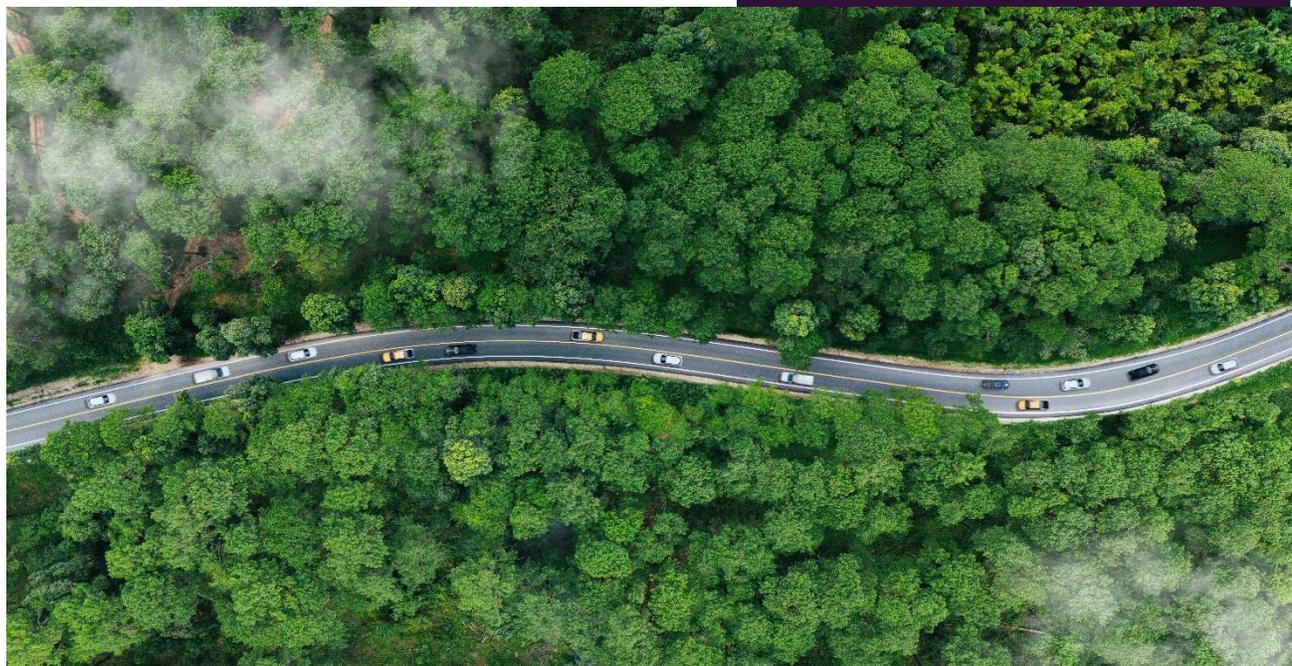


SUSTAINABILITY WATCH

Evalueserve's Monthly ESG Newsletter

FEBRUARY/2026/ISSUE #2



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The Omnibus I Directive entered the Official Journal, formally recalibrating CSRD and CSDDD scope and timelines. Mandatory sustainability reporting and due diligence are now concentrated on the largest, most systemically impactful companies, while double materiality, governance accountability and risk-based value-chain due diligence remain core pillars.

The EU Ecodesign for Sustainable Products regulation has been adopted thus setting narrow derogations from the ban on destroying unsold consumer goods, operationalising waste-prevention objectives while allowing limited, justified exceptions.

Regulators in the UK issued updated guidance on Extended Producer Responsibility for packaging, clarifying compliance obligations during corporate mergers and ownership transfers, an important signal as fee liability and data accuracy become central enforcement levers.

EU Approves Omnibus I Package to Streamline Sustainability Compliance

The EU Council approved the Omnibus I package to simplify sustainability reporting and due diligence, aiming to boost competitiveness. It narrows CSRD and CSDDD scopes by raising employee and turnover thresholds, easing spillover burdens on smaller firms, granting transition exemptions, and focusing due diligence on high-risk value-chain impacts among the largest companies across the EU regulatory framework.

EU Seeks Feedback on Guidelines to Implement Forced Labour Rules

The European Commission has launched a call for evidence to shape guidelines implementing the EU Forced Labour Regulation. The guidelines aim to ensure consistent enforcement, clarify roles for authorities and businesses, support risk-based investigations and due diligence, and minimise burdens on companies, ahead of the regulation's application from December 2027.

European Central Bank Calls for Balance Between ESRS Simplification and Data Quality

The ECB while supporting the simplification of revised ESRS warns of extensive reliefs, phase-ins and exemptions that could weaken transparency, comparability and risk-relevant data. It urges time-limits on flexibilities, stronger interoperability with international standards, and clearer, more robust disclosures, particularly on climate and biodiversity, and for financial institutions.

EU Pushes Fashion Industry Towards Circular Economy Practices

The European Commission adopted new measures under the Ecodesign for Sustainable Products Regulation to ban the destruction of unsold clothing, accessories and footwear. The rules aim to cut textile waste and emissions, require standardised disclosure of discarded stock, and apply to large companies from July 2026, with limited exemptions and later application for medium-sized firms.

NORTH AMERICA

ESG regulation in the United States is increasingly driven by large states, forcing multinationals to align early with rigorous, state-based disclosure and producer-responsibility regimes.

California solidified its role as the effective climate-disclosure trend-setter by approving regulations for mandatory Scope 1 and 2 emissions reporting for large entities doing business in the state.

In parallel, implementation work continued on California's landmark packaging extended-producer-responsibility regime, advancing circular-economy obligations ahead of its 2027 start.

On the East Coast, the New York State Senate the Climate Corporate Data Accountability framework requiring annual Scope 1–3 emissions disclosure from companies exceeding US\$1bn in revenue, now advancing to the Assembly.

California Sets the Stage for Mandatory Climate Disclosures

California's Air Resources Board approved an initial climate transparency regulation implementing SB 253 and SB 261, setting fees, definitions, and reporting timelines for large companies doing business in the state. Firms with over \$1 billion revenue must disclose Scope 1 and 2 emissions, with first reports due August 10, 2026, advancing standardized climate data transparency nationwide and globally.

New York Moves Closer to Mandatory Corporate Climate Reporting

New York's Climate Corporate Data Accountability Act (S9072A) has passed the State Senate and been delivered to the Assembly for further consideration. The bill mandates annual disclosure of Scope 1, Scope 2, and Scope 3 emissions by large companies operating in New York, aligned with recognized standards, supported by third-party assurance, and funded through a dedicated emissions disclosure program.

California Moves Forward on Packaging Producer Responsibility Rules

The Department of Resources Recycling and Recovery is advancing rulemaking to implement California's SB 54 Plastic Pollution Prevention and Packaging Producer Responsibility Act, establishing a statewide extended producer responsibility (EPR) framework. The regulations require producers of packaging and single-use food service ware to fund recycling systems and meet targets by 2032, including 100% recyclable or compostable materials, 65% recycling rates, and 25% plastic source reduction, following extensive public consultation.

APAC & OCEANIA

Across the APAC & Oceania region, policymakers signaled stronger alignment with global reporting baselines, clearer product-level integrity tools and heightened supervisory focus, reinforcing sustainability data as a core input to capital allocation and risk assessment rather than a peripheral ESG exercise.

Japan is tightening ESG regulations through updated disclosure rules mandating SSBJ-based sustainability reporting, expanded product criteria under the Green Procurement Act, revised environmental labeling aligned with ISO standards.

China is advancing ESG transparency with revised corporate disclosure guidelines and trial assurance standards to curb greenwashing, enhance data reliability, and shift reporting toward value creation.

Japan Executes Updated Regulation on Corporate Disclosure

The Financial Services Agency amended corporate disclosure rules, mandating sustainability reporting under SSBJ standards for Prime Market firms with average market cap above JPY 1 trillion. The revision clarifies transitional measures, requires disclosure of Scope 3 GHG data with safe-harbor protections, and adds human capital items: group-level talent strategy, pay determination policy, and year-on-year average employee salary changes.

Australia Consults on a New Framework for Sustainable Investment Labels

The Australian Treasury released a consultation paper outlining the policy design of a Sustainable Investment Product Labelling regime. The proposal aims to improve consumer clarity, curb greenwashing and align product labels with underlying sustainability strategies, while remaining flexible and principles-based. The regime would sit alongside mandatory climate disclosure reforms and is targeted for potential implementation from 2027, subject to final policy decisions.

Indonesia Moves to Align Corporate Reporting with ISSB Standards

Indonesia's Financial Services Authority launched a consultation on 10 February on mandatory sustainability reporting for financial institutions, issuers and listed companies. In-scope entities would publish sustainability reports under PSPK 1 and 2, aligned with ISSB standards, effective from January 2027, with phased implementation from 2027–2029.

Hong Kong Financial Regulator Tightens Focus on Climate-Related Risks

HKMA published the Hong Kong Taxonomy for Sustainable Finance Phase 2A. The new version expands sector coverage to manufacturing and ICT, introduces transition activities with time-bound decarbonization pathways, and adds a new climate adaptation objective focused on water risks, with the aim of strengthening credibility, embedding financial resilience and aligning Hong Kong's framework with international best practices.

Empower your sustainability journey.
Navigate ESG controversies with confidence!

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