



THE CONTEXT:

2025-2026 sustainability insights

social
environmental

context

LONDON LOS ANGELES

Welcome

2025 produced some seismic shifts in the sustainability landscape – accelerating progress in some areas and stalling developments elsewhere.

Those that have successfully navigated the highs and the lows of the past 12 months emerge more committed and focused on the actions that matter.

As we embark on a new year, Context reflects on the year gone by and the priorities for the year ahead.



SUSTAINABILITY HOT TOPICS 2025-2026

- #1 Regulatory & political uncertainty
- #2 The business case
- #3 Risk management
- #4 AI
- #5 Sustainability communications



Supporting you in 2026

We're helping clients to make sustainability progress – whether that's updating their materiality assessment, mapping key frameworks and regulations, or helping to tell unique stories through data, summary reports and infographics.

If you'd like to chat about how we can help you prepare to face this and other challenges in 2026 and beyond, reach out to Helen at helen.fisher@contexteurope.com.

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HOT TOPIC #1

Regulatory & political uncertainty

A tumultuous 12 months, marked by political and economic tensions, brought change, but little clarity.

Regulatory moves, such as the EU's Omnibus package, threw up question after question – many of which remain unanswered despite the release of updated proposals in December. Economic and political events, including global conflict, trade tariffs and currency fluctuations, highlighted the need for resilient supply chains – just as governments cast doubt on sustainability strategies.

Sustainability professionals are used to contradictory pressures. But the current state of play feels like a tug of war – expectations from some quarters to double down on actions are countered by equal pressure to roll back across many areas.

Net zero. Longstanding political consensus collapsed, with right-wing parties in the UK planning to axe climate legislation and the US administration unpicking a raft of environmental measures. At the same time, increasingly frequent extreme weather events, including the Los Angeles wildfires, Hurricane Melissa in the Caribbean, and extreme temperatures in Japan and South Korea, highlight a growing urgency to reduce emissions and climate impacts.

Mandatory reporting. The landscape fractured, as US states from California to Washington forged ahead with sustainability reporting requirements in the face of a federal backlash. The EU began stripping back the Corporate Sustainability Reporting Directive (CSRD). In the Middle East, UAE and Qatar introduced more stringent regulations and elsewhere the International Sustainability Standards Board (ISSB) framework gained traction.

Science-based targets. After 2024 controversy surrounding offsets, the Science Based Targets initiative (SBTi) published a new draft standard providing greater flexibility in setting Scope 3 targets. The SBTi also set an ambition for 10,000 signatories, as companies, including SwissRe, quietly dropped targets.

Nature. The UK Government considered slimming down biodiversity net gain regulation, amid concerns it is slowing housing development. Meanwhile, the Taskforce on Nature-related Financial Disclosures (TNFD) continued to drive adoption of nature-related disclosures. Two years in, 700+ organisations have published reports, though many companies struggle to grasp their nature-related impacts. New TNFD guidance on transition planning could help.



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There is no end to this rollercoaster in sight.

The EU reached political consensus on the Omnibus in the dying days of 2025, but all proposals will have to go through parliamentary scrutiny. We're only one year into the current US administration, leaving plenty of scope for further dismantling of sustainability regulation at the federal level.

One ray of hope – countries globally are rapidly aligning their disclosure standards with the International Sustainability Standards Board (ISSB) framework. To date, more than 30 countries have gone some way to adopting the standard.

Next steps for the year ahead

Enthusiasm for corporate sustainability come in waves (we know, we've been riding them since 1997). Staying focused on the issues that matter is essential. Your 2026 checklist includes our top three suggestions for a successful year, whichever way the wind blows.



Your 2026 checklist



Refresh your materiality assessment.

A robust materiality assessment is crucial for understanding the sustainability issues that matter to your business. And it's a key tool to help you stay on track, however regulation evolves, since all the major reporting frameworks and regulations have materiality at their heart.



Prepare for future regulation.

A regulatory assessment helps you understand what you have to comply with today and what is coming down the line.

Being properly prepared and resourced for the regulations you know are coming creates the flexibility to deal with the surprises.



Get to grips with the ISSB standards.

The ISSB's standards provide a solid foundation for reporting, enabling compliance with some national requirements and completing much of the groundwork towards others.

As regulations evolve, you will only need to layer on any additional requirements. Crucially, it concentrates on the business risks and opportunities, helping you focus on the things that matter to investors.

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HOT TOPIC #2

The business case still stands

Now, more than ever, it is essential to demonstrate the business case.

Amid all the questions – about sustainability regulation, net zero targets, diversity and inclusion programmes... (the list goes on) – only one really matters for companies. Is it good for business?

The answer remains an emphatic 'Yes!'.

Boards, senior leadership and investors are focused on how sustainability initiatives increase resilience and build a business ready to capitalise on future opportunities. That goes double for projects that require investment upfront to reap long-term benefits, such as facilities upgrades to reduce energy costs (and emissions) for decades. Developments in 2025 reaffirmed that corporate sustainability is about creating businesses with longevity.

Ongoing pressure. While pressure has lessened, 81% of senior executives reported that stakeholders continue to push for increased sustainability commitment and action. Sustainability strategy remains a top three priority, with 83% of businesses investing at least 5% more in their sustainability programme than in 2024 – some boosting spending by 20%+.

Clear benefits. Over 85% of companies globally continue to view sustainability as a long-term value creation opportunity – up three percentage points from 2024.

Growing financial risks. For the average listed company, the threat of climate-driven losses is growing. The World Economic Forum (WEF) predicts climate risks could cause around a 7% drop in annual earnings by 2035.

Strategic integration. Sustainability strategy remains core to future-proofing the business. In 2025, 79% of senior executives describe their sustainability approach as either embedded throughout the organisation or critical to business transformation – almost unchanged from 80% the previous year.



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Stakeholders are judging sustainability strategies more critically.

If the strategic rationale is not clear, it will be easy to weed out genuinely authentic programmes from the merely superficial. Already, there's a clear difference when it comes to diversity and inclusion. The committed continue to act and find ways to communicate progress – the rest have quietly abandoned initiatives.

The full impact of recent trade tariffs is beginning to unfold, causing price volatility across a range of commodity markets – partly countered by a weakening dollar. Embracing efficiency and circular resource use is important to control cost and maintain commercial advantage.

At least one-third of sustainability targets expired in 2025, and not all of those were met. This intensifies the need to revisit ambitions and ensure commitments are clear, measurable and deliver business benefits.

Next steps for the year ahead

In 2026, sustainability professionals must remain laser-focused on how environmental and social considerations are integrated into a company's strategy and operations. Your 2026 checklist includes our three steps to strengthen the sustainability business case in 2026.



Your 2026 checklist



Review targets.

Revisit your goals, confirming defined targets are in place for each material topic. Review and refresh any targets that have expired over the past 12 months – not forgetting to celebrate progress to date and review what you've learnt.



Measure and prove.

Credibility will come from hard data. Review your sustainability data, verifying that you are collecting information against each of your targets.

Granularity is key to having data that can be used both for reporting and making the business case internally. Don't forget to document the process providing evidence as more and more countries require assurance of sustainability reports.



Focus on delivery.

Don't wait for perfect data. Continuing to act and engage on the issues that are material to your business will help to reduce business risk and lessen negative impacts. Nothing convinces the sceptics more than evidence of tangible action.



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HOT TOPIC #3

With uncertainty comes greater risk?

Risk management moves centre stage in response to greater uncertainty.

It is widely accepted that uncertainty brings risk. Political, regulatory and economic developments mean there has been no shortage of uncertainty in 2025 – creating circumstances where we don't know the ultimate outcome.

Without doubt, the current level of uncertainty has thrown the spotlight on risk management processes and how companies assess the impact of different scenarios. Closer collaboration between sustainability, finance and legal teams is essential – not only to evaluate different outcomes, but to flip the coin and turn risk into reward.

Geopolitics. Political risk has rocketed up the corporate agenda, even in developed economies. A massive 97% of risks professionals indicate that politics, such as the constantly changing position on tariffs, is directly impacting their business. This makes it a top-three issue according to Riskconnect's 2025 New Generation of Risk Report – in 2024, it was in the top five.

Diverted attention. Almost three-quarters of global business leaders indicated that current economic uncertainty is forcing them to take their eye off their sustainability targets. This is diverting effort away from action to reduce impacts and respond to longer-term business risks, such as climate change.

Process investment. As the effects of climate change are felt more intensely across the globe – for example, through wildfires in Los Angeles, Spain, Portugal, Japan and South Korea – 72% of businesses have adopted new risk management procedures to help track climate threats.

Scenario analysis. A 2025 CDP report revealed that 79% of companies include scenario analyses in their submission. Around 60% use at least one high emission scenario to assess the impact of a temperature increase above 3°C and evaluate their climate risks and opportunities.



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There will be an ever-greater drive to assess the financial impact of material issues.


The International Sustainability Standards Board (ISSB)'s S1 and S2 sustainability standards have been adopted – fully or with slight variations – across an area representing 60%+ of the global economy. Their focus on financial materiality means companies need to do more to quantify sustainability-related risks and opportunities. Easier said than done.


Political developments are complicating the analysis. As politics swings to the right across Europe, a change of government could lead to the scrapping of climate policies. Major transition risks could dwindle or disappear for the life of the parliament – only to reappear a few years later when the political landscape changes again. It is essential to keep risks under review, especially to determine the right time to evaluate impacts.

Next steps for the year ahead


The current level of political and economic uncertainty increases the need for cross-functional collaboration to monitor, understand and assess risks. Your 2026 checklist features three suggestions to strengthen risk management.

Your 2026 checklist

-  **Increase cross-functional engagement.**

Political, financial, legal and environmental risks can't be siloed. Sustainability risk assessment shouldn't be separate from wider enterprise risk management. Intensify your efforts to collaborate with and engage senior colleagues, particularly those in finance.
-  **Invest in intelligence.**

Risk management is an ongoing process, and that includes monitoring environmental and social risks alongside political, economic and regulatory developments to assess their impact.

Some companies are constantly horizon-scanning due to their industry or the presence of operations in unstable locations. This is a discipline that every company needs to develop.
-  **Prioritise scenarios.**

Quantifying environmental and social risks is a powerful way to build the business case and embed sustainability into operations. But not all risks need a number.

Focus on risks within the current context, considering political, regulatory and sustainability factors. Establish rules for when to trigger financial analysis of alternative outcomes, e.g. when an election is announced bringing the prospect of policy change.

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HOT TOPIC #4

Growing AI Use = growing concern

AI continued to dominate the headlines, but proved something of a paradox.

Companies continue to experiment with generative AI tools to drive revenue growth and operational efficiency. Early adopters are branching out and experimenting with AI agents – software models programmed to use planning and reasoning to learn on the job and complete tasks with minimal human intervention.

The impacts of AI have also been high on the agenda. Concerns grew that rising energy use could wipe out emissions reductions from energy efficiency measures and the transition to renewable energy. We threw a spotlight on the ‘digital sweatshops’ where people labour in poor conditions to train models. We debated the threat of bias, job losses and what it meant to be human in the AI era.

Sustainability starts with good governance. However new and exciting AI appears, 2025 made it clear that good governance is at the heart of good technology.

AI use. Adoption continues to grow rapidly, with 88% of companies using AI regularly within at least one business function – up from 78% just a year before. Almost 4 in 10 companies are experimenting with AI agents.

Ethical concerns. Almost half of employees in a multi-country study are concerned about the misuse of AI, according to the Institute of Business Ethics – 25% are extremely concerned. Only 3 in 10 said their company had policies in place to guard against bias or protect privacy.

Regulation. The EU Artificial Intelligence Act took effect in February 2025, outlawing systems that represent a threat to fundamental rights. It also ushered in stricter governance of all AI models and fines of up to €35 million for organisations failing to comply.

Environmental impacts. AI is power hungry. Energy demand from data centres is predicted to double by 2030 – exceeding Japan’s current electricity use. If applied effectively, the emission reductions from operational efficiencies could outweigh the increase from greater power consumption. But that remains a big ‘if’.

AI in sustainability teams. Over 80% of senior executives say the company already uses AI within the sustainability function. Technology is helping with operational efficiency and emissions reduction (65%), sustainability reporting (58%), scenario analysis (53%) and development of more sustainable products (52%).

Shaping sustainability priorities. With debate raging about the environmental and social impacts of AI, more than 1 in 3 senior executives indicate an increase in sustainability efforts as they invest in technology.



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Added to concerns, rumours that the AI bubble will burst are getting louder.

Technology share prices have grown rapidly. The value of computer chip manufacturer NVIDIA has increased 13-fold since 2023 – average share prices are up 1.8 times. Given the widespread use of AI, no company would be immune from a future market downturn, Google’s boss predicted, leading to further jitters.




What is clear – where the EU leads, others will follow. Colorado’s Artificial Intelligence Act takes effect in February 2026. The UK is debating legislation, but proposals are delayed until late 2026, or even 2027.

AI governance is moving up the sustainability agenda. Without clear policies, procedures and training on responsible AI, companies will find it increasingly hard to demonstrate good corporate governance.

Next steps for the year ahead

Alongside AI-related disclosures, stakeholders will also expect reporting specialists to understand and explain how AI use affects disclosures – for example, the potential for bias in data collection. Our recommendations will help you build the foundations of a responsible AI roll-out.

Your 2026 checklist

-  **Company-wide approach.**
No individual or function can understand all the ways that AI is being used across a company. Good governance requires a cross-functional approach. Bring together representatives from multiple functions to discuss and address the issues.
-  **Policies.**
Review and update your current policy framework to establish clear guidance on the development, deployment and use of AI systems.
-  **Training.**
Employees need training to make the best use of new technology. This includes how technology can support their role, as well as company expectations on responsible AI.

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HOT TOPIC #5

Sustainability communication at a crossroads

When it comes to sustainability communications, 2025 proved that it's not what you say, but the way that you say it.

2025 started with the first flurry of reports aligned to the EU's Corporate Sustainability Reporting Directive (CSRD). While this encouraged greater transparency, much of what is unique and compelling about a company's sustainability transformation became lost in a wealth of detail.

Elsewhere, a hush descended. Companies – particularly in the US – decided to limit disclosures as the political tide turned against sustainability. With growing demand to prove the pay-off from sustainability investments, there has never been a greater need for a compelling narrative. It inspires action by helping engage customers, attract and retain employees and encourage collaboration.

Four key trends shaped how we talk about sustainability in 2025.

Compliance focus. In the EU, many disclosures were closely structured around the CSRD framework and longer than in previous years. On average, companies reported on 7 of the 10 topical standards, often adding AI and cybersecurity as entity-specific topics.

AI-enabled communication. An estimated 97% of businesses are using AI to support their customer communication. AI chatbots for customer service top the list of applications. But AI is also being used to create content for advertising campaigns and emails, and to tailor sustainability updates for different stakeholder groups.

Enduring scepticism. Two-thirds of people are aware of companies trying to operate more sustainably. But 43% believe those companies are acting out of convenience not commitment. Scepticism is strongest in Croatia, Paraguay, Peru, Serbia and Türkiye, while citizens in China, India and Vietnam are more supportive.

Damaging silence. Amongst US citizens, 23% mostly or completely distrust what companies say about sustainability. This is up from 15% at the start of 2023, in part due to companies scaling back on communications. Trust is highest when companies provide verifiable data to support claims.



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Against this backdrop, authenticity is everything.

It has never been easier to distinguish between those companies that are genuinely committed and those that have been paying lip service to sustainability.

The first group finds a way to tell its story with clarity and consistency, is honest about the trade-offs, and backs it all up with robust data. This transparency fosters trust.

What makes a compelling narrative is changing. Good communication combines vision and data to show how the company is innovating, becoming more efficient and strengthening long-term resilience – in a way that is unique to the business.

Next steps for the year ahead

It's also never been more important to tailor your message. What works for the CEO doesn't resonate with customers. The business case that flies with finance, falls flat when presented to HR. Your 2026 checklist includes three steps to start strengthening your sustainability narrative.



Your 2026 checklist



Refreshed message house.

Clear, consistent messaging is the foundation of strong communication.

It provides the core of the story you want to tell, whoever you're talking to and however you say it – critical the more you tailor the message. An updated message house provides a solid start.



Vary the message.

One size does not fit all. Consider supporting mandatory reporting with additional outputs, e.g. summary reports, infographics and videos, to communicate progress to specific stakeholder groups.

Adapting the language, style and tone for each group helps the message to land more effectively.



Connect the dots.

Strong reporting makes the connection between actions and impact. It shows how a shift to renewable energy not only reduces emissions, but cuts operating costs in the short term and shields the business from long-term energy price rises.

Similarly, it links investment in employee wellbeing programmes with increases in engagement, productivity and future business success.



Need a hand?

Contact Helen if you could use a hand with your sustainability strategy, reporting or communications. We'd love to work with you.

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