KPMG

ESG Bulletin 2026 Issue 02

KPMG. Make the Difference.

May 2026

The second issue of the **ESG Bulletin** provides a board-level overview of recent developments in the ESG regulatory landscape, highlighting practical considerations across ISSB standards, EU Omnibus, the Chinese Mainland and beyond.

01 Regulatory and standards update

Chinese Mainland

The 15th Five-Year Plan and new Ecological and Environmental code

On 13 March 2026, the National People's Congress passed the 15th Five-Year Plan (2026–2030) and the **Ecological and Environmental Code**, which takes effect on 15 August 2026.

The Plan sets binding targets including a **17% reduction in carbon emissions per unit of GDP and non-fossil energy rising to 25% of total energy consumption by 2030**. Critically, the new Code consolidates over 30 environmental laws into a single statutory framework and, for the first time, codifies corporate greenhouse gas (GHG) accounting, reporting and verification obligations into law — elevating compliance expectations well beyond previous voluntary or administrative measures.

Strategic Implications

- Review GHG accounting processes and allowance positions, as the Code elevates emission trading scheme obligations into statute from August 2026.
- Integrate the Plan's quantitative environmental targets into transition planning, and climate scenario analysis.

ISSB Standards Updates

ISSB signals future for nature-related disclosures

During its April 2026 meeting, the International Sustainability Standards Board (ISSB) agreed to propose nature-related disclosure guidance in the form of a **non-mandatory IFRS Practice Statement**, rather than a standalone standard. The Practice Statement would complement IFRS S1 and S2 – without amending either.

When a company is required under IFRS S1 to disclose material nature-related risks and opportunities, the Practice Statement would explain how companies should identify, measure, and disclose material nature-related risks and opportunities, building on the TNFD framework. An Exposure Draft is targeted for October 2026, followed by public consultation.

Strategic Implications

Understand how your company is exposed to nature-related risks and opportunities. If you are exposed, consider how TNFD recommendation can help you to report, given that the ISSB is building its requirements and guidance on them.

For further details, please refer to **KPMG Insights: Reporting on nature**

01 Regulatory and standards update (Cont.)

ISSB Standards Updates (Cont.)

Exposure Draft to update SASB industry standards

On 26 March 2026, the ISSB released an Exposure Draft proposing amendments to three additional SASB Standards — Agricultural Products; Meat, Poultry & Dairy; and Electric Utilities & Power Generators.

This completes the second and final batch of its "**Enhancing the SASB Standards" initiative**, with changes across 53 of 77 standards to better align with IFRS S1/S2, strengthen interoperability with GRI and TNFD, and update climate- and nature-related metrics. The comment period runs until 24 July 2026, with final standards expected to apply within 12–18 months after issuance.

For further details, please refer to **KPMG Insights: Enhancing the SASB Standards**

Strategic Implications

- Review the proposed amendments to assess impact on your materiality and disclosure gap assessments, and reporting systems.
- Evaluate whether updated SASB metrics affect the industry-specific information you currently disclose to investors.

EU Standards Updates

CSRD/CSDDD – Omnibus amendments

On 18 March 2026, the revised **Omnibus I Directive entered into force**, significantly narrowing the scope of both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). Under the amended CSRD, the key thresholds differ depending on where a company is headquartered:

- **EU companies** with over EUR 450m net turnover and more than 1,000 employees will remain in scope
- **Non-EU groups** will only need to report if they exceed EUR 450m net turnover generated in the EU and have at least one EU subsidiary or branch with over EUR 200m net turnover, beginning in FY28 (reporting in 2029). Reporting standards for non-EU companies are not expected before October 2027 at the earliest.

Strategic Implications

Asian groups with EU subsidiaries or EU-generated turnover should reassess their eligibility under the revised thresholds.

For further details, please refer to **KPMG Insights: EU Omnibus**

EU Taxonomy – Revised screening criteria

The European Commission recently consulted on streamlined technical screening criteria under the EU Taxonomy, covering most activities under the Climate and Environmental Delegated Acts and clarifying how companies can demonstrate compliance.

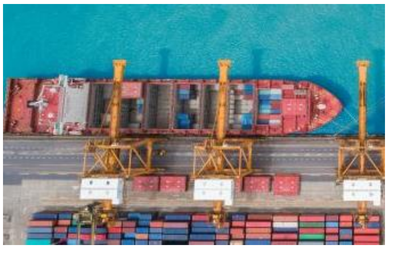
The Commission plans to adopt the revised criteria in the second quarter of 2026, with application expected from 1 January 2027, subject to the usual EU scrutiny process.

Strategic Implications

Companies structuring green or sustainable finance products for EU investors should monitor the revised Taxonomy screening criteria closely, as summer 2026 adoption will affect use-of-proceeds eligibility assessments and KPI definitions.

02 Focus topics

GHG Protocol: Scope 3 standard revision underway



The GHG Protocol is undertaking its **first major revision to the Scope 3 Standard** since 2011, with key proposed changes including stricter data quality requirements, tighter boundary rules, updated Category 15 (Investments) reporting, and a new Category 16 for facilitated emissions.

A public consultation draft is expected in Q3 2027, with the final standard to follow. Separately, the GHG Protocol and ISO are jointly developing a **unified product-level GHG accounting standard**.

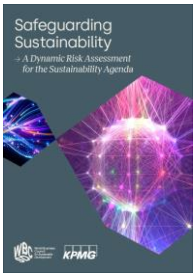
02 Focus topics (Cont.)

China releases second edition of National GHG Emission Factor Database

In March 2026, China's Ministry of Ecology and Environment released the second edition of the **National Greenhouse Gas Emission Factor Database**, expanding coverage from 285 to 576 factors — nearly doubling its scope. The update adds direct emission factors across energy, industrial processes, and agriculture, as well as indirect factors for electricity consumption, and incorporates carbon intensity data for key products including crude steel and unwrought aluminium.

03 KPMG news

KPMG and WBCSD launch study on today's sustainability risk landscape



Produced by the World Business Council for Sustainable Development (WBCSD) in collaboration with KPMG, the **Safeguarding Sustainability: A Dynamic Risk Assessment for the Sustainability Agenda report** is officially published.

The study leverages KPMG's Dynamic Risk Assessment (DRA) methodology to move beyond traditional risk "heat maps," providing unique insights into the complex risks network and where businesses are best positioned to act collectively in an era of unprecedented uncertainty.

KPMG explores sustainable AI as the new performance frontier

KPMG has released a new paper, **Sustainable AI is the new performance frontier**, drawing on a global survey of 350 executives across more than 15 countries on how they are balancing AI ambitions with sustainability goals.

The study highlights how leading organisations are starting to design and govern AI with energy efficiency, emissions reduction and broader ESG impacts in mind, positioning sustainable AI as a critical new frontier for business performance.

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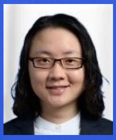

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