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KINSTELLAR

ESG legal update: Central and Eastern Europe and Central Asia regions

OVERVIEW OF OTHER KEY ESG AREAS ▼

This ESG Legal Update provides a snapshot of recent regulatory developments across Central and Eastern Europe and Central Asia, with input from Kinstellar's ESG Service Line members.

Several cross-border trends emerge. The transposition of the **Corporate Sustainability Reporting Directive (CSRD)** and the **Corporate Sustainability Due Diligence Directive (CS3D)** remains ongoing in many jurisdictions, often delayed or adapted in response to recent EU-level changes. In parallel, regulators in multiple countries—such as Austria, the Czech Republic, Turkey, and Ukraine—are strengthening **ESG risk management** requirements in the financial sector.

There is also a clear push toward more robust **environmental compliance and permitting regimes**, with countries like Hungary and Slovakia introducing stricter enforcement rules. At the same time, national strategies are increasingly focused on **climate and energy planning**, supported by new **green finance frameworks** and policy instruments.

This update reflects the shared expertise of Kinstellar's ESG practitioners across the region and aims to provide practical insight into evolving ESG obligations and opportunities. ↓





Austria

Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CS3D) – transposition delayed

As of the end of Q2 2025, neither the Corporate Sustainability Reporting Directive (CSRD) nor the Corporate Sustainability Due Diligence Directive (CS3D) have been implemented in Austria. A national draft law for the transposition of the CSRD has been published and is currently awaiting approval by the Austrian parliament. The draft was issued on 27 March 2025, but its adoption timeline remains uncertain. Crucially, the current draft does not provide for any “goldplating” – i.e., it mirrors the minimum requirements of the directive without adding stricter national obligations. However, it is worth noting that the draft is based on the original version of the CSRD and does not yet reflect the updates introduced by the “Stop the Clock” amending directive, which deferred reporting deadlines and eased certain reporting obligations.

Austrian companies are therefore advised to monitor the legislative process closely, as further changes may be expected before final adoption.

Financial market authority enhances sustainability risk guidance

On 31 March 2025, the Austrian Financial Market Authority (Finanzmarktaufsicht – FMA) published a fully revised cross sectoral Guide for Managing Sustainability Risks, expanding on its 2020 version. The guide now places stronger emphasis on natural and biodiversity risks, transition planning, greenwashing, and climate-related litigation. This represents a clear signal that financial firms must integrate sustainability risks into core risk management frameworks and board-level oversight (see: <https://www.fma.gv.at/wp-content/plugins/dw-fma/download.php?d=7275&nonce=cfe935c2493d74b4> – in German only).

Financial market authority demands clearer SFDR classification

On 30 May 2025, the Austrian FMA, together with Germany’s BaFin and the Dutch AFM, submitted a joint letter to the European Commission calling for a fundamental overhaul of the Sustainable Finance Disclosure Regulation – SFDR (EU Regulation 2019/2088). Regulators propose replacing the current Article 8 and 9 product categories – “light green” and “dark green” products – with two clearer labels – “sustainable” and “transition” – and urged the introduction of binding minimum standards for ESG product classifications. They also advocated for stricter naming rules to combat greenwashing and better alignment with related EU frameworks such as MiFID II and the Insurance Distribution Directive.



Bulgaria

Amendments to the Energy from Renewable Sources Act (“ERSA”)

The Bulgarian parliament has adopted amendments to the **Energy from Renewable Sources Act (“ERSA”)**, effective from 10 June 2025, designed to:

- i. implement the requirements of Article 1(7) of Directive (EU) 2023/2413, addressing Articles 16, 16b, 16c, and 16d of Directive (EU) 2018/2001 on promoting renewable energy use;
- ii. incorporate the provisions of Commission Delegated Directive (EU) 2024/1405 of 14 March 2024, which updates Annex IX of Directive (EU) 2018/2001 by adding new feedstocks under categories "A" and "B" for biofuel and biogas production; and
- iii. streamline and shorten administrative procedures for permitting investment projects to build renewable energy facilities.

Integrated Energy and Climate Plan ("IECP")

Pursuant to Regulation (EU) 2018/1999 and the relevant national laws, Bulgaria has developed a draft updated Integrated Energy and Climate Plan (IECP) for the 2021-2030 period. This plan establishes national objectives across five key areas: decarbonization, energy efficiency, energy security, the internal energy market, and scientific research, innovation, and competitiveness.

The updated IECP has been published on the European Commission's website and incorporates a wide range of input gathered during preliminary consultations and engagements with the European Commission. It also reflects contributions resulting from discussions with various stakeholders, including representatives of the business community, non-governmental organizations, academia, and Bulgaria's neighbouring countries.

Currently, the updated IECP is undergoing an environmental assessment. Upon successful completion, the plan will be submitted to the Council of Ministers for approval.

Bill for the Amendment and Supplementation of the Clean Air Act

In April 2025, a bill proposing amendments and supplements to the Clean Air Act was published on the Bulgarian parliament's website. Among its key provisions, the bill addresses the issues identified in Infringement Procedure INFR(2020)2106. Specifically, it seeks to empower natural and legal persons directly impacted by exceedances of PM10 limit values, as well as by failures to implement timely and adequate measures to mitigate such exceedances. Furthermore, it enables environmental protection organizations to initiate legal proceedings before the Bulgarian courts. This includes the right to contest the purported compliance of a given air quality plan with Article 23(1) of the Air Quality Directive and to compel the public authorities to develop air quality plans that fully adhere to the requirements outlined via these provisions.

Draft Social Climate Plan of the Republic of Bulgaria ("SCP")

In June 2025 a draft Social Climate Plan ("SCP") was published on the government's public consultation portal. In accordance with Bulgaria's obligations under Regulation (EU) 2023/955, the SCP serves as a strategic framework encompassing structural measures, temporary income support mechanisms, and technical activities designed to ensure the effective and inclusive implementation of policies under ETS2 (European Union Emissions Trading System). The SCP is fully integrated with the national climate and energy framework, complementing the Integrated National Energy and Climate Plan, the Long-Term Renovation Strategy for the Building Stock, and the Territorial Just Transition Plans (TJTP). The public consultation period is scheduled to conclude on 20 July 2025.

Croatia

Revised Integrated National Energy and Climate Plan of the Republic of Croatia for the period 2021–2030 (NECP)

On March 26, 2025, the Croatian government adopted a revised Integrated National Energy and Climate Plan (NECP) for 2021–2030. The Ministry of Environmental Protection and Green Transition and the Ministry of Economy are jointly responsible for coordinating its implementation. The updated NECP, submitted to the European Commission on March 27, 2025, aligns Croatia's policies with the EU's "Fit for 55" package, aiming to reduce greenhouse gas emissions by 55% by 2030 compared to 1990 and to achieve climate neutrality by 2050. Key 2030 targets include a 62% emissions cut in Emissions Trading System (ETS) sectors (vs. 2005), a 16.7% cut in non-ETS sectors, a 42.5% renewable energy share in gross final consumption, 24.6% renewables in transport, and defined limits for primary and final energy use. The NECP is Croatia's main implementing document for its long-term low-carbon strategy, revised in line with applicable EU climate legislation.

ESG Rating system for the Croatian Chamber of Economy (HGK)

The HGK ESG Rating is a platform that assesses a company's performance in environmental, social, and governance (ESG) areas. By completing an intuitive ESG questionnaire covering general and sector-specific sustainability aspects, companies receive an individual ESG rating, with the option for a detailed report comparing them to industry benchmarks and offering guidance for improvement. The HGK ESG Rating aligns with regulatory requirements, financial institutions' expectations, and industry best practices, helping companies understand their current sustainability performance and to identify opportunities for progress. The questionnaire is designed for large firms as well as SMEs, supporting compliance efforts, supply chain positioning, and communication with stakeholders. Five key benefits are: assessing ESG risks and performance, attracting investors and better financing conditions, tracking progress against EU requirements, benchmarking against peers, and boosting reputations with customers, employees, and partners.

Czech Republic

Corporate Sustainability Reporting Directive (CSRD) transposition

The transposition of the Corporate Sustainability Reporting Directive (CSRD) is being carried out via an amendment to the Accounting Act, among others. This transposes the second phase of obligations under the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) that have yet to be fully transposed into Czech law. The amendment was originally proposed as a transposition of the second and subsequent phases, as outlined in the CSRD timeline. However, Czech legislators decided to use the amendment to implement changes proposed by the EU Commission under the ESG omnibus package.

These amendments to the draft legislation principally incorporated the Stop-the-Clock Directive and other changes affecting companies, effectively anticipating the development of pending EU legislation. Of particular note is the change to the threshold for determining which companies are affected, which increases the employee count from 500 to 1,000. The amendment has been passed by the lower house of the Czech parliament and will now be debated in the Senate. It is not expected to be further challenged and is anticipated to be signed into law in Q3 2025.

Corporate Sustainability Due Diligence Directive (CS3D) – transposition delayed

Following the introduction of the ESG omnibus package by the EU Commission and the passing of the Stop-the-Clock Directive, no formal changes to the transposition process have occurred in the Czech Republic. The Ministry of Justice, as the ministry responsible for the implementation of Directive (EU) 2024/1760 (CS3D), has indicated that further active work on the implementing legislation has effectively paused. Particularly in light of the postponement of the CS3D transposition deadline to 26 July 2027 and in light of the recent position by the Council and European Parliament regarding the extensive scope of amendments needed in the initial policy draft. Further detailed work would be viewed as premature at this stage of legislative drafting. Once the changes to the CS3D are further elaborated at the EU level, the ministry plans to initiate corresponding updates to the Czech government's Legislative Work Plan along with the necessary respective preparatory work.

Capital Requirements Directive VI (CRD VI) – ESG risks and CRD VI transposition

In March 2025, the Czech government submitted a proposal for amendments to acts governing the financial sector in order to transpose Directive (EU) 2024/1613 (CRD VI). The proposed legislation introduces several ESG-related obligations for financial institutions, including the requirement to integrate environmental, social, and governance (ESG) risks into internal strategies and risk management processes. Institutions will be required to assess current and foreseeable ESG impacts and prepare targeted ESG-related action plans, which must be approved at the management body level. It also establishes a new authorization regime for third-country firms offering “core banking services” in the EU. These entities will be required to establish licensed branches in the EU to continue operations, aiming to harmonize treatment and supervision of third-country institutions and to mitigate risks to financial stability.

The draft legislation has already been passed in the lower chamber of the Czech parliament and is now being debated in the Czech Senate.

EU Deforestation Regulation (EUDR) – Postponement and Risk Country Classification publication

The applicability of the EU Regulation on Deforestation-free products 2023/1115 (EUDR) has been officially postponed by one year, shifting the start date to 30 December 2025 and for SMEs to 30 June 2026. This follows feedback from industry and member states on the need for more time to implement the regulation effectively.

The Czech National Forestry Institute (NLI) initiated outreach through seminars held in June to help stakeholders prepare for compliance. Additionally, the EU Commission has published a classification of countries based on the risk of deforestation, which will influence due diligence requirements under EUDR. The Czech Republic has been classified as low risk and may therefore proceed in accordance with Article 13 of the EUDR, thereby applying “simplified due diligence”.

Pay Transparency Directive – Upcoming Transposition

The Czech Ministry of Labour and Social Affairs has initiated preparatory steps for the implementation of Directive (EU) 2023/970 (the Equal Pay Transparency Directive), which mandates equal pay for equal work and increases employer obligations for transparency in pay structures. The directive is expected to be transposed into Czech law through amendments to the Labour Code and the Civil Procedures Code.

ETS2 – Delay Sought by 16 Member States Including the Czech Republic

A group of 16 EU Member States, including the Czech Republic and France, have proposed a deferral of the EU's new emissions trading system for buildings and road transport (ETS2), originally set to start in January 2027. The Czech proposal calls for implementation to be postponed until at least 2028. The Czech Republic has not yet incorporated ETS2 into national legislation and is advocating for safeguards against price volatility in emissions allowances. The proposal has received significant political support and is expected to be considered by the end of 2025.

ETS2 is expected to cover approximately 15% of EU emissions and would apply to fossil-based heating and fuel for road transport. Exemptions apply to renewable fuels such as wood pellets, biomethane, and biofuels.

Czech Climate Change Lawsuits

The Czech Republic's first ever climate-related lawsuit is soon to be reviewed by the Czech Constitutional Court. The claimants (the Klimatická žaloba ČR association along with a number of individuals) challenged the Czech Supreme Administrative Court's dismissal of the case in November 2024. According to the claimants, the Czech Republic failed to adopt specific mitigation measures that would lead to a 55% reduction in greenhouse gas emissions by 2030 compared to 1990 levels. They also argue that the Czech Supreme Administrative Court incorrectly assessed interference with the constitutionally guaranteed rights of the complainants and failed to provide them with the necessary protections.

Separately, in May 2025, the Poslední generace association filed a lawsuit against the City of Prague for allegedly failing to establish sustainable conditions in strategic and spatial planning, seeking recourse against the consequences of this inaction. The claimants argue that the City of Prague failed to update its strategic plan in line with the 2030 Agenda (a United Nations global action plan), to take into account the Leipzig Charter on Sustainable European Cities, to integrate the action plan's measures into binding spatial planning documentation, and to implement effective monitoring and reporting mechanisms.

European Commission assesses the Czech National Energy and Climate Plan (NECP)

In May 2025, the European Commission issued an assessment of the Czech Republic's National Energy and Climate Plan. The Commission noted that the Czech target for renewable energy sources failed reach the necessary share to meet European targets. It also noted the absence of specific measures to support the acceleration of renewable energy source development and the development of so-called "energy communities". Contrary to the European Commission's recommendations, the Czech plan also does not contain specific measures to reduce fossil fuel consumption or to phase out fossil fuel subsidies; moreover, it also failed to specify measures to mobilise private investments, as well as to provide robust estimates of the respective investment needs.

Hungary

Government decree on waste management fines published

On 23 June 2025, Government Decree 156/2025. (VI. 23.) was published specifying waste management fine limits and providing for additional sanctions for specific infringements. The basic amount of waste management fines to be imposed for each infringement and the method of calculating these fines is set out in the annexes to the Decree. Fines may be increased in the case of certain aggravating factors, but the total amount may not exceed HUF 50 million for natural persons and, as a general rule, HUF 500 million (approx. EUR 1.25 million) for legal persons (i.e. companies) and unincorporated organisations.

In addition, the waste management authority may suspend or restrict the activities of the given economic operator if specific criteria are met. The restriction or suspension is mandatory in the case of a major waste law violation. In addition, confiscation may be ordered in proceedings relating to the unlawful placement or abandonment of waste.

The Decree will enter into force on 9 July 2025.

Fines increased for non-compliance with environmental regulations

Sanctions for the infringement of certain environmental rules have been recently tightened via Government Decree no. 61/2025. (III. 31.) ("the Amending Decree") with the changes taking effect as of May 1, 2025.

IPPC Decree

The Hungarian IPPC Decree has been amended raising the maximum fines for companies with an annual net turnover over HUF 100 million (approx. EUR 250,000). Such fines may now range from HUF 500,000 up to 5% of the company's net turnover achieved in the previous year, with a maximum of HUF 2 billion (approx. EUR 5 million). Another key change is the increase in the maximum daily enforcement fine, rising from HUF 50,000–100,000 to HUF 100,000–1 million. The fine for failing to comply with the conditions of an environmental permit will increase from HUF 200,000–500,000 to HUF 500,000–20 million (approx. EUR 50,000).

Noise protection

Similarly, the Amending Decree also raises the maximum amount of fines under the Hungarian Noise Protection Decree for companies with an annual net turnover over HUF 100 million. Fines imposed on such companies may range from HUF 1 million up to 5% of the company's net turnover from the previous year, but may not exceed HUF 2 billion, whereas before May, such fines were capped at HUF 100,000. Fines for breaching reporting obligations will also increase significantly, ranging from HUF 500,000 to HUF 3 million for companies with an annual net turnover over HUF 100 million. Additionally, fines for ongoing operational noise violations can now be imposed on a monthly basis instead of every six months.

Air protection

The Amending Decree increases the maximum fines under the Air Protection Decree. In particular, the fine for operating a pollutant point source (i.e. a chimney) without, or in violation of a permit will increase from HUF 1 million to HUF 3 million (approx. EUR 75,000). In such cases, the daily enforcement fines the authorities may impose will increase from HUF 100,000 to HUF 300,000 per each day of non-compliance with the relevant permit, impossible for ongoing violations if the authorities notify the company about non-compliance with an emissions permit. The fine for failing to carry out emissions control examinations for point sources will increase from HUF 500,000 to HUF 1.5 million. The Amending Decree also removes the option for regional and local authorities to reduce fines by up to 75%. Instead, fines may only be reduced by up to 50%, and only for first-time offenders. For repeat offenders, fines can still be reduced by up to 50%, but may also be increased by up to 100%.

The above changes reflect a possible legal push from the Hungarian Government to further incentivize compliance with regulations by punishing infringements with harsher fines. Companies of magnitude (i.e. with a yearly turnover exceeding HUF 100 million) should exercise heightened caution and diligence when engaging in activities regulated by the acts above.

Hungarian ESG Act

The ESG Act has been amended via Act LI of 2025 (the “**Amendment**”) with effect from 20 June 2025, introducing significant changes to its scope and to ESG reporting obligations.

One of the key changes means that small and medium-sized undertakings of public interest are no longer within the scope of the ESG Act. Additionally, for large undertakings (in Hungarian: *nagyvállalkozás*), the criteria determining the obligation to draft an ESG report have been revised. A large undertaking under the ESG Act now must prepare an ESG report only if:

- Its main activity falls within one of the high-impact sectors listed in the ESG Act, such as pharmaceuticals, plastics, energy, transport, telecommunications, finance, and manufacturing; and
- As of the balance sheet date in each of the two financial years preceding the respective financial year, the undertaking exceeds the following thresholds:
 - Annual net revenue: HUF 90,000 million; and
 - Average number of employees: 500.

Large undertakings that are required to prepare an ESG report are temporarily exempted from submitting both a report and the related ESG certificate to the Supervisory Authority for Regulated Activities (SZTFH) for the financial years beginning in 2024, 2025, and 2026, specifically concerning sustainability due diligence obligations.

While the obligation to prepare an ESG report for medium-sized and small undertakings of public interest (in Hungarian: *közérdeklődésre számot tartó gazdálkodónak minősülő kis- és középvállalkozás*) has been removed from the scope of the ESG Act, this does not mean that ESG data provision can no longer be requested by the authorities.

Furthermore, the Amendment introduces the following restrictions:

- i. up to 30 June 2027 micro and small undertakings (in Hungarian: *mikro- és kisvállalkozás*) cannot be requested to provide ESG data, nor can they undertake such an obligation in a contract or written declaration;
- ii. medium-sized undertakings (in Hungarian: *középvállalkozás*) cannot be obliged to provide ESG data via a contract or written declaration until the above date (referenced in point (i)).

Kazakhstan

E-Commerce engagement between Kazakhstan and China

On 17 June 2025, Kazakhstan and China signed a Memorandum of Understanding to deepen cooperation in the field of e-commerce. The Memorandum was signed during the second “Central Asia – China” summit between Kazakhstan’s Ministry of Trade and Integration and China’s Ministry of Commerce. It aims to create favourable conditions for the development of e-commerce between the two countries, with a focus on government regulation, knowledge exchange, joint research, logistics development, attracting investments, and the establishment of national and regional pavilions. The document emphasises the strengthening of mutually beneficial cooperation based on trust and reflects both parties’ commitment to expanding bilateral collaboration in the e-commerce sector.

New Phase of Cooperation between Central Asia and China (Energy Forum)

On 14 June 2025, Kazakhstan hosted the first Power Central Asia + China energy forum in the capital of Kazakhstan – Astana. The event marks the beginning of a new phase of energy cooperation. Key agreements were signed, including a framework agreement with POWERCHINA on localisation, an R&D centre, and a decarbonisation fund, as well as partnerships with Huawei and China Southern Power Grid for digital energy and HVDC projects. Renewable energy projects, such as a solar power plant with China Energy, were highlighted, alongside initiatives for deep hydrocarbon processing and hydrogen technologies. The forum also resulted in financing agreements with China Construction Bank for QazaqGaz projects. This event strengthens Kazakhstan’s role as an energy hub in Central Asia, fostering sustainable and innovative energy development.

Romania

National Green Procurement Program

On April 24 2025, the Romanian government adopted the National Green Procurement Program (PNAE) for the period 2025-2030. This program represents a significant advancement in aligning Romania with European Union objectives, as it was previously the only member state without a dedicated green public procurement strategy. The initiative seeks to promote the acquisition of goods, services, and works that minimize environmental impact across both national and local government bodies.

PNAE is designed to encourage environmentally responsible procurement practices among contracting authorities and public institutions. Through this initiative, the Romanian government seeks to affirm its commitment to sustainable governance by leveraging green public procurement as a strategic instrument to advance environmental responsibility and foster collaboration among municipalities, local governments, and other key stakeholders. The Minister of Environment noted that the initiative is expected to generate green employment opportunities and to stimulate economic development.

In practical terms, the PNAE sets annual targets for public procurement for the period 2025-2030. Sustainability criteria will be applied to a wide range of procurement categories, including IT equipment, vehicles, street lighting, water heating systems, textiles, and food products.

Strengthening the Green Corridor Initiative

In April 2025, the Minister of Energy announced the successful completion of a feasibility study for a major energy infrastructure initiative, namely the High Voltage Direct Current (HVDC) interconnector spanning Romania, from the Black Sea, to Hungary.

As per the Minister of Energy, the study affirmed that the project is both technically viable and economically sound. It also underscores the strategic importance of the interconnector for integrating renewable energy sources and enhancing both regional and European energy security. The Minister of Energy added that the project is an integral part of the Green Corridor, which will connect Azerbaijan, Georgia, Romania, and Hungary, along with other countries in the region.

Romania launches second CfD auction round

In 2024, the Ministry of Energy adopted specific legislation establishing a state aid scheme in the form of Contracts for Difference (CfD) for electricity production from renewable sources – specifically onshore wind and solar photovoltaic. On 12 May 2025, Romania launched the second round of the CfD auction to allocate 3,472 MW of new renewable energy capacity, for onshore wind and solar photovoltaic.

The eligibility criteria have been expanded, opening up new opportunities for businesses involved in renewable electricity production. Projects will be awarded through competitive bidding. The initiative is a key step in mobilizing investments for Romania's renewable energy expansion.

Serbia

First green corporate bonds successfully issued in Serbia

The Serbian company Elixir Group has successfully completed the first issuance of green corporate bonds in Serbia, marking a significant milestone in the country's development of sustainable finance. The entire offering was sold out immediately upon issuance on the Belgrade Stock Exchange, making it not only the first green bond issuance but also the first successful primary trading of a financial instrument on Serbia's organized market in over 13 years. A total of 341,700 bonds were issued, each with a nominal value of RSD 12,000, bringing the total value of the issuance to RSD 4.1 billion (approximately EUR 35 million).

Slovakia

Amendment to the Act on Environmental Impact Assessment

An amendment currently subject debate by legislators aims to streamline and harmonise environmental permitting procedures, particularly for renewable energy infrastructure and revises the competencies of the state authorities involved in permitting and decision-making procedures.

The purpose of the amendment is to support faster and more coordinated permitting for renewable energy projects, in line with the requirements of the EU Council Implementing Decision (CID) and Slovakia's Recovery and Resilience Plan (Component 19 – REPowerEU). The reform aims to improve the investment environment, ensure better public engagement in environmental assessments, and to help meet national and EU climate targets, including those outlined in the National Energy and Climate Plan for 2021–2030 (NECP).

Amendments to the Air Protection Act effective from April 2025

Several key amendments to Act No. 146/2023 Coll. on Air Protection entered into force on 1 April 2025, significantly affecting the permitting framework for emission sources in Slovakia.

As of this date, a binding consent from the air protection authority is required prior to the issuance of location decisions for large and medium emission sources. This consent now serves as a legally enforceable position within the permitting procedure.

While the new provisions apply from April 2025 onward, administrative proceedings initiated before this date will continue to be processed under the previous legal framework. In addition, selected provisions—including those concerning small emission sources, automated monitoring systems, emission parameter approvals, and special technical exemptions—will remain valid throughout 2025.

EUR 440 million from Modernisation Fund for cleaner industry and heating

The Slovak Ministry of the Environment has announced the allocation of EUR 440 million from the EU Modernisation Fund to support industrial decarbonisation and the modernisation of district heating systems. Nearly EUR 300 million has been approved for 60 heating projects, while additional funds are being prepared for future industrial initiatives. Strong demand has also been recorded in applications for renewable energy and energy-efficient public buildings, with submitted applications exceeding available budgets. For more, see here: <https://www.minzp.sk/spravy/2025/maj/taraba-investoval-z-modernizacneho-fondu-440-milionov-cistejsi-priemysel-modernejšie-teplarenstvo.html>

Turkey

Green Asset Ratio reporting obligation for banks

A Communiqué on the Calculation of the Green Asset Ratio of Banks (the “**Communiqué**”), published in the Official Gazette on 11 April 2025, sets out the procedures and principles for calculating and reporting the green asset ratio, as well as the key performance indicators designed to measure banks’ contributions to environmental sustainability.

According to the Communiqué, the green asset ratio has been designated as the primary key performance indicator for assessing banks' contributions to environmental objectives. It is calculated by dividing environmentally compliant assets by the total assets falling within the scope of the green asset ratio, based on banks' unconsolidated balance sheets. Compliant assets consist of eligible assets that satisfy specific criteria. In order for an eligible asset to qualify as compliant, it must: (i) contribute substantially to at least one of the following environmental objectives: climate change mitigation, climate change adaptation, the transition to a circular economy, the sustainable use and protection of water and marine resources, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems; (ii) not cause significant harm to any of the other environmental objectives; and (iii) comply with minimum social safeguards.

Banks are required to submit their green asset ratio reports to the Banking Regulation and Supervision Agency ("**BRSA**") as of 30 June 2025.

Changes made to the Responsible® Program

The Responsible® Program, also known as the Support for the Green Deal Compliance Project, was launched by the Ministry of Trade in 2024 as a consultancy support initiative aimed at helping companies align with the Green Deal. Under the program, companies that meet specific sustainability criteria receive expert advisory services and may be granted the right to use the Responsible® label, which indicates a high level of sustainability capacity and maturity. Eligibility to apply for the Responsible® Program is limited to manufacturers and exporters that have recorded a total export volume of at least USD 300,000 over the three calendar years preceding the current year.

Following updates introduced in the Circular on the Support for the Green Deal Compliance Project, published on 8 May 2025, several changes were made to the program's implementation. Notably, the accreditation requirement for consultancy firms providing services under Phase 2 has been removed. Furthermore, to ensure cost stability, the consultancy fees payable by companies for Phase 1 "Current Situation Analysis and Sustainability Roadmap" have been frozen at the 2024 rates for the 2025 support period, with no fee increases permitted.

Announcement on auditor appointment and sustainability report submissions

Effective as of 1 January 2024, companies subject to the Turkish Sustainability Reporting Standards ("**TSRS**") are required to report on their sustainability performance in line with mandatory sustainability reporting obligations. While the adoption of the TSRS is a significant step forward in providing ESG transparency, its implementation has raised practical concerns, especially around the procedures for sustainability reports and auditors. To address these issues, the Public Oversight, Accounting and Auditing Standards Authority (KGK) issued an announcement on 25 June 2025 (the "**Announcement**"), clarifying key matters such as the presentation of sustainability reports to companies' general assemblies and the appointment of sustainability auditors.

According to the Announcement, the appointment of sustainability auditors under the TSRS and the submission of audited sustainability reports will take place alongside the financial statements, and follow the same procedures. The auditors responsible for assuring compliance with TSRS-aligned sustainability reports are to be appointed by the board of directors and submitted for approval at the next ordinary general assembly meeting, aiming to ensure a smooth transition to mandatory reporting.

Furthermore, sustainability reports for the 2024 reporting period are expected to be presented at the ordinary general assemblies in 2025.

Ukraine

On 25 June 2025, the Cabinet of Ministers of Ukraine approved a draft law amending the Law of Ukraine **“On Accounting and Financial Reporting in Ukraine”**. The draft law provides for the preparation, submission, and publication of reports on sustainable development for certain categories of legal entities. These reports will include information on the company's impact on the environment and how it will affect the company's operations.

The new requirements will be introduced in stages:

- in 2028, the reporting obligation will apply to large enterprises and parent companies of large groups with more than 500 employees;
- in 2029 – to other large enterprises and parent companies of large groups that do not fall under the previous category;
- in 2030 – to medium and small enterprises whose securities are traded on the stock exchange.

In addition, on 25 June 2025, the Cabinet of Ministers of Ukraine approved [**Resolution No. 753 on the Procedure for Transboundary Consultations in the Process of Issuing Integrated Environmental Permits**](#). The document was drafted in accordance with the provisions of the Law of Ukraine “On the Integrated Prevention and Control of Industrial Pollution,” which will come into force on 8 August 2025, and thus Ukraine will switch to a new methodology for industrial pollution prevention.

The Procedure sets out the key requirements for organizing and conducting transboundary consultations in the processes for issuing integrated environmental permits concerning the potential significant negative impact on the environment of foreign states as a result of the operation of facilities located in Ukraine or in foreign states.

On 30 June 2025, the Ministry of Environment of Ukraine, together with the United Nations Development Programme, presented a [**draft law “On the Principles of Green Recovery of Ukraine”**](#). This is the first regulatory act establishing the legal basis for the sustainable, environmentally friendly, and transparent recovery of the country after the ending of the current hostilities.

The draft law is currently under public discussion. It is expected to be submitted to the Verkhovna Rada during the autumn of 2025.

On 30 June 2025, the Board of the National Bank of Ukraine approved a [**White Paper on Environmental, Social, and Governance \(ESG\) Risk Management in the Financial Sector**](#). The White Paper defines the prerequisites for ESG risk management across Ukraine's financial sector, including the level of relevant risks and the state of regulation in this area. It is expected that financial institutions will appoint persons responsible for analysing and monitoring ESG risks and, if necessary, create separate departments.

The development of an ESG risk management system involves the gradual introduction of requirements for the financial sector. In the first stage (during 2025-2026), the main requirements will apply to banks, and in the second stage (from 2026 to 2030) – to other socially important financial institutions that have a significant impact on sustainable development and higher exposure to ESG risks.

Uzbekistan

Environmental certification introduced

Starting from 17 July 2025, a mandatory environmental certification system will be introduced in connection with the production of goods and the provision of services (the “**Green Certificate**”) for facilities (i) that impact the environment and (ii) whose products require technical certificates. The Green Certificate will be issued only by organizations accredited by the government and will be valid for five years, with registration in an official government register. The Ministry of the Environment will establish a “Top Green Uzbekistan” rating system, which will recognize leading environmental performers.

Tourism development decree

The government will provide [subsidies](#) through the Tourism Support Fund for modular hotels until January 2027. The Fund will support local entrepreneurs establishing 50 catering businesses abroad specializing in Uzbek cuisine, covering 50% of costs for registration, permits, rent, design, and equipment (up to USD 25,000 per business). The Fund will also subsidize 50% of transportation costs for up to 300 kg of products annually from Uzbekistan, with a cap of approx. USD 8,000 per business.

Moreover, to ensure fair competition among airlines, the government will [extend air travel subsidies](#) to all domestic airlines, which were previously granted exclusively to Uzbekistan Airways JSC.

Waste processing reforms

Under [Presidential Decree No.56](#), by 2030 Uzbekistan aims to increase waste-to-energy generation to 35%, and to adopt circular economy practices. A Council for the Management and Coordination of Eco-Industrial Zones (the “**Council**”) will be formed to select projects worth at least USD 3 million in eco-industrial zones through direct negotiations. These projects should focus on full waste sorting, recycling, secondary product manufacturing, and waste-to-energy technologies. The Ministry of the Environment will submit zone master plans to the Council by 1 November 2025.

Key benefits for investors include VAT exemptions on imported non-domestically produced technological equipment and accelerated VAT refunds within seven days. Land used for waste collection, sorting, and utilization is exempt from land tax. Profit tax holidays extend up to 10 years, based on investment volumes starting from USD 3 million. Additionally, companies deriving at least 90% of their revenue from waste management will benefit from a reduced 1% profit and social tax rate until January 2026.

Investors gain free access to waste at eco-industrial zone landfills for processing and energy generation. Produced electricity is guaranteed to be purchased by state organizations at agreed prices, with established payments for accepting ash and municipal solid waste. A guaranteed waste supply to eco-industrial zones is ensured, and enterprises investing in environmental monitoring and purification equipment receive “green subsidies” as refunds for environmental damage compensation payments.

Heating sector reforms

Presidential Resolution No. PP-100 outlines a major reform of Uzbekistan’s heating sector. Over the next five years, the government aims to increase centralized heating coverage from 37% to 58%, cut heat losses from 38% to 20%, and modernize 103 central heating plants and 1,600 km of heating networks. The modernization will be carried out through public-private partnerships (PPPs) and international support. All projects will be with regulated tariffs and moving to cost-recovery pricing by 2030.

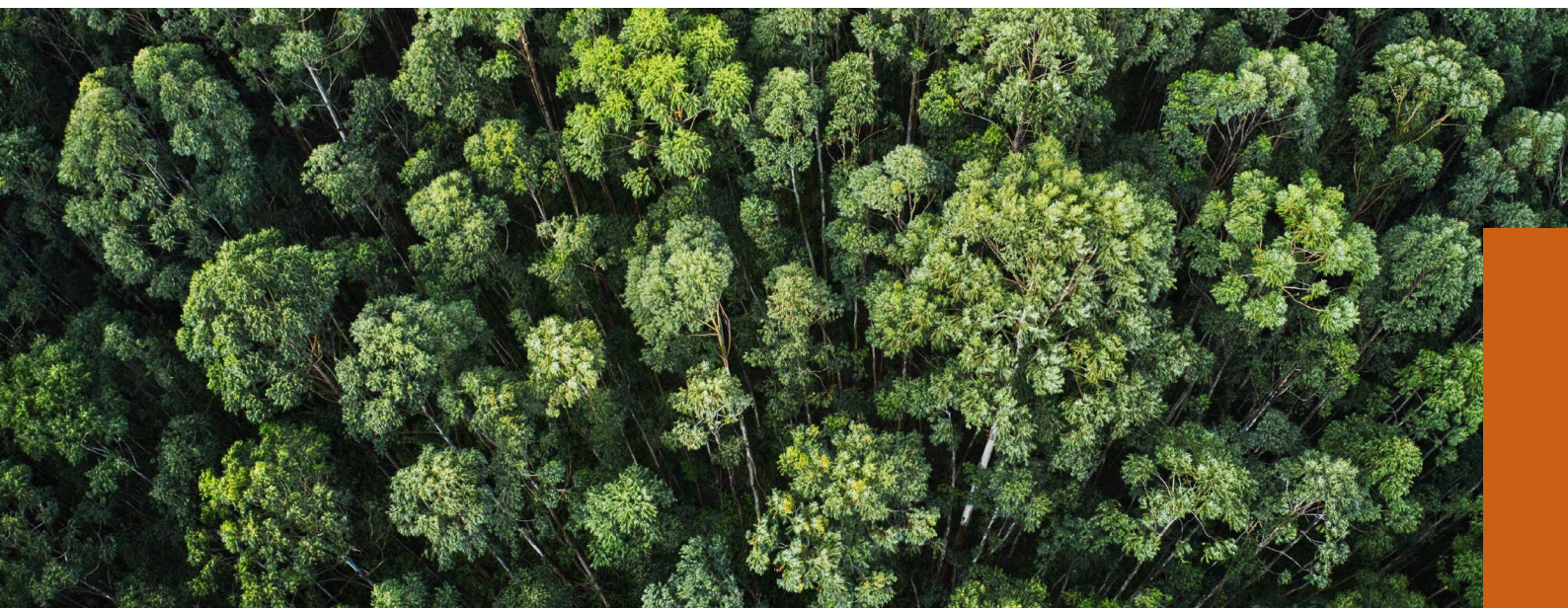
In terms of governance, a new JSC “Issiqliktaminoti”, fully owned by the government, will oversee the sector. The Ministry of Construction and Housing, along with the Ministry of Energy, will focus on heat generation projects, while the Ministry of Economy and Finance will manage state shares in the new JSC.

13 PPP modernisation projects are planned across:

- heat generation plants;
- heat networks; and
- 2,285 individual heat points.

The total capacity of each PPP project ranges from 10 MW to 233 MW, covering 600 km of heat networks across key regions of Uzbekistan. Projects are scheduled from 2025 to 2030.

Heating tariffs within the new JSC will now be set by the Interdepartmental Tariff Commission, replacing the previous local council system.





How we can help

ESG represents the everyday world of compliance, risk assessment, litigation, deal-making and proactive strategy-building that organisations need to embrace in order to remain relevant, purposeful, and attractive to customers and investors. ESG issues form a critical part of decision-making processes in an increasing number of companies, their boards, and with investors worldwide. The expanding reach of regulatory requirements, combined with the growing public awareness of ESG issues, is causing companies across virtually every industry and sector to rethink their strategies and priorities.

From assessing and mitigating ESG risk, to capitalising on concrete ESG opportunities, Kinstellar's approach is both holistic and tailored to each industry sector that we cover. What's more, our own commitment to ESG values is central to our firm's culture and sets us apart from competitors.



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