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From reporting to accountability: The next wave of climate regulation

Our Risk & Resilience report " Spotlight on Energy Transformation 2026" looks at the opportunities, risks and new approaches needed for the new energy era., Read on for our insights into intensifying ESG pressures, mounting legal risk and supply-chain scrutiny.

Legal risk is rising

Climate regulation is moving fast. From 2026, regulations are shifting from narrow, operations-led reporting to broad, mandatory disclosures covering emissions, waste, biodiversity and broader environmental impacts.

Europe is leading the charge

Europe is setting the pace with legally binding climate targets across sectors. The result is a more complex, fragmented global landscape where multinational businesses must navigate diverging rules while meeting increasingly detailed reporting requirements.

The EU's Corporate Sustainability Due Diligence Directive (CSDDD) is an example. It extends responsibility beyond direct operations to entire value chains, with national laws due by July 2026 and phased compliance from 2027, organisations must identify, monitor and mitigate environmental and human rights risks across suppliers, subcontractors and distribution networks.

Supply chains under scrutiny

The bar on transparency is rising. Companies will need visibility beyond Tier 1 suppliers into complex, multi-tiered networks.

That means:

- Stronger supplier due diligence
- ESG embedded into procurement
- Systems to capture and validate large volumes of third-party data

Operational and strategic impacts will follow. Expect supplier rationalisation, shifts away from high-risk regions, and closer collaboration with key partners, often at higher short-term cost and complexity.

In some cases, relationships will need to be exited, disrupting production and delivery models. At the same time, resilience and sustainability are converging, making transparent, compliant supply chains vital to protect continuity and brand value.

Executive accountability is increasing

Accountability is moving to the top. Boards and executives face growing personal exposure for failing to:

- Identify
- Manage
- Disclose ESG risks

Under frameworks like the CSDDD, oversight sits firmly with senior leadership. Non-compliance is no longer just a corporate issue; it is a governance risk with legal, financial and reputational consequences for individual executives.

From compliance to competitive edge

ESG is now a boardroom priority. It must be embedded into strategy, risk and day-to-day decision making, and not treated as a reporting exercise.

This will require:

- Clear governance and accountability
- Integration across legal, risk, procurement and sustainability
- Practical operationalisation across global organisations

“The regulatory landscape creates a new opportunity for firms to turn regulatory pressure into resilience, creating stronger, more transparent supply chains and greater operational value. Firms that do not take their ESG obligations seriously or do not deliver on the ‘green’ sustainability promises are likely to face punitive fines and liability claims.”

Jordan Barker, Climate Risk Specialist, Beazley

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