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GIBSON DUNN

ESG: Risk, Litigation, and Reporting Update

March 26, 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 February 2026. Please click on the links below for further details.

I. GLOBAL

1. **Net Zero Asset Managers Initiative relaunches**

On February 25, 2026, the Net Zero Asset Managers (NZAM) [announced](#) that it was officially relaunching its initiative with more than 250 asset management signatories. As covered in our [January 2025 ESG Update](#) and [October 2025 ESG Update](#), this relaunch is occurring a year after NZAM announced it was suspending its activities to conduct an internal review due to recent developments in regulatory frameworks and client expectations. Of note, in the relaunch, NZAM removed references to its goal for asset managers to reach net zero by 2050, instead stating the initiative still seeks to achieve net zero, but with no set timeline. NZAM stated that the initiative “provides asset managers with a platform to publicly disclose their individual net zero commitments and implementation approaches” but emphasized that the signatories develop their own strategies and independently set targets for doing so.

Other highlights:

- The International Financial Reporting Standards released a [Jurisdictional Readiness Assessment Guide](#) and [associated assessment tool](#) to support jurisdictions in assessing how prepared their markets are for the adoption of the ISSB Standards.

II. UNITED KINGDOM

1. The UK Department for Business and Trade publishes final UK Sustainability Reporting Standards (UK SRS)

On February 25, 2026, the Department for Business and Trade [published](#) the final UK SRS that comprise: (i) the UK SRS S1, for general sustainability-related financial information; and (ii) the UK SRS S2, for climate-related disclosures. They are closely aligned to the International Sustainability Standards Board's (ISSB) IFRS 1 and IFRS 2, and build upon the foundations established by the Task Force on Climate-related Financial disclosures, though the UK SRS introduce more detailed disclosure requirements. For now, the UK SRS are for voluntary use by any UK entity. However, the UK Government and the Financial Conduct Authority (FCA) may consider whether to introduce mandatory requirements for certain entities, with the FCA consulting until March 20, 2026, on amendments to the UK Listing Rules to incorporate UK SRS into listing requirements for listed companies.

2. The UK Government publishes Carbon Border Adjustment Mechanism (CBAM) policy summary and launches technical consultation on secondary legislation

On February 10, 2026, the UK Government [published](#) a policy summary of the CBAM alongside draft secondary legislation and launched a corresponding six week consultation closing on March 24, 2026. A second set of draft regulations covering monitoring, reporting and verification is due in spring 2026, with final legislation to follow later in the year. CBAM will apply from January 1, 2027, to imports of specified aluminum, cement, fertilizer, hydrogen, and iron and steel products into the whole of the UK and is designed to ensure that carbon-intensive imports face a comparable carbon price to that paid by UK manufacturers, preventing the displacement of emissions overseas.

Other highlights:

- **Consultations on per- and polyfluoroalkyl substances (PFAS) limits:** On February 3, 2026, the UK Department for the Environment, Food and Rural Affairs [published](#) a plan to combat PFAS, which includes upcoming consultations on statutory PFAS limits in drinking water and new guidance for industrial site disposals.

III. EUROPE

1. Omnibus Simplification Package on Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) enters into force

On March 18, 2026, the EU's [“Omnibus I” simplification package](#) entered into force (for further details on the enactment of the Omnibus Simplification, see our recent [client alert](#)). The Amendment Directive revises the CSRD and the CSDDD with the objective of reducing reporting and due diligence burdens and strengthening EU competitiveness. For further details on the amendments in substance, see our [client alert](#) on the EU Omnibus Simplification Update. Member States are required to transpose the amendments to the Accounting Directive/CSRD by March 19, 2027, and the amendments to the CSDDD by July 26, 2028.

2. Update on European Sustainability Reporting Standards (ESRS) discussion: European supervisory authorities and the European Central Bank issue opinions

On December 3, 2025, the European Financial Reporting Advisory Group (EFRAG) released its draft [simplified](#) ESRS. For details on the release of the draft simplified ESRS, see our [client alert](#).

Meanwhile, the European Banking Authority ([EBA](#)), the European Insurance and Occupational Pensions Authority ([EIOPA](#)), the European Securities and Markets Authority ([ESMA](#)), and the European Central Bank ([ECB](#)) issued opinions on the EFRAG's draft simplified ESRS following a request from the European Commission. Key observations include:

- Concerns regarding permanent reliefs: Broad and permanent disclosure reliefs may affect data quality, comparability, and interoperability.
- Importance of quantitative disclosures: The preservation of quantitative reporting, particularly in relation to anticipated financial effects, is considered important for effective risk assessment.
- Risk of burden shifting: Reduced corporate disclosures may increase data collection and sustainability risk assessment burdens for financial institutions.
- Investor protection safeguards: Targeted adjustments, including time limits for certain reliefs and safeguards against selective or partial application in a voluntary reporting context, are recommended to support investor protection and financial stability.

The European Commission committed to adopting the Delegated Act to revise the first set of ESRS within six months of the entry into force of the Amendment Directive—*i.e.*, on September 18, 2026—with the applicability date of the new ESRS to be confirmed in the Delegated Act.

3. Council of the EU formally adopts amendments to EU Climate Law to introduce a 90% emissions reduction target for 2040

On March 5, 2026, the Council of the European Union formally adopted [amendments](#) to the [EU Climate Law](#) establishing a binding target requiring EU institutions and Member States to reduce the EU's net greenhouse gas (GHG) emissions by 90% by 2040 compared to 1990 levels. The new target introduces an intermediate milestone complementing the existing targets of reducing GHG emissions by at least 55% by 2030 and achieving climate neutrality by 2050. The EU Climate Law does not impose direct obligations on companies but instead sets legally binding climate targets for EU institutions and Member States that guide EU and national climate

legislation. Under the amended framework, up to 5% of the 2040 target may, from 2036 onwards, be achieved through the use of high-quality international carbon credits from partner countries. The amendments also postpone the entry into force of the second EU Emissions Trading System (ETS2) by one year, to 2028. The amended EU Climate Law will enter into force 20 days after its publication in the Official Journal of the EU.

Other highlights:

- In parallel with recent developments regarding the EU Climate Law and the postponement of the ETS2, discussions among Member States have intensified ahead of an expected summer reform proposal concerning the existing EU Emissions Trading System (ETS) framework, the EU's carbon pricing system in force since 2005. In this context, Italy has publicly [called](#) for a suspension of the current ETS until a comprehensive reform is agreed, citing competitiveness concerns for energy-intensive industries.
- According to the [Sustainability Transformation Monitor 2026](#), around 75% of companies no longer within the scope of the CSRD plan to publish sustainability reports on a voluntary basis. While 59% of surveyed companies state that they have climate targets, only about 29% have a concrete climate transition plan to achieve those targets and an additional 41% indicate that such plans are still under development.
- 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. State-level environmental developments

On February 10, 2026, Florida Attorney General James Uthmeier [led](#) a ten-state coalition in sending [letters](#) to nearly 80 companies who participate in the U.S. Plastics Pact, Consumer Goods Forum, or the Sustainable Packaging Coalition, raising concerns that participation in these groups may expose them to antitrust liability. The letters warned that “the policies, coordinated initiatives, and compliance frameworks these organizations promote and prescribe to their members may constitute unlawful restraints of trade in violation of the Sherman Antitrust Act” as well as “applicable state and federal consumer protection laws.” The coalition further explained its concerns, claiming that these groups “pressure companies into artificially changing the output and quality of their goods and services in way that normal market forces would not otherwise bring about.” These letters follow notices [sent](#) by five state attorneys general to the U.S. Plastics Pact, Consumer Goods Forum, and the Green Blue Institute in October 2025, raising similar antitrust concerns.

On February 18, 2026, a coalition of 13 attorneys general [filed](#) a lawsuit against U.S. Department of Energy, the Secretary of Energy, the U.S. Office of Management and Budget (OMB), and the Director of the OMB challenging the termination of energy and infrastructure programs and the rescission of program funding. According to the complaint, the agencies unlawfully eliminated billions of dollars of funding for programs that support energy efficiency and renewable energy activities, electrification and GHG mitigation efforts, and other energy and infrastructure projects.

The coalition alleged that the agencies' actions to "eliminate congressionally authorized programs and to unilaterally rescind appropriations" violated the U.S. Constitution and the Administrative Procedure Act. The attorneys general seek declaratory judgment, injunctive relief, and other relief.

Also on February 18, 2026, a coalition of health and environmental groups [filed](#) a petition for review of the Environmental Protection Agency (EPA)'s final rule rescinding the 2009 endangerment finding. On March 19, 2026, a similar [petition](#) for review was filed by 24 U.S. states, the District of Columbia, the U.S. Virgin Islands, and 12 cities or counties. As covered in our [January 2026 ESG Update](#), the EPA's [rule](#) was finalized on February 12, 2026, and as a result, the EPA repealed all regulations relating to GHG emission standards for motor vehicles.

2. Federal agency actions

On February 12, 2026, the U.S. House of Representatives Committee on Education and Workforce (Committee) [sent a letter](#) to the California Public Employees Retirement System (CalPERS) requesting information about its ESG investments. In the letter, the Committee asserts that CalPERS has "prioritize[ed] ESG considerations ahead of its responsibilities to safeguard the pension fund." The Committee highlighted CalPERS's investment in the private equity CalPERS Clean Energy and Technology Fund (Fund), in which the Committee claims CalPERS lost 71% of its investment, and seeks various details and documents relating to the Fund. The Committee's letter notes that such information "will inform its potential reforms to [the Employee Retirement Income Security Act of 1974] and the [Internal Revenue] Code."

As covered in more detail our recent in our [DEI Task Force Update](#):

- On February 26, U.S. Equal Employment Opportunity Commission (EEOC) Chair Andrea Lucas issued a [letter](#) to chief executive officers, general counsel, and board chairs of the 500 largest employers in the United States to educate them about her views on the potential for race- and sex-based discrimination in corporate DEI programs.
- On February 17, 2026, the EEOC [filed suit](#) against a bottler and distributor of Coca-Cola alleging it engaged in unlawful employment practices in violation of Title VII of the Civil Rights Act of 1964 when it invited only female employees to an "employer-sponsored trip and networking event."
- On January 30, 2026, the Federal Trade Commission Chairman Andrew N. Ferguson [sent a letter](#) to 42 law firms warning that their participation in Diversity Lab's Mansfield Certification program may expose them to potential antitrust liability.

Other highlights:

- On February 26, 2026, the California Air Resources Board (CARB) [approved](#) the adoption of the [California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation](#), which establishes fee assessment calculations and procedures and key definitions for the programs under SB 253 and 261, as well as a reporting deadline for the first year of reports under SB 253.

- On February 25, 2026, the Vanguard Group [agreed to pay](#) \$29.5 million to settle a lawsuit brought by a coalition of state attorneys general alleging Vanguard, BlackRock, Inc., and State Street Global Advisors illegally manipulated the coal market through their investments in publicly traded coal companies and used their holdings to push coal companies to reduce their output in violation of U.S. antitrust law and state antitrust laws.
- On February 16, 2026, California Governor Gavin Newsom signed a [Memorandum of Understanding](#) with UK Secretary of State for Energy Security and Net Zero, Ed Miliband, that “sets out mutual goals and activities to strengthen cooperation on climate, clean energy and the environment, and drive economic growth.”
- On February 11, 2026, U.S. Securities and Exchange Commission (SEC) Chair Paul Atkins [testified](#) before the U.S. House Financial Services Committee. In response to questions, Chair Atkins indicated that the SEC will be reviewing its [Names Rule](#), which sets certain requirements for funds with names that suggest a particular investment focus and “addresses certain broad categories of investment company names that are likely to mislead investors about an investment company’s investments and risks.” On February 18, 2026, the SEC issued an updated set of [FAQs](#) on the Names Rule and [proposed amendments](#) to Form N-PORT (the form used to report portfolio holdings) to extend the reporting deadline, require quarterly rather than monthly reporting, make streamlining changes, and remove Names Rule reporting from the Form.
- At least five companies have been sued by various shareholder proponents—including As You Sow, People for the Ethical Treatment of Animals, Inc., and multiple New York City public pension funds—in response to exclusion of shareholder proposals submitted under Rule 14a-8 from the companies’ 2026 proxy statements. These proposals relate to various ESG topics, including reports on workforce diversity, animal welfare, and political spending. At least two companies have settled the lawsuits and agreed to include the proposals in their proxy statements.

In case you missed it...

- On January 23, 2026, the SEC released a revised [Compliance and Disclosure Interpretation](#) regarding Notices of Exempt Solicitation on PX14A6G, stating that it will object to such submissions by persons who do not own more than \$5 million of stock of the company with respect to which the filing is made. For more information, see our recent [client alert](#).
- 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.
- A collection of our analyses of the legal and industry impacts from the current administration is available [here](#).

A preview of recent developments that will be covered in our March ESG Update:

- On March 19, 2026, Interfaith Center on Corporate Responsibility and As You Sow filed a [complaint](#) in the U.S. District Court for the District of Columbia against the SEC, as well as SEC Chair Atkins and SEC Commissioners Hester Peirce and Mark Uyeda in their official capacities, alleging that the SEC's no-objection policy applicable to shareholder proposals for the 2025–2026 proxy season violates the Administrative Procedures Act.
- On March 13, 2026, proxy advisory Glass Lewis issued a [statement](#) regarding legislation proposed in 13 U.S. states that would regulate proxy advisors, including a [new law in Indiana](#) that was signed into law on March 3, 2026, and will be effective July 1, 2026.

V. APAC

1. Japan Financial Services Agency (FSA) finalized corporate sustainability regulations

On February 20, 2026, Japan's FSA finalized its amendment to the [Cabinet Office Order on Disclosure of Corporate Affairs, etc. and the Guidelines for Disclosure of Corporate Affairs, etc.](#) to include guidelines on sustainability reporting. Under these new guidelines, companies listed on the FSA's exchange with an average market capitalization of \$1 trillion yen or more will now be required to disclose sustainability information in their securities reports. These guidelines are in line with the sustainability disclosure standards previously published by the [Sustainability Standards Board of Japan](#).

These disclosures will be required for fiscal years ending on or after March 31, 2027. To provide a period in which companies can prepare these new sustainability disclosures, for the first two years, companies may elect to forgo the disclosures in their initial fiscal reports and instead provide a correction report during the subsequent fiscal year.

2. Vietnam launched its 2026 Corporate Governance Code

On February 3, 2026, the State Securities Commission of Vietnam, in collaboration with the International Finance Corporation, launched the [Vietnam Corporate Governance Code 2026](#) (Code). The Code provides revised guidelines regarding corporate governance aimed at having more effective boards and management, stronger risk control, and better decision-making practices. Additionally, the Code more deeply integrates sustainability and ESG concerns, with guidelines regarding climate governance as well as environmental and social responsibilities. The overarching goal of the Code is to enhance governance in line with international standards and best practices. These guidelines will initially apply only to listed companies but ultimately will be expanded to apply to all public companies.

Other highlights:

Thailand has approved a proposal to expand its derivatives market to include carbon credit contracts, allowing physically delivered futures contracts and helping the country achieve its carbon neutrality goals.

[Read More](#)

Warmest regards,
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