Environmental, Social and Governance (ESG) Laws Across the World

Global – September 2025

Environmental, Social and Governance (ESG) Regulations

ESG regulations are government standards for ESG-related actions, reporting or disclosures. In various countries, legal requirements have been passed in recent months with the EU still leading in this regard but implemented at different paces. Some businesses may already be undertaking ESG reporting and disclosures, depending on their size and industry, based on various reporting frameworks and standards.

ESG Reporting Standards

Many stakeholders – including investors – now expect companies to disclose information pertaining to their sustainability and climate change policies and performance. However, there are a range of different mandatory and voluntary frameworks and standards, from a variety of different organizations, from which companies can choose. This makes it difficult for global operating companies to know where to start and raises issues regarding the reliability and comparability of information. The following are the most prominent international ESG frameworks, with details on where they now stand.

1. European Sustainability Reporting Standards (ESRS)

The ESRS are mandatory for companies when reports are required by the EU's Corporate Sustainability Reporting Direct (CSRD). They were developed by an independent association formerly known as the European Financial Reporting Advisory Group (EFRAG) that was assigned to create the standards. The standards are comprised of 12 ESR standards, two overarching and 10 topic-specific standards (1 (general requirements), 2 (general disclosures), E1 (climate change), E2 (pollution), E3 (water & marine resources), E4 (biodiversity & ecosystems), E5 (resource use & circular economy), S1 (own workforce), S2 (workers in the value chain), S3 (affected communities), S4 (consumers & end-users) and G1 (business conduct). This includes two general standards, whereby one details things such as concepts, principles and how reports must be structured, while the other outlines required disclosures on business operations, ESG materiality assessments, compliance practices and other general characteristics. The ESRS align or support interoperability with many of the voluntary frameworks and standards, including the International Financial Reporting Standards (IFRS) and the Global Reporting Initiative (GRI) standards as described below.

2. IFRS Sustainability Disclosure Standards

In March 2022, the International Sustainability Standards Board (ISSB) set up in 2021 by the IFRS Foundation, published an Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, proposing general requirements for an entity to disclose sustainability-related financial information about its sustainability-related risks and opportunities. The Exposure Draft also proposed that an entity provides a complete set of sustainability-related financial disclosures, and in June 2023 the ISSB issued the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied. In 2024, the ISSB launched projects to research possible new standards for disclosures on biodiversity and human capital issues. The latter would involve a company's own employees as well as workers at suppliers and other business partners.

3. Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

The TCFD recommendations on climate-related financial disclosures are widely adoptable by and applicable to organizations across various sectors and jurisdictions. The recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, as well as metrics and targets.

The recommendations were incorporated into the IFRS disclosure standards, which led the TCFD to end in October 2023. The ISSB took over responsibility for monitoring use of the recommendations in 2024.

4. Sustainability Accounting Standards Board (SASB) Standards

Developed by the SASB and released in 2018, the SASB Standards contain specifications on disclosing financially material sustainability information across 77 industries. The standards were developed using a transparent standard-setting process that included: evidence-based research, broad and balanced participation from companies, investors and subject-matter experts and oversight and approval from the independent SASB Standards Board.

The SASB was consolidated into the Value Reporting Foundation, which then was absorbed by the IFRS Foundation in 2022. Thus, the ISSB encourages their standards continued use by companies that prefer them to the IFRS standards and states it still plans to maintain and update them. The SASB Standards play an important role in the first two IFRS Sustainability Disclosure Standards.

5. Climate Disclosure Standards Board (CDSB) Framework

The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental non-governmental organizations which was established in 2007. The CDSB was one of the first groups to create climate-related disclosure standards. The framework was developed by the CDSB to support the inclusion of climate related reporting in corporate reports, such as annual reports and 10-K filings.

The framework's first version, released in 2010, focused on climate change issues. An update that incorporated broader environmental reporting became available in 2015, and another that added information on ESG social factors followed in 2022. In 2022, the CDSB was consolidated into the IFRS Foundation to support the work of the newly established ISSB, which has since released additional standards on sustainability disclosures.

6. Global Board Initiative (GRI) Standards

Developed by the GRI, the GRI Standards enable any organization – large or small, private or public – to understand and report on their impacts on economy, environment and people in a comparable and credible way. In addition to companies, the GRI Standards are highly relevant to many stakeholders- including investors, policymakers, capital markets and civil society. GRI released its formal standards in 2016. It then began adding the topic standards in 2019 and the sector ones in 2021. Officially, the standards are overseen by the Global Sustainability Standards Board, an independent body that GRI set up in 2015. GRI and the ISSB are working jointly to identify and align common disclosures in their respective standards, which will remain separate.

7. Carbon Disclosure Project (CDP)

CDP was established as the "Carbon Disclosure Project" in 2000, requesting companies to disclose their climate impact. Since then, CPD has broadened the scope of environmental disclosure, to incorporate deforestation and water security CDP Global is an international non-profit organization comprising of CDP Worldwide Group, CDP North America, Inc. and CDP Europe AISBL. It is directed by a board of trustees and board of directors respectively. As an international organization, CDP receives funding support from a wide range of sources.

CDP gives companies scores in each area to be viewed by various stakeholders. The CDP questionnaires for various areas were combined in 2024, but CDP still issues separate scores. In addition, the integrated questionnaire has been aligned with the IFRS standard on climate-related disclosures, which is now the baseline for CDP's questions on climate issues. More than 23,000 companies worldwide, with over 3,700 in North America, used the disclosure system in 2023, according to CDP.

8. Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations

TCFD's guidelines are a set of 14 recommendations for disclosing information about business risks and impacts related to nature and biodiversity issues. On September 18, 2023, TNFD released its final recommendations for disclosures on nature-related dependencies, impacts, risks and opportunities. TNFD aims to tackle nature and biodiversity loss and make it easier for investors to identify those companies that align with their values, which also provided guidance on implementing them. The 14 TNFD recommended disclosures include 11 nature-related disclosures and add a further three disclosures relating to: stakeholder rights and engagement; priority locations and value-chain risk and impact management. The TNFD recommendations are structured similarly to the TCFD ones around disclosures on nature-related governance, strategy, risk and impact management and metrics and targets. As of June 2024, the ISSB said it is considering how it can build upon the TNFD Recommendations as part of the possible new IFRS standard on biodiversity disclosures.

9. UN Global Compact

Formed in 2000, the Global Compact is a non-binding United Nations pact to get businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. According to the Global Compact, it is the world's largest corporate sustainability and corporate social responsibility initiative, with more than 20,000 corporate participants and other stakeholders in over 167 countries. The framework focuses on aligning business strategies and operations with a set of 10 principles on human rights, labor practices, the environment and anticorruption measures. Participating companies file an annual Communication on Progress (CoP) report detailing their adherence to the 10 principles which represent a set of core values drawn from major international agreements. It launched a new digital platform for CoP submissions that replaced the original narrative format with a standardized questionnaire. In addition, businesses can report on their contribution to and impact on the UN's broader Sustainable Development Goals through a separate platform that blends the Global Compact's principles and the GRI Standards.

Country Overview and Competent Regulatory Authorities

Australia

Legislation – Australian Sustainable Finance Taxonomy

Australia is in the process of developing its own taxonomy to promote sustainable economic activities, with a focus on measures to reduce greenhouse gas emissions. Unlike many other jurisdictions, the Australian approach explicitly includes transformation and transition activities, i.e., economic activities that are undergoing a credible decarbonization process. Another key element is the consideration of technologies with indirect environmental impacts, known as green enabling technologies. These are to be recognized as key to the transition of emission-intensive sectors. The planned taxonomy is based on local climate scenarios and sector-specific transition pathways that have been tailored to the structure of a resource-intensive economy such as Australia's. The aim is to support the steering of private and institutional capital flows into climate- and transformation-related activities.

Australia's Sustainable Finance Taxonomy was released in June 2025, marking a key achievement under the government's sustainable finance roadmap.

Regulatory body – Australian Sustainable Finance Institute (ASFI)

Brazil

Legislation – Resolução CVM nº 193, de 20 de outubro de 2023, With Amendments by Resolução CVM nº 219/24 and 227/25

The Brazilian Securities and Exchange Commission (CVM) issued a framework for sustainability-related financial reporting, based on international standards issued by the International Sustainability Standards Board (ISSB). Companies may voluntarily adopt the standards for fiscal years beginning January 1, 2024, while mandatory adoption applies to fiscal years starting January 1, 2026. Entities opting for voluntary adoption must declare adherence and follow transitional rules, reporting sustainability information separately from financial statements and filing electronically through the CVM system. Assurance of disclosures is phased, requiring limited assurance until the end of 2025, and reasonable assurance from 2026 onward. The CVM, with guidance from the *Comitê Brasileiro de Pronunciamentos de Sustentabilidade* (CBPS), will oversee the translation, internalization and public consultation of the standards. The resolution aims to improve transparency, comparability and reliability of ESG information and to facilitate sustainable finance and economic development. The resolution entered into force on November 1, 2023.

Regulatory body – *Comissão de Valores Mobiliários* (CVM)

Chile

Legislation – Taxonomy of Environmentally Sustainable Economic Activities

Chile is pursuing a multi-stage implementation process for the introduction of its ESG taxonomy. In the first phase, the focus is on selecting economic activities that can either be adopted directly from internationally recognized taxonomies or adapted to local conditions with relatively little effort. One example of this is wind energy generation, which is considered a sustainable energy source both globally and in Chile. The subsequent phase aims to integrate sectors where no taxonomies exist yet, or which have only recently been standardized by other countries or organizations. A striking example of this is the mining sector, which is of great importance to the Chilean economy, but requires a differentiated approach due to its complexity and environmental impact.

This step-by-step approach serves to establish the taxonomy in a gradual and targeted manner by first implementing easily transferable activities before considering more complex and locally specific sectors. The aim is to strike a balance between international standards and national characteristics to effectively integrate ESG into the Chilean economy.

Regulatory body – Chilean Ministry of Finance, in collaboration with inter alia Inter-American Development Bank (IDB), UN Development Program (UNDP), Development Bank for Latin America (CAF) and German Agency for International Cooperation (GIZ)

China

Legislation – Draft Sustainability Reporting Guidelines of the Beijing, Shanghai and Shenzhen Stock Exchanges (February 8, 2024)

China is accelerating corporate sustainability reporting through coordinated action among its three major stock exchanges and national authorities. On February 8, 2024, the Beijing Stock Exchange (BSE), Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) simultaneously released draft sustainability reporting guidelines for public consultation.

The guidelines require companies with large market capitalization, dual listings or index inclusion, such as the SSE 180 Index, Kechuang 50 Index, Shenzhen 100 Index and ChiNext Index, to begin mandatory disclosure on a wide range of ESG topics starting in 2026. These include governance, strategy, risk management and metrics and targets, as well as data on climate change, biodiversity, circular economy, supply chains and anti-corruption. The drafts adopt the "double materiality" principle and require disclosure of Scope 3 greenhouse gas emissions. Small and Medium-sized Enterprises (SMEs) listed on the BSE are encouraged to disclose voluntarily.

Regulatory body – Beijing, Shanghai and Shenzhen Stock Exchanges under the oversight of the China Securities Regulatory Commission (CSRC)

Legislation – Guidelines No. 14 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) (Apr 12, 2024)

On April 12, 2024, the Shanghai Stock Exchange released its final Guidelines No. 14, effective May 1, 2024. The framework, applicable to the main board and STAR Market, aligns with national directives on financial supervision and sustainable growth. It introduces structured sustainability reporting requirements, emphasizing climate and environmental governance, as well as enhancing investor confidence through standardized ESG disclosure.

Regulatory body – Shanghai Stock Exchange under the CSRC

Legislation – Supplementary ESG Reporting Guidance of the Shanghai and Shenzhen Stock Exchanges (Jan 17, 2025)

On January 17, 2025, the SSE and SZSE jointly issued supplementary ESG reporting guidance, offering sample disclosures and methodologies, especially on climate topics, without imposing new mandatory obligations. Supported by the SSE's Three-Year Action Plan (2024–2026), these measures aim to strengthen ESG quality and promote sustainable corporate practices.

Regulatory body – Shanghai and Shenzhen Stock Exchanges under the CSRC

Legislation – Revised "Self-Regulatory Guidance No. 3" for Shenzhen Stock Exchange and ChiNext Market (Sept 5, 2025)

On September 5, 2025, the SZSE published revised Self-Regulatory Guidance No. 3 to refine sustainability disclosure and seek public consultation. The update introduces new chapters on pollutant discharge, energy utilization and water resources, standardizing calculation methods and enhancing environmental transparency. Over 1,160 SZSE-listed companies have already published sustainability reports, reflecting growing ESG maturity across China's capital markets.

Regulatory body – Shenzhen Stock Exchange under the CSRC

Legislation – Green Finance Endorsed Project Catalogue

China published the revised version of its Green Finance Endorsed Project Catalogue in July 2025, which serves as the central set of rules for identifying green financing projects. This updated catalogue replaces the previous version from 2021, and the separate classification system for green loans, creating a uniform standard that applies to all green financial products – with the exception of equity issues.

Two new categories have been added: "green trade" and "green consumption", which broaden the spectrum of sustainable activities and respond more closely to current market needs. At the same time, the criteria for eligible projects have been specified and additional areas of activity have been included to increase the coverage of sustainable economic activities.

The revised rules aim to strengthen transparency and consistency in the Chinese green finance market and promote investment in environmentally friendly projects and technologies. The update is part of China's broader strategy to align its financial market regulation with international ESG standards, while taking national priorities into account.

Regulatory body – People's Bank of China (PBOC), National Financial Regulatory Administration and China Securities Regulatory Commission

EU

Legislation – Corporate Sustainability Reporting Directive (CSRD)

In July 2025, the European Commission introduced several measures to ease sustainability reporting requirements, particularly for companies already subject to the CSRD.

A central development is the adoption of targeted "quick fix" amendments to the first set of European Sustainability Reporting Standards (ESRS). These amendments reduce the reporting burden for companies that began reporting for financial year 2024, commonly referred to as "wave one" companies. Under the new rules, such companies may continue to omit certain disclosures on the anticipated financial effects of sustainability-related risks not only for 2024, but also for financial years 2025 and 2026. Moreover, companies with more than 750 employees will now benefit from most of the same phase-in provisions originally reserved for smaller undertakings.

The adjustment was necessary because wave one companies were not covered by the "Stop the Clock" Directive, adopted in February 2025 as part of the Omnibus I package, which postponed reporting requirements by two years for wave two and wave three companies.

Looking ahead, the commission is considering delaying additional ESRS requirements for wave one companies until financial year 2027. Officials argue that it would be unreasonable to impose new obligations while the ESRS are under review and may undergo substantial revisions. That review, expected to conclude by 2027, is aimed at reducing the number of data requirements, clarifying unclear provisions and ensuring greater consistency with other EU legislation.

In parallel, the commission adopted the Voluntary SME Standard (VSME) in late July. Designed for companies outside the CSRD's scope, the VSME aims to help SMEs improve access to sustainable finance.

Other Developments

The council presidency and European Parliament have reached a provisional agreement to simplify the EU's Carbon Border Adjustment Mechanism (CBAM) under the Omnibus I legislative package, aiming to cut compliance costs and administrative burdens, especially for SMEs, without undermining climate goals, as 99% of embedded emissions in imported goods will remain covered. The deal introduces a new 50-tonne annual threshold per importer, exempting smaller operators from CBAM obligations, while also ensuring importers can continue trading CBAM goods in early 2026, while awaiting registration. Further simplifications cover authorization, data collection, emissions calculation and verification, liability assessments, recognition of carbon prices paid abroad, as well as penalties and customs procedures. Provisions on financing the central CBAM platform were also clarified. Formal endorsement by the council and Parliament is expected by September 2025, marking another step in the EU's broader "simplification revolution" launched through the Omnibus packages to reduce regulatory burdens and support competitiveness.

The EU has delayed its anti-deforestation law for a second time, postponing by a year the planned ban on imports of commodities like palm oil, soy and beef linked to forest destruction. EU Environment Commissioner said the delay was needed to ensure IT systems can handle the required data, adding it was not related to US criticism. The law, originally due on December 30, has faced pushbacks from trade partners and industry over compliance costs and export impacts.

Together, these measures reflect the commission's intention to reduce compliance burdens while continuing to strengthen the framework for consistent and comparable sustainability reporting across the EU.

On October 6, the European Commission published a letter from the Directorate-General for Financial Stability and the Financial Services and Capital Markets Union (DG FISMA) to the three European supervisory authorities (ESAs) and the chair of the Anti-Money Laundering Authority (AMLA). Said letter informs about the decision to deprioritize certain Level 2 acts in the financial services sector. The European Commission recognizes concerns raised about the large number of Level 2 measures to be adopted soon. Following the consultation with both the European Parliament and the European Council, the European Commission has deemed 115 of these Level 2 acts "nonessential" for effectively implementing Level 1 measures. Consequently, the Level 2 acts listed in the annex to the letter will not be adopted before October 1, 2027. Regarding legal deadlines, the European Commission intends to propose amending or repealing measures during forthcoming revisions of the relevant Level 1 acts.

Key sustainability-related nonessential legal acts to be delayed include:

- Ten revised regulatory technical standards (RTS) under the Sustainable Finance Disclosure Regulation (SFDR)
- The RTS on content and information to be disclosed for SFDR ESG ratings
- The RTS under the European Green Bonds Regulation
- The RTS on management of sustainability risks including sustainability risk plans (Solvency II)

Germany

Germany is moving forward with the national implementation of the CSRD, reflecting both EU-level developments and domestic considerations.

On 10 July 2025, the Federal Ministry of Justice and Consumer Protection (BMJV) released a ministerial draft bill (*Referentenentwurf*) to transpose the CSRD into German law. The proposal already incorporates the "Stop the Clock" Directive, which entered into force on 17 April 2025, and postponed the application of the CSRD by two years for companies in waves two and three. Under this phased approach, companies are grouped into three waves depending on when they must begin reporting.

The German draft bill goes further by providing targeted relief for some wave one companies. Specifically, companies with no more than 1,000 employees on average per year would be exempt from CSRD reporting obligations for the 2025 and 2026 financial years. This exemption is designed to avoid subjecting companies to short-lived reporting requirements should the EU ultimately narrow the CSRD's scope.

A final government draft (*Regierungsentwurf*) was published on 3 September 2025, closely following the July version. Marked as urgent, it was forwarded to the Federal Council (Bundesrat) with an October 17 deadline to ensure that Germany meets the EU's implementation deadline of 31 December 2025. The government draft reflects the two-year postponement of reporting obligations for large capital companies, certain partnerships and capital market-oriented SMEs, but does not yet include additional simplifications currently under negotiation at the EU level, such as higher thresholds for employees or turnover. If those measures are adopted at the EU level, Germany would need to pass a further amendment in 2026 to adjust its legislation accordingly.

Such an amendment already appears likely. The EU Commission's broader Omnibus Initiative (COM (2025)81), which has received broad support from the German government and Federal Council, foresees additional changes. Among the measures under discussion are a significant reduction in the scope of the CSRD by raising thresholds and limiting indirect reporting obligations for smaller companies through a "value chain cap." These initiatives are expected to trigger further legislative adjustments in Germany in 2026.

For now, Germany's draft legislation ensures timely compliance with EU obligations, while acknowledging that the CSRD framework remains in flux. Companies affected by the directive will need to prepare for reporting under the current draft while closely monitoring further EU-level negotiations that could reshape their obligations.

Regulatory body – *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin) – Federal Financial Supervisory Authority

Hong Kong

Legislation – Hong Kong Taxonomy

Hong Kong is currently working on the second phase of its ESG taxonomy. The aim of this expansion is to broaden the scope by including transitional activities that promote the shift to climate-friendly business models.

Furthermore, additional green economic sectors are to be integrated to broaden the spectrum of sustainable financing. For the first time, there will also be a focus on climate adaptation, with measures to adapt to the consequences of climate change being explicitly considered as eligible activities.

With these innovations, Hong Kong aims not only to make its taxonomy more comprehensive, but also to respond in a practical manner to the requirements of a changing financial market.

Regulatory body – The Hong Kong Monetary Authority (HKMA)

India

Legislation – SEBI Circular No. SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 — Framework for ESG Debt Securities (other than green debt securities)

On June 5, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84, establishing a framework for ESG debt securities including social, sustainability and sustainability-linked bonds, but excluding green bonds. Building on SEBI's 2021 securities and listing regulations, the framework introduces pre- and post-issuance disclosure requirements, third-party certification and independent verification to prevent misleading claims or "purpose-washing."

Issuers must disclose objectives, target populations and the use of proceeds, as well as maintain governance mechanisms for tracking fund allocation and provide annual impact reports. The circular also aligns with international standards such as the International Capital Markets Association (ICMA), the Association of Southeast Asian Nations (ASEAN) and EU ESG bond frameworks, ensuring consistency with global practices.

Effective June 5, 2025, the framework strengthens market integrity, transparency and investor confidence in India's sustainable finance market by setting clear obligations for ESG debt issuers.

Regulatory body – Securities and Exchange Board of India (SEBI)

Legislation – Draft Framework for India's Climate Finance Taxonomy (May 2025)

In May 2025, the Ministry of Finance (Department of Economic Affairs) published the Draft Framework for India's Climate Finance Taxonomy for public consultation, open until 25 June 2025. The taxonomy seeks to guide capital toward climate-aligned investments, prevent greenwashing and support India's net-zero by 2070 goal.

Developed in two phases, the first establishes the overall framework and governance structure, while the second will classify activities, measures and projects as "climate-supportive" or "transition-aligned."

It adopts guiding principles such as alignment with Nationally Determined Contributions (NDCs), proportionality for Micro-, Small and Medium-sized Enterprises (MSMEs) and the "do no significant harm" approach.

Priority sectors include power, transport, buildings, agriculture and hard-to-abate industries like steel and cement. The inclusion of coal-related efficiency projects has prompted stakeholder debate. Feedback is now under review to finalize the taxonomy for phased implementation.

Regulatory body – Ministry of Finance – Department of Economic Affairs (India)

Russia

Legislation – Moscow Exchange ESG Guide for Issuers, "How to Comply with Best Sustainability Practices" (updated Jan 29, 2025)

On 29 January 2025, the Moscow Exchange released an updated ESG Guide for issuers, "How to Comply with Best Sustainability Practices." The guide aims to help companies integrate ESG factors into their business models to achieve long-term financial and reputational benefits. It includes new sections on responsible investment, green energy use, materiality assessment, supply chain sustainability and ESG communications, while introducing a taxonomy of green, adaptation and social projects tailored to the Russian economy. The guide also provides step-by-step instructions, reporting methods and case studies from Russian companies. Published for the third time since its first edition in 2021, the updated guide reflects national development goals, growing demand for domestic ESG ratings and alignment with evolving standards in Asia-Pacific and the Middle East.

Regulatory body – Moscow Exchange

Senegal

Legislation – Green Taxonomy

Senegal published its first ESG taxonomy for public consultation in July 2025. The documents define clear targets for climate change mitigation and adaptation.

The taxonomy focuses on six key economic sectors: agriculture, construction, water management and wastewater disposal, energy, manufacturing and transport. Criteria are established for these areas to promote sustainable and climate-friendly investments.

With the taxonomy, Senegal aims to direct financial flows toward projects that both reduce emissions and increase resilience to climate change.

Regulatory body – Senegalese Ministry of Environment, Sustainable Development and Ecological Transition (MEDDTE), Senegalese Ministry of Finance and Budget (MFB) and *Consortium pour la Recherche Economique et Sociale* (CRES) in collaboration with German Development Cooperation (GIZ)

Sweden

Legislation – New Rules on Sustainability Reporting

The Ministry of Justice has presented Proposition 2023/24:124, New Rules on Sustainability Reporting, published on 3 April 2024. The government proposes legislation to implement two EU directives concerning corporate reporting. The first introduces stricter requirements for sustainability reporting, expanding obligations to listed SMEs large and listed subsidiaries and certain foreign branches with significant activity in the European Economic Area (EEA). Reports must include information on value chains and greenhouse gas emissions and be subject to audit. The second directive establishes reporting on gender balance among board members of listed companies. Additional measures clarify the dating of annual reports. The amendments are proposed to enter into force on 1 July 2024, with gender balance reporting applying to financial years beginning after the end of 2024.

Regulatory body – Ministry of Justice

UK

Legislation – Sustainability Disclosure Standards (SDR)

As part of its sustainability agenda, with the SDR the UK intends to improve the transparency and comparability of ESG reporting in the financial sector by establishing uniform guidelines for the disclosure of sustainability-related information that meet both regulatory requirements and market needs. Thus, companies and financial institutions are to disclose all information on their impacts on the environment as well as society. Since June 2025, it has been fully implemented.

Regulatory body – The Financial Conduct Authority (FCA)

US (New York)

On March 2024, the US Securities and Exchange Commission (SEC) adopted an enhanced climate disclosure rule aimed at aligning US reporting with frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol. The final rule was less stringent than initially proposed, removing scope 3 emissions reporting due to feasibility and legal concerns. Following nine legal challenges across six jurisdictions, the SEC voluntarily kept the rule, and in April 2025 the commission requested to pause its defense. With the new administration prioritizing fossil fuel production and deregulation, the rule is unlikely to take effect, and broader ESG initiatives, such as proposed rules on private fund ESG disclosure (May 2022) and unfinalized priorities on board diversity and human capital—are expected to be deprioritized.

Legislation – SEC Enhanced Climate Disclosure Rule (adopted March 2024, stayed April 2025)

At the state level, California has emerged as a driver of climate disclosure regulation. In October 2023, Governor Gavin Newsom signed into law SB 253 and SB 261, requiring large public and private companies doing business in California to disclose greenhouse gas emissions and climate-related financial risks. Amendments in September 2024 delayed final regulations until July 1, 2025. The first reporting period nonetheless began on January 1, 2025, leaving companies uncertain until California Air Resources Board (CARB) rules are finalized.

In December 2024, CARB announced it would exercise "enforcement discretion" for the first SB 253 cycle, provided entities show good-faith compliance. In February 2025, a federal court dismissed Supremacy Clause and extraterritoriality challenges to the laws, though First Amendment claims remain. Both laws are in effect, with compliance preparations expected in 2025. California's Senate estimated that 75% of Fortune 1000 companies fall under SB 253 and 73% under both SB 253 and SB 261, significantly expanding obligations around Scope 3 emissions.

Legislation – California Climate Disclosure Laws SB 253 (Climate Corporate Data Accountability Act) and SB 261 (Climate-Related Financial Risk Act)

Other states, including Colorado, Florida, Illinois, Maine, Maryland, New Hampshire, Oregon and Utah, have passed ESG-related measures. Colorado SB23-016, Florida HB 1331, Illinois HB 2782 and SB 653, Maine HP 65 (LD 99), Maryland HB 740 and HB 1212, New Hampshire SB 49, Oregon HB 4083 and Utah HB 404 are among enacted laws. Additional bills are pending in Colorado (HB 25-1119) and New York (S3456 and S3697). Meanwhile, 21 states have enacted more than 40 anti-ESG laws targeting financial institutions, focusing on pension fund investing restrictions, contracting requirements, anti-boycott provisions and anti-discrimination rules.

Legislation – Various state-level ESG and anti-ESG laws (Colorado SB23-016, Florida HB 1331, Illinois HB 2782/SB 653, Maine HP 65 (LD 99), Maryland HB 740/HB 1212, New Hampshire SB 49, Oregon HB 4083 and Utah HB 404, etc.)

In March 2025, Congress introduced the PROTECT USA Act of 2025, designed to prevent US entities from being forced to comply with foreign sustainability due diligence rules, particularly the EU's Corporate Sustainability Due Diligence Directive. These combined federal, state and congressional developments illustrate the fragmented and contested US ESG regulatory landscape.

Legislation – PROTECT USA Act of 2025 (introduced March 2025, US Congress)

What Do Organizations Need to Do Now?

If not started already, organizations must acquaint themselves with ESG reporting efforts, which will be beneficial in ensuring compliance and avoiding fines.

What Are We Doing to Assist Our Clients in This Area?

The reporting obligations arising from the above-mentioned regulations and reporting standards are significant, and we can assist clients in fulfilling these.

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