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**ESG: Risk, Litigation, and Reporting Update** July 22, 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 June 2026. Please click on the links below for further details.

## I. GLOBAL

1. **Science Based Targets initiative releases Net-Zero Standard Version 2.0**

The Science Based Targets initiative (SBTi), an organization that develops emissions reduction standards, tools, and guidance for companies and financial institutions, has released its Net-Zero Standard Version 2.0 (Version 2.0). Version 2.0 provides updated guidelines that help companies set and implement attainable emissions reduction targets consistent with reaching net-zero by 2050. SBTi has stated that Version 2.0 seeks to make climate action "practical, accessible, and relevant for companies at every stage of the net-zero journey."

The first version of SBTi's Net-Zero Standard was released in 2021. Version 2.0 makes a number of updates, including introducing alternative expectations for small and medium enterprises and companies operating in lower-income countries, and requiring companies to set two or more near-term targets with the option to set a broader net-zero target. Version 2.0 also clarifies that once emissions reduction targets are established, companies are expected to take direct decarbonization actions to implement these targets. High-integrity carbon credits and other indirect mechanisms can be used to achieve a company's goals, but cannot be used as a substitute for direct decarbonization efforts. Finally, Version 2.0 emphasizes that companies should periodically assess and report annually on their progress, with the expectation that targets will be continually reassessed and strengthened over time.

2. **World Bank Group ends climate lending target**

On June 29, 2026, the World Bank Group (Bank) announced that it is ending its 45% climate co-benefits target, through which it had targeted committing 45% of its annual lending toward projects with climate co-benefits, and will also retire the 35% climate co-benefits target in its Climate Change Action Plan (CCAP). The Bank stated that while it is retiring its 45% climate-lending target, it will extend and perform an evaluation of the broader CCAP, which was set to expire on June 30, 2026. The Bank reported that it is in the process of shifting its focus from input-based goals toward improving outcomes and will continue to track and report on net greenhouse gas emissions and enhancing resilience to climate risks.

The United States is the Bank's largest shareholder, and the Trump administration recently emphasized its preference for the Bank to step back from climate finance initiatives entirely. In a speech at the Spring Meetings for the International Monetary Fund and World Bank in April, 2026, U.S. Treasury Secretary Scott Bessent emphasized that the Bank should "focus on its core mission of reducing poverty and increasing economic growth." As a part of this, he said that the United States "welcome[d] the coming expiration of the Climate Change Action Plan," and that it expected the Bank to both abandon its climate co-benefits target and shift its focus away from climate lending to other "high-quality, durable projects."

***Other highlights***

- On June 25, 2026, the climate ministers of Australia, Canada, and the United Kingdom issued a joint statement announcing the three nations have committed to work together to further their transition to clean energy, including joining a new global electrification initiative called "Electrify Now." The countries have also reaffirmed their commitment to the United Nations Framework Convention on Climate Change and the goals of the Paris Agreement.

- The United Nations held its annual climate conference in Bonn, Germany, from June 8, 2026 through June 18, 2026. Participants discussed priorities for COP31 in November 2026, which will be held in Türkiye. The incoming Turkish COP31 leadership announced the upcoming conference will focus on increasing global electrification, halving global waste by 2035 and creating resilient cities.

## II. UNITED KINGDOM

1. **Government consults on regulations to protect zero-hours and low-hours workers under Employment Rights Act 2025**

On June 2, 2026, the UK Government launched a public consultation on its proposals for regulations implementing the reforms to zero-hours contracts contemplated in the Employment Rights Act 2025. The consultation will remain open until August 25, 2026.

The UK Government has three main objectives in drafting this consultation. First, to establish a baseline of security and stability for workers facing unpredictable hours so they can plan their finances more effectively. Second, to rebalance labor market flexibility for both workers and employers so that workers no longer bear all the risk of uncertain demand for their services. Third, to support sustained economic growth across UK industries by improving workforce planning and staff retention.

Some of the new rights proposed in the consultation include guaranteed hours, reasonable notice of shifts, and compensation for short-notice shift cancellations. The UK Government is proposing that workers on zero-hours contracts, or those whose guaranteed working hours fall below a specified "hours threshold" of between eight to 20 hours weekly, will qualify for these new rights. The UK Government is seeking input on items such as the duration of relevant reference periods and the definitions of "reasonable" notice. Workers will be able to enforce their right to guaranteed hours in employment tribunals, with the new Fair Work Agency enforcing short-notice cancellation payments. The consultation also considers potential amendments to existing regulations governing employment agency businesses. Relevant measures are expected to be implemented in 2027, however no official date has yet been set.

2. **Government confirms plans to introduce mandatory deforestation due diligence for Great Britain supply chains**

On June 23, 2026, the UK Government announced its plan to combat deforestation in supply chains by implementing mandatory due diligence for commodities that put forests at risk in Great Britain. Set to begin consultations on this regime, the UK Government aims to align with the EU Deforestation Regulation, effective in Northern Ireland, by December 30, 2026.

The proposed regime requires businesses with turnover of over £1 million to ensure compliance with local laws regarding deforestation, and to collect detailed supply chain information, including geolocation data. The commodities targeted include cattle, cocoa, coffee, palm oil, rubber, soy, and wood, as well as derived products.

A consultation on detailed proposals is anticipated in late 2026, with legislation expected to follow in 2027.

3. **House of Lords proposes Bill for mandatory human rights and environmental due diligence**

On June 17, 2026, the House of Lords proposed a Private Members' Bill, which is a public bill introduced by a Member of Parliament or Lord who is not a government minister, to prevent human rights and environmental harms across commercial organizations and public authorities' operations, subsidiaries, and value chains.

The proposed Bill would mandate firms with an annual turnover of £36 million or more to perform due diligence and report publicly. The bill's due diligence obligations broadly mirror those contemplated by the EU's Corporate Sustainability Due Diligence Directive (CSDDD), requiring in-scope organizations to identify, prevent, and mitigate human rights and environmental harms across their operations, subsidiaries, and value chains. The proposed bill would also introduce a range of penalties for non-compliance, including civil liability, financial penalties of up to 10% of global turnover, and potential exclusion from public procurement for up to five years. Under the proposed bill, directors of repeat offenders could also face criminal charges.

Mirroring the Bribery Act 2010, the proposed bill introduces a "failure to prevent" corporate crime for specific offences, aligning with the Modern Slavery Act 2015. The bill is currently at the first reading stage and its chances of passing into law during this session are unclear.

***Other highlights:***

- On June 5, 2026, the FCA proposed eliminating TCFD-based climate disclosure requirements for investment products, shifting instead to more simplified reports and on-demand data to reduce compliance costs and enhance risk disclosures. The consultation closed on July 13, 2026.

## III. EUROPE

1. **Revised European Sustainability Reporting Standards adopted by the European Commission**

On July 3, 2026, the European Commission adopted the revised European Sustainability Reporting Standards (ESRS) which aim to reduce mandatory datapoints by more than 60% and total datapoints by more than 70%, while simplifying the materiality assessment process and introducing additional flexibilities for companies. For companies remaining within the scope of the CSRD, the proposed revisions are expected to significantly ease reporting burdens, including by providing flexibility in greenhouse gas emissions boundary-setting through a choice between a financial control or operational control approach, in line with the approach in the ISSB standards. For further details, see our April 2026 and May 2026 ESG Updates.

Separately, the European Commission adopted a new voluntary sustainability reporting standard (VSME) for companies outside the scope of the Corporate Sustainability Reporting Directive (CSRD). The voluntary reporting standard VSME provides a single, proportionate reference framework for smaller companies outside the scope of the CSRD, and establishes the "value chain cap" that limits the sustainability information larger CSRD-reporting companies may request from smaller suppliers and business partners in their value chains. For further details, see our April 2026 and May 2026 ESG Updates.

Both delegated acts will now be transmitted to the European Parliament and the Council of the EU, which runs for two months and may be extended by a further two months. On prior indications, the revised ESRS are intended to first apply to CSRD reporting for financial years beginning on or after January 1, 2027.

2. **New sustainability standards for non-EU companies released; number of companies in scope significantly reduced**

The European Financial Reporting Advisory Group (EFRAG) has resumed work on a dedicated sustainability reporting standard for non-EU groups (N-ESRS) that fall within the scope of the

CSRD by virtue of their EU operations. EFRAG plans to release the N-ESRS exposure draft for a 100-day public consultation in mid-July 2026 and to submit its technical advice to the European Commission in January 2027. Once adopted, the N-ESRS are expected to apply to reporting for financial years beginning on or after January 1, 2028, with the first sustainability statements due in 2029.

The N-ESRS are expected to focus on only single or “impact” materiality – in contrast to the ESRS applicable to EU companies which require disclosures under the double materiality standard  (i.e., financial *and* impact materiality). A practical consequence is that, because the N-ESRS drop financial materiality, references to “risks and opportunities” have been removed from the draft standards. The draft N-ESRS largely mirror the architecture of the ESRS, comprising two cross-cutting standards (general requirements and general disclosures) and ten topical standards. By default, an in-scope group would report on its material impacts across the entire consolidated group and its upstream and downstream value chain on a global basis. However, the exposure draft permits a “mixed approach” under which a company may limit its impact disclosures to EU-related impacts for all topics other than climate change and the cross-cutting general disclosures, which must still be reported on a global basis.

EFRAG stated that the number of non-EU companies remaining within the scope of the CSRD following the “Omnibus I” simplification package will fall by approximately 88%, from around 10,000 to approximately 1,200. By jurisdiction, EFRAG estimated that U.S. companies would be the largest proportion of N-ESRS companies with approximately 350 to 450 U.S. companies within the scope of the CSRD, alongside 150 to 200 companies from the United Kingdom, 100 to 150 companies each from Switzerland and Japan, and 30 to 80 companies from other jurisdictions.

3. **EU Packaging and Packaging Waste Regulation: first obligations apply from August 12, 2026**

Next month, on August 12, 2026, the first obligations under the EU’s Packaging and Packaging Waste Regulation (PPWR) will begin to apply to companies. The PPWR is relevant to any company – including non-EU companies – that places packaging or packaged products on the EU market.

The obligations will include (i) a reduction of “substances of concern” in packaging, (ii) a production control conformity assessment and EU declaration of conformity (at this stage, only with the substance reductions), and (iii) identification of manufacturer and packaging (name, trade name, trademark, and a single contact address) on each packaging.

4. **German Higher Regional Court of Cologne prohibits misleading advertising on sustainable aviation fuels**

On July 8, 2026, the Higher Regional Court of Cologne (Case No. 6 U 68/25) prohibited an airline from using certain advertising claims according to which customers can reduce their flight-related $CO_2$ emissions directly during the booking process by paying a surcharge for the use of sustainable aviation fuel (SAF). The court held that the claim constituted unfair advertising under the German Act against Unfair Competition (UWG) as it withheld material information, namely the precise point in time at which the SAF would be used. The court did not grant permission to appeal.

5. **France: first ruling against a gas and oil company**

As reported in our May 2026 ESG Update, the Paris Judicial Court held the first merits hearing in France in a climate-related duty of vigilance claim against an oil and gas company (the "Company") in February 2026.

On June 25, 2026, the Court handed down its landmark judgment, partially granting the claims brought in January 2020 by NGOs and supported by the City of Paris, under France's 2017 duty of vigilance law (LDV).

The Court held that climate risks fall within the scope of the LDV and that the Company's Scope 3 greenhouse gas emissions, representing approximately 90% of its total emissions, or 342 $MtCO_2$ per year, form part of the emissions resulting from the group's activity. The Court found the Company's vigilance plan incomplete for having excluded Scope 3 emissions and enjoined the Company to complete its plan within six months by integrating Scope 3 emissions into its risk mapping together with related measures.

However, the Court declined to impose the specific reduction trajectories sought by the NGOs, confirming that the LDV establishes an obligation of means, not of result: the choice of adequate measures remains with the company and the court's review is limited to verifying that the plan contains reasonable, concrete, coherent, and adapted measures. No penalty was imposed.

The decision is enforceable notwithstanding any appeal, and the case has been referred to the pre-trial judge for a hearing on January 21, 2027, at which point the Court will review whether the updated vigilance plan meets the requirements of the law.

***Other highlights:***

- On June 12, 2026, the European Commission launched a public consultation on the development of guidelines to support implementation of the CSDDD, expected to cover in particular how to conduct due diligence, the use of data sources, digital tools, and technologies that support compliance. The guidelines are scheduled for adoption in stages, with the first tranche due by July 26, 2027, and the second by July 26, 2028. The consultation closes on July 24, 2026, and its outcome will inform the guidelines' development.
- On June 30, 2026, the Council of the EU adopted a new regulation introducing lifecycle circularity requirements for vehicles – including minimum recycled-plastic content (15% within six years of entry into force, rising to 25% within ten years, of which 20% must come from end-of-life vehicles), design-for-dismantling, repair and recyclability requirements, extended producer responsibility (including free take-back of end-of-life vehicles), and a ban on the export of used vehicles that are no longer roadworthy – which will start to apply two years after entry into force, with full requirements for passenger cars and light commercial vans and a more limited set of requirements for heavy-duty trucks, motorcycles, and special-purpose vehicles.

- On July 13, 2026, the European Commission adopted a Delegated Act on the product scope of the EU Deforestation Regulation (EUDR), which updates and simplifies the list of products covered by the EUDR in Annex I. Further, it also adopted an Implementing Act which sets out the functioning of the Information System used to submit due diligence statements and simplified declarations.
- **Transposition Tracker:** 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. **Recent developments in offshore wind energy**

Below are a few notable developments related to the Trump administration's recent efforts to scale back offshore wind energy projects in the United States:

- On June 2, 2026, a coalition of seven state attorneys general filed a lawsuit in federal court challenging the U.S. Department of the Interior's (DOI) agreement with a French energy company to cancel certain offshore wind leases in exchange for reimbursement of $928 million in lease fees. Pursuant to this agreement, the company must instead spend an equivalent amount of money on oil and natural gas and liquefied natural gas projects in the United States and has pledged not to develop any new offshore wind projects in the United States. In their lawsuit, the attorneys general assert that agreement violates the Administrative Procedure Act, the National Environmental Policy Act, the Outer Continental Shelf Lands Act, and the Judgment Fund Act, and argue that it will harm the states' "energy, economic, and environmental and public health interests." The coalition is asking the court to vacate the agreement and enjoin the federal government from implementing the agreement.
- On June 17, 2026, the DOI announced an agreement with a power infrastructure company, pursuant to which the company will cancel four offshore wind leases in exchange for $765 million. As part of the arrangement, the company agreed it will redirect the amount received to the development of oil and gas projects in the United States.

***Other highlights:***

- On July 14, 2026, New York State implemented a moratorium on new "hyperscale" data centers. New York Governor Kathy Hochul signed an Executive Order that will pause environmental permits for data centers for one year while the state develops a regulatory framework for data center development.
- On June 24, 2026, the California Air Resources Board (CARB) announced that it was delaying the deadline for mandatory emissions reporting of Scope 1 and Scope 2 greenhouse gas emissions under SB 253 from August 10, 2026 to November 10, 2026. This is due in part to the fact that CARB will be proposing limited changes to the regulations implementing SB 253, which will be made available for a 15-day public comment period.
- On June 11, 2026, the United States District Court for the District of South Carolina Charleston Division ruled that the Environmental Protection Agency's (EPA) termination

of the $2.8 billion Environmental and Climate Justice Block Grant Program was arbitrary and capricious, declared that it was illegal, and vacated the action. However, the court denied plaintiffs' motion requesting a permanent injunction that would have required the EPA to reinstate the program, calling such relief impractical.

- Federal courts in Kansas and Indiana granted Institutional Shareholder Services and Glass Lewis' motions for preliminary injunction to prevent the states' proxy advisory laws from taking effect on July 1, 2026. As discussed in our May 2026 ESG Update, the statutes would require proxy advisors to issue warnings if they have not conducted a "written financial analysis" considering the financial costs and benefits of a proposal when advising clients to vote against company management's recommendation.

***In case you missed it…***

- 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.

## V. APAC

1. **Asia Pacific Synergies report offers integrated roadmap for sustainable development**

On June 30, 2026, the Economic and Social Commission for Asia and the Pacific, the United Nations Environment Programme, and the Asian Development Bank jointly published the Asia-Pacific Synergies Report, a guidebook designed to help governments draft effective sustainable development goals through integrated, cross-sector policymaking. The report analyzes the interconnection of climate change, biodiversity loss, and pollution, and proposes corresponding, interconnected solutions.

The report is organized around four pillars. First, health-centered climate action explores the links between climate policies and public health outcomes. Second, nature-positive nexus approaches examine the connections among food, water, and ecosystems. Third, circular economy approaches promote shifting from traditional linear production models to systems that reuse and repurpose resources. Finally, cities as delivery platforms for synergies highlight the role of urban areas in piloting and scaling climate resilience and waste-management initiatives.

2. **New Zealand proposes adoption of new climate reporting guidelines**

On June 30, 2026, New Zealand's External Reporting Board (XRB) announced a consultation on adopting a new climate reporting standard based on IFRS S2. The proposed standard would introduce more detailed disclosure requirements than New Zealand's current framework, including specific requirements relating to transition plans, significant judgments, value chain considerations, metrics and targets, and the use of the Greenhouse Gas Protocol for measuring emissions. Under the current proposal, the standard would not take effect until 2033.

Notably, the XRB is proposing to adopt only IFRS S2, which focuses on climate-related disclosures, and not IFRS S1, the broader sustainability disclosure standard. The XRB has indicated that wider sustainability reporting requirements fall outside its mandate. A key reason for the proposal is to align New Zealand's reporting framework with international standards, particularly in Australia, which has already adopted IFRS S2, thereby reducing compliance and reporting burdens for companies operating across multiple jurisdictions.

3. **South Korea commits $174 million to carbon capture and utilization initiative**

On June 24, 2026, South Korea's Ministry of Science and Information and Communication Technology announced a national investment of approximately $174 million in a carbon capture and utilization project running through 2030. Rather than treating captured CO2 as waste for storage, this initiative aims to reuse it as a feedstock for producing electro-sustainable aviation fuel (e-SAF), synthetic gas, and marine fuel. In addition to supporting decarbonization, the project is intended to strengthen South Korea's energy security and reduce reliance on imported fossil fuel resources.

South Korea estimates that the initiative could displace around 10% of jet fuel demand and 48% of synthetic gas demand by 2050

*Warmest regards,*
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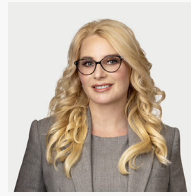

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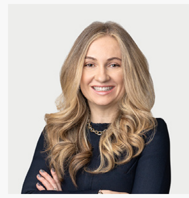

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