Marsh

ISSB and the future of global sustainability reporting

A “unity candidate” emerges?

December 2025

Introduction

The global climate and sustainability regulatory reporting landscape is widely acknowledged to be complex and fragmented. This presents significant challenges for businesses, which face cumbersome compliance burdens that can vary by region and evolve continuously. Differing regulatory requirements also lead to inconsistent reporting of sustainability data, hindering the ability of financial markets and broader stakeholders to make judgments about firms' progress, future trajectory, and risk exposure. The increasing number of climate litigation cases, particularly over the issue of corporate greenwashing serves to underscore the importance of clear and consistent sustainability disclosures.

Against this backdrop, concerted efforts are underway to simplify reporting requirements, most notably through the International Sustainability Standards Board's (ISSB) ambitious consolidation initiative. If successful, this could mark a transformative milestone for sustainability reporting by uniting many of the world's leading economies and financial centers under a coherent regulatory framework. Regulation alone will not address the global challenges presented by climate and sustainability; but alignment of global reporting is a critical enabler to overcoming them.

However, the path towards convergence is far from assured. Attempts at regulatory consolidation continue to encounter obstacles, most notably the current geopolitical divergence surrounding the climate and sustainability agenda. The two largest carbon emitters — the United States and China — are also the world's largest economies. Climate policy cooperation between these two nations is crucial to the successful transition towards net zero; however, the issue has become entangled in broader tensions that encompass political, economic, and environmental concerns.

There is an urgent need for comprehensive, reliable sustainability data — from greenhouse gas emissions to water consumption and discharge — to inform public policy, capital allocation, and consumer decisions. This report explores the dynamics shaping global sustainability reporting, highlighting some of the hurdles and opportunities ahead.

The case for sustainability reporting convergence

In 2025, the Financial Stability Board (FSB) reported that climate change impacts are materializing faster and more severely than anticipated, leading to escalating global economic losses, increased insurance protection gaps, and growing financial risks from physical and transition factors. Global insured catastrophe losses — a conservative estimate of the true magnitude of losses — exceeded US$100 billion for the fifth consecutive year in 2024. The urgent need for a better understanding of climate and sustainability risk is clear, but this cannot be achieved without adequate data.

As such, a concerted effort is needed to standardize sustainability risk management and disclosure practices internationally. This would benefit not only corporations, but also investors, insurers, regulators, and the wider public.

- For corporations, standardized reporting promotes mechanisms for monitoring and managing sustainability issues, elevating board-level understanding and engagement.
- For financial institutions, investors, and insurers, consistent and comparable sustainability data enhances risk assessment, pricing, and capital allocation decisions.
- For regulators, it supports more effective oversight and policy development.
- For the public and civil society, it fosters trust and informs consumer decisions by providing clear, reliable information on corporate sustainability performance.

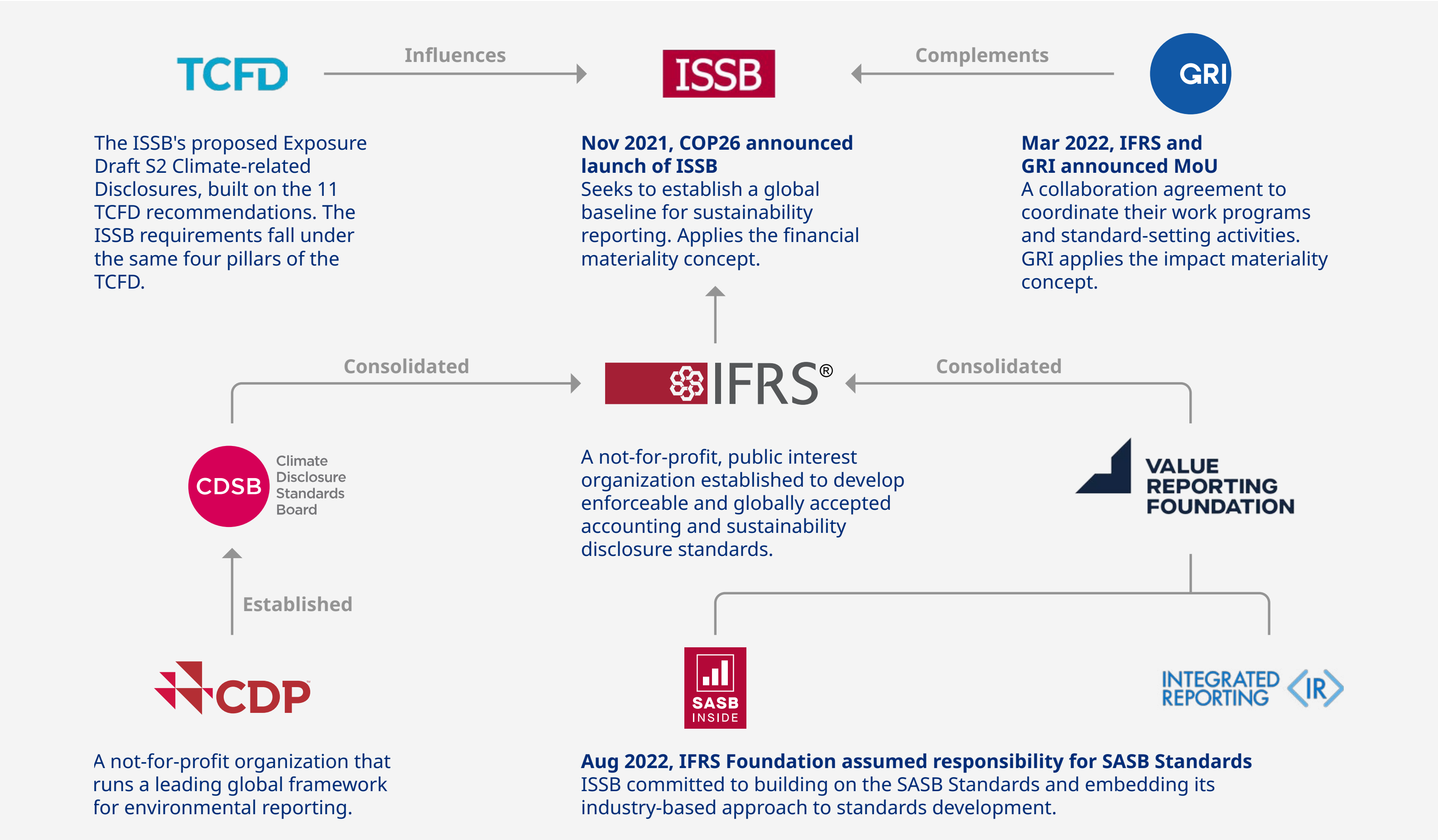
The journey so far

Over the past decade, there have been several efforts to consolidate international sustainability reporting. Initiatives such as the European Union's Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) have made important strides in establishing principles and metrics that resonate with national regulators, investors, and companies.

However, these efforts have largely operated in parallel rather than in unison, leading to overlapping requirements and confusion. Attempts at harmonization have been hindered by differing regional priorities, varying regulatory approaches, and the absence of a truly global governance mechanism.

In this context, the ISSB has emerged to help bring global markets together under a single, coherent sustainability reporting framework. Established under the auspices of the International Financial Reporting Standards (IFRS) Foundation, patron of the leading global accounting standard, the ISSB benefits from this strong institutional foundation, which aligns sustainability reporting with the established financial reporting ecosystem, facilitating integration and comparability. The ISSB has already achieved significant milestones by consolidating the TCFD recommendations and integrating SASB standards into its framework, creating a comprehensive and investor-focused approach to sustainability disclosures (Figure 1).

Figure 1. ISSB has absorbed multiple reporting frameworks



Source: Aligned Incentives

Many countries are aligning their reporting rules with ISSB standards, including the UK, Canada, Australia, and Japan, which have adopted or are consulting on ISSB-aligned standards. The ISSB has also published profiles showing adoption progress in various countries, including several in the global south.

Notably, the US and EU continue to forge their own paths. While the EU's disclosure requirements offer a degree of interoperability with the ISSB as of November 2025, key differences remain (although they may still be subject to further change). The US, meanwhile, has withdrawn entirely from the ISSB implementation at a federal level. Several US states, including California with its landmark climate laws and New York with its pending emissions reporting rule, are considering their own standards — though it remains uncertain where these will ultimately land.

It is worth noting that for most state and federal jurisdictions introducing the ISSB, reporting has been made mandatory for firms operating within the jurisdiction above a certain size (e.g., measured in local net revenue), meaning they capture both international firms and those locally domiciled.

As such, ISSB currently represents the only reporting framework capable of uniting the global economy behind consistent sustainability reporting practices. Regardless of a government's position on the framework, the private sector can also influence policy. Firms should independently assess the benefits of the ISSB, as well as their readiness to report against it, and consider voluntary alignment where they see merit.

Geopolitical realities and regulatory divergence

Perhaps the foremost obstacle to streamlining compliance is a lack of political will. Tensions between leading global economies continue to drive divergent strategies on a range of policy issues, and sustainability is not immune.

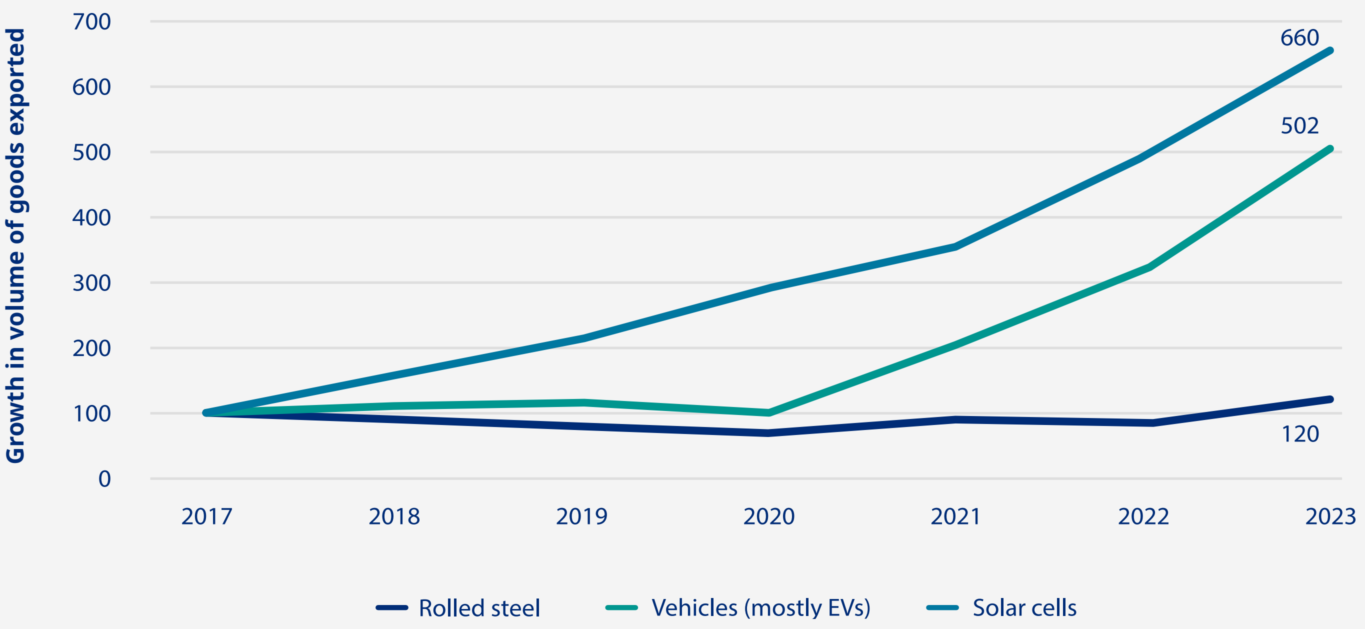
For example, the growing technological rivalry between the US and China is at risk of extending to clean energy technologies, threatening the pace of renewable energy innovation and deployment as access to the necessary critical minerals and technologies is limited.

Equally, their roles as producers of essential raw materials and manufactured components have created interdependencies vulnerable to export restrictions or supply chain disruptions. The lasting trade dispute between the two countries could raise costs and cause delays for clean energy projects, amplifying transition risks across global markets.

Divergent approaches to policy and regulation also add complexity, creating tensions and exacerbating transition risks for businesses. The US government has withdrawn from the Paris Climate Agreement and is stepping back from its role as a climate policy leader. At the same time, China continues to expand its clean energy sector and take a prominent global role on these issues, increasingly filling the void left by the US (Figure 2).

Against this backdrop, there is a significant risk that aligned global sustainability reporting falls victim to wider geopolitical divergence and competition.

Figure 2. China's green exports



Source: National Bureau of Statistics China, Ember, Marsh analysis

Increased dislocation between the US and traditional partners

A widening gap is emerging between the US and the EU, two of the world's largest and most influential markets, in their approaches to a range of political, social, and economic issues, placing increasing strain on a historically strong relationship. This includes a growing gap in attitudes to climate among their respective governments and divergence in approaches to sustainability reporting.

The EU, often considered a leader in mandating sustainability and climate-related reporting, has proposed amendments to its existing laws through the "Omnibus" package, marking the start of a process that could result in significant changes to key laws on sustainability reporting, diligence, and trade. As part of the Omnibus revision, the European Commission has expressed its intention to align its regulations with the language of the ISSB standards "as much as possible."

Meanwhile, legal and political developments in the US are reshaping the climate reporting landscape. The current administration has withdrawn from the Paris Agreement, rolled back more than 100 environmental protections, slowed the deployment of renewable energy, and reinvigorated the fossil fuel industry. This retrenchment extends beyond domestic policy, as the US has also encouraged the EU to roll back its sustainability regulations. For example, in response to US concerns about the impact of the Carbon Border Adjustment Mechanism (CBAM) on small and medium-sized businesses, the European Commission has committed to exploring additional flexibilities in CBAM's implementation.

In the US, while some investors have generally supported the ISSB's disclosure framework, some officials have voiced concerns about the IFRS Foundation's funding of the ISSB. Indeed, the SEC has indicated it may reconsider its current accommodation of IFRS financial reporting if the Foundation shifts its focus away from core financial accounting standards.

Twin engines of change: China and India

Key emerging markets, such as China and India, add further complexity. While neither country has yet committed to long-term sustainability reporting strategies, both are developing their own national sustainability disclosure standards based broadly on the ISSB framework. This tentative alignment is significant, as it suggests that these countries recognize the potential geopolitical and economic advantages of implementing globally consistent sustainability reporting standards.

Indeed, such alignment could serve as a new geopolitical lever, influencing global trade, investment flows, and soft power dynamics, all of which are increasingly important in a world characterized by growing ruptures with the US.

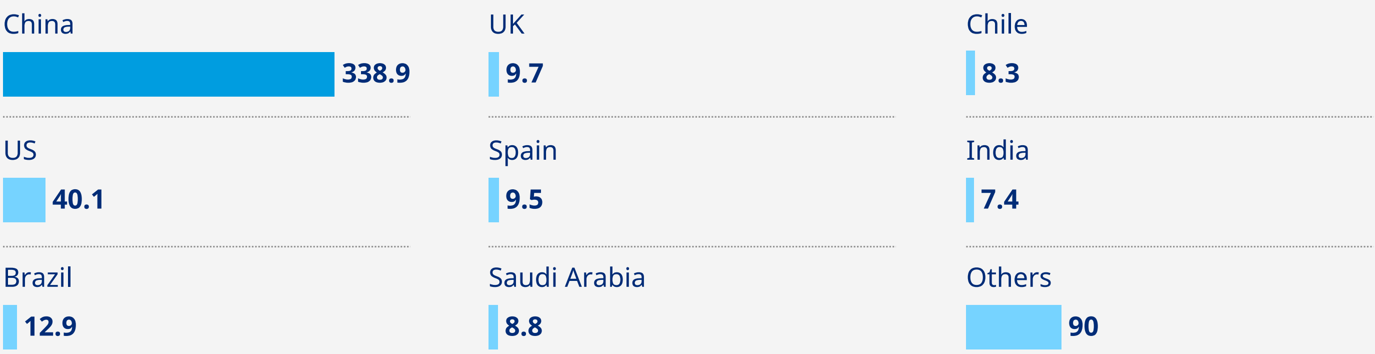
For China, this fits within its broader, multipronged drive toward a greater role in global governance, including on sustainability.

In 2025, China committed to emissions reduction targets for the first time, evidence of its ambition to lead globally on this issue (Figure 3). China also continues to develop renewable energy capacity at a startling pace. For example, it pledged to reach 1,200 gigawatts of wind and solar capacity by 2030, but surpassed this target in 2024 — six years ahead of schedule. Three in every four wind and solar projects under construction worldwide are in China, and one in two new cars sold in China is electric, compared to one in five in Europe.

Figure 3. Wind and solar projects under construction globally

Almost two-thirds of global wind and solar projects under construction are in China

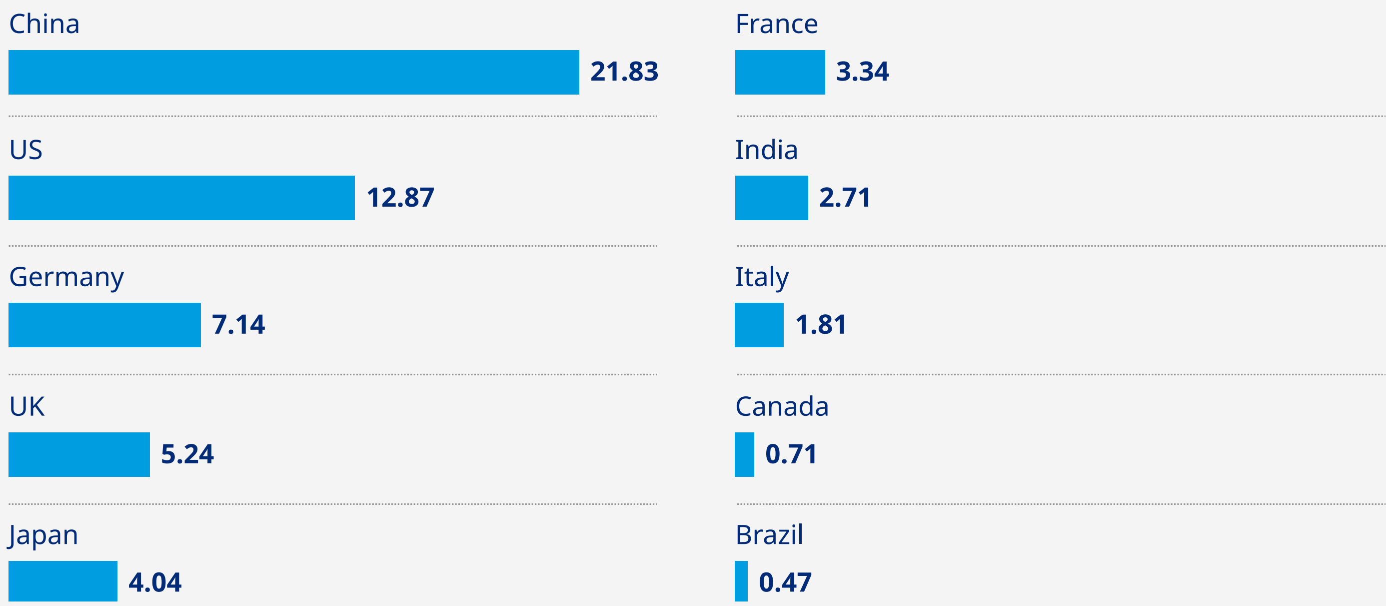
Solar and wind power projects under construction, gigawatts



Source: Data from Global Solar Power Tracker, Global Wind Power Tracker, Global Energy Monitor, as appeared in *The Guardian*, 2024

These national policies are accompanied by an equally ambitious international strategy designed to position China as a leading partner for the transition and a critical node in green supply chains. China is also playing an increasingly prominent role in shaping global sustainability standards. By ramping up engagement with the ISSB process just as the US pulls away, China has a strategic opportunity to shape reporting requirements in a way that aligns with its own standards and the preferences and realities of emerging markets. Consistent reporting requirements will also serve to support the steady growth of sustainable finance in China (Figure 4).

Figure 4. Volume of green bond issuance by the world's largest economies



Source: S&P Global, 2024 Data compiled Jan, 18, 2024. Sample includes the top 10 economies in the world by 2022 nominal GDP.

India is taking a similar trajectory across both fiscal and regulatory policy. In 2024, India's central bank released a draft disclosure framework for banks and financial institutions, substantially aligned with ISSB. In 2025, this was followed by a draft climate finance taxonomy to support the transition and channel capital into mitigation and adaptation initiatives by providing clarity and confidence to investors.

These regulatory initiatives are part of a wider Indian climate policy framework that is increasingly taking shape, encompassing fiscal measures and national net zero targets. India has met its conditional target of having 50% of installed electricity capacity from non-fossil sources by 2030, achieving this milestone in mid-2025, five years ahead of schedule. This was driven by rapid growth in renewables, such as solar and wind power.

For China and India, adoption of globally aligned reporting standards represents an opportunity to unlock access to international capital markets and reposition themselves as leading actors in the global sustainability transition. If these two economies — together representing over 35% of the world's population and roughly 21.5% of global GDP — embrace ISSB, this could tip the balance towards a "critical mass" of aligned jurisdictions, potentially shifting the direction of travel definitively.

Other challenges to alignment under the ISSB framework

Public levels of concern

Beyond these geopolitical forces, several other challenges to alignment exist. Public interest in climate and sustainability issues is plateauing globally, a phenomenon sometimes referred to as "climate perception inertia." This waning enthusiasm can reduce political pressure on governments to prioritize and enforce sustainability reporting requirements, potentially slowing momentum for global alignment. Without sustained political commitment and public demand, the ISSB's ambitions risk being undermined by the lack of a sufficient political mandate for change.

Figure 5. Global risks survey — Main risks by time horizon

	Immediate (2025)	Short Term (2 years)	Long Term (10 years)
1	Inter-state armed conflict	False information and disinformation	Extreme weather events
2	Extreme weather events	Extreme weather events	Biodiversity loss and ecosystem collapse
3	Geo-economic confrontation	Inter-state armed conflict	Critical changes in Earth systems
4	False information and disinformation	Social polarization	Scarcity of natural resources
5	Social polarization	Cyber insecurity	False information and disinformation
6	Economic crisis	Pollution (air, soil, water)	Adverse effects of AI technologies
7	Critical changes in Earth systems	Inequality	Inequality
8	Lack of economic opportunity or unemployment	Involuntary migration	Social polarization
9	Erosion of human rights and/or freedoms	Geo-economic confrontation	Cyber insecurity
10	Inequality	Erosion of human rights and/or freedoms	Pollution (air, soil, water)

Economic · Environmental · Geopolitical · Social · Technological

Source: Source: WEF Global Risks Perception Survey 2024-25, World Economic Forum and Marsh

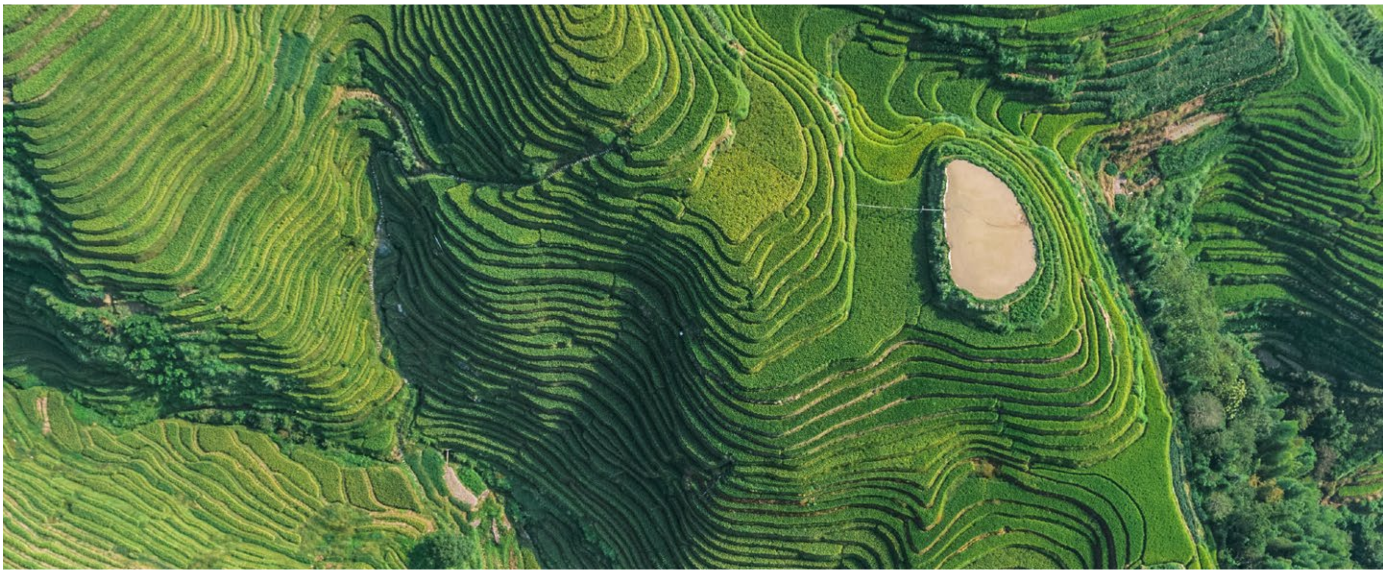
The technical complexities

The technical complexity of sustainability reporting presents another barrier. Much like international regulations surrounding finance, accounting, and capital adequacy, sustainability reporting encompasses intricate subject matter spanning environmental, social, and governance dimensions. The diversity of industries, regional economic contexts, and evolving scientific understanding of sustainability issues make it inherently difficult to create a one-size-fits-all global standard. Moreover, sustainability data often involves forward-looking, non-financial information that can be less precise and more subjective than traditional financial reporting.

As evidence of this, 22% of respondents to *Marsh's Adaptation Survey 2025* reported not assessing future climate impacts, citing over-reliance on catastrophe models that focus on current or historical data, rather than future scenarios. This adds layers of complexity in ensuring comparability, reliability, and auditability of disclosures. However, with the necessary level of buy-in from key public and private sector stakeholders, these challenges can be overcome.

Conclusion

The opportunity for convergence on global sustainability reporting requirements



Regulatory reporting is a critical enabler of the sustainable transition, alongside fiscal policy. This is because transparency, comparability, and accountability globally enhance market efficiency, reduce information asymmetry, and support the integration of sustainability considerations into mainstream financial analysis. Such conditions are necessary for advancing sustainable development and mobilizing capital toward sustainable outcomes.

IFRS' success in harmonizing accounting regulation internationally provided clarity, reduced systemic risk, and enhanced market confidence. Similarly, the ISSB aims to forge a unified rulebook for corporate sustainability reporting, enabling companies and markets to speak the same language regarding sustainability and climate-related disclosures.

The current geopolitical and regulatory environment is fragmented, and geopolitical tensions make alignment a challenge. Washington's recent backtracking on sustainability reporting initiatives contrasts sharply with Brussels' attempted push forward through the Omnibus. Meanwhile, Beijing and New Delhi are exploring alternative approaches that reflect their unique economic and policy priorities while clearly seeing benefits in the overall approach of ISSB.

In this context, the role of the private sector in advocating for consistent global sustainability reporting becomes especially valuable. As key drivers of economic activity and capital allocation, businesses are vested in promoting clarity, consistency, and efficiency in sustainability reporting. By actively engaging with public sector regulators and voicing support for harmonized frameworks, companies can help shape practical, relevant, and globally applicable standards.

Conversely, failure to achieve consistency in sustainability reporting could have hugely detrimental effects. Regulatory fragmentation will likely continue to foster confusion, increase compliance costs, undermine effective risk management, and hamper the efficient allocation of capital. The resulting uncertainty may slow down the momentum toward sustainability goals, as companies and investors struggle to align their efforts.

While the path to a fully functioning global sustainability reporting landscape is challenging, a "unity candidate" has emerged in ISSB. The private sector should see this as an opportunity and closely consider lending their support to the framework as coming years will determine whether it succeeds or fails.

How Marsh can help

As climate and sustainability reporting requirements continue to evolve rapidly, Marsh can help companies navigate regulatory changes, market divergences, and shifting geopolitical landscapes.

Prepare for regulatory changes: We provide tailored guidance to support compliance with evolving frameworks, including the ISSB framework. By anticipating regulatory shifts, Marsh supports companies in adapting their reporting processes early, reducing compliance risks, and potentially avoiding costly penalties.

Manage political risk: Our experienced teams can help you identify, prioritize, and respond to broader geopolitical challenges through scenario analysis and crisis planning. In addition, our market-leading Sentrisk platform helps your business model its supply chain and manage the risks that exist within it.

Navigate financial markets: Investors and (re)insurers and increasingly integrating sustainability and climate-related factors into their decision-making. Marsh helps companies meet investor and insurer needs by aligning risk management and sustainability strategies. For example, we work closely with insurers to demonstrate clients' commitment to sustainability, which can help secure more favorable terms and coverage that reflect their proactive risk mitigation.

Manage uncertainties related to regulatory actions and directors and officers (D&O) liability risks: Our risk advisory services include scenario planning, regulatory impact assessments, and tailored insurance solutions that protect leadership teams from emerging exposures linked to climate and sustainability reporting.

About Marsh

Marsh, a business of Marsh McLennan (NYSE: MMC), is the world's top insurance broker and risk advisor. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of over $24 billion and more than 90,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit marshmclennan.com, follow us on LinkedIn and X.

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