directive**. The ECB believes that such a drastic reduction could limit access to essential sustainability information, particularly regarding GHG emissions. It recommended maintaining mandatory reporting for **medium-sized companies** (500–1,000 employees) while ensuring the standards remain proportionate to their size and operational complexity. It also advised maintaining current thresholds for **non-EU companies** and ensuring that key climate and biodiversity datapoints remain preserved.

On 7 May, the **GRI** and the **Global Sustainability Reporting Board** urged the **European Financial Reporting Advisory Group (EFRAG)** to retain the foundational strengths of the **European Sustainability Reporting Standards (ESRS)** as it moves forward with the simplification efforts. The letter emphasized that the reduction of disclosure requirements should not disproportionately impact qualitative reporting and recommended clearer guidance on the application of the double materiality principle. It also called for aligning simplified ESRS with GRI's reporting structure and ensuring that core impact disclosures remain intact.

Asia-Pacific

On 19 May, the **Accounting and Corporate Regulatory Authority (ACRA) of Singapore** launched the **Sustainability Reporting Body of Knowledge (SR BOK)** to support training for sustainability reporting professionals. The initiative aligns with the **Singapore Green Plan 2030** and aims to build a talent pipeline that will be able to meet the growing demand for services related to climate and sustainability reporting. Developed with input from over 50 industry stakeholders, the SR BOK covers global standards such as the **International Sustainability Standards Board (ISSB) S1 and S2 standards** and the **GHG Protocol**.

Go to top

Carbon pricing and markets

Global

On 12 May, **Verra**, a standard-setter for carbon-credit integrity and manager of the **Verified Carbon Standard**, announced that pilot projects under its **Nature Framework**, an asset methodology under its **Sustainable Development Verified Impact Standard Program**, can now begin the formal registration process, marking a key milestone in operationalizing the framework. Initially launched in October 2024, the Nature Framework enables projects to quantify biodiversity outcomes and generate nature credits to incentivize conservation efforts. While pilot projects will submit documentation through the Verra Project Hub starting in May, the framework is expected to open to all projects by Q4 2025.

Americas

On 5 May, the **White House** issued guidance barring federal agencies from using the **social cost of carbon** in regulatory decision-making unless explicitly required by statute. The directive, issued through the **Unleashing American Energy executive order (executive order 14154)**, argues that monetizing climate damages is scientifically and legally flawed, reversing previous administration policies that incorporated GHG emissions metrics into federal permitting and rulemaking.

On 1 May, the **United States Department of Justice** filed complaints against **New York** and **Vermont** over **climate change superfund laws**, following the issuance of the **Protecting American Energy from State Overreach executive order (executive order 14260)** on 8 April, which aims to roll back state-level climate initiatives. These laws, which impose fees on fossil fuel producers based on their historic carbon emissions, are facing legal challenges from 22 Republican state attorneys general and trade groups. Meanwhile, 11 additional states have introduced their own climate superfund bills in 2025.

Europe, Middle East, India and Africa

On 3 June, the **EC** launched a public consultation regarding the implementation of **regulations on verifying carbon removals, carbon farming and carbon storage in products (Regulation (EU) 2024/3012)**. Adopted in November 2024, this voluntary framework seeks to strengthen the credibility and transparency of carbon removal initiatives within the EU, aligning with the EC's commitment to climate neutrality by 2050 and its obligations under the **Paris Agreement**. The implementing rules aim to establish harmonized third-party verification under the Regulation by defining standards for certification schemes recognized by the EC, certification bodies, certification audits and certification registries. The consultation period is open until 1 July.

On 22 May, the **European Parliament** approved modifications to the **Carbon Border Adjustment Mechanism (CBAM)**, the EU's import carbon tax, with a decisive vote of 564–20. The changes, introduced under the **EC's Omnibus Simplification Package**, establish a 50-ton threshold that exempts 90% of importers—primarily **small and medium-sized enterprises**—from CBAM's requirements while maintaining coverage of over 99% of emissions from iron, steel, aluminum and cement imports. The European Parliament's vote largely affirmed the EC's CBAM proposals within the Omnibus Package, incorporating only technical clarifications. This decision sets the European Parliament's stance for upcoming negotiations with **EU Member States** to finalize the legislation.

Go to top

Other key sustainability policy developments

Global

On 21 May, the **International Organization of Securities Commissions (IOSCO)** published its ***Sustainable Bonds Report*** outlining key trends and regulatory challenges in the sustainable bond market. The report highlights the continued expansion of green, social, sustainability and sustainability-linked bonds, with total issuance surpassing $1.1 trillion in 2024. IOSCO proposes five key recommendations to enhance market integrity, including strengthening regulatory frameworks, improving transparency in sustainability performance targets, promoting independent external review processes and expanding investor education efforts.

On 7 May, the **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** launched its first set of **short-term climate scenarios**, enabling financial regulators to assess the near-term impacts of climate change and related policies on financial stability and economic resilience. These scenarios, which span a five-year horizon, focus on four different sets of assumptions of climate policies and physical risks, such as extreme weather events, to refine risk assessments and stress-testing exercises. The NGFS emphasized that delayed climate transition efforts could escalate economic costs and financial stress, highlighting the necessity for early action.

Europe, Middle East, India and Africa

On 18 May, **Germany** reversed its longstanding opposition to nuclear power, marking a significant policy shift. Previously, Germany had argued against recognizing nuclear energy as a low-carbon solution, influencing **EU** funding and regulatory decisions. Under **Chancellor Friedrich Merz**, the government now views the nuclear phase-out as a strategic error, citing energy security concerns and dependence on imported gas. Germany is considering small modular reactor development and potential cooperation with **France's nuclear defense framework**. This shift may ease opposition to nuclear expansion within the EU and could influence global financial institutions, including the **World Bank**, to reconsider their restrictions on nuclear project financing.

On 8 May, **India's Ministry of Finance** released a draft framework for its ***Climate Finance Taxonomy***, aimed at identifying sustainable economic activities aligned with national climate goals. The taxonomy, which seeks to facilitate capital flows while preventing greenwashing, establishes two classifications: "climate-supportive" activities that directly reduce emissions or enhance resilience, and "transition-supportive" activities in hard-to-abate sectors such as steel, cement and energy-intensive industries. The feedback period on the draft framework is open until 25 June.

Go to top

In case you missed it

Global

- TNFD highlights 12 nature-related considerations for corporate directors
- Financing gaps for biodiversity conservation persist as corporations look to nature-based solutions
- CDP restructures, looks to reduce sustainability reporting burden
- When will companies start spending on climate adaptation?
- The Circularity Gap Report 2025: Global circularity rate fell to 6.9%—despite growing recycling

Americas

- UCLA Study: More US companies reporting carbon emissions, but few disclose climate transition plans

Europe, Middle East, India and Africa

- EU considers looser criteria to help countries meet climate goals

Asia-Pacific

- Tokyo to waive water bills this summer to combat extreme heat

Go to top

On the horizon

Key dates to watch both ongoing and upcoming:

- **Q2 2025**: The ISSB is expected to release its Exposure Draft on enhancing the Sustainability Accounting Standards Board standards.
- **H1 2025**: The EC is expected to publish a proposal revising the Sustainable Finance Disclosure Regulation.
- **H1 2025**: The UK government is expected to consult on how to take forward its commitment to require UK-regulated financial service firms and FTSE 100 companies to publish carbon footprints and develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement.

- **H2 2025**: The New Zealand External Reporting Board is expected to issue its second request for information on the potential need for reduced disclosures for smaller climate reporting entities (CRE) and differential reporting for specific classes of CRE.
- **H2 2025**: The EFRAG is expected to release its Exposure Draft on the simplification and revision of the ESRS.
- **H2 2025**: The ISSB is expected to finalize its amendments to its IFRS S2 climate-related disclosure standard.
- **2025:** The following consultations are expected:
  - **H1 2025**: UK government consultation on endorsement of UK Sustainability Reporting Standards (UK SRS).
  - **H2 2025**: UK Financial Conduct Authority consultation on introducing disclosure requirements against UK SRS (instead of the Taskforce on Climate-related Financial Disclosures) for UK listed companies.
  - **H2 2025 or early 2026**: UK government consultation on introducing UK SRS for "economically significant" companies.

Additional resources

Upcoming EY webcasts & events

Join us at London Climate Action Week! Join EY and industry leaders for a panel session to examine the latest insights on how geopolitics is shaping and disrupting the global sustainability agenda for CSOs and beyond.

- Event title: *Sustainability and geopolitics: Navigating the new climate*
- Date: Wednesday, 25 June
- Time: 1300-1400 BST
- Location: EY Offices, 1 More London Place, London, SE1 2AF
- Click here to sign up.

For more information, including questions related to the content of this newsletter, please reach out to your usual EY contact or the individuals listed below:

Shawn Maher, EY Global Vice Chair, Public Policy
Katie Kummer, EY Global Deputy Vice Chair, Public Policy
Laura Winthrop, Director, Global Public Policy, Ernst & Young U.S. LLP
Jillian Pasco, Associate Director, Global Public Policy, Ernst & Young U.S. LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EYG no. 004799-25Gbl