

SUSTAINABILITY WATCH

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Accelerated ESG agenda into full execution, with strengthened reporting, assurance, and enforcement reshaping sustainability compliance

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A shift from ESG rulemaking to activation, signaling tighter disclosure, oversight, and accountability expectations

ASIA

Momentum build-up as regulators advanced ESG disclosure, sustainable finance frameworks, and climate-risk integration across markets

January 2026 marked a decisive implementation phase for Europe's agenda, as multiple flagship frameworks moved from readiness into active application.

Companies and Financial Institutions faced rising expectations around the practical delivery of Corporate Sustainability Reporting Directive (CSRD) obligations, including the use of European Sustainability Reporting Standards (ESRS), data assurance, and value-chain coverage.

Regulators simultaneously sharpened oversight of sustainable finance disclosures, taxonomy alignment, and anti-greenwashing controls, reinforcing the credibility of transition plans and climate-risk integration.

Progress also continued across biodiversity, due-diligence, and supply-chain transparency initiatives, signaling broader convergence between environmental, social, and governance requirements.

ECB 2026: Institutionalizing Climate Risk in Monetary Policy

The ECB's January 2026 update mandates a "climate factor" for its collateral framework, applying valuation haircuts to assets with high transition risks. This move forces commercial banks to prioritize "green" collateral to maintain liquidity access. Additionally, the guidelines modernize operations by integrating dematerialized digital debt and phasing out pandemic-era easing to ensure long-term Eurosystem financial stability.

ESAs Finalize Unified Framework for ESG Stress Testing

The European Supervisory Authorities (ESAs) - consisting of the EBA, EIOPA, and ESMA - published joint guidelines to standardize ESG stress testing across the EU financial sector. This framework mandates that banks, insurers, and investment firms use common scenarios to assess their resilience against severe physical and transition climate shocks, ensuring cross-sectoral consistency and preventing supervisory arbitrage.

EBA Finalizes Mandatory ESG Risk Management Framework

The European Banking Authority (EBA) guidelines, effective January 11, 2026, mandate that EU financial institutions integrate ESG factors into their core risk management. Banks must now treat sustainability issues as material drivers of credit and market risk, developing prudential transition plans and extending risk horizons to ten years. This shifts ESG from voluntary disclosure to a rigorous supervisory requirement.

NORTH AMERICA & SOUTH AMERICA

CSSB: Aligning Canada with Global Sustainability Standards

The Canadian Sustainability Standards Board (CSSB) reviewed the first draft of an Exposure Draft to align CSDS 2 with the latest ISSB climate amendments. The Board also approved a project plan to harmonize SASB Standards for the Canadian market and discussed its 2026-2027 Annual Plan to support voluntary adoption.

Significant consolidation phase for regulations across North and South America, as authorities advanced from rulemaking to execution. Regulators across the region prioritized climate and nature-related disclosures, carbon market oversight, supply chain due diligence, and sustainable finance integrity.

In the United States, Canada, and key Latin American economies, January saw the activation of disclosure mandates, supervisory guidance, and enforcement mechanisms tied to previously issued frameworks.

U.S. Exits from 66 International Organizations and Treaties

U. S. President Donald Trump signed a memorandum directing the immediate withdrawal of the United States from 66 international organizations and treaties deemed "contrary to U.S. interests." This sweeping action, resulting from a year-long State Department review, targets 31 United Nations entities and 35 non-UN organizations, including the UNFCCC and the IPCC.

Brazil Structures National Carbon Credit Certification Framework

Brazil's Ministries of Environment and Finance, alongside BNDES, signed a technical cooperation agreement to establish a robust carbon credit certification system. This partnership aims to standardize domestic credits and ensure high-integrity environmental assets. By aligning state-led oversight with global market requirements, the move positions Brazil as a primary, regulated supplier in the international decarbonization economy.

APAC & OCEANIA

Regulations across the APAC and Oceania region, moved from policy intent to implementation. Regulators intensified their focus on climate-related disclosures, sustainable finance taxonomies, supply chain transparency, and corporate governance accountability.

From enhanced mandatory reporting standards to the operationalization of climate risk frameworks and transition planning requirements, the month signaled a clear shift toward enforcement, consistency, and data credibility.

Japan is extending its regulatory amendments to social and governance aspects covering anti-money laundering and human capital while China continues promoting green consumption and solid waste management through comprehensive measures, in addition to joint efforts with other countries in this field.

HKMA Launches Green Finance Taxonomy and Reporting Framework

The Hong Kong Monetary Authority (HKMA) finalized its Green Finance Taxonomy, aligning local standards with the EU-China Common Ground Taxonomy. This mandatory framework for licensed banks streamlines the classification of sustainable activities and enhances the transparency of green assets. It ensures Hong Kong remains a competitive global hub for high-integrity, cross-border sustainable capital flows.

Japan Revises Greenhouse Gas Emissions Accounting, Reporting and Disclosure System

The Ministry of the Environment and the Ministry of Economy, Trade and Industry announced a regulatory amendment effective April 1, 2026, setting the emission factor for steam, hot water, and chilled water generated from waste incineration heat at zero. This reform eliminates double counting under the original greenhouse gas accounting system (SHK system) by consolidating carbon reporting responsibility with waste processors, freeing purchasers from calculation and strengthening clarity in emissions accounting.

Japan Published 2026 Report on Business Management and Labor Policies

Japan Business Federation disclosed a special report on business management and labor policies for 2026. The report highlights the need for higher wage increase and the basic approach to this end, including structural reform in small and medium-sized enterprises. The ultimate goal is to achieve the virtuous cycle from economic growth to allocation.

China to Bolster Green Consumption Initiatives

China's Ministry of Commerce and eight departments issued a notice outlining 20 measures to advance green consumption between 2026 and 2030. Key initiatives include strengthening financial support for green loans, building a unified green consumption points system, and driving supply chain sustainability via green procurement, packaging recycling, low-carbon logistics, and eco-friendly equipment upgrades. Such initiatives demonstrate China's resolution to achieve dual carbon goals and green transition.

Empower your sustainability journey.
Navigate ESG controversies with confidence!

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