

# **Key ESG Regulatory Developments: Need to Know in 2026**

**April 28, 2026**

# Agenda

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- California Climate-related Disclosure Developments
- GHG Reporting Programs
- The EU's Omnibus I Directive
  - EU Corporate Sustainability Reporting Directive
  - EU Corporate Sustainability Due Diligence Directive
- EU Deforestation Regulation
- UK Sustainability Reporting Landscape
- Also on the horizon...

## Presenters

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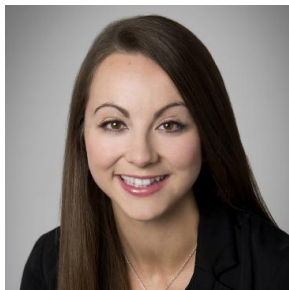
**Rebecca Grapsas**  
Sustainability & ESG (US)



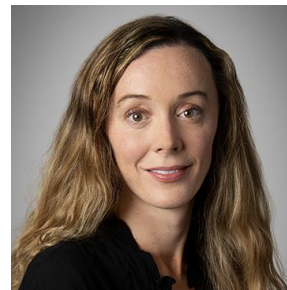
**Seth Kerschner**  
Environmental (US)



**Marc Schubert**  
Funds – Regulatory (UK)



**Hayley Lund**  
Disputes and Investigations (UK)



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Sustainability & ESG (UK)

# California Climate-related Disclosure Developments

# California Climate Accountability Package

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- Three new California laws enacted October 2023, of far-reaching applicability and scope
  - Climate Corporate Data Accountability Act (SB 253, amended by SB 219) requiring annual disclosure of Scope 1, 2 and 3 greenhouse gas (GHG) emissions
  - Climate-Related Financial Risk Act (SB 261 , amended by SB 219) requiring disclosure of material climate-related financial risk and measures to reduce and adopt to such risks
  - Voluntary Carbon Market Disclosures (AB 1305) requiring disclosures by businesses operating in California that market or sell voluntary carbon offsets, or make claims regarding the achievement of net zero emissions, carbon neutral status about the company or a product, or significant carbon emissions reductions
- Extensive rulemaking process underway by the California Air Resources Board (CARB) as to SB 253 and SB 261
- Preliminary injunction in effect as to SB 261 (reporting voluntary)
  - Constitutional challenge ongoing as to SB 253 on First Amendment grounds
- Similar bills under consideration in several other states including New York, New Jersey, Illinois and Washington State
  - New York Senate passed S 9072 in February 2026 (yet to pass Assembly)

# SB 253: Snapshot



## Reporting Deadline

First reports due August 10, 2026

- Applies to US entities with **total annual revenues exceeding \$1 billion** that **do business in California** -- including private companies, LLCs and partnerships
- Disclosures to be verified by an **independent assurance provider** (phased, starting with limited assurance)
- **CARB Regulations** adopted February 2026 including as to:
  - Definitions of “revenue” and “doing business in California”
  - Exemptions for nonprofits, government entities/SOEs, insurance companies (with exemption detail TBD), electricity wholesalers, entities with only CA activity being employee comp/payroll
  - First Scope 1 and 2 emissions disclosures due August 10, 2026 (no materiality requirement); CY companies to report 2025 data
  - Annual fees
- CARB guidance including FAQs and enforcement notice
- **Forthcoming regulations** (per March 2026 CARB workshop):
  - Scope 3 reporting
  - Reporting deadlines for 2027 and beyond (Scope 1, 2 and 3)
  - Independent assurance provider standards



## What can entities do now?

- Review GHG emissions data collected as at December 2024, conduct **gap analysis** and determine **disclosure approach** for 2026
- Review **data collection** scope and processes, as well as **disclosure controls and procedures**
- Engage **independent assurance** firm
- Stay abreast of **CARB rulemaking** developments and consider participating in comment letter process and/or CARB public workshops
- Stay abreast of **GHG Protocol** developments

# SB 261: Snapshot



## Reporting Deadline

First biennial reports due January 1, 2026 (currently **voluntary**)

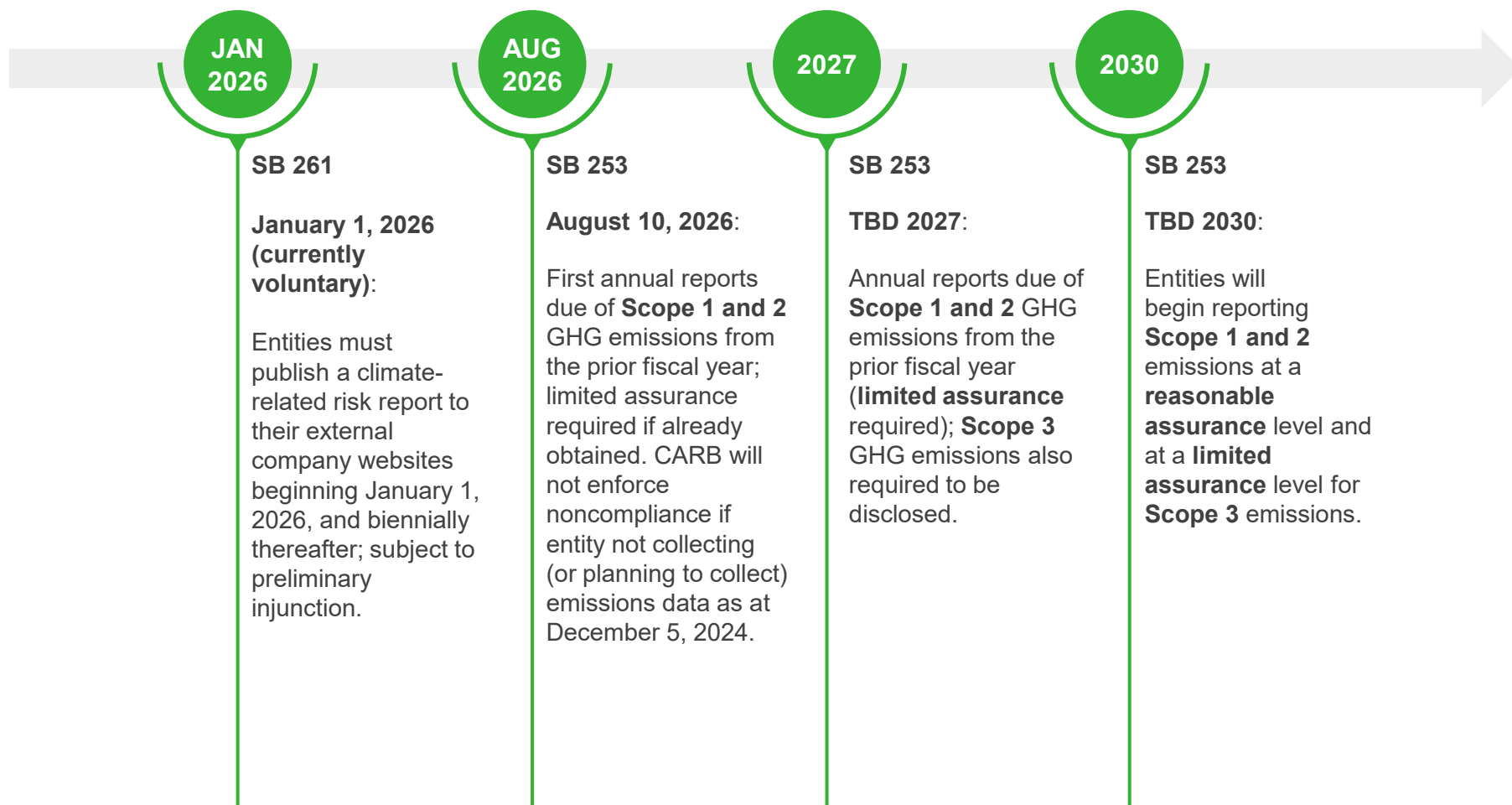
- Applies to US entities with **total annual revenues exceeding \$500 million that do business in California** -- including private companies, LLCs and partnerships
  - Insurance companies exempt (per statute)
- Requires biennial report posted to corporate website disclosing:
  - **“Climate-related financial risk”** (definition includes **materiality** concept) in accordance with Task Force on Climate-related Financial Disclosures (**TCFD**) framework or equivalent
  - Measures adopted to reduce and adapt to disclosed climate-related financial risk
- **CARB Regulations** adopted February 2026 including as to:
  - Definitions of “revenue” and “doing business in California”
  - Exemptions for nonprofits, government entities, electricity wholesalers, entities with only CA activity being employee comp/payroll
  - Annual fees
- CARB guidance including FAQs, checklist and enforcement advisory; no forthcoming regulations



## What can entities do now?

- Review **peer entity reports** and be aware of stakeholder expectations as to reporting
- Monitor ongoing **litigation** including status of preliminary injunction
- Be **prepared** to quickly finalize and post report if required

# SB 253 & SB 261 Disclosure Deadlines



# GHG Reporting Programs

## GHG Reporting Rule – Current Shift



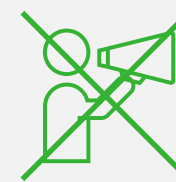
For ~20 years, EPA has required GHG emissions reporting from major stationary sources



Applies broadly to significant emitters across the U.S. economy

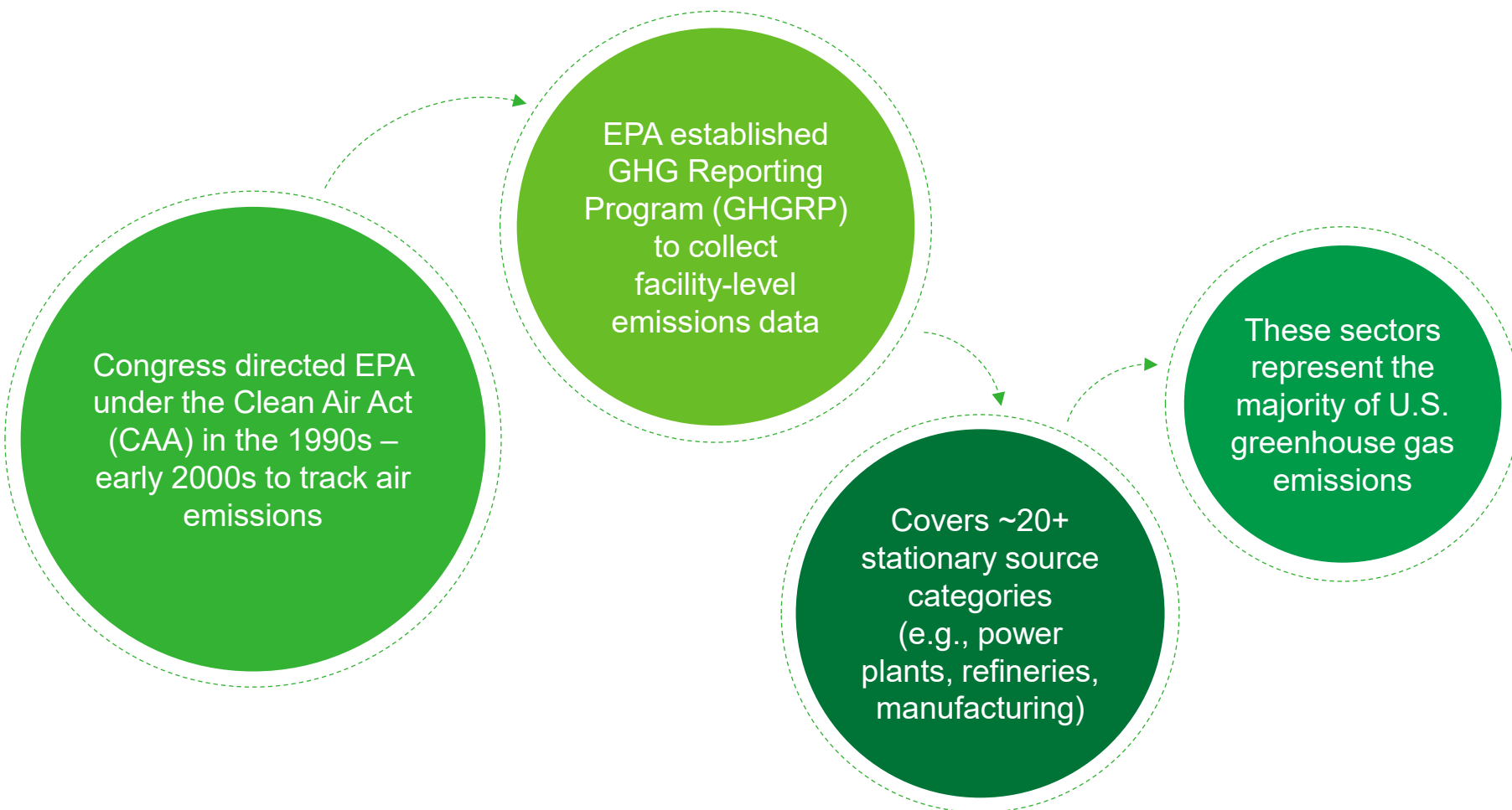


Federal government is now delaying the upcoming reporting deadline



EPA is also proposing to largely eliminate the reporting program going forward

## Background and Statutory Basis



## Recent Developments

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EPA has delayed the reporting deadline for the current reporting year



Proposed rule would significantly scale back the program

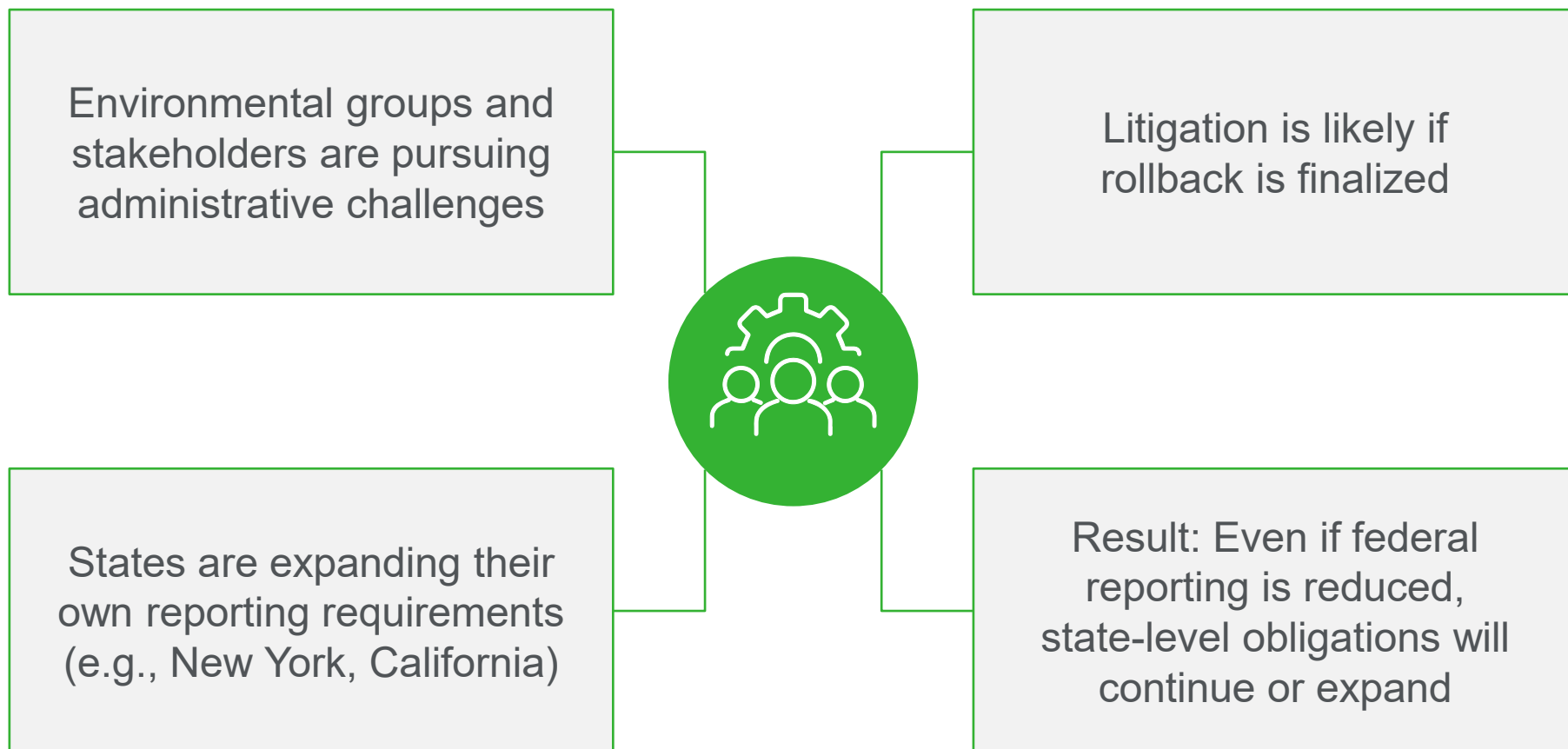


Most sectors would no longer be required to report emissions



Only limited categories (e.g., certain high-emitting sectors) may remain subject to reporting

## Challenges and State-level Trends



# **EU Omnibus I Directive: Snapshot of the Amended CSRD and CSDDD**

# EU Omnibus I Directive: Background

JAN  
2023

The EU Corporate Sustainability Reporting Directive (“**CSRD**”) originally entered into force in **January 2023**.

CSRD requires large companies and listed companies to publish annual reports on social and environmental risks they face, and on how their activities impact people and the environment.

JUL  
2024

The EU Corporate Sustainability Due Diligence Directive (“**CSDDD**”) originally entered into force in **July 2024**.

CSDDD aims to foster sustainable and responsible corporate behaviour in companies’ operations and across their value chains, by requiring companies to identify and address adverse human rights and environmental impacts inside and outside the EU.

FEB  
2025

In **February 2025**, the European Commission proposed significant changes to the scope and requirements of CSRD and CSDDD, recognizing that they were “*now being implemented in a new and difficult context*” due to trade tensions, a shifting geopolitical landscape, and different regulatory approaches being taken by other major jurisdictions.

MAR  
2026

After a year of intense legislative debate, on **March 18, 2026**, the EU’s Directive EU/2026/470 (“**Omnibus I Directive**”) brought these changes into force (though still subject to Member State-level transposition).

APR  
2026

Commission is rumoured to be preparing further revisions to the European Sustainability Reporting Standards (“**ESRS**”) seeking closer alignment with the International Sustainability Standards Board (“**ISSB**”) standards, including potential adoption of financial materiality standard (instead of double materiality).

# CSRD & CSDDD: New Rules on Scope

## CSRD

Revised Thresholds	Application
<p><b>EU companies and non-EU issuers on EU regulated markets, which during the previous financial year (“FY”) had:</b></p> <p>(i) &gt;€450 million net worldwide turnover; <i>and</i></p> <p>(ii) &gt;1,000 employees on average.</p>	2028 report for FY2027
<p><b>Non-EU ultimate parent companies with:</b></p> <p>(i) &gt;€450 million net turnover in the EU (individually or on a consolidated basis) for each of the last two FYs; <i>and</i></p> <p>(ii) an EU subsidiary or branch, generating &gt;€200 million net worldwide turnover in the previous FY.</p>	2029 report for FY2028

## CSDDD

Revised Thresholds	Application
<p><b>EU companies</b> that have:</p> <p>(i) &gt;€1.5 billion net worldwide turnover; and</p> <p>(ii) &gt;5,000 employees.</p>	26 July 2029
<p><b>Non-EU companies</b> (or non-EU parent entity groups) that have:</p> <p>(i) &gt;€1.5 billion net turnover generated in the EU.</p>	
<p><b>Franchising/licensing</b> – EU and non-EU companies that entered into (or, if a parent undertaking, their group has entered into) franchising or licensing agreements in the EU in return for royalties, and:</p> <p>(i) royalties were &gt;€75 million; <i>and</i></p> <p>(ii) the company generated &gt;€275 million net turnover in the EU.</p>	

# CSRD: Snapshot



## Transposition Deadline

19 March 2027

- Special rules and exemptions for:
  - Subsidiaries (including large subsidiaries with listed securities on an EEA-regulated market)
  - Changes to group composition
  - Financial holding companies
- European Sustainability Reporting Standards (“**ESRS**”)
  - Simplified ESRS due Q3 2026
  - Sector-specific *guidance* for ESRS application (not specific *standards*)
  - Gap analysis needed
  - ESRS for Non-EU groups under development (exposure draft in July 2026, final technical advice to Commission expected January 2027)
- Voluntary Reporting Standards for SMEs (“**VSME**”)
  - ‘Value chain information cap’ to shield companies with <1,000 employees
  - Final VSME due July 2026
  - Potential future ‘Voluntary Standard’ for non-SMEs
- ‘Limited’ assurance maintained (standards due July 2027)
- EU Taxonomy reporting maintained for in-scope companies
- Option to exclude trade secrets and commercially sensitive data from reporting



## What can companies do now?

- Companies in-scope should prepare to conduct an **ESRS gap analysis** once simplified standards adopted
- Companies already reporting (and which must continue until FY2027), should monitor country-specific changes, i.e., any new
  - **exemptions** from reporting until FY2027; or
  - **regulatory guidance** confirming no enforcement until Omnibus I transposed
- Companies now out of scope may wish to **develop response plans** to supply chain actors/stakeholders still within scope

## CSRD: Supervision, Enforcement & Penalties

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- CSRD itself does not contain enforcement provisions.
  - It is for Member States to set their own rules for non-compliance.
  - Penalties remain unclear as we await transposition of Omnibus I Directive.
  - Various approaches contemplated under original regime, including sanctions under civil / criminal law.
- European Securities and Markets Authority (“ESMA”) must publish guidelines for national competent authorities (“NCAs”) responsible for supervising **issuers’** compliance with CSRD.
  - July 2024: ESMA published its [Final Report](#) on proposed NCA “**Guidelines for the Enforcement of Sustainability Information**”.
  - April 2025: [Final Guidelines](#) were published – applying retroactively from 1 January 2025.
  - “Enforcement” in this context means “supervision”. Though, “*where necessary, NCAs will use enforcement actions*” (see [ESMA Guidelines Compliance Table](#) (April 2026)).
  - While the Guidelines apply to NCAs, in-scope entities should be aware of ESMA’s expectations and NCAs’ supervisory priorities.
- In-scope entities may also be exposed to allegations of **greenwashing** and **litigation risk** for unsubstantiated/misleading disclosures.

# CSDDD: Snapshot



## Transposition Deadline

26 July 2028

- “Full harmonisation” across core due diligence provisions
- Due Diligence requirements:
  - Step 1: “Scoping exercise”
  - Step 2 (subject to Step 1 results): “In-depth assessment”
  - ‘Value chain information cap’ to apply to companies with <5,000 employees, and only when information requested is necessary and cannot be obtained by other means
  - No rule to “terminate” business relationships (“suspension” as a last resort)
  - No more “transition plans” (though still required under CSRD)
  - More proportionate “stakeholder engagement”
- Companies (not in scope of CSRD) must publicly report on due diligence efforts (applicable from FYs starting on or after 1 January 2030)
- Forthcoming regulatory guidelines:
  - 26 July 2027 (core DD requirements); 26 July 2028 (information sharing); 31 March 2029 (reporting)



## What can companies do now?

- Companies in the revised scope should monitor developments, and **roadmap when to re-assess applicability and obligations**
- Companies should carefully map value chains to **get ahead of the new ‘scoping exercise’ rule**
- Companies no longer in scope may wish to **leverage the work already done** for CSDDD compliance, to help meet **obligations under other supply chain DD regimes** – e.g.:
  - at EU-level: Forced Labour Reg, EUDR, Conflict Minerals Reg, Batteries Reg, or
  - at national-level: France’s Duty of Vigilance Law or Germany’s LkSG

# CSDDD: Supervision, Enforcement & Penalties

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- Civil liability:
  - Omnibus I Directive **removes the EU-wide civil liability regime** included in the original CSDDD.
  - Civil liability for breaches now subject to each Member State's **national laws, rules and court procedures**.
  - Commission must review the effectiveness of national enforcement mechanisms by July 2031 (and every 5 years thereafter).
  - Such review leaves open the possibility of a future EU-wide regime.
- Penalties:
  - When imposing penalties/setting levels, Member States must “*take due account of a series of factors that establish the gravity of the infringement and aggravating or mitigating factors*” set out under Article 27(2). Commission will also issue **guidelines**.
  - Pecuniary penalties must be **capped at 3% of a company's net worldwide turnover** (or net *consolidated* for a non-EU parent).

# EU Deforestation Regulation (EUDR)

# EUDR Snapshot

## Main Objectives

To minimise (legal or illegal) deforestation and reduce GHG emissions and biodiversity loss

## 'Central Prohibition'

Specific commodities/products are banned from the EU market unless they are:

- "Deforestation-free"
- "Produced in accordance with the relevant legislation of the country of production"
- Covered by a due diligence statement ("**DDS**")

## When?

- **30 December 2026** (for large and medium operators)
- **30 June 2027** (for micro and small operators)

EU Timber Regulation will be repealed on 30 Dec 2026, but will apply to certain products until 31 Dec 2029

## What?

- 7 primary commodities: **cattle, cocoa, coffee, oil palm, rubber, soya, and wood**
- Derived products listed in Annex I, e.g., **meat, chocolate, palm oil derivatives, glycerol, rubber**
- Subject to exclusions (e.g., **books**)
- **No de minimis**

## Who?

- Obligations under the EUDR apply to EU/non-EU actors including:
  - "**Operators**"
  - "**Downstream operators**"
  - "**Micro and small primary operators**"
  - "**Traders**"

## Obligations

### Primary operators must:

- Exercise DD before placing on market, and assume "deforestation-free" responsibility
- Submit a DDS / SD to the Information System confirming "no or only a negligible risk"
- Share SD "identifiers" with downstream actors

### Downstream operators and traders must:

- Register in the Information System (except micro and small operators)
- Collect specific information for 5 years, before placing/making available on the market/exporting
- Inform competent authorities and downstream actors, if made aware of non-compliance

## Information System

- A specialised online tool for operators/traders (once operational) to create DDS and manage/submit them to the relevant NCA
- In Dec 2024, the Commission published implementing rules. Access temporarily restricted to allow for technical updates (till Q2 2026)

## EUDR Review

- Review due by 30 June 2030, subject to a "**simplification review**" by **30 April 2026**

# EUDR: Enforcement & Penalties

## Enforcement



- National Competent Authorities (NCAs) enforce compliance
- NCAs can require “corrective action”, including blocking or withdrawing products
- Checks may include due diligence reviews, spot checks/field audits, and technical/scientific assessments

## Penalties



- Set by Member States; fines up to at least 4% of EU annual turnover
- Sanctions may include confiscation of goods/income, tender exclusions, or trade bans
- Possible public “naming and shaming” via Commission database



### What can companies do now?

- Companies generating EU sales revenue should scrutinise supply chains and product usage against EUDR.
- EUDR obligors should steam ahead with preparedness efforts and implementing robust compliance protocols.
- Significant investment required to establish/refine end-to-end supply chain traceability.
- Companies should be familiar with the tariff classifications under the Combined Nomenclature to identify in-scope products.
- EUDR compliance will not sit in a “due diligence vacuum”. Obligors should map obligations against other applicable sector and product-specific laws; corporate sustainability laws; trade laws, and green transition laws.

# The UK's Sustainability Reporting Landscape

# From TCFD to ISSB-aligned Reporting

	TCFD-based Rules (2022) (Companies Act 2006)	UK SRS S1 and S2 (Issued Feb 2026)
Scope	<ul style="list-style-type: none"> <li>UK companies with &gt;500 employees and either transferable securities admitted to trading on a UK regulated market or are Public Interest Entities (PIEs)</li> <li>UK companies with securities admitted to AIM with &gt;500 employees</li> <li>UK companies not included in the above, with &gt;500 employees and a turnover of &gt;£500m</li> <li>Large (not traded/banking) LLPs, with &gt;500 employees and &gt;£500m turnover</li> <li>Traded/banking LLPs with &gt;500 employees</li> </ul>	<p>Voluntary for now: <b>“Available for any entity to use, in whole or in part, as they see fit”</b></p> <p>UK Gov and FCA are working to replace existing TCFD-based rules with broader sustainability-based UK SRS:</p> <ul style="list-style-type: none"> <li>For listed companies, the FCA has consulted on UK SRS-aligned updates to the UKLR (feedback due)</li> <li>For private companies, the UK Gov will soon consult on UK SRS-aligned changes to the CA 2006 regime</li> </ul>
Framework	Based on the TCFD recommendations	Replaces TCFD with ISSB-aligned standards (IFRS S1/S2)
Focus	<b>Climate</b> -related risks and opportunities	Material <b>sustainability</b> -related risks & opportunities
Timeline	In force since April 2022; <u>remains in force unless and until UK Gov introduces UK SRS-aligned revisions to CA 2006</u>	Subject to the FCA’s consultation to revise UKLR and the Gov’s forthcoming consultation to revise CA 2006
Assurance	Voluntary	As above
Penalties	Directors commit an offence (punishable by a fine) for not taking reasonable steps to ensure compliance	As above
Location	Strategic report (annual report)	Integrated as part of an entity’s general purpose financial reports; and must be “clearly identifiable”

# Horizon-scanning for 2026: EU spotlight

## Other ESG Developments to Monitor in 2026: EU

### Greenwashing



**Empowering Consumers for the Green Transition**  
*(applies from 27 September 2026)*  
**Proposed Green Claims Directive**  
*(may progress this year)*

### Supply Chain



**EU Forced Labour Regulation**  
*(Commission guidelines due 14 June 2026)*

### Litigation



**EU Anti-SLAPP Directive**  
*(Member States' transposition deadline 7 May 2026)*

### Criminal Liability



**EU Environmental Crime Directive**  
*(Member States' transposition deadline 21 May 2026)*

### Products



**EU Packaging and Packaging Waste Regulation**  
*(Generally applies from 12 August 2026)*

### Sustainable Finance



**EU Sustainable Finance Disclosure Regulation ("SFDR")**  
*(extensive proposal introduced by the Commission in November 2025 ("SFDR 2.0") will continue to work its way through the EU legislative process during 2026)*

