



On the ESG agenda 2026

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ESG trends from 2025 and what to expect in 2026

From the beginning of 2025, the ESG landscape underwent a significant transformation. It reshaped how public companies approach ESG regulations, climate-related financial disclosure, and long-term strategy. Public companies found themselves navigating a rapidly evolving environment as global regulatory bodies accelerated ESG regulation and investors demanded more consistent ESG information. The year marked a *significant shift from optional, narrative-heavy sustainability disclosures to mandatory disclosures rooted in defined and measurable ESG metrics, internal controls, and audit-ready documentation.*

Over the past year, companies responded to tightening climate and sustainability rules while adapting to new expectations around data quality, governance, and assurance. These shifts are expected to accelerate in 2026, marking a transition into the need for deeper transparency, rigorous reporting processes and stronger operational readiness that is expected to define the next stage of ESG reporting. For companies across sectors, this period represents both a regulatory turning point and a strategic opportunity to strengthen ESG performance, mitigate risk, and meet rising stakeholder expectations.



What companies need to prepare for in 2026

1 A new era of standardised ESG reporting frameworks

2 Real action, not empty promises

3 Sustainability and social impact become part of brand promise

4 A transparent brand is a trusted brand

5 Climate risk becomes a live financial issue, not a disclosure exercise

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1

A new era of standardised ESG reporting frameworks

2026 is going to be a dense year for ESG regulation. The EU's Corporate Sustainability Due Diligence Directive (CSDDD) is expected to enter enforcement for the largest companies, while the Corporate Sustainability Reporting Directive (CSRD) expanding disclosure requirements across Europe. In parallel, *India is moving toward convergence of BRSR Core, increasing comparability and assurance-readiness as SEBI, global investors, and export customers raise expectations.* Japan, China, Singapore and Hong Kong(SAR), China are introducing mandatory ESG reporting aligned with the International Sustainability Standards Board (ISSB), embedding sustainability disclosure across economies that represent the growing share of global GDP, trade and capital flows.

Pressure is intensifying for carbon-exposed exporters. The EU's Carbon Border Adjustment Mechanism (CBAM) enters its definitive phase, with payments beginning in 2027, followed by the U.K. For India, CBAM exposure is material across steel, cement, aluminium, and chemicals, pushing boards to strengthen ESG data, value-chain transparency, and emissions governance. As global regulatory hubs shape what constitutes bankable sustainability data, companies are consolidating fragmented frameworks—Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP), and Global Reporting Initiative (GRI)—into a unified ESG reporting strategy. Data quality and verification are no longer optional, particularly for carbon-intensive exporters facing growing risks to market access.

Key questions to consider

1. Are our ESG reporting responsibilities clearly assigned to the board and management levels, and do we have the right oversight mechanisms in place?
2. How will exemptions or scaled-back regulation affect our reporting strategy - should we maintain higher standards to meet investor expectations even if not required?
3. What investments are needed to strengthen data governance, verification and assurance processes?
4. How are we assessing and managing ESG risks across our value chain, especially with increasing downstream data requirements?
5. How could stronger sustainability data enhance access to capital, financing terms or customer preference?
6. How prepared are we for scrutiny from auditors, investors and regulators on the credibility of our sustainability disclosures?
7. Are we conducting scenario analyses around regulatory tightening, supply chain disruption or carbon pricing impacts?

2

Real action, not empty promises

Greenwashing risk surged in 2025, particularly around climate claims and marketing language such as 'net-zero', 'carbon neutral', or reliance on offsets. *India's SEBI and ASCI scrutiny on sustainability and 'green' claims is tightening.* California AB 1305, the Federal Trade Commission's (FTC) updated green guides, and SEC actions pushed companies to validate claims and ensure consistency across sustainability reports, investor decks, and website content.

In 2026, this pressure is expected to escalate further. Rules like the EU green claims directive now force businesses to back up their credentials, while rising consumer and investor awareness increasingly scrutinises green messaging that doesn't match with credible data. This shift pushes marketing, legal, and ESG teams to work in closer alignment, ensuring that claims are not only compelling, but also accurate and defensible.



Key questions to consider

1. Are our internal controls for ESG claims as robust as those for financial disclosures?
2. What gaps exist in our current data systems that could expose us to greenwashing risk?
3. Do our marketing messages accurately reflect our actual ESG performance and progress?
4. Are we incentivising leaders and employees to drive real sustainability performance - or simply better optics?
5. Do we have crisis response protocols specifically for sustainability related reputational incidents?
6. Do we need new training, processes or escalation mechanisms to prevent inaccurate or misleading claims?

3

Sustainability and social impact become part of brand promise

Customers increasingly evaluate brands by how they act, not just what they sell. Sustainability, transparency, and social impact are becoming central to trust and growth, with leading brands embedding sustainable choices directly into the customer journey—through eco-friendly shipping, low-impact packaging, and clearer visibility of greener products.

Generic 'green' claims are no longer sufficient. Customers and investors expect verified data on supply chains, carbon metrics, ethical sourcing, workforce stability, Diversity, Equity, and Inclusion (DEI), and board oversight—using transparency and accountability as key signals of long-term value.



Key questions to consider

1. Are we prepared to provide verified, easily understandable sustainability data at customer touchpoints?
2. Where might gaps in our current sustainability actions undermine customer trust?
3. Should we develop interactive tools or dashboards to help customers understand the impact of their choices?
4. How are we prepared to respond if a sustainability or social impact claim is challenged by customers, regulators, or investors?
5. If every sustainability claim we make had to be audited publicly, what will break first - our systems, our processes, or our messaging?
6. If sustainability performance directly impacted executive compensation next year, what behaviours or outcomes would change immediately?

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A transparent brand is a trusted brand

Trust remains central to customer loyalty, but by 2026, governance is going to be a visible part of the customer experience. Customers now expect transparency on data use, product origin, labor practices, and ethical operations, supported by technology-enabled traceability and verified ESG disclosures.

As global regulations tighten around sustainability reporting, green marketing, product accountability, data privacy, and right-to-repair, opaque supply chains—especially across Indian manufacturing and agriculture—pose growing risk. Governance is now customer experience, and transparent brands easily earn trust.



Key questions to consider

1. If a customer asked for full traceability - from raw materials to delivery - could we provide it?
2. Where are the biggest risks of inconsistent or unverifiable information across our channels?
3. Should we invest in technologies like blockchain or digital passports to strengthen transparency?
4. Which customer promises today would be hardest to substantiate under future regulation?
5. Which competitors are leveraging governance transparency as a brand advantage - and how do we leapfrog them?
6. How often does the board review reputational risks tied to data integrity, sourcing, or ethical operations?

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Climate risk becomes a live financial issue, not a disclosure exercise

Climate risk is now a direct financial and operational challenge. Physical impacts from wildfires across Australia, the U.S. and Europe to heat-driven productivity losses and water stress in India are disrupting operations, raising costs, and affecting cash flows, asset values, and insurance availability.

At the same time, transition risk is accelerating through carbon pricing, regulatory tightening, and product restrictions, repricing sectors faster than traditional governance cycles. By 2026, the focus is expected to shift from describing climate risk to credibly embedding scenario-led analysis into strategy, capital allocation, and portfolio decisions, supported by clear transition pathways, interim milestones, and strategic technology adoption.



Key questions to consider

1. Which parts of our business would face immediate financial strain if heat, floods or water scarcity worsened by 20–30 per cent?
2. How are climate scenarios influencing our capital planning, capex prioritisation and portfolio design?
3. Which locations or supply chains are most vulnerable to recurring heat stress, water shortages or extreme weather?
4. What adaptation investments deliver short term cost savings as well as long term resilience?
5. Do we have contingency plans if key suppliers experience production halts from climate events?
6. Do we have the right expertise to evaluate climate risk in strategic decisions?

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Nature finance, in-setting and land-based mitigation move to the centre

Nature is no longer adjacent to climate strategy—it is becoming integral to it. With the Taskforce on Nature-related Financial Disclosures (TNFD) aligning with the ISSB, companies are under increasing pressure to treat biodiversity, water, and land use as material financial risks. At the same time, the Science Based Targets initiative (SBTi) Forest, Land and Agriculture (FLAG) guidance is reshaping how emissions and removals are managed in land-intensive sectors, with insetting moving from theory to execution for organisations with large Scope 3 footprints.

For investors, biodiversity loss is now viewed as a systemic risk with direct implications for valuation, creditworthiness, and capital allocation. While data challenges persist, leading institutions are building capabilities early, particularly as water security and land risks remain critical strategic threats across Indian sectors. In the near term, expectations are shifting toward company-specific, location-linked investments in nature, closely aligned to supply chains and risk exposure, rather than reliance on a future global biodiversity credit market.

Key questions to consider

1. Would investor valuation of our business change if nature risk metrics became mandatory tomorrow?
2. How are nature-based risks and opportunities reflected in our climate strategy?
3. Are we prepared to shift from offsets to insetting - cutting emissions within our own value chain?
4. Which suppliers or regions offer the highest impact insetting opportunities?
5. What nature positive investments offer both resilience and long-term financial returns?
6. Do we have adaptation plans for water scarcity, soil degradation or ecosystem decline?
7. Could we become a first mover by integrating nature finance into our core business model?

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Value chain collaboration becomes the real differentiator

Scope 3 emissions make one reality clear: no company can deliver a credible sustainability strategy alone. Progress now depends on the strength of supplier relationships and effective value-chain collaboration. For Indian companies, supplier capacity building is expected to be a key differentiator in improving global competitiveness and community impact. For SMEs, this requires shared measurement frameworks, digital tools, and co-financed decarbonisation and nature-positive initiatives. Moving beyond one-off data requests to long-term, trust-based partnerships is going to define success, with leaders treating the transition as a system-wide challenge rather than isolated projects.



Key questions to consider

1. Which suppliers are critical to achieving our Scope 3 goals, and do we have true partnerships with them?
2. What incentives or shared value models can we offer to accelerate supplier participation?
3. How are we helping smaller suppliers build capability - through training, shared tools, or co financed projects?
4. Do we understand which suppliers lack the data, skills or resources needed to meet our expectations?
5. Where are the biggest data gaps - and how do they affect our ability to credibly report Scope 3 emissions?
6. Which parts of our supply chain are most exposed to climate, nature, or regulatory risks?
7. How can deeper collaboration strengthen resilience and reduce supply chain volatility?
8. How could we position ourselves as the partner of choice for suppliers seeking long term transition support?
9. What would it look like if our entire value chain moved in sync on decarbonisation and nature positive action?

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AI-augmented ESG monitoring and reporting

As ESG data becoming increasingly complex and granular, AI-augmented analytics and reporting tools are quickly proving their worth. New tools help organisations validate data, reconcile large datasets, flag anomalies, model scenarios and maintain audit trails – rapidly transforming the ESG data landscape.

AI does not replace human judgment, and organisations are swiftly seeing value in combining AI-enabled efficiency with experienced guidance, not choosing between them. This capability must be balanced with AI's own energy footprint – growing interest in 'frugal AI' is rising, and well within India's energy realities. Expect more companies apply AI selectively to high-impact processes by fitting right-size models and shifting workloads to lower-carbon grids.

Transparency, energy discipline and governance is set to define credible adoption.

Key questions to consider

1. Which parts of our reporting process would benefit most from AI based validation and anomaly detection?
2. Could AI help us identify emerging ESG risks earlier than our current systems allow?
3. Do we have the internal skills to evaluate and govern AI enabled sustainability tools?
4. How do we maintain accountability for ESG decisions when AI is involved in data processing?
5. Are we prioritising 'right sized' energy efficient models for ESG processes?
6. Can AI unlock new insights about our value chain, emissions hotspots or cost-effective interventions?
7. Would investors trust our ESG disclosures more if they were AI validated and continuously monitored?

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AI and sustainability converge to create responsible experiences

In 2026, ESG and customer experience is converging into one expectation: responsible experiences.

Customers are now looking to measure brands not just by what they sell, but by how they act. AI will curate personalised experiences based on customer values, identify sustainable options, and automate ESG reporting and verification. It assists organisations in detecting supplier inconsistencies, forecasting environmental impact, and strengthening governance oversight.

Voice technology, emotional analytics, and live ESG data are poised to enhance sustainability throughout customer interactions. Real-time touchpoints enable personalised approaches to sustainability that resonate with individuals. Organisations that prioritise explainable AI, ensure data privacy, and deploy automation responsibly foster stronger trust and create more significant customer experiences.

Key questions to consider

1. How do we ensure our AI systems remain explainable, bias-free and privacy-safe?
2. Where in our customer journey would real-time sustainability insights create the most value?
3. Are we at risk of overwhelming customers with data instead of empowering them?
4. How can responsible AI experiences become a signature element of our brand?
5. What competitor innovations could outpace us if we don't adopt AI-enabled ESG capabilities quickly?
6. How prepared are we for emerging rules around AI transparency, sustainability claims and customer data protection?
7. Are we documenting AI driven ESG decisions in a way that regulators and auditors can trace?

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AI ethics joins the ESG scorecard

As AI becomes embedded in business and day-to-day life, customers, investors, and regulators are increasingly viewing responsible AI use as an essential element of good governance.

Organisations in highly regulated sectors like finance and healthcare can expect to face more obligations to report on transparency, fairness and guardrails to prevent social or environmental harm. In 2026, the ESG reporting is expected to emphasise a more in-depth understanding of algorithmic bias and AI governance as stakeholders expect a greater level of disclosure.



Key questions to consider

1. Can we explain how our AI systems make decisions - especially those affecting customers, employees or creditworthiness?
2. Do we know which of our AI applications fall into high-risk categories under emerging global frameworks?
3. What are our biggest AI related risks - operational, reputational, ethical or legal?
4. Could any of our AI use cases damage customer confidence if not governed properly?
5. Do we have escalation processes if an AI system behaves unexpectedly, unfairly or harms stakeholders?
6. Are we investing enough in human oversight, not just technical controls?
7. Could responsible AI become a selling point - like how cybersecurity and sustainability are today?

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Circular economies go mainstream

In 2026 businesses are repositioning their product lifecycles towards a 'repair-reuse-recycle' ethos away from the wasteful 'dispose-and-replace' model. With businesses expected to demonstrate improved waste reduction and end-of-life processes for a growing range of products, circularity is expected to become integral to ESG reporting metrics,

This shift globally is not only environmentally responsible but also unlocks opportunities to lower material costs and create new revenue streams, including resale and repair services. ESG is becoming less about empty words and promises, and more about harnessing technology to drive real measurable progress.



Key questions to consider

1. How can circularity become a differentiator for our brand rather than a compliance requirement?
2. Which product lines offer the strongest opportunities for repair, refurbishment or resale revenue?
3. What changes in materials or design would significantly reduce waste or extend product life?
4. Do we have the supply chain capabilities to support circular operations - reverse logistics, spare parts, take back programmes?
5. Which suppliers need to shift their practices to support circularity targets?
6. How should circular revenue streams (resale, refurb, repair) be built into our long-term business model?
7. What reputational risks do we face if our products are seen as wasteful or short lived?

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Clean energy disclosure pressure

The global acceleration of clean energy manufacturing and the increasing expansion of data center infrastructure are reshaping environmental disclosure expectations. In India, the race to scale solar, wind, and energy storage is rising rapidly. As both sectors scale, environmental reporting is becoming a core part of license to operate. Clean energy manufacturers must prove their operations are clean, auditable and transparent.

Energy use, water consumption, materials, waste, emissions, and circularity at data centers are increasingly scrutinised. Adopting real time monitoring tools, stronger supply chain traceability, cross value chain transparency and credible disclosure practices are the pillars in these looking to strategically differentiate in this rapidly changing landscape.



Key questions to consider

1. Do we have real time or near-real-time environmental monitoring systems?
2. How will our growing energy and water needs affect local communities or grid systems?
3. How do climate risks (heat stress, drought, extreme weather) impact our manufacturing sites or data centers?
4. Could radical transparency (e.g., real time dashboards for energy, water, emissions) become a signature of our brand?
5. Are we positioning ourselves as future leaders in low carbon, low water, high efficiency infrastructure?

Green economy continues to grow

Despite political headwinds, the green economy exceeded USD5 trillion in annual value last year¹, with decarbonisation solutions such as industrial energy efficiency, solar, wind, hydropower, nuclear, and clean heating already cost-competitive in many cases. Businesses have largely stayed the course on sustainability, with net-zero commitments continuing to rise and 41 per cent of the world's 2,000 largest companies retaining full value-chain net-zero targets². Investment in green technologies remains strong, with markets for clean commercial solutions expected to reach USD7 trillion annually by the end of the decade¹.

While some regions soften regulatory requirements, stakeholder expectations continue to intensify. Investors, lenders, and business partners increasingly demand decision-grade sustainability data, with firms that invested early seeing clearer governance, stronger risk management, and better strategic outcomes. In India, rapid expansion in clean energy manufacturing, grid modernisation, and data-center infrastructure is raising ESG disclosure expectations across sectors. As large companies comply, environmental data, energy reporting, and supply-chain transparency requirements cascade through value chains, creating a regulatory flywheel effect.



1. The Multi-Trillion Dollar Growth Opportunity: New Report Shows Green Economy Expected to Surpass \$7 Trillion in Annual Value by 2030, World Economic Forum, December 2025

2. Global Companies Resume Net-Zero Targets, Value Chain Emissions Now Core Focus, Sustainability directory, December 2025

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