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United Kingdom

Environmental, Social and Governance

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This country-specific Q&A provides an overview of environmental, social and governance laws and regulations applicable in United Kingdom.

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United Kingdom: Environmental, Social and Governance

1. Climate – the law governing operations that emit Greenhouse Gases (e.g. carbon trading) is addressed by Environment and Climate Change international guides, in respect of ESG: a. Is there any statutory duty to implement net zero business strategies; b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated; c. Have there been any test cases brought against companies for undeliverable net zero strategies; d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

a. Is there any statutory duty to implement net zero business strategies;

The UK Government has committed to reduce carbon emissions by 100% as against the 1990 baseline, and to achieve this net zero target by 2050. However there is no direct statutory duty which requires private enterprises to implement net zero business strategies. The Government may choose to implement that commitment through legislation, but that has not yet occurred.

We have, however, seen legal developments in relation to reporting on climate-related risks and opportunities:

- **Companies Act 2006**: Companies in the UK with over 500 employees are required to produce a Non-Financial and Sustainability Information statements (NFSI Statement) annually. The NFSI Statement should disclose climate-related risks and opportunities relevant to the company, including disclosures that are aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. UK-listed companies must also issue a "s172 Report" as part of their annual report, recording how the company engages with and takes account of the views of its stakeholders. These requirements will be embedded in accounting standards from January 2026.
- **Streamlined Energy and Carbon Reporting**: Large companies are required by legislation to report on GHG emissions, energy consumption, and efficiency in their directors' annual reports.
- **Listing Rules**: Quoted companies must state whether they have made disclosures consistent with the TCFD's recommendations or explain why not.
- **Future Plans**: During 2025 the Financial Conduct Authority will consult on transition plan disclosures; some UK companies will also be subject to the EU's Corporate Sustainability Due Diligence Directive, which will require them to have transition plans in place. The requirement to have a transition plan will likely prompt companies to develop their own net zero business strategies.

Reporting requirements such as these go some way to encouraging those organisations to take note of their energy consumption and the part that the organisation plays in the road to net zero. Although there may not be specific legal requirements on businesses to develop and implement net zero business strategies, these reporting obligations may lead to pressure from stakeholders, investors and other interested parties to work towards reducing the impact of the business on the environment.

b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated;

There is no express regulation relating to the use of carbon offsets to meet net zero or carbon neutral commitments, but compliance with regulatory obligations such as the UK Emissions Trading Scheme (UK ETS) will contribute to the UK's national net zero target. The UK ETS imposes a cap on the carbon emissions of those covered by the scheme and requires them to surrender allowances to offset against their reportable emissions. The allowances derive either from the operator's free allowance within the cap, or from emission allowances purchased at auction or on the secondary market. The scheme applies to energy intensive industries, the power generation sector and aviation, with activities being categorised as either 'aviation' or 'installation'. Any operator who exceeds its target emissions for the year, and is not able to surrender sufficient allowances to offset their emissions, is liable to pay the carbon price calculated for that year in respect of the emissions in excess of their target.

Businesses can also choose to offset their GHG emissions through voluntary carbon markets, which are unregulated and involve purchasing credits for emission reduction or removal projects. The UK Government published principles in November 2024 to ensure the integrity of these credits and plans to consult on their implementation in 2025.

c. Have there been any test cases brought against companies for undeliverable net zero strategies;

To date, there have not been any test cases brought against companies in the UK for undeliverable net zero strategies.

There is no requirement on UK companies to have or publish net zero targets, nor are transition plans obligatory (although a transition plan is an expectation for UK listed companies that disclose against the TCFD recommendations).

Further, the nature of these strategies is typically a plan for the future, and statements of future intent are not actionable in UK law (unless they can be construed as misrepresentations about the current state of affairs). Other challenges claimants could face in relation to this type of claim include the difficulty that a claimant would have in showing that they have suffered a loss as a result of the company's net zero strategy or that the company is liable to them in some other way.

Claimant law firms are considering the initiation of group shareholder actions under sections 90 and/or 90A of the Financial Services and Markets Act 2000, based on climate-related statements made by listed companies. The legislation enables shareholders in those companies to sue for losses caused as a result of the company making an untrue or misleading market statement. This would seem the most likely way in which litigation might be brought in respect of any alleged failure to deliver a net zero strategy.

Given the challenges in bringing claims in the courts, claimants may instead look to make complaints to the National Contact Point (NCP) alleging breaches of the OECD guidelines for Multinational Enterprises on Responsible Business Conduct. Whilst the UK NCP cannot award damages or make findings that are binding or capable of enforcement by UK courts, and participation is voluntary, many NGOs seek to bring and publicise complaints in order to drive public discourse and raise awareness of particular issues, which carries reputational risk for companies. These complaints also provide a mechanism for complainants to attempt to elicit information that might assist in bringing formal civil actions in any relevant jurisdictions.

Some categories of claimant may now put more focus on challenging government decisions in relation to net zero strategy, where they have had some success to date. The UK Government has previously been challenged on its net zero strategy, with the High Court ruling in July 2022 that it did not comply with the requirements of the Climate Change Act 2008 and was therefore unlawful (R (Friends of the Earth Ltd) v Secretary of State for Business, Energy and Industrial Strategy [2023]). The Secretary of State published a revised strategy in March 2023 following the ruling. The revised strategy was again successfully challenged by Friends of the Earth and ClientEarth by way of judicial review (Friends of the Earth v Secretary of State for Energy Security and Net Zero [2024]).

d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

No such cases have been brought in the UK to date and claimants may prefer to pursue these types of claims against multinationals in jurisdictions that are more likely to recognise a duty of care owed by companies to the general public in relation to greenhouse gas emissions. However, if scientific advances enable claimants to demonstrate a physical harm to them or their property caused by a company's contribution to global levels of greenhouse gases, we may see these claims being brought in the UK.

2. Biodiversity – are new projects required to demonstrate biodiversity net gain to receive development consent?

With effect from February 2024, each grant of planning permission in England is deemed to be subject to a condition that requires a 'biodiversity gain objective' to be met, subject to certain exemptions.

This objective is that the biodiversity value attributable to the development must exceed the pre-development biodiversity value of that site by at least 10%. The value attributable to the development can be secured by creating off-site habitat enhancements which are then attributed to the development, or by purchasing biodiversity credit from the Government (which funds biodiversity enhancements across England). The latter is disincentivised through pricing. Habitat enhancements must be maintained for 30 years. The same regime will apply to development consent for nationally significant infrastructure projects from November 2025.

This marks an important shift in planning law in England, and it is yet to be determined whether local planning authorities will have sufficient resources to oversee and implement these new measures effectively. Adequately resourcing the monitoring and enforcement of these requirements will be costly and challenging. It is anticipated that the costs of monitoring will be sought from developers, with the cost varying according to the location.

There is no equivalent mandatory biodiversity net gain requirement in Wales or Scotland, although public bodies have a general obligation to maintain and enhance, or further the conservation of, biodiversity in the exercise of their functions.

3. Water – are companies required to report on water usage?

At present, there is no obligation for companies in the UK to report on water usage.

The UK Government plans to establish a framework to assess the suitability of the International Financial Reporting Standards (IFRS) S1 and S2 for endorsement in the UK. If the decision is made to endorse those standards, it will result in the creation of the first two UK Sustainability Reporting Standards (SRS), expected to be based upon IFRS S1 and S2 (IFRS S2 covers water management). Future UK SRS are likely to involve reporting on sustainability and climate-related risks and opportunities, but are expected to be less extensive than the European Sustainability Reporting Standards (ESRS).

Even though there is no mandatory requirement to report on water usage, some organisations may choose to disclose the information on a voluntary basis. Companies increasingly recognise the value in being environmentally responsible. Reporting on water management practices can lead to improved reputation and increased revenue, and is likely to be well received by potential investors. There are a number of ways in which a company can make a voluntary disclosure, such as global reports and certifications. ISO 14001 is an internationally-recognised standard that provides a framework for environmental management reporting, which includes water-related environmental aspects.

Further, companies operating in Europe which are subject to the Corporate Sustainability Reporting Directive will be required to report on water use and water resources under the ESRS.

4. Forever chemicals – have there been any test cases brought against companies for product liability or pollution of the environment related to forever chemicals such as Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)?

No test cases have been brought in the UK. We are aware however, of increasing regulatory activity and the potential for civil claims. A manufacturing site in Bentham (Yorkshire) is currently facing significant scrutiny in relation to the historic production of fire-fighting foams (known to contain PFAS) and allegations of contamination of the locality. This has the potential to become the first test case in the UK.

5. Circularity – a. The law governing the waste hierarchy is addressed by the Environment international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction? b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

There are various pieces of "producer responsibility" legislation which require different entities in the supply chain (including manufacturers, importers and brand owners) to assume responsibility for the financial costs associated with the end of life disposal/recycling of their products.

The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024 (which largely came into force on 1 January 2025) implement Extended Producer Responsibility (EPR) in the context of packaging. They replace the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 and expand the pre-existing obligations. Producers (i.e. companies that manufacture, package, and sell consumer goods) are required to register by 1 April 2025 and will be required to pay additional EPR fees from October 2025, to cover the costs of managing the waste their products generate.

The Waste Electrical and Electronic Equipment Regulations 2013 (the WEEE Regulations) require producers of electrical and electronic equipment (EEE) to finance the end of life disposal costs of equipment they produce. Retailers have certain collection obligations and waste treatment facilities are required to ensure that certain recycling targets are met. The overriding purpose of the WEEE Regulations is to encourage producers to design EEE that is easier to recycle and to encourage more recycling of EEE.

In December 2023 the Government issued a consultation on reforming the WEEE system and in December 2024 the Government published a partial response and a call for evidence. Changes will include a new WEEE category for vapes and new obligations for online market places.

The Waste Batteries and Accumulators Regulations 2009 aim to reduce the environmental impact of batteries by ensuring proper collection, recycling, and disposal. The regulations require battery producers to finance the collection, treatment, and recycling of waste batteries and distributors of batteries face collection obligations, including providing a free take-back service for waste batteries and requesting collection of waste batteries from producers.

Plans for a deposit return scheme in England are well advanced – the scheme is likely to come into effect in 2027, having already been delayed several times. The current commencement date for the scheme specified in the Deposit Scheme for Drinks Containers (England and Northern Ireland) Regulations is 1 October 2027. Consumers will be required to pay a deposit on certain drinks containers which can be reclaimed when the container is returned to a designated collection point.

6. Plastics – what laws are in place to deter and punish plastic pollution (e.g. producer responsibility, plastic tax or bans on certain plastic uses)?

The UK Government's 25 year plan for the environment includes steps to tackle plastic waste and its impact on the marine environment.

Against this background we have seen the introduction of legislation which seeks to deter the use of plastic, particularly single use plastic. For example:

- the Environmental Protection (Plastic Straws, Cotton Buds and Stirrers) (England) Regulations 2020 ban the sale and distribution of plastic drinking straws, plastic stemmed cotton buds and plastic drink stirrers; and
- the Environmental Protection (Plastic Plates etc. and Polystyrene Containers etc.) (England) Regulations 2023 prohibit the supply of single-use plastic plates, trays or bowls, balloon sticks and cutlery, as well as the supply of single-use polystyrene food or drink containers and cups.

The UK also has a plastic packaging tax (introduced by the Plastic Packaging Tax (General) Regulations 2022 and the Finance Act 2021) which requires businesses in the UK that import or manufacture 10 tonnes or more of finished plastic packaging components (which do not contain a minimum of 30% recycled plastic) to pay a tax, currently at a rate of £217.85 per tonne.

7. Equality Diversity and Inclusion (EDI) – what legal obligations are placed on an employer to ensure equality, diversity and inclusion in the workplace?

Legal obligations on employers to ensure EDI in the workplace are principally contained in the Equality Act 2010. This legislation prohibits discrimination based on nine protected characteristics, namely: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. Employers must ensure that their practices do not directly or indirectly discriminate against individuals with these characteristics and must make reasonable adjustments for disabled employees to prevent substantial disadvantages.

Employers in the public sector are expressly required to have due regard to the need to eliminate discrimination, to advance equality of opportunity, and to foster good relations between people who share a protected characteristic and those who do not. This includes considering the impact of their policies and practices on equality and taking steps to mitigate any adverse effects on individuals with protected characteristics.

Recent and upcoming legislation and regulation continues to enhance EDI protections, with a significant push towards improving practices in certain industries, including in the financial services sector.

Workplace harassment is one of the areas where the Government has sought to create more inclusive and equitable workplaces, introducing in October 2024 legislation which requires employers to take reasonable steps to prevent sexual harassment in the workplace and now seeking to extend the obligation to "all" reasonable steps and to reintroduce protection against harassment by third parties.

Other key reforms which are proposed include mandatory ethnicity and disability pay gap reporting for businesses with 250 or more employees and bolstering existing gender pay gap reporting obligations by requiring employers to develop, publish, and implement action plans (see question 20 below). These measures are designed to address persistent inequalities and integrate EDI into companies' core business strategies.

8. Workplace welfare – the law governing health and safety at work is addressed in the Health and Safety international guide, in respect of ESG are there any legal duties on employers to treat employees fairly and with respect?

Employers in the UK are subject to extensive duties which relate to employee workplace welfare (addressed in the Employment and Labour guide). Currently, there are no specific legal duties on employers to treat employees fairly and with respect.

There are specific duties in law relating to the treatment by employers of pregnant people and young people: codes of practice recognise different lifting capacities between the genders for example. Similarly, the Equality Act 2010 includes obligations and duties for employers to avoid discrimination on the basis of specified protected characteristics and to make reasonable adjustments to provide access for disabled persons.

Under section 2 of the Health and Safety at Work etc. Act 1974, it is the duty of every employer to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all their employees. There is no differentiation between employees as to the extent to which employers must ensure their health and safety, although what is 'reasonably practicable' will depend on the circumstances. Codes of Practice such as ISO 45003 do not place a legal duty on employers but do create a framework for recognising 'respectful' workplaces.

9. Living wage – the law governing employment rights is addressed in the Employment and Labour international guide, in respect of ESG is there a legal requirement to pay a wage that is high enough to maintain a normal standard of living?

National minimum wage rates apply to most workers and are mandatory. The rate payable depends on age bandings, or if the worker is an apprentice, with the highest rate (also known as the National Living Wage (NLW)) payable to those aged 21 or over.

The Low Pay Commission – the independent public body that advises the government on setting national minimum wage rates – must take into account the cost of living when making its annual recommendations.

For the avoidance of any doubt, NLW is entirely distinct from, and should not be confused with, the 'Living Wage' – a rate set annually by the Living Wage Foundation and which is voluntary.

10. Human rights in the supply chain – in relation to adverse impact on human rights or the environment in the supply chain: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?

a. Are there any statutory duties to perform due diligence;

The Modern Slavery Act 2015 imposes an obligation on commercial organisations with a turnover of £36 million or more to produce and publish an annual "section 54 statement", detailing steps taken to prevent slavery and human trafficking in their business and supply chain. The UK Government encourages all organisations to upload their modern slavery statements to the voluntary Modern Slavery Statement Registry.

In March 2025 the UK Home Office updated its statutory guidance on Transparency in Supply Chains. The original guidance provided practical advice on how to write and publish modern slavery statements, including what information to include and how to address potential risks. The 2025 update focuses less on how to produce a compliant modern slavery statement and more on how best to protect workers through the development of an effective approach to modern slavery. It includes step-by-step practical guidance, reflecting current best practice, and has been developed in collaboration with businesses, civil society, academics and trade unions.

Upcoming regulatory developments include:

- **Environment Act 2021**: Large businesses must ensure no illegal deforestation in their supply chain and report on due diligence systems in relation to use of forest risk commodities or products derived from them. These requirements will be implemented through the Forest Risk Commodities regulations, which will become applicable once the necessary secondary legislation is enacted.
- **NHS Procurement Regulations 2024**: These Regulations are still in draft form, but if they come into force they will require public bodies that are procuring good or services for the purposes of the health service in England to carry out a pre-contract assessment of the extent of modern slavery risk.

b. Have there been any test cases brought against companies?

Recent cases before the Court of Appeal demonstrate the

English Courts' readiness to hear cases which address the human rights or environmental impacts within supply chains. These claims are often based on torts or unjust enrichment, typically dealing with alleged breaches by a company of its duties to uphold human and/or environmental rights.

Some examples are below:

1. Dhan Kumar Limbu and others v Dyson Technology Ltd and others [2024] – In this case, migrant workers brought claims against Dyson group companies, including two English entities as well as third party suppliers to Dyson in Malaysia. The Claimants alleged that they were trafficked to Malaysia, and were subjected to forced labour and abusive living and working conditions in a factory in Malaysia which produced products for Dyson. The Claimants argued that the Defendants were negligent, by virtue of a breach by the Defendants of their duty of care – specifically that they had implemented defective policies in the supply chain. The Claimants also alleged that the English Defendants were jointly liable with the Malaysian suppliers for false imprisonment, intimidation and assault, and they sought restitution for unjust enrichment. The Defendants denied all allegations in full. In December 2024, the Court of Appeal held that England was "clearly and distinctly the appropriate forum" in which to hear the case. The Court of Appeal, took into account the following factors in coming to its decision:
    - The UK Defendants were the "primary operational control centre" and the Claimants' complaint was primarily against them. The Court noted that the UK Defendants were the "principal protagonist" in the claim.
    - The alleged failure and/or breach of the duties primarily took place in England.
    - The conduct and coordination of the litigation would take place in England.
    - The Defendants' proposed undertakings to cover necessary disbursements for the claims in Malaysia were inadequate, and exposed the Claimants to the risk of waiving legal professional privilege.

    The decision by the Court of Appeal to accept jurisdiction in this dispute may encourage the bringing of similar claims in the English courts.
3. Milasi Josiya and others v British American Tobacco plc and others [2021] – was a group action by more than 7,000 Malawian tobacco farmers against certain companies in the British American Tobacco group and the Imperial Tobacco group. The Claimants brought claims in tort and unjust enrichment against the Defendants, alleging that there had been unlawful child and forced labour, and that there had been systematic exposure of vulnerable and impoverished adults and children to hazardous working conditions. The Defendant applied to strike out the claim on the basis that the Claimants had no reasonable grounds for bringing the claim and that the claim was an abuse of process. This was not accepted by the High Court and the claim was allowed to proceed.
4. R (on the application of) World Uyghur Congress v NCA and others [2024] – This is a judicial review claim where the World Uyghur Congress challenged the decisions by three public bodies, including the UK National Crime Agency (NCA), not to investigate the importation of goods suspected to have derived from forced labour and human rights abuses overseas. The Court of Appeal found that the NCA had erred in law in deciding not to investigate imports of cotton which had suspected links to forced labour and human rights abuses overseas and ordered it to reconsider the matter. Whilst not squarely a claim brought against a company, the findings of the Court of Appeal in the claim have significant implications for businesses as the Court also clarified the interpretation of the Proceeds of Crime Act 2002 (POCA), particularly the "adequate consideration defence" in s.329(2)(c) of POCA. The Court held that the provision of "adequate consideration" (where a fair market price is paid) in a supply chain does not prevent the goods from subsequently being identified as criminal property.

11. Responsibility for host communities, environment and indigenous populations – in relation to adverse impact on human rights or the environment in host communities: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?

a. Are there any statutory duties to perform due diligence;

The Environment Act 2021 will impose obligations on large businesses to prevent illegal deforestation in their supply chains and to report on a due diligence system (to be established and implemented by businesses themselves using Government guidance) in relation to use of forest risk commodities or products derived from them. The requirements will be delivered through the Forest Risk Commodities regulations. Before the regulation becomes applicable secondary legislation is required to activate the regime, while the exact enforcement date is not yet confirmed, the EU

Deforestation Regulation – which has similar objectives – will come into force in December 2025.

Separately, an inquiry launched in early 2025 is examining the effectiveness of the UK's legal and voluntary frameworks in managing forced labour risks in international supply chains, which may lead to further regulatory developments in this area.

There is not currently any UK legislation regarding conflict minerals. The UK government had issued guidance aiming to ensure that business activities do not contribute to conflict, and that companies respect human rights through responsible operations. Whilst the specific guidance on conflict minerals was withdrawn in September 2020, the principles and recommendations remain relevant and other guidance and principles, such as the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance and the EU Conflict Minerals Regulation aim to ensure that business activities do not contribute to conflict and promote responsible oversight and management of the minerals sector.

The UK supported the adoption of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) in 2007. Whilst the UK acknowledges the principles of UNDRIP, it interprets and implements these principles within the framework of its existing human rights laws, which focus on individual rights. The UK Government encourages responsible business practices and adherence to international standards, such as the OECD Due Diligence Guidance, to ensure that business activities do not negatively impact indigenous people.

b. Have there been any test cases brought against companies?

The English Courts' readiness to accept jurisdiction to hear claims made against companies in respect of claims of human and environmental rights abuses in host communities is well-established. In particular, there is a clear trend that the English Courts have accepted jurisdiction to hear cases even where the harm occurred outside England and Wales. There is also some overlap with section 10(b) above.

The following cases illustrate the approach:

1. Município de Mariana and others v BHP Group (UK) Ltd and another – This is a group action claim, brought by nearly 700,000 individuals impacted by the collapse of Fundão Da, in Brazil. The dam collapse released around 40 million cubic metres of tailings from an iron ore mine, killed 19 people and caused widespread consequences for numerous communities and individuals. The Claimants seek compensation for losses resulting from the collapse of the dam. Applications by the Defendants to strike out the claim were refused by the Court of Appeal and the matter proceeded to first stage trial on liability at the end of 2024. The first stage trial on liability ended on 13 March 2025 and judgment was reserved.
2. Okpabi and others v Royal Dutch Shell Plc and another – The claim was brought by more than 30,000 residents of two areas in the Niger Delta alleged to be affected by oil spills and pollution from pipelines operated by Shell Petroleum Development Company of Nigeria Ltd (SPDC). The Claimants also made claims against SPDC's parent company (RDS) alleging that RDS has breached its duty of care by failing to prevent or remedy the damage to their communities. The Supreme Court previously held that the English Courts did have jurisdiction to hear the claim, as the Claimants' claim against RDS was arguable and a parent company could owe a duty of care in respect of alleged actions by its subsidiary. The claim is proceeding to trial which is ongoing in 2025.
3. Jalla v Shell International Trading and Shipping Company – The Bonga Spill, an oil spill off the coast of Nigeria in December 2011 released the equivalent of 40,000 barrels of crude oil into the ocean. The Claimants sought compensation for ongoing pollution of their land alleged to be caused by the oil spill. Jurisdiction was accepted, but the Supreme Court found that the spill was not a continuing nuisance, and therefore the claim was time barred.

12. Have the Advertising authorities required any businesses to remove adverts for unsubstantiated sustainability claims?

In the UK, the Advertising Standards Authority (ASA) actively monitors and regulates environmental claims in advertising. These need to comply with Section 11 of The UK Code of Non-broadcast Advertising and Direct & Promotional Marketing (CAP Code) or Section 9 of The UK Code of Broadcast Advertising (BCAP Code).

There have been numerous examples of the ASA removing adverts, including the following.

- On 19 February 2025, the ASA banned from appearing again in its current form a product listing for a "Wool Carpet" on a website for Flooring by Nature, a carpet and flooring retailer, which indicated it was a "sustainable alternative to synthetic carpets" and provided "eco-friendly choices". The ASA held that these terms were not adequately substantiated and so were likely to mislead. It also held that the statement "Wool carpets also biodegrade at the end of their lives" required further information to be provided regarding how to dispose of wool carpets as this was material to consumers' understanding of the claim.

- On 27 November 2024, the ASA banned a paid-for Google ad for Wizz Air Hungary Ltd that gave a misleading impression of the' environmental impact of their aircraft by not making the basis of comparative claims clear or providing verifying information. The ASA instructed Wizz Air Hungary Ltd to ensure future environmental claims are clear, not misleading, and provide sufficient information for consumers to verify comparisons with competitors.
- On 7 August 2024, ASA banned a radio ad for Virgin Atlantic which included the unqualified claim "100% sustainable aviation fuel", which the ASA found gave a misleading impression of the fuel's environmental impact. ASA instructed Virgin Atlantic to ensure future ads mentioning sustainable aviation fuel include information explaining its environmental impact.
- On 10 July 2024, the ASA found a magazine ad and a poster for Luton Rising did not adequately qualify the claims made in the ad and omitted material information about the environmental impact of London Luton Airport's expansion. The ASA instructed that Luton Rising ads must not appear again in the same form. Future claims must be adequately qualified and not omit material information.

13. Have the Competition and Markets authorities taken action, fined or prosecuted any businesses for unsubstantiated sustainability claims relating to products or services?

The UK CMA published guidance on how to make green claims – "Green claims code: making environmental claims" – in order to set out best practice and help organisations. The code includes 6 key principles to be followed:

i. be truthful and accurate;
ii. be clear and unambiguous;
iii. do not omit or hide important relevant information;
iv. consider the full life cycle of the product or service;
v. be substantiated; and
vi. ensure comparisons are fair and meaningful.

In July 2022, the CMA opened an investigation into ASOS, Boohoo and George at Asda for eco-friendly and sustainability claims made about their fashion products. This investigation lead to these companies signing undertakings in March 2024, to only use accurate and clear green claims, as well as other commitments.

Following the closure of the investigations the CMA published specific guidance for the fashion retail sector when making environmental claims, which provides businesses with practical advice on how to comply with consumer law. This includes making environmental claims clear and accurate, not hiding important information, not using misleading icons and ensuring comparisons are clear.

The CMA has also reviewed compliance in the fast-moving consumer goods sector and in December 2023 opened an investigation into Unilever in relation to certain green product claims. In November 2024, the CMA closed its investigation without any action, due to changes Unilever had made to claims on some of its products. This case was part of a broader programme of work by the CMA on tackling green claims to ensure that that environmental claims are transparent and substantiated.

From 6 April 2025 the CMA will have much greater enforcement powers when the Digital Markets, Competition and Consumers Act 2024 (DMCC) consumer enforcement regime comes into force. The DMCC significantly enhances the CMA's powers, allowing it to award compensation directly to consumers, order compliance and impose civil penalties of up to 10% of global turnover on businesses for the most serious breaches. We therefore expect an increase in formal enforcement action.

14. Have there been any test cases brought against businesses for unsubstantiated enterprise wide sustainability commitments?

No test cases have been brought in the UK courts against businesses for unsubstantiated enterprise wide sustainability commitments. The most likely way in which such a claim would be brought is under section 90 and/or 90A of the Financial Services and Markets Act 2000 against a listed company for the publication of misleading statements in its prospectus, annual report and/or other published information. Many listed companies now provide detailed information about their sustainability commitments in the front end of their annual reports or in separate sustainability reports which could be the target of litigation if it transpires that any statements are untrue or misleading.

The Advertising Standards Authority (ASA) has taken action in relation to enterprise wide sustainability claims and required companies in a number of sectors to withdraw advertisements that the ASA considered to present a misleading picture of the businesses' positive contribution to combatting climate change.

The Competition and Markets Authority (CMA)'s Green Claims Code and the FCA's anti-greenwashing rule (introduced as part of the FCA's sustainability disclosure requirements regime rule which requires FCA-authorised firms to ensure that their sustainability-related claims are fair, clear, and not misleading and they are consistent with the sustainability characteristics of the product or service) are focused on sustainability claims in relation to particular products and services although both regulators have power to take action in relation to enterprise wide claims in certain circumstances.

15. Is there a statutory duty on directors to oversee environmental and social impacts?

Under the Companies Act 2006 (CA 2006), UK directors have statutory duties that may be relevant to ESG and sustainability.

Section 172 requires directors to promote the company's success for the benefit of its members, considering factors including employee interests, business relationships, the impact on the community and environment, and maintaining a reputation for high standards of business conduct. Additionally, directors must exercise reasonable care, skill, and diligence under section 174.

Section 414A of the CA 2006 requires directors to publish a strategic report (there is an exemption for "small" companies) to inform the members of the company and help them assess how the directors have performed their duty under section 172. The strategic report must include, amongst other matters, a description of the principal risks and uncertainties facing the company. This may include environmental impacts. For companies that qualify as "large" the strategic report must include a "section 172(1) statement", detailing how directors have considered the specific factors set out in section 172 when performing their duty under that section.

Specific obligations under health and safety and environmental laws also apply, with potential personal liability for directors if their conduct contributes to an offence. The UK has extensive environmental protection laws, many derived from EU legislation. While there is no single overriding framework, these laws collectively impose significant responsibilities on directors to oversee environmental and social impacts.

On 21 October 2024, a Private Members' Bill – the Company Directors Bill – was presented to Parliament. The Bill will require company directors to balance their duty to promote the success of the company with duties in respect of the environment and the company's employees. As this is a Private Members' Bill, it remains unclear if it will receive sufficient support.

Whilst it does not have statutory force, the Institute of Directors published a voluntary code of conduct for UK company directors. It provides guidance on responsible decision-making and fulfilling duties. The code, applicable to all types of organizations, is based on six principles: leading by example, integrity, transparency, accountability, fairness, and responsible business.

16. Have there been any test cases brought against directors for presenting misleading information on environmental and social impact?

There have been no test cases specifically against directors for the publication of misleading information about a company's environmental and social impact to date. Unsuccessful attempts have been made in two cases (ClientEarth v Shell [2023] and McGaughey & Davies v Universities Superannuation Scheme [2023]) to bring derivative claims against directors for alleged breaches of statutory duties under the Companies Act 2006 to promote the success of the company and to act with due skill, care and diligence, in the context of alleged inaction by directors in relation to climate change risk.

17. Are financial institutions and large or listed corporates required to report against sustainable investment criteria?

The Government is expected to endorse the first two International Sustainability Standards Board Sustainability Disclosure Standards (ISSB Standards) in 2025, which will lead to the creation of UK Sustainability Reporting Standards (UK SRS). UK SRS will provide the legal foundation for the future UK sustainability disclosure reporting framework. The UK Financial Conduct Authority (FCA) intends to introduce UK SRS reporting requirements for listed companies, and the Government is expected to consult on aligned disclosure requirements for non-listed companies. In the meantime, organizations may adopt the ISSB Standards on a voluntary basis.

In addition, HM Treasury has recently consulted on whether a UK Green taxonomy should be developed to provide additional information to investors about individual activities and processes.

In 2023, the FCA published Policy Statement PS23/16 on Sustainability Disclosure Requirements and Investment

Labels. This policy aims to enhance transparency and trust in sustainable investment products and introduced measures such as an anti-greenwashing rule for all FCA-authorized firms, specific investment labels, and detailed disclosure requirements for UK asset managers. The rules mandate clear, fair, and non-misleading sustainability claims, and require comprehensive pre-contractual, ongoing product-level, and entity-level disclosures.

In addition, voluntary ESG reporting frameworks have emerged due to increasing investor demand for transparency and accountability regarding companies' environmental and social impacts. These frameworks include the recommendations of the Taskforce on Climate-Related Financial Disclosures (which underpin the current UK legal and regulatory framework for climate reporting), the Global Reporting Initiative standards and the Sustainability Accounting Standards Board standards.

18. Is there a statutory responsibility on businesses to report on managing climate related financial risks?

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (which amended the CA 2006) and the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 introduced mandatory climate-related financial disclosures for (1) listed companies, and certain banks and insurance companies; (2) companies traded on AIM; and (3) large private companies, in each case having more than 500 employees.

The purpose is to ensure transparency in how businesses manage climate-related risks and opportunities, aligning with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations. Companies must report on matters including governance, risk management, principal climate-related risks and opportunities, impacts on business model and strategy, resilience analysis, and targets and performance indicators. These disclosures should be included in the Non-Financial and Sustainability Information Statement (which forms part of the strategic report) or the Energy and Carbon Report for LLPs.

In addition, the UK Listing Rules published by the FCA require UK listed commercial companies and certain other listed companies to make TCFD-aligned disclosures in their annual report on a "comply or explain" basis.

Along with other "third country" companies, certain UK companies with a subsidiary or branch in the EU meeting the relevant criteria will be impacted by the extra-territorial requirements of the EU Corporate Sustainability Reporting Directive from 2028. However, the precise scope of these requirements is likely be narrowed following the announcement of the EU Sustainability Omnibus package in February 2025.

19. Is there a statutory responsibility on businesses to report on energy consumption?

Under the Streamlined Energy and Carbon Reporting (SECR) framework, quoted companies are required to report their annual emissions and an intensity ratio in their Directors' Report. SECR was implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which came into force on 1 April 2019, and amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The 2018 Regulations require the directors' report for a quoted company to state the annual quantity of energy consumed from activities that the company is responsible for, including the combustion of fuel and the operation of a facility, and the annual quantity of energy consumed from the purchase of electricity, heat, steam or cooling by the company for its own use. The same requirements apply to unquoted companies that are not parent companies and have a turnover greater than £36 million, a balance sheet total of more than £18 million and more than 250 employees. Where an unquoted company is a parent company, the requirements apply unless the aggregate value does not exceed: turnover of not more than £36 million net (or £43.2 million gross), balance sheet of not more than £18 million net (or £21.6 million gross), and not more than 250 employees.

The Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment scheme that applies to large undertakings in the UK (and group companies if one member of the group is a large undertaking). "Large undertakings" are those with at least 250 employees, an annual turnover exceeding £44m and an annual balance sheet total exceeding £38m. Although applying mainly to business, the ESOS also applies to not-for-profit organisations and non-public sector undertakings if they are large enough to meet the qualification criteria. Under the legislation (the Energy Savings Opportunity Scheme Regulations 2014, as amended), undertakings are required to carry out an ESOS assessment. The ESOS assessment includes notifying the scheme administrator (the Environment Agency) of the participant's total energy consumption (in kWh), as well as the total energy consumption attributable to each organisational purpose and, where applicable, the participant's significant energy consumption. In addition to tracking energy consumption, participants must also identify energy saving opportunities, and the estimated energy savings associated with those opportunities. Organisations qualifying for the ESOS must carry out an ESOS assessment every four years.

20. Is there a statutory responsibility on businesses to report on EDI and / or gender pay gaps?

Since 2017, employers in Great Britain with 250 or more employees have been required to report annually on their gender pay gaps. In-scope employers must publish:

- their overall gender pay gap figures for relevant employees;
- the proportion of men and women in each of four pay bands based on the employer's overall pay range;
- information on the employer's gender bonus gap; and
- the proportion of male and female employees who received a bonus in the same 12-month period.

The reporting requirement does not currently extend to Northern Ireland.

Currently, where a gender pay gap exists, there is no express obligation to take steps to remedy that gap. Further, the reporting requirement applies only to information relating to gender pay gaps. Changes to the law are anticipated to enact a requirement for employers to publish and implement action plans to close gender pay gaps and to introduce mandatory ethnicity and disability pay gap reporting for employers with 250 or more employees.

In addition to any gender pay gap reporting requirements, companies in the UK are currently required to report on certain EDI matters in accordance with the Companies Act 2006 (as amended). The specific requirements depend on the size and type of the company but include reporting prescribed information relating to the employment of disabled people and regarding the number of persons of each sex within the company who are directors, senior managers (other than directors), and employees. With the aim of reducing reporting burdens on companies, the current reporting requirement regarding the employment of disabled people will be removed from 6 April 2025.

21. Is there a statutory responsibility to report on modern day slavery in the supply chain?

Larger organisations must publicly report steps they have taken to ensure their operations and supply chains are trafficking and slavery free. This disclosure duty, contained in the Modern Slavery Act 2015, applies to companies and partnerships supplying goods or services (wherever incorporated or formed) with an annual turnover of £36 million and above, providing they carry on business in the UK.

To comply, organisations are expected to publish annually a statement of the steps taken to ensure that slavery and human trafficking is not taking place, or that no such steps have been taken. Depending on the employer (such as size, sector and listing status) the report should cover points such as policies, training, due diligence processes and the effectiveness of measures taken to combat slavery and trafficking.

Legal penalties for breach are limited and have not been exercised to date (they are enforceable by the Government bringing court proceedings for an injunction). However, organisations should be aware that campaigning pressure groups are monitoring their compliance, with the associated reputational risks.

The Government is currently reviewing whether to strengthen this disclosure duty and businesses should monitor developments.

The UK Joint Committee on Human Rights has opened an inquiry into forced labour in international supply chains. The inquiry will consider the UK legal and voluntary framework in order to ascertain whether it is effective in managing the risks of exposure to forced labour in the UK market, or whether changes are required. Amongst other things, the inquiry will review the effectiveness of the Modern Slavery Act 2015.

22. Trends and developments – Where do you see the most significant legal developments in ESG in your jurisdiction in the next 12 months? Do you expect a rise in Court disputes or enforcement actions?

As we navigate the constantly evolving landscape of sustainability and ESG considerations, 2025 looks set to be a pivotal year for businesses. In 2025, the global sustainability and ESG landscape is expected to be shaped by a dynamic interplay between stringent regulations and the need for competitive business practices. Policymakers must balance regulations that drive sustainability, without stifling economic growth. Against this backdrop, businesses must prepare to comply with a range of demanding rules that will start to apply from the end of the year and that differ between jurisdictions.

In the UK, we are set to see movement on a regulatory regime for ESG ratings providers in 2025. Following a consultation in 2023, the UK government has proposed legislation to regulate these providers, which will be overseen by the Financial Conduct Authority. Reflecting on the growing recognition of the need for standardized sustainability reporting, the UK government is set to endorse the International Sustainability Standards Board standards in 2025, leading to the creation of the UK Sustainability Reporting Standards (SRS) – we go into more detail on this in Q.17.

Worker protection continues to be a critical element of sustainability and ESG. New legislation underscores an ongoing commitment to worker protections and workplace equality. Developments include a raft of new and enhanced rights included in the UK Employment Rights Bill, new pay transparency rights and obligations arising from the EU Pay Transparency Directive, and upcoming expanded obligations in the UK under the broader SRS initiative.

With heightened scrutiny surrounding all things ESG, businesses must ensure that they are being fully transparent regarding environmental and social impacts. Companies making bold sustainability claims will need to ensure their actions align with their statements to avoid litigation risks. Following the adoption of the EU Green Claims Directive in the EU in 2024, we expect to see a rise in regulatory enforcement and consumer awareness. This will attempt to address greenwashing by improving the way green claims are substantiated and will regulate environmental labelling schemes. As a result, UK businesses supplying to the EU will need to invest in robust reporting and verification processes to substantiate their environmental claims.

In a year where regulatory burdens are expected to intensify, the EU's long-awaited Sustainability Omnibus proposal aims to streamline reporting requirements and enhance competitiveness within the EU market. The proposals will significantly impact UK businesses operating in Europe, should they be implemented. The proposals would notably reduce the number of businesses falling within the scope of the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive, while also delaying their implementation periods, among other changes.

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