

Worldwide Sustainability Reporting — Current State of Play

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Governments worldwide continue to require companies to produce detailed annual reports on climate and other sustainability topics, published alongside their annual financial statements. We discuss in this In Depth how the European Union's (the "EU's") Corporate Sustainability Reporting Directive ("CSRD") will impact international companies with significant EU operations, the status of similar reporting obligations in other jurisdictions, and how international groups may approach reporting projects when they are subject to different reporting standards in more than one jurisdiction.

Worldwide Sustainability Reporting Under CSRD

The EU's first Omnibus project, finalised in February 2026, made a number of key simplifications to CSRD. In particular, it greatly reduced the number of EU companies in scope, by increasing the relevant turnover and employee thresholds, and delayed the application of sustainability reporting to unlisted EU companies by two years. The EU sustainability reporting standards ("ESRS") are also being simplified, with EFRAG, the financial and sustainability reporting advisory body to the European Commission (the "Commission"), releasing finalised proposals of the simplified standards in December 2025. The Commission aims to adopt the finalized ESRS by mid-2026.

The original version of CSRD brought non-EU companies in scope of sustainability reporting, for reporting periods starting on or after 1 January 2028, based on two tests: (i) the level of turnover generated in the EU by the worldwide group; and (ii) the presence in the group of an EU subsidiary which was itself in scope of CSRD reporting. If both of those tests were met, the EU subsidiary had to publish a sustainability report at the worldwide group level of the non-EU parent company, under separate reporting standards. The scope of these two tests has now changed, as follows:

Applicable tests	Prior to Omnibus changes	Under Omnibus changes
Application based on turnover of worldwide group headed by non-EU parent company	Generated net turnover exceeding €150 million in the EU for the last two consecutive financial years.	Generated net turnover exceeding €450 million in the EU for the last two consecutive financial years.
Application based on presence of EU branch or subsidiary	Has either an EU branch that generates net turnover exceeding €40 million or an EU subsidiary that met at least two of the following criteria for the last two consecutive financial years: (i) balance sheet total over €25m; (ii) net annual turnover above €50m; and/or (iii) over 250 employees on average on a group or stand-alone basis.	Has either an EU branch or subsidiary that generated net turnover over €200m in the last financial year on a stand-alone basis. ¹

Under the Omnibus changes, applicability of CSRD at the non-EU group level will no longer depend on an EU subsidiary independently falling in scope of CSRD. Instead, a non-EU group comes into scope based on the combination of its overall EU turnover and the turnover of its EU subsidiary or branch, with no employee threshold applying. Where an EU company headed by a non-EU group had a high turnover but did not meet either the balance sheet or employee tests under the prior regime, it may now fall into scope of CSRD by reference to the turnover test alone.

CSRD specifies that the sustainability reporting standards for third-country companies, the non-EU ESRS, will cover the same elements as the EU ESRS in terms of how a group causes impact in sustainability terms—including the group’s compatibility with the 2015 Paris Agreement’s climate objectives and its emission reduction targets and more broadly, the group’s approach to sustainability in relation to its policies, the adverse impacts generated by the group and its value chain, and actions taken to address the impacts. Taking an approach based on single, not double, materiality, the draft non-EU ESRS do not require reporting by reference to financial risks or opportunities linked to the impact of sustainability matters on the group. No draft of the non-EU ESRS has yet been published for consultation, and the Commission has recently indicated that it will not adopt these standards before 1 October 2027.

¹ Subject to Member State implementation, this test may also apply on a group consolidated basis.

CSRD requires an auditor or other licensed service provider to express an opinion, based on a “limited assurance” engagement, on the compliance of the sustainability reporting with CSRD. The Commission is due to adopt assurance standards by a delegated act, and the International Auditing and Assurance Standards Board (the “IAASB”) published a final version of its sustainability assurance standards in November 2024, designed as a global baseline for sustainability assurance engagements. It is currently unclear however whether the EU will adopt the IAASB’s standards as the assurance standards under CSRD, which would be the practical approach to ensure worldwide consistency.

ISSB Standards

As a parallel project to the EU, the International Sustainability Standards Board (the “ISSB”) of the IFRS Foundation is producing its own sustainability reporting standards, with similar scope as the ESRS. To date, the ISSB has produced general (IFRS S1) and climate-related (IFRS S2) standards and has indicated that it is working on standards on broader nature-related risks and opportunities. Non-EU governments, when mandating climate and other sustainability reporting for companies in their jurisdiction, are largely expected to adopt the ISSB standards.

Any company in scope of CSRD worldwide reporting may well wish to report under the ISSB standards in place of the non-EU ESRS, under a provision in CSRD which allows the group-wide sustainability report to be drawn up according to sustainability reporting standards determined as “equivalent” to the non-EU ESRS. Companies may also have regard to the separate standards published by the Global Reporting Initiative (“GRI”) which focus on impact materiality. The Commission has not yet published an equivalence decision, although EFRAG and IFRS have jointly published interoperability guidance, which covers how a company starting with either set of standards should achieve compliance with both sets of standards and indicates a high level of alignment between ESRS and ISSB.² However, it is unknown whether the EU will determine that the ISSB standards, alone or combined with the GRI standards, are equivalent either to

² As a broad point, EFRAG has confirmed that the ESRS are expected to cover all the points of reporting in the sustainability reporting standards currently being produced by the ISSB. EFRAG has confirmed that the ESRS climate change reporting standard (ESRS E1) covers all the disclosure recommended in the ISSB climate change standard, with the same core contents (Strategy, Risk Management, Metrics and Targets), and has provided a reconciliation table that shows the correlation between ESRS E1 and the ISSB climate change standard. However, the ESRS climate change reporting standard includes reporting items that are not covered by the ISSB’s equivalent standard. For instance, the ESRS require more details on greenhouse gas emissions, and carbon offsets are generally excluded from the calculation of greenhouse gas emissions reduction targets under ESRS. The ESRS will also contain points of reporting by reference to EU legislation that are not present in the ISSB standards.

the non-EU ESRS or to the full EU ESRS. See the table below for a high-level comparison between the standards.

Materiality

Companies approaching sustainability reporting will report on environmental or human rights topics that are “material” to their operations. The ESRS under CSRD are designed for companies to report on impacts, risks and opportunities (the double materiality standard), whilst the ISSB’s standards only cover risks and opportunities, and the GRI’s standards only cover impacts. As a result, the various standards are based on different approaches to materiality:

EU ESRS	Non-EU ESRS	ISSB IFRS (basis of UK SRS)	Global Reporting Initiative
<p>Double materiality (financial and impact): Impacts of the activities of the company on people and the environment (impacts) and how sustainability matters affect the company from a financial risk perspective (risks and opportunities). Information is material if omitting the information could reasonably influence investors or general readers of the company’s sustainability report.</p>	<p>Single materiality (impact only): Information is material when it relates to the company’s material actual or potential, positive or negative impacts on people or the environment (in relation to environmental, social or governance matters) over the short, medium or long term.</p>	<p>Single materiality (financial only): Information is “material” if omitting, mis-stating or obscuring the information could influence decisions that the primary users of the financial reports make based on those reports, with primary users defined as existing and potential investors, lenders and other creditors. In determining material information, companies must consider topics and metrics in the standards published by the Sustainability Accounting Standards Board (“SASB”), to disclose information on sustainability-related risks</p>	<p>Single materiality (impact only): Information on effects the organization has or could have on the economy, environment, and people, including on their human rights.</p>

		and opportunities for topics beyond climate.	
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Where a company is required to report in respect of its entire group under more than one standard (such as the EU ESRS in respect of a listing on an EU-regulated market, and the UK SRS for a listing on a UK-regulated market), the question arises, given the difference in the materiality standard, whether companies should simply replicate the same report. UK SRS only requires reporting under the single materiality principle and ESRS under the double materiality principle. A likely outcome is that a company may consider that the majority of sustainability impacts on which it reports, such as pollution or water use, gives rise to financial risks and opportunities, and will report on such impacts under the single financial materiality principle. That leaves an open question of whether a company, for SRS reporting, will omit reporting on a limited number of external impacts that have no link to the company’s financial prospects. In practice, a company may be unwilling to exclude information that it considers material for the purpose of EU reporting from its UK reporting. The question of overlapping and duplicate reporting is discussed further below.

Adoption of ISSB Standards for Mandatory Reporting and of Climate Transition Plans in the UK

The United Kingdom currently requires listed companies and large private companies to produce climate-related reports in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). In a recent consultation, the FCA introduced draft rules for listed companies to report according to the UK sustainability reporting standards (“UK SRS”) finalised in late February 2026 for accounting periods beginning on or after 1 January 2027. Under the consultation, climate-related reporting under UK SRS S2 will be required for most listed companies. UK SRS S2 largely aligns with IFRS S2, which itself is closely aligned to TCFD’s recommended climate disclosures. UK-listed companies that already report under TCFD’s recommended climate disclosures will need to perform a “gap” analysis to identify additional information needed to report under UK SRS, as they move from reporting under TCFD’s recommendations (where all items of reporting are made on a “comply or explain” basis) to mandatory reporting under SRS S2. In particular, companies will need to consider how to approach reporting on quantitative climate scenario analysis and Scope 3 emissions data. The UK government recognises the challenges relating to Scope 3 emissions reporting, so proposes to introduce complete relief from Scope 3 emissions reporting during a one-year transitional period and to require reporting on a “comply or explain” basis thereafter.

The UK government has committed to requiring UK-regulated financial institutions, including banks, asset managers and insurers, as well as FTSE 100 companies, to develop and implement Paris Agreement-aligned transition plans, and held a consultation on this in 2025. Adoption of climate transition plans for other UK companies is unlikely to be mandatory, but companies reporting under UK SRS will need to disclose whether they have adopted a transition plan.

UK SRS S1 covers general guidance, such as reporting on judgements or estimated data, which companies will need to apply to their climate disclosures under SRS S2, and requires disclosure of information about all sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects. As above, this will require a company to select material topics. The FCA will only apply this broader reporting requirement on a "comply or explain" basis, although in practice, many listed companies already report wider sustainability related information, such as on anti-bribery and corruption.

External audit or assurance of the information will not (at present) be required, but companies will need to disclose if they have obtained such audit or assurance. In practice, most companies are likely to use some form of external assistance to track and verify the data used.

The FCA's Consultation Paper does not refer to the possibility of UK-listed companies relying on a report published under either EU ESRS or non-EU ESRS to satisfy the UK requirement or a UK-listed company discharging the reporting obligation by reference to a group-wide report prepared by its parent company.

Mandatory Climate Disclosures in the United States

Reflecting the political stance of the Trump administration, the United States is no longer pursuing mandatory climate-related disclosures for listed issuers at the federal level. The SEC's climate disclosure rules, which would have required extensive reporting of greenhouse gas emissions and climate-related financial risks from registered issuers on a basis broadly comparable to ISSB and TCFD frameworks, have been stayed and are not currently being pursued by the current administration. U.S. climate disclosure regulation therefore remains distinctly state-centric, with the most significant activity concentrated in California.

At the state level, California has enacted two laws, SB 253 (the Climate Corporate Data Accountability Act) and SB 261 (the Climate-Related Financial Risk Act), that require all companies operating in California with annual revenue above certain thresholds (\$1

billion in the case of SB 253, \$500 million in the case of SB 261) to disclose their greenhouse gas emissions and climate-related financial risks. SB 253 requires disclosure of Scopes 1, 2 and 3 greenhouse gas emissions, while SB 261 requires the publication of biennial climate risk reports broadly aligned with TCFD recommendations. In February 2026, the California Air Resources Board (“CARB”) approved initial regulations establishing administration fees and a first-year reporting deadline of 10 August 2026 for SB 253, with first-year reporting limited to Scope 1 and Scope 2 emissions only (Scope 3 reporting is required from 2027). CARB has indicated it will use enforcement discretion for good-faith first-year submissions. Pursuant to a third-party challenge and court order, however, CARB is not currently enforcing SB 261, and reporting under that statute remains voluntary, creating ongoing uncertainty as to the timing and ultimate scope of California’s climate-related financial risk disclosure requirements. Californian regulators have indicated that a report that satisfies the requirements of another agency may be sufficient to meet California’s own reporting requirements, giving companies flexibility in using existing sustainability reports, though the California regime does not formally recognise equivalence with other reporting standards.

Momentum is building in other states. New York’s Climate Corporate Accountability Act, which would impose requirements similar to those in California, has passed the state Senate and is awaiting approval by the Assembly and signature into law. Similar legislative activity is also under consideration in other states, including Colorado, New Jersey, Illinois and Washington, and further state-level initiatives are expected as federal action remains in abeyance.

While there is considerable overlap between the types of information contemplated under the various frameworks (for example, each of the SEC’s proposed climate rules, California’s SB 253 and the ISSB broadly require disclosure of Scopes 1, 2 and 3 greenhouse gas emissions), there is no indication that U.S. regulators will consider their disclosure requirements satisfied by a report produced under ISSB or ESRS standards. Unlike the position in Europe, where double materiality (encompassing both financial and impact dimensions) is central to CSRD and ESRS, any mandatory U.S. climate disclosure regime, whether at the federal or state level, is likely to remain anchored to a financial materiality framework, meaning convergence in concepts and data points across frameworks is more likely than formal equivalence or adoption of double materiality standards.

Mandatory Sustainability Reporting in Other Jurisdictions

A number of countries have announced plans to require listed entities, and, in some cases, regulated financial institutions, to report in accordance with ISSB sustainability reporting standards.

In Hong Kong, “publicly accountable entities” such as listed entities and regulated financial institutions must report in line with the Sustainability Disclosure Standards from 2028, based upon ISSB standards. Likewise, in Singapore, under its Exchange Listing Rules, listed companies with market capitalisations of over S\$1 billion must make climate disclosures based on ISSB standards from 2028, with other listed companies required to carry out external limited assurance over their Scopes 1 and 2 greenhouse gas emissions and make sustainability disclosures further down the line.

In Japan, Prime Market-listed companies with market capitalisation of over ¥3 trillion must comply with sustainability reporting rules from 2027, extending to listed companies with market capitalisations of over ¥1 trillion and ¥500 billion from 2028 and 2029, respectively. These standards include a “universal” disclosure standard and two “theme-based” disclosure standards, covering general and climate-related sustainability disclosures. Australia has taken a similar approach, where its AASB S1 standard (modelled on IFRS S1) is a voluntary standard, whereas AASB S2 (modelled on IFRS S2) is mandatory for companies over the relevant size thresholds. Climate-related disclosures under AASB S2 have been introduced in three waves, from 2025 to 2027 for these companies, ultimately requiring an Australian company to report where it meets two of the following three criteria: AUS\$50m revenue, AUS\$25m gross assets and 100 or more employees.

How Should Worldwide Groups Approach Sustainability Reporting?

The potential breadth of reporting requirements for a multinational company is significant. As an example, a UK-listed financial services company with substantial EU and non-EU operations may need to produce a number of reports:

Jurisdiction	Scope of reporting	Relevant standards	Assurance obligation	Timing
UK	Climate reporting by FCA-authorized	Financial sector rules, by reference to ISSB	No assurance.	In place.

	entities under FCA rules.	standards, as adopted in UK SRS S1 and S2.		
	Sustainability reporting for worldwide group headed by listed company.	Listing rules, by reference to ISSB standards, as adopted in UK SRS S1 and S2.	No assurance.	2027
California	Climate reporting by companies operating in California.	California climate disclosure laws (SB 253 and SB 261).	No assurance.	SB 261 currently on hold pending resolution of legal challenge. SB 253 has reporting deadline of August 2026.
EU	Sustainability reporting for “Wave 1” (large EU-listed) companies in scope of the original text of CSRD.	Original ESRS (subject to the Commission’s “Quick Fix” Delegated Act).	Limited assurance.	2024
EU	Sustainability reporting for EU subsidiaries that are in scope.	ESRS.	Limited assurance.	2027
EU	Sustainability reporting for worldwide group.	Non-EU ESRS, ESRS or other standards considered equivalent.	Limited assurance.	2028
Hong Kong, Singapore or Japan	If listed, sustainability reporting for listed entity.	ISSB standards, as adopted in local law.	Assurance may be required in a jurisdiction.	2027 onwards

To date, worldwide groups that produce climate and other sustainability reporting in response to voluntary initiatives and to meet, for instance, bank regulatory requirements, have usually produced a single report, reflecting that the group has

adopted a worldwide policy on how climate and other sustainability matters impact the organization and the importance of communicating with stakeholders in a consistent manner. In practice, groups will be unwilling to produce separate reports under separate regimes, where the required contents of the reports substantially overlap, and are likely to be unwilling to produce a sustainability report by reference only to activities in a single jurisdiction. Whether a group's single worldwide report can be used to satisfy sustainability reporting in a particular jurisdiction depends on the regime in that jurisdiction—individual regimes should be checked to see whether or not a listed company can discharge a sustainability reporting obligation by reference to a group-wide report prepared by its parent company.

As the EU ESRS are regarded as the broadest set of reporting standards, groups that fall within scope of CSRD may consider adopting those ESRS on a worldwide basis, combined with external assurance of the information they report—although that may involve a disproportionate amount of work. Groups may equally consider adopting the ISSB standards, or ISSB combined with GRI standards, as their global reporting standard, although, as above, there is not yet any indication that the EU will regard these standards as equivalent. It is helpful that the ESRS are flexible for companies as to how information is presented, prospectively allowing companies to produce a single report that satisfies both ESRS and ISSB standards, regardless of whether the EU has made the equivalence decision.

Corporate Sustainability Due Diligence Directive

Large groups will also need to consider the impact of the separate Corporate Sustainability Due Diligence Directive (the “CSDDD”). Following the Omnibus revisions, the CSDDD will apply to companies with more than 5,000 employees and net worldwide turnover of at least EUR 1.5 billion. For non-EU companies, the threshold is EUR 1.5 billion in net turnover generated in the European Union in the financial year preceding the last financial year.

CSDDD requires companies to identify and assess actual and potential adverse human rights and environmental impacts from their own operations, their subsidiaries and their business partners, and take substantive steps to address those impacts. Companies in scope must produce an annual statement with detailed information on due diligence processes, identified actual and potential adverse impacts, and measures taken in response. There is a large overlap between the CSDDD due diligence obligations and CSRD reporting obligations. CSRD requires companies to identify material financial risks, external impacts and financial opportunities in their own operations and their

value chains, and disclose information about policies, actions and targets, and on progress and outcomes of steps taken.

Given the overlap, EU and non-EU companies that are in scope of CSRD are relieved from publishing the annual statement under CSDDD.

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