

Module	European Union - Environmental, Social and Governance (ESG)
Jurisdictions	EUROPEAN UNION

Module Application

Does an organisation identify and assess its economic activities against EU environmental sustainability criteria, ensuring these activities make a substantial contribution to environmental objectives without causing significant harm?

Does an organisation that invests in economic activities in the EU assess whether those activities qualify as environmentally sustainable under EU Taxonomy framework?

Does an organisation operating in the EU implement a structured due diligence process to identify and assess actual and potential adverse impacts on human rights and the environment throughout its value chain?

Does an organisation operating in the EU that qualifies as a financial market participant or financial adviser publish and maintain website disclosures about its sustainability risk policies, adverse sustainability impacts, and remuneration policies aligned with sustainability risk integration?

Does an organisation obtain authorisation from ESMA before operating as an ESG rating provider in the European Union and maintain compliance with all authorisation requirements on an ongoing basis?

Module Scope

The European Union's ESG regulatory framework is central to the EU's goal of transitioning to a sustainable, transparent, and inclusive economy. This framework imposes a series of mandatory obligations on organisations operating within the EU, aimed at embedding environmental, social, and governance (ESG) considerations into core business operations.

Organisations operating in the EU—whether corporates, financial market participants, ESG rating providers, or importers—must comply with a growing range of mandatory ESG requirements. These requirements are enforced through both directly applicable EU regulations and national laws enacted by Member States under EU directives. Compliance frameworks must therefore account for EU-wide standards as well as jurisdiction-specific rules and enforcement mechanisms.

This module is designed to support organisations in identifying, understanding, and complying with key EU ESG requirements. It provides practical guidance to help organisations align with investor expectations, respond to regulatory scrutiny, and meet broader stakeholder demands.

The module lays down following key instruments, notably:

- **EU Taxonomy Regulation** – Defines environmentally sustainable activities and technical screening criteria
- **Sustainable Finance Disclosure Regulation (SFDR)** – Mandates ESG-related disclosures by financial market participants and advisers

- **Corporate Sustainability Reporting Directive (CSRD)** – Requires sustainability reporting by large EU companies and groups
- **Corporate Sustainability Due Diligence Directive (CSDDD)** – Imposes environmental and human rights due diligence obligations across value chains
- **ESG Rating Provider Regulation** – Governs authorisation and oversight of ESG rating activities
- **EU Emissions Trading System (EU ETS)** – Regulates monitoring, reporting, and surrender of emissions allowances
- **Carbon Border Adjustment Mechanism (CBAM)** – Requires emissions reporting and certificate surrender for certain imported goods
- **Pay Transparency Directive** – Enforces equal pay, pay gap reporting, and gender balance on company boards
- **Whistleblower Protection Directive** – Mandates safe and confidential reporting channels and anti-retaliation measures
- **Accessibility Directive** – Ensures products and services are accessible to people with disabilities

The key topics covered in this module include:

- Environmental sustainability assessments and EU Taxonomy alignment
- ESG risk disclosure and integration into corporate strategy
- Sustainability-related financial and non-financial reporting (SFDR, CSRD)
- ESG rating and benchmark provider authorisation and oversight
- Greenhouse gas emissions tracking and reporting under EU ETS and CBAM
- Human rights and environmental due diligence across global value chains
- Equal pay audits and gender diversity targets
- Whistleblower protection and internal reporting systems
- Accessibility compliance for products and digital services

This module enables organisations to embed ESG principles into their governance and operational frameworks, enhancing accountability, improving access to sustainable finance, and contributing to the EU's climate and social ambitions. By taking a proactive compliance approach, organisations can build trust, manage risk, and lead in the sustainable economy.

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