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ESG: Risk, Litigation, and Reporting Update February 17, 2026

Gibson Dunn ESG: Risk, Litigation, and Reporting Update

We are pleased to provide you with Gibson Dunn's ESG Risk, Litigation, and Reporting update covering the following key developments during January 2026. Please click on the links below for further details.

I. GLOBAL

1. **International Public Sector Accounting Standards Board (IPSASB) issues the first ever *Climate-related Disclosures* reporting standard for public sector entities**

On January 29, 2026, IPSASB issued the IPSASB Sustainability Reporting Standard (SRS) 1, *Climate-related Disclosures*, described as the first public sector sustainability reporting standard for governments and public sector entities to report on climate-related risks and opportunities. According to the IPSASB, the standard is intended to provide transparency for users while "helping ensure resources are used efficiently and support long-term fiscal sustainability." The standard includes disclosure requirements relating to governance, strategy, risk management, and metrics and targets, including reporting on Scopes 1, 2, and 3 emissions using the Greenhouse Gas (GHG) Protocol as the default methodology. The IPSASB SRS 1 is effective for annual reporting periods beginning on or after January 1, 2028, with earlier adoption permitted. IPSASB collaborated with the World Bank in developing the standard, which is aligned with the International Financial Reporting Standard's (IFRS) private sector climate disclosure standards, IFRS S2.

Other highlights:

- On January 30, 2026, the GHG Protocol published the Land Sector and Removals Standard, which provides accounting requirements and guidance to companies—specifically companies that "own or control land, purchase or sell products produced on agricultural lands, or have other relevant land-based activities in their value chain"—on how to quantify, report, and track their land emissions and carbon dioxide removals. The standard will take effect on January 1, 2027.
- On February 3, 2026, the Science Based Targets initiative (SBTi) released an updated draft of its Automotive Sector Net-Zero Standard for a second public consultation, following consultation on an initial draft in June 2025. Updates to the new draft include improving alignment with the Corporate Net-Zero Standard and existing SBTi methods and clarifying the definition of low-emissions vehicles. The standard is open for consultation until March 22, 2026.
- On January 28, 2026, the Net Zero Financial Service Providers Alliance, a coalition that publishes target-setting frameworks for the financial services sector, announced it is disbanding the coalition, explaining that its members will pursue activities independently and through other existing forums and working groups.

In case you missed it…

- Institutional Shareholder Services and Glass, Lewis & Co. recently released updates to their proxy voting policies for the 2026 proxy season, which include policy updates on pay-for-performance and shareholder rights and voting standards. For more details, see our client alert here.

II. UNITED KINGDOM

1. **The Financial Conduct Authority (FCA) launches a consultation on the UK Sustainability Reporting Standards (UK SRS)**

On January 30, 2026, the FCA launched a consultation on replacing the Task Force on Climate-related Financial Disclosures (TCFD) rules with the UK SRS for in-scope listed companies. The proposals would require mandatory reporting against UK SRS S2 (climate), with Scope 3 emissions remaining on a "comply or explain" basis, and reporting on a "comply or explain" basis under UK SRS S1 for non-climate reporting, which would require disclosure of governance, strategy, risk management, and metrics and targets in respect of material sustainability-related risks and opportunities beyond climate. Issuers would also need to disclose whether they have published a transition plan and obtained third-party assurance. The regime would largely mirror the current TCFD scope. The consultation closes on March 20, 2026, with implementation targeted for January 1, 2027.

2. **UK Stewardship Code (Code) enters into force**

On January 1, 2026, the Code, published by the Financial Reporting Council (FRC) in June 2025, entered into force. The Code outlines certain core principles of effective stewardship, establishing a high standard of transparency for how asset owners, asset managers, and service providers oversee the capital they manage on behalf of their clients or beneficiaries. It introduces a two-part reporting framework: (i) a Policy and Context Disclosure, which should describe an organization's stewardship policies and governance structures; and (ii) an Activities and Outcomes Report, which should demonstrate that the stewardship activities are conducted in accordance with the stewardship policy. The Policy and Context Disclosure should be submitted every four years, while the Activities and Outcomes Report is an annual submission. The Code is voluntary; to apply, organizations must submit the required disclosures to the FRC, obtain internal approvals, and publish the reports on their website.

Other highlights:

- The Transition Finance Council Consultation on the Transition Finance Guidelines closed on January 30, 2026, with final versions of the Finance Guidelines expected in Spring 2026.

III. EUROPE

1. **German regulator sets focus on sustainability issues in its "Risks in Focus 2026 Report"**

The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht,* "BaFin") has identified sustainability as a key supervisory focus area for the financial sector in its Risks in Focus 2026 Report. BaFin announced that it will conduct both random and *ad hoc* reviews of sustainability reporting included in group management reports as part of its financial reporting enforcement activities, once the German legislation implementing the Corporate Sustainability Reporting Directive (CSRD) enters into force. BaFin further announced that it will intensify its supervisory activities in 2026 with respect to physical climate risks and the prevention of greenwashing.

2. **European regulator publishes guidelines on greenwashing risks**

The European Securities and Markets Authority (ESMA) has published thematic notes on clear, fair, and not misleading sustainability-related claims, aimed at clarifying ESMA's expectations for market participants when making sustainability claims and addressing greenwashing risks. ESMA sets out four key principles to be observed by market participants: first, sustainability claims should fairly and accurately represent the sustainability profile of the entity and/or its financial products; second, sustainability claims should be based on information that is accessible and understandable; third, sustainability claims should be substantiated by clear and credible reasoning, facts, and processes; and fourth, sustainability claims should be based on up-to-date information, with any material change disclosed in a timely manner.

Other highlights:

- Following the first reading in the German Bundestag of proposed amendments to the German Supply Chain Due Diligence Act (SCDDA), 17 trade associations called for the SCDDA to be suspended entirely. In the associations' view, the proposed amendments are not sufficient to provide companies with any noticeable regulatory relief. For a summary of the draft bill, see our previous client alert here.

- On January 30, 2026, Germany has amended its Act Against Unfair Competition (UWG) to implement the requirements of Directive (EU) 2024/825 on empowering consumers for the green transition (so-called Emp-Co Directive). The amended rules will apply from September 27, 2026. The implementation of the Emp-Co Directive is expected to significantly tighten the legal framework governing environmental, climate, and sustainability-related claims made to consumers, including by expanding prohibitions on misleading green claims and increasing substantiation and transparency requirements.

- On January 30, 2026, the European Commission announced that it intends to refer Spain and Malta to the Court of Justice of the European Union for failure to timely transpose Delegated Directive (EU) 2023/2775 by the applicable deadline. Delegated Directive (EU) 2023/2775 amends the Accounting Directive by updating and adapting the criteria to determine the company's size in the Accounting Directive to adjust for inflation and to help ensure that micro-, small-, and medium-sized enterprises are not inadvertently brought within the scope of EU financial and sustainability reporting requirements, which are designed for larger undertakings.

- On January 8, 2026, the European Supervisory Authorities published Joint Guidelines on ESG stress testing providing national insurance and banking supervisors with guidance on how to integrate ESG risks into supervisory stress tests. The guidelines do not, however, introduce new obligations for competent authorities to conduct ESG-specific supervisory stress tests.

- An overview of the current transposition status of the CSRD into national laws and the "Stop-the-Clock" process under the Omnibus Simplification Package can be found here.

IV. NORTH AMERICA

1. **U.S. completes withdrawal from the Paris Agreement and pursues withdrawal from various other international climate treaties and organizations**

On January 27, 2026, the U.S.'s withdrawal from the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) officially took effect. The withdrawal was originally announced on January 20, 2025, with Executive Order 14162, and the UN Secretary-General received the U.S.'s notification of withdrawal on January 27, 2025, which was effective one year from the date of receipt. In addition, a presidential memorandum issued on January 7, 2026, directed executive agencies to "take immediate steps to effectuate the withdrawal of the United States" from a range of international organizations, conventions, and treaties, including those related to climate, the environment, and clean energy. Notable organizations from which the U.S. exited include the Intergovernmental Panel on Climate Change and 31 different United Nations (UN) organizations such as UN Energy, UN Oceans, UN Water, and UN Framework

Convention on Climate Change (UNFCCC). On January 8, 2026, in connection with the decision to withdraw from the UNFCCC, the U.S. Department of the Treasury announced it is withdrawing from the Green Climate Fund (GCF) and stepping down from its seat on the GCF Board, with the U.S. Secretary of the Treasury stating that the GCF's "goals run contrary to the fact that affordable, reliable energy is fundamental to economic growth and poverty reduction."

2. **U.S. Environmental Protection Agency (EPA) updates regarding endangerment finding**

On February 12, 2026, the EPA issued a final rule rescinding the endangerment finding, following a rule proposal, public hearing, and comment period last summer. As detailed in our July 2025 ESG Update, the endangerment finding declared that GHGs pose a threat to public health and welfare and served as the basis for EPA GHG regulations under the Clean Air Act. As a result, the EPA repealed all regulations relating to GHG emission standards for highway engines and vehicles, which the EPA characterized as "the single largest deregulatory action in U.S. history."

As detailed in our August 2025 ESG Update, the Environmental Defense Fund and the Union of Concerned Scientists filed a complaint against the U.S. Department of Energy and its Climate Working Group, the EPA, the Secretary of Energy, and Lee Zeldin (Administrator of the EPA) in response to the Climate Working Group's report on GHG emissions that supported the EPA's decision to rescind its endangerment finding. The lawsuit argued that the actions of the Climate Working Group violated the Federal Advisory Committee Act by not disclosing the formation of the Climate Working Group and not opening the meetings, emails, and other records of the group to the public. In September 2025, the court granted partial summary judgment, ruling that the Climate Working Group was not exempt from the Federal Advisory Committee Act (FACA). On January 30, 2026, the court ruled that the Department of Energy and Secretary Wright, through the Climate Working Group, violated the FACA but that the government had "remedied the informational injury" by ordering the production of documents directed by the court.

3. **Updates on U.S. state-level lawsuits**

As covered in our May 2025 ESG Update, on April 30, 2025, the U.S. Department of Justice (DOJ) filed suit against the State of Michigan seeking to prevent the state from pursuing climate change lawsuits against fossil fuel companies, which the complaint indicated was to prevent interference with the Clean Air Act and the "federal government's exclusive authority over interstate and foreign commerce, greenhouse gas regulation, and national energy policy." On January 24, 2026, the court granted Michigan's motion to dismiss the DOJ's lawsuit for lack of subject-matter jurisdiction, stating that the DOJ's "theory of injuries rests on a 'highly attenuated chain of possibilities'" that "is too speculative and attenuated to establish an injury fairly traceable to the Michigan Defendants."

In August 2024, the American Sustainable Business Council (ASBC) filed suit in federal district court challenging Texas's law barring state entities, such as state pension plans and other state funds, from investing in or contracting with companies that "boycott" fossil fuel companies. On February 4, 2026, the court granted ASBC's motion for partial summary judgment and enjoined Texas from implementing and enforcing the law. The court found that the Texas law violates the

First Amendment because it is facially overbroad and that it violates the Fourteenth Amendment because it is unconstitutionally vague.

On February 11, 2025, the State of Missouri challenged Starbucks's diversity, equity, and inclusion practices and policies in federal district court, alleging these policies violate Title VII of the Civil Rights Act of 1964 and the Missouri Human Rights Act. On February 5, 2026, the court granted Starbucks's motion to dismiss Missouri's suit for lack of standing, explaining that the "complaint is devoid of non-conclusory and non-speculative allegations establishing any actual, concrete, and particularized injuries to Missouri citizens."

Other highlights:

- On January 28, 2026, the New York Senate reintroduced legislation (Senate Bill S9072, titled the Climate Corporate Data Accountability Act) that, similar to California's SB 253, would require U.S. businesses with revenues of over $1 billion that do business in New York to annually disclose their Scope 1, 2, and 3 GHG emissions. The bill passed the Senate on February 10, 2026 and has progressed to the Assembly.
- On January 13, 2026, the New Jersey Senate also re-introduced legislation (Bill S679, titled the Climate Corporate Data Accountability Act) that would require U.S. businesses with revenue of over $1 billion that do business in New Jersey to annually disclose their Scope 1, 2, and 3 GHG emissions. However, on February 12, 2026, the Senate Environment and Energy Committee amended the bill to remove the Scope 3 reporting requirements.

In case you missed it…

- On November 20, 2025, the Washington State Department of Ecology adopted amendments to its regulations governing per- and polyfluoroalkyl substances (PFAS), which restrict the addition of PFAS in apparel and accessories, automotive washes, and cleaning products and require disclosure of the addition of PFAS in various other products. The rule was effective December 21, 2025, with restrictions effective January 1, 2027, and reporting due January 31, 2027, and yearly thereafter.
- Gibson Dunn published a survey of disclosure trends among S&P 100 companies' human capital disclosures in their past five annual reports on Form 10-K here.
- Gibson Dunn's Consumer Products and Retail team highlighted several of the most significant legal trends we expect to shape litigation, regulatory compliance, and dealmaking for food and beverage companies in the year ahead in our client alert here.
- The Gibson Dunn Workplace DEI Task Force has published its updates summarizing the latest key developments, media coverage, case updates, and legislation related to diversity, equity, and inclusion (DEI), including our client alert here regarding the Texas Attorney General's opinion on January 19, 2026 regarding the legality of DEI initiatives in Texas public-sector programs and corporate DEI practices.

- A collection of our analyses of the legal and industry impacts from the current administration is available here.

V. APAC

1. **Hong Kong Monetary Authority (HKMA) publishes new phase of taxonomy for sustainable finance**

On January 22, 2026, the HKMA published Phase 2A of the Hong Kong Taxonomy for Sustainable Finance, following a public consultation launched in 2025. Phase 2A incorporates stakeholders' feedback to broaden the taxonomy's coverage, incorporate transition elements, and include a climate change adaptation category. The taxonomy is intended to facilitate green and sustainable capital flows, support Hong Kong's transition to a low-carbon economy, and enhance the clarity and practicality of sustainability classifications for market participants. The HKMA also confirmed that development of the next phases of the taxonomy is underway and will continue to be informed by market developments, government policy, industry priorities, technological advances, and stakeholder engagement.

2. **China introduces new corporate climate reporting standard**

On January 5, 2026, it was reported that China's Ministry of Finance, together with the central bank and other regulators, released Corporate Sustainable Disclosure Standard No. 1 – Climate (Trial), China's first national framework for corporate climate reporting. The new standard is aligned with IFRS S2 and is intended to support China's broader green development and "dual carbon" goals. The framework sets out expectations for companies to disclose climate-related risks, opportunities, and impacts, and is intended to be rolled out progressively, initially applying on a voluntary basis before gradually moving toward eventual mandatory reporting. The release underscores China's efforts to enhance climate transparency and align domestic disclosure practices more closely with international standards.

3. **Philippines introduces sustainability reporting standards for large and listed companies**

In late December 2025, the Philippine Securities and Exchange Commission adopted the Philippine Financial Reporting Standards on Sustainability Disclosures, formally establishing mandatory sustainability and climate-related reporting requirements aligned with international standards. Under the new framework, companies will prepare sustainability reports that meet internationally recognized criteria, with implementation phased over several years: the largest publicly listed companies must begin reporting in 2027 on the 2026 fiscal year, followed by mid-cap and other listed and large non-listed firms in subsequent years. The move positions the Philippines alongside other ASEAN markets adopting IFRS-aligned sustainability reporting and reflects a broader shift from voluntary disclosures toward regulated sustainability reporting.

Warmest regards,
Susy Bullock
Perlette M. Jura
Ronald Kirk
Julia Lapitskaya
Michael K. Murphy
Robert Spano

Chairs, ESG: Risk, Litigation, and Reporting, Gibson Dunn & Crutcher LLP

For further information about any of the topics discussed herein, please contact the ESG Practice Group Chairs or contributors, or the Gibson Dunn attorney with whom you regularly work.

The following Gibson Dunn lawyers prepared this update: Lauren Assaf-Holmes, Carla Baum, Nyala Carbado*, Sydney Colopy, Martin Coombes, Becky Chung, Mellissa Campbell Duru, Ferdinand Fromholzer, Saad Khan, Julia Lapitskaya, Vanessa Ludwig, Leo Metais*, Babette Milz, Johannes Reul, Meghan Sherley, Nicholas Tok, and Maggie Valachovic.

ESG: Risk, Litigation, and Reporting Leaders and Members

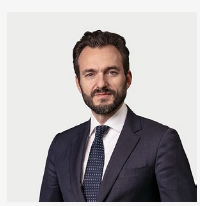
Susy Bullock
London
+44 20 7071 4283
sbullock@gibsondunn.com

Perlette Michèle Jura
Los Angeles
+1 213.229.7121
pjura@gibsondunn.com

Ronald Kirk
Dallas
+1 214.698.3295
rkirk@gibsondunn.com

Julia Lapitskaya
New York
+1 212.351.2354
jjlapitskaya@gibsondunn.com

Michael K. Murphy
Washington, D.C.
+1 202.955.8238
mmurphy@gibsondunn.com



Robert Spano
London/Paris
+33 1 56 43 13 00
rspano@gibsondunn.com

*Recent law graduates who are not yet admitted to practice law.