2024 BRIEF

Global Impact at Scale: Challenges and Opportunities in Non-Financial Reporting

Collaborative Research with CECP's Global Exchange Partners

Preface

Dear Colleagues:

The fifth edition of Chief Executives for Corporate Purpose's (CECP's) *Global Impact at Scale* report appears at a time of heightened volatility in the global market as well as rapid change in global legislation and reporting requirements. This report examines the changing state of non-financial reporting regulations, the reporting frameworks that organizations use to meet reporting requirements, evolving perceptions of sustainability, and the coalescing concepts of what it means to be a responsible business. Legislative policy changes can be disruptive and challenging, but they also underscore the critical role the corporate sector plays in driving equitable change, building better communities, and addressing systemic problems.

We are incredibly appreciative of members of CECP's Global Exchange (GX) for their contributions to this important and unique data-driven resource. Findings from the GX Survey were supplemented with results from the European Commission's Sustainable Corporate Governance Initiative.[i] The report also summarizes current legislation that will impact tens of thousands of corporations internationally and it illuminates how ESG is perceived following backlash originating primarily, but not only, in the United States. The analysis illuminates the sociopolitical obstacles and opportunities that corporations encounter on their journey toward environmental and social sustainability; it also identifies areas in need of attention.

Consistently, corporations have become increasingly aware of the need to include all stakeholder perspectives and feedback in their decision making and public reporting. In general, employees, investors, and consumers remain steadfast in their desire to demonstrate their commitment to inclusion and belonging, social progress, and environmental sustainability. However, not all stakeholders have expressed support for the organizational efforts needed to produce more equitable outcomes. This sentiment has been particularly salient in the U.S., where heightened scrutiny of policies designed to improve economic and environmental sustainability has hindered broader adoption and standardization. Still, sustainable business practices are fundamental for a vast majority of stakeholders who believe businesses have a unique responsibility to protect and promote healthy communities in addition to a healthy bottom line.

CECP believes corporations can and should be a force for good, and we hope you will join us in our mission to create a better world through sustainable business.

In partnership,

Kate Stobbe

Introduction

Global Impact at Scale: Challenges and Opportunities in Non-Financial Reporting examines the evolution and adoption of environmental and social regulations and reporting frameworks within the global market. Over the past three years, policies and initiatives such as the European Green Deal, the Brazilian National Policy on Climate Change (PNMC), and China's Green Supply Chain Initiative have demonstrated a commitment to improving environmental and social transparency across a company's value chain. Policies targeting these areas have multiplied against a backdrop of geopolitical unrest, economic volatility, and a significant reduction in consumer buying power.[ii]

Since the publication of the Global Reporting Initiative (GRI) draft guidelines in 1999, corporations have leveraged this and other non-financial reporting frameworks to share sustainability and social indicators that illustrate a corporation's strategies beyond returning profits to shareholders and providing products for consumers. The use of these public-facing frameworks has become increasingly common, especially among publicly traded corporations, and there exist myriad options and methodologies that corporations may choose from in disclosing their impacts.

The European Union's (E.U.) Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) are bringing sweeping changes to the corporate-disclosure landscape by introducing mandatory reporting regulations focused on an organization's impact on the environment and human rights. These directives will affect E.U.-based companies as well as non-E.U.-based companies that generate significant revenue in the E.U. They will also impact companies indirectly, through their value chains, by substantially altering organizational processes and policies to effect "better protection of human rights and the environment; more sustainable business operations; increased take-up of international standards [...] [and] better access to justice and remedy for victims of adverse impacts."[iii]

CECP's GX Partners have expressed the importance of discussing this topic, as it pushes companies toward a universal standard of operations and impacts across their value chains despite current political, social, and economic contexts. The CSRD, the CSDDD, and the recent passage of additional reporting regulations across the international marketplace represent stakeholders' evolving expectations and support of corporate environmental and social responsibility. This report explores the challenges and opportunities corporate leaders face in relation to these new regulations, along with organizational commitments toward a more equitable economic and social landscape.

To explore these policies further, and to understand current readiness and sentiment of corporate leaders globally, CECP GX Partners identified high-priority topics that resonate with their respective member companies. Data referenced throughout this report were gathered via a survey conducted between February and July 2024. Topics covered included:

- **Environmental, Social, and Governance Strategies: Perceptions and Response:** Perceptions of ESG in the global market, transparency of ESG among corporations, and response to ESG among resistance groups.
- **CSRD and CSDDD Reporting Mandates:** Preparation for reporting requirements, reporting challenges, satisfying reporting criteria, and improving processes for meeting reporting requirements.
- **Reporting Standards and Frameworks:** Strategic sustainability instruments for voluntary reporting.

TABLE OF CONTENTS

4 **Environmental, Social, and Governance Strategies: Perceptions and Response**

6 **CSRD and CSDDD Reporting Mandates**

9 **Non-Financial Reporting Standards and Frameworks**

11 **Sustainability Reporting by Country/Region**

14 **Conclusion**

16 **About the 2024 Global Impact at Scale Methodology**

16 **Acknowledgements**

Environmental, Social, and Governance Strategies: Perceptions and Response

Since 2021, ESG (Environmental, Social, and Governance) has become a familiar acronym in the public vernacular. For employees, it refers to the ways in which companies and their employers address broader societal and environmental issues along with their own business and personal needs. For other stakeholders, ESG refers to policies and procedures employed internally and that bring about the intangible benefits of doing good through business.

Now more than ever, "employees have become the cultural auditors of their organizations" and expect their employers to engage in ethical practices.[iv] At the same time, backlash from politicians and other influencers against environmental, sustainability, and diversity policies worldwide has aroused considerable concern among companies' key stakeholders. Executives must explore the best ways to meet all regulatory and stakeholder expectations in this polarized environment.

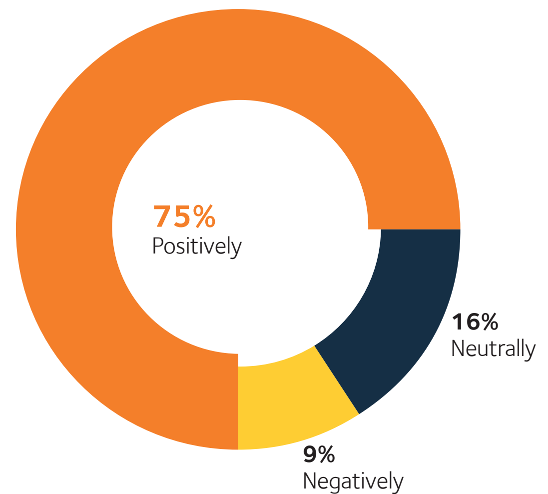
In this context, CECP affiliates and GX Partners were asked several questions about perceptions of ESG within their organizations. For example, respondents were asked to indicate whether they reported annually on their operations' goals and impacts (**Figure 1**): a standalone ESG/Sustainability report was cited by the most companies (46.5%), while 12.7% of responding companies indicated that they do not report on ESG at all.

FIGURE 1. ANNUAL ESG REPORTING SELECT ALL THAT APPLY	% COMPANIES REPORTING
ESG/Sustainability Report	46.5%
Annual Report	36.6%
Integrated Report	31.0%
Does Not Report ESG	12.7%

N = 71

Source: CECP Pulse Survey, September 2024 and Global Exchange Survey, 2024 data.

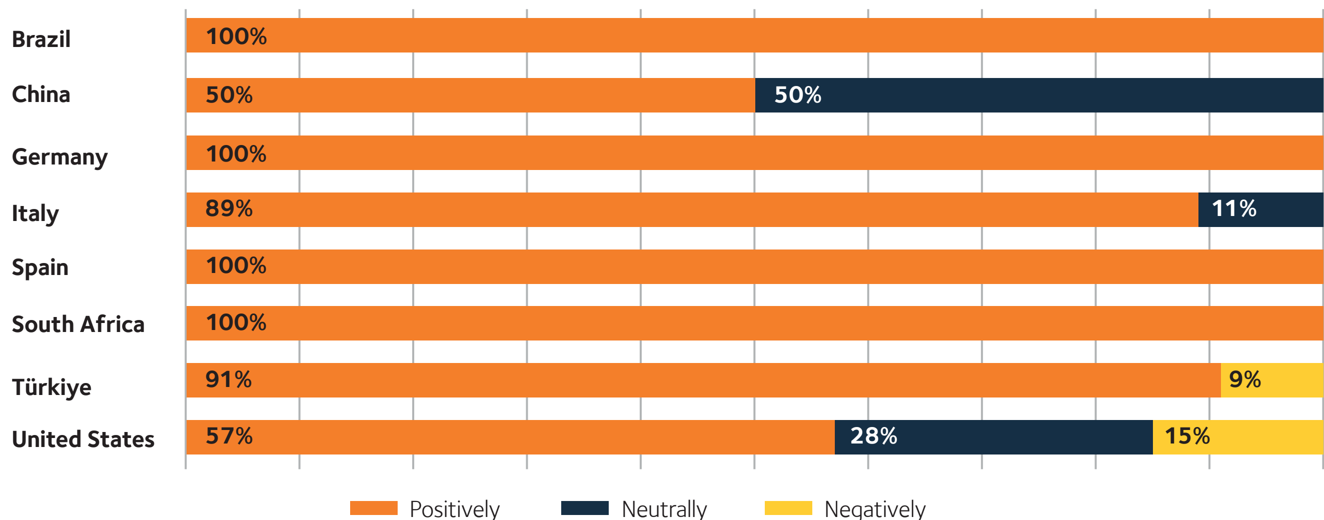
FIGURE 2. How does your organization's leadership view ESG?



Source: CECP Pulse Survey, September 2024 and Global Exchange Survey, 2024 data.

CECP also asked respondents to indicate how their organization's leadership views ESG (**Figure 2**). Seventy-five percent of respondents stated that leadership within their organization views ESG positively, 21% reported that leadership views it neutrally, and 20% indicated that leadership views it negatively. Disaggregated by country/region (**Figure 3**), leadership's perceptions of ESG

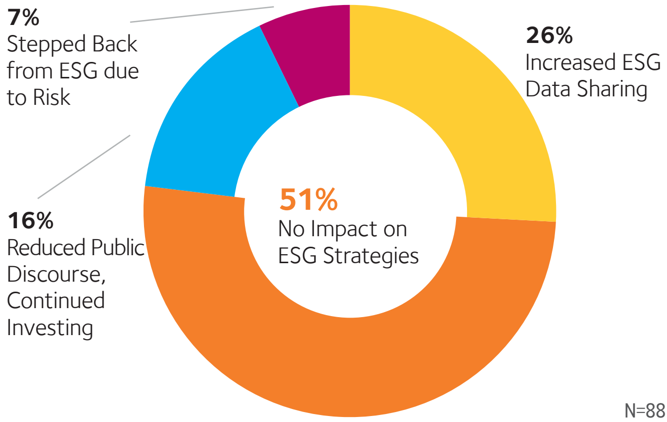
FIGURE 3. Country/Region: How does your organization's leadership view ESG?



Source: CECP Pulse Survey, September 2024 and Global Exchange Survey, 2024 data.

skewed mostly positive. Only responses from the U.S. and Türkiye showed leadership perceiving ESG negatively. This negativity could stem from concerns about cost, complexity, a perceived lack of immediate returns, and/or the increasing politicization of corporate environmental and diversity policies in the U.S.

FIGURE 4. Strategic Response To U.S. ESG Backlash



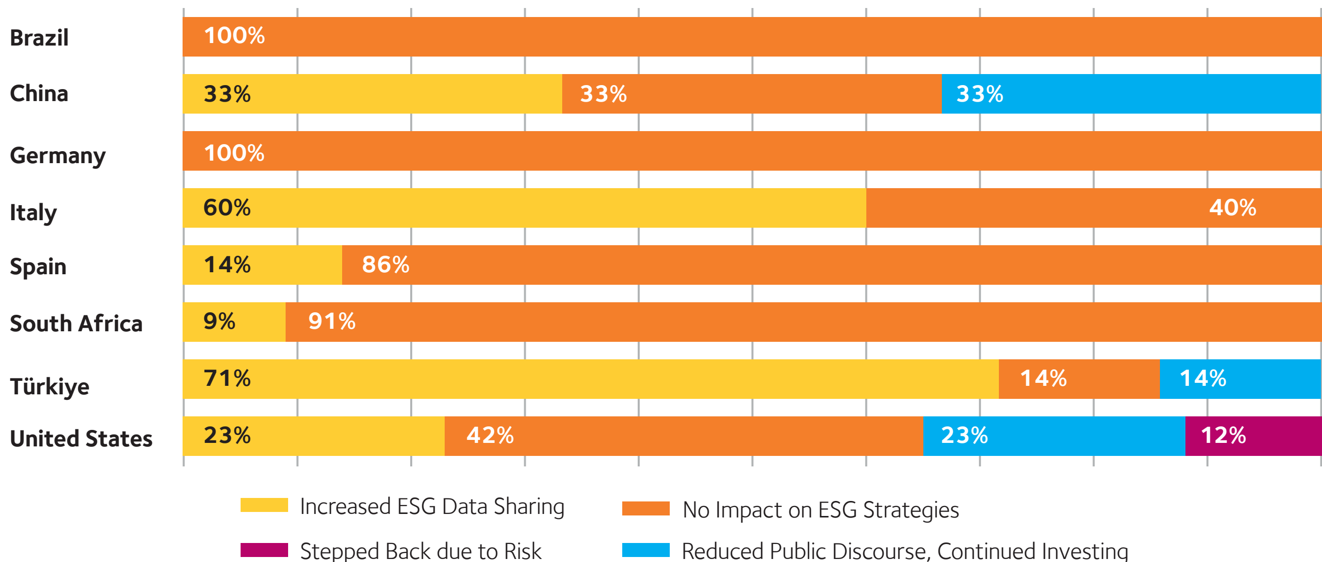
Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

CECP affiliates and GX Partners were also asked whether their ESG strategies have deviated from their original approaches due to backlash (**Figure 4**). Fifty-one percent of respondents indicated the backlash has had no impact on strategies, whereas 26.1% of respondents cited increased transparency and reporting. Sixteen percent indicated their organizations have reduced public discourse but have continued to invest in ESG because it yields an important ethical and fiscal benefit, while 7% have decided to step back from ESG due to the increased risk and volatility that it poses for stakeholders.

Figure 5 disaggregates responses to the ESG backlash in the U.S. by country/region. Despite increasing scrutiny, CECP affiliates and GX Partners have largely maintained their commitment to ESG goals and related stakeholder interests. A majority (77%) of respondents indicated either that the backlash had no impact on their organization's strategies or that they had increased ESG data sharing. This result deviates only slightly from that of companies headquartered in the U.S., where the largest percentage (42.3%) of respondents indicated no change to their ESG strategies. Despite backlash primarily occurring in the U.S., only 11.5% of CECP affiliates have indicated a step back from ESG efforts due to increased risk associated with stakeholders; 23.1% have chosen to reduce public discourse on ESG but have continued investing in their ESG strategies; and the same amount (23.1%) have increased data sharing and reporting transparency.

These responses echo motivations cited by other corporations around the globe. For example, the World Bank Sovereign Data Portal has reported substantive expansions in ESG compliance among global industries between 2022 and 2024 and predicts these trends will continue, given recent changes in legislative policies among global leaders.[v] Moreover, there are obvious tangible benefits for companies committing to advance positive environmental and social change. For instance, corporations engaged in environmental and social sustainability have developed a strong branding reputation among stakeholders, which has positively impacted their bottom line.[vi] The long-term impact of regulatory guidelines is also promising: in a recent study, researchers from the University of Osijek, in Croatia, found that corporations with long-term sustainability plans were more resilient in economic downturns, had more time to respond to potential economic hazards, and were able to lever their sustainability plans for short- and long-term growth.[vii] No less importantly, competitive advantage—defined as leadership's ability to respond more quickly to advantageous market changes—is strongly associated with Corporate Social Responsibility (CSR), as demonstrated by statistical models that examined ethical, legal, economic, and discretionary dimensions of CSR and ESG.[viii]

FIGURE 5. By Country/Region: Strategic Response To U.S. ESG Backlash



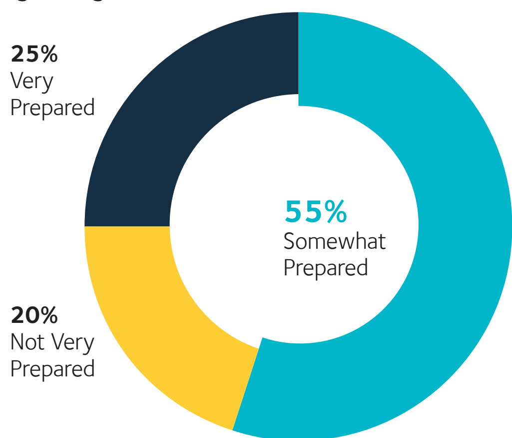
Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

CSRD and CSDDD Reporting Mandates

The CSRD and CSDDD aim to provide greater transparency and accountability in corporate sustainability practices. In relation to a corporation's environmental impacts, the CSRD requires companies to align their production and environmental strategies with the Paris Agreement, setting time-bound goals beginning with 2030 and proceeding in five-year increments to 2050. In accordance with the Paris Agreement, the CSRD holds E.U. companies accountable in reaching net-zero emissions of greenhouse gases by 2050 while limiting global warming to 1.5° C (2.7° F) during this time.

The CSDDD details the basic due diligence obligations of companies related to their material impacts on human rights. Upon adoption, companies are required to have in place due diligence policies and risk management systems that identify the impacts on human rights for which they may be directly or indirectly responsible. The implementation of these policies and systems also extends to subsidiaries and other companies or suppliers that are part of their supply chain. In aggregate, the CSDDD requires companies to prevent or mitigate potential or actual adverse impacts on human rights within the entirety of their value chain or supplier network.[ix] **Figure 6** displays the preparedness of CECP affiliates and GX Partners in relation to their current reporting capabilities.

FIGURE 6. Preparation For Reporting CSRD/CSDDD Among Obliged Organizations



N=71

Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

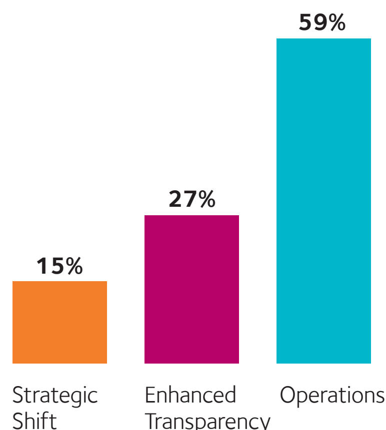
As companies prepare to meet reporting mandates and stakeholder expectations, levels of preparedness vary. A majority of companies (55%) reported they are "Somewhat Prepared" to meet mandatory reporting requirements, but time and resources are still needed to comply with reporting procedures. Twenty-five percent of companies responded that they are "Very Prepared" and that not much in the way of time or resources is needed to comply. Twenty percent of companies reported they are "Not Very Prepared" and substantive time and resources are needed to comply. These results resonate with recent findings from the E.U.'s Public Consultation Forum, where approximately 70% of attending organizations stated they understood the need for a general reporting framework and were prepared to begin standardized reporting procedures.[x]

Until recently, corporations have not been required to provide detailed, verified reporting on environmental and social metrics and many companies have not advanced the systems needed for meeting more rigorous reporting requirements. There is inconsistency in how companies have reported, assured, and disclosed performance on data points, as non-financial data have not received the same level of scrutiny as financial reports, nor have previous reporting guidelines required that all data be assured.

The CSRD and CSDDD reporting regulations outline key expectations that companies are required to meet. For instance, a company subject to the reporting requirements must produce transparent and accurate information to supervisory agencies and public stakeholders (**Enhanced Transparency**). If the means to do this do not exist, the company must invest in new systems and processes for the purpose of collecting data on requisite items (**Operations**) and integrate environmental and social sustainability methods into core production strategies (**Strategic Shift**).

CECP affiliates and GX Partners were asked which of these three key areas receives their most focused attention. **Figure 7** demonstrates that 58.5% of respondents reported being most focused on "Operations for Data Collection and Reporting."

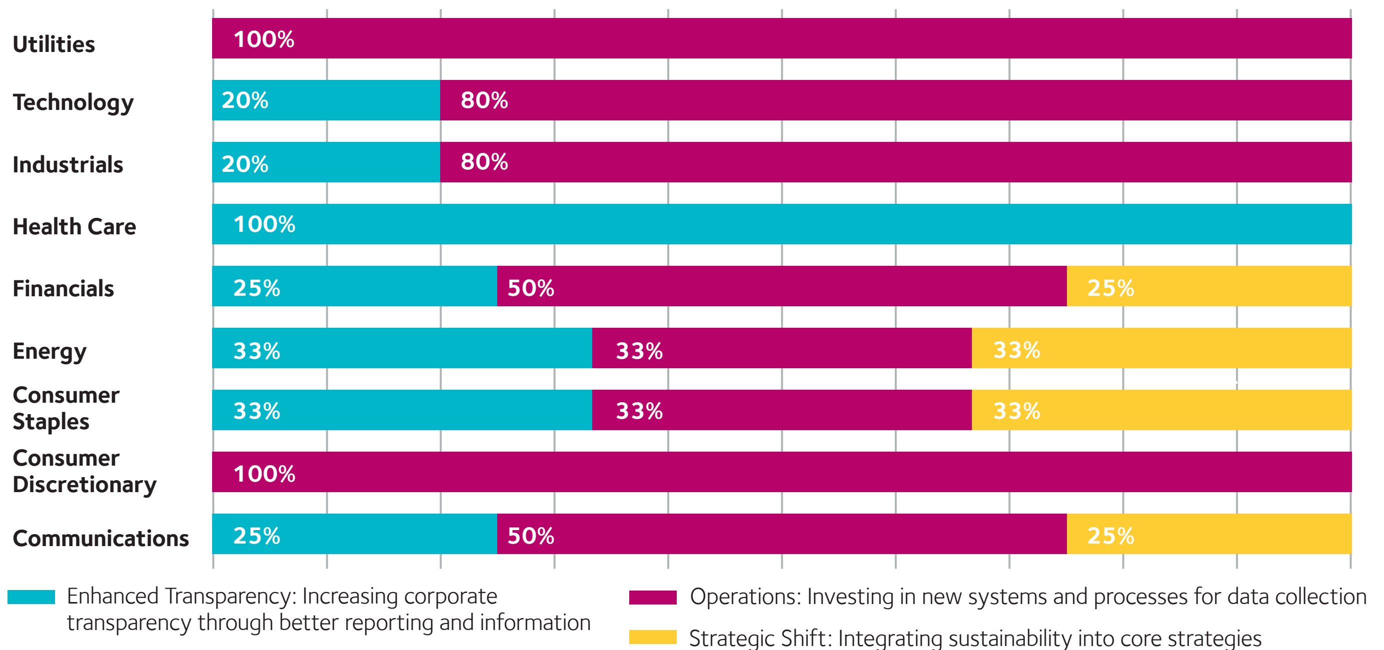
FIGURE 7. Mandatory Reporting Areas That Require Significant Investments For Compliance



N=41

Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

FIGURE 8. By Industry: Mandatory Reporting Areas That Require Significant Investments For Compliance



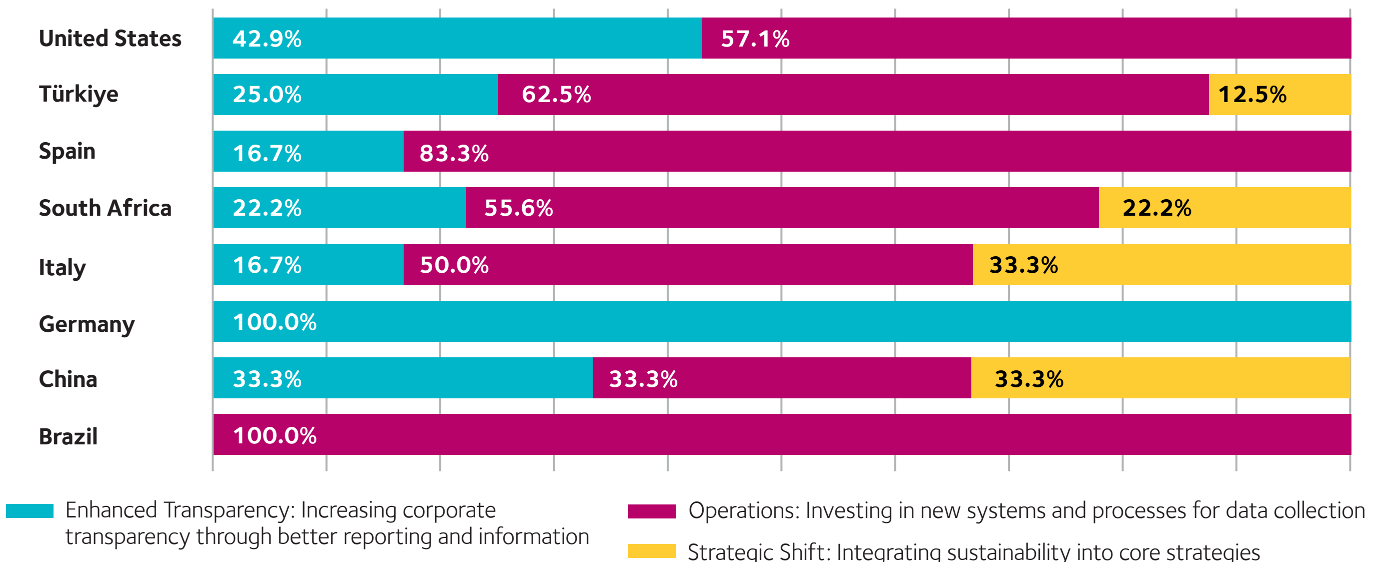
Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

By contrast, 26.8% of respondents reported being most focused on "Enhanced Transparency through Better Reporting Strategies" and approximately 14.6% reported being most focused on integrating a "Strategic Shift toward Sustainability."

This sentiment became even clearer when companies were disaggregated into their respective industry segments (**Figure 8**). Companies are predominantly investing in the improvement of operations, which includes establishing new systems and processes for data collection, verification, and environmental and human rights due diligence within supply chains. These results echo recent responses among other corporations that will be affected by reporting requirements, where approximately 53% of those surveyed in the E.U.'s Public Consultation Forum noted the difficulties associated with implementing and financing administrative functions that would allow for the reporting of mandatory disclosures.[xi]

In strong agreement, both E.U, and non-E.U. headquartered companies within CECP's affiliate and GX Partners Networks feel the need to invest significant resources to make their operations compliant (**Figure 9**). Although companies within Brazil, China, South Africa, Türkiye, and the U.S. do not immediately fall within the

FIGURE 9. By Country/Region: Mandatory Reporting Areas That Require Significant Investments For Compliance



Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

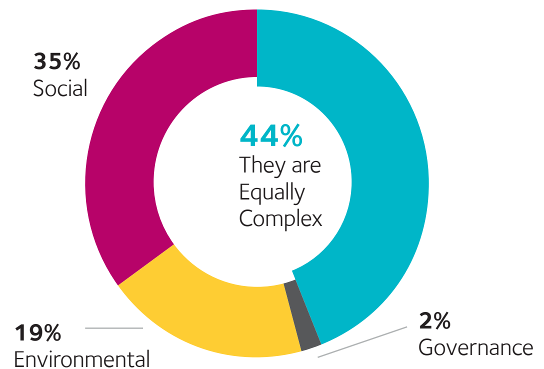
scope of E.U. legislation, non-E.U. companies that trade with the E.U. for production purposes and that have a net turnover of €150 million or more in the E.U. must meet the same reporting requirements as their E.U. partners.[xii] Therefore, it seems likely that the directives will support a long-term, global effort toward sustainability.

Relatedly, CSRD and CSDDD regulations require companies to adopt a "holistic approach," which the European Commission defines as one covering all aspects of sustainability activity. (The Commission noted that companies often neglect one or more of the three ESG categories and/or that their sustainability goals apply only to internal processes.) A holistic approach to sustainability reporting requires greater alignment between companies and reporting agencies, with many corporations agreeing that a legislative requirement to such reporting is necessary. Mandatory reporting would bring about greater awareness of companies' negative impacts on environmental and social issues, ensure more effective contributions toward lasting sustainable development, and increase confidence regarding reporting laws and legal sanctions.[xiii]

CECP asked its affiliated companies headquartered in the U.S. to indicate the main challenge they anticipate in implementing CSRD requirements (**Figure 10**). A fair number (28.6%) of respondents indicated that integration of ESG reporting into existing financial reporting processes was the greatest challenge; 25.7% cited managing third-party risks and supply chain data; another 25.7% cited allocating resources and managing costs to compliance; 14.3% cited addressing legal and regulatory uncertainties; and 5.7% cited ensuring data quality and accuracy for ESG metrics. These results suggest that, when implementing CSRD requirements, U.S. affiliates are primarily concerned with the fiscal effects, resource management, and supply chain complexities. These concerns overlap with those of CECP GX Partner companies. As non-financial reporting regulations continue to evolve, corporations must invest significant resources to comply with reporting mandates.

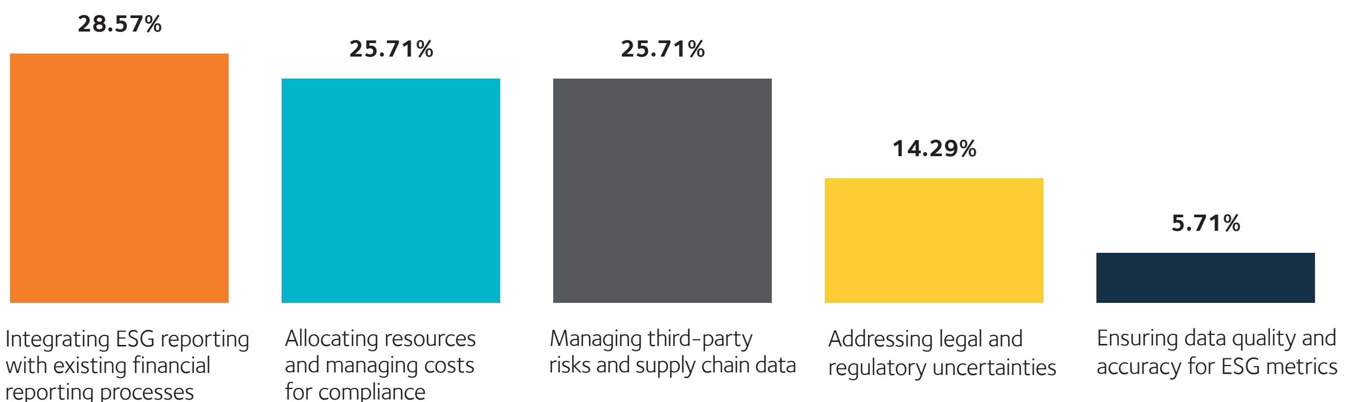
In response to reporting requirements, CECP affiliates and GX Partners were asked to select which area of ESG reporting was the most complex to measure accurately (**Figure 11**). Many companies agreed that measuring the "Social Impact" of their organizational processes was the most complex (35.6%). However, even more respondents deemed all items "Equally Complex" to measure (44%). The E.U.'s Public Consultation Forum found similar results. A majority (55.7%) of attending members thought accurate measurement of an organization's social impact would be difficult and thus would increase the probability of disengagement from markets that adversely impact human rights without an option for mitigation or resolution.[xiv] The E.U. has stipulated that companies must try to remedy human rights violations within their chains of activities, that monetary resources must be made available to partners, and that disengagement should be a "last resort." However, corporate leaders appear hesitant to employ social measurement strategies given the difficulty of accurate reporting and the perceived likelihood that resolution of human rights violations will be difficult, if not impossible, in areas where E.U. policy has little influence. Despite these obstacles, measuring and remedying adverse social impacts that corporations may have on their most vulnerable communities is a key imperative of sustainable business. The results presented here underscore the necessity for business leaders to integrate corporate values throughout operational ecosystems to uphold and protect human rights.

FIGURE 11. Which Core Area Of ESG Reporting Is The Most Complex To Measure Accurately?



Source: CECP Pulse Survey, October 2024 and Global Exchange Survey, 2024 data.

FIGURE 10. CECP Affiliated Companies: What Is The Main Challenge Your Company Anticipates In Implementing CSRD Requirements?

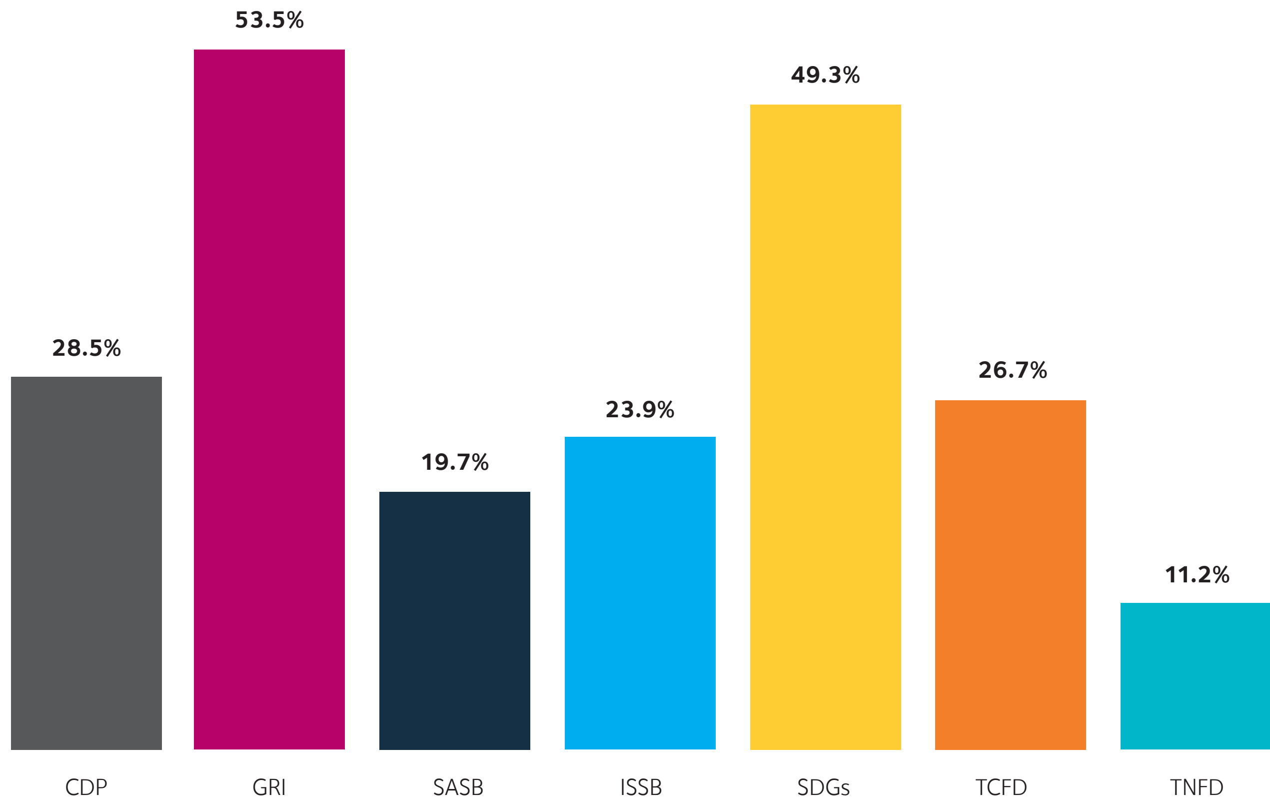


Source: CECP Pulse Survey, September 2024.

Non-Financial Reporting Standards and Frameworks

To better understand which reporting standards and frameworks corporations are primarily using, the CECP GX Survey asked respondents to select all reporting standards and frameworks their company leverages (**Figure 12**). More than half (53.5%) of respondents reported they rely on the Global Reporting Initiative (GRI). The second most common framework, used by 49.3% of respondents, is the UN's Sustainable Development Goals (SDGs) reporting framework. **Figure 13** breaks down the use of reporting standards by GX Partner country, illustrating that GRI and the SDGs are used by at least half of companies in all countries, except for the U.S. and Italy, where fewer than half of respondents reported using the SDGs.

FIGURE 12. Which Reporting Standard(s)/Frameworks Does Your Company Leverage?

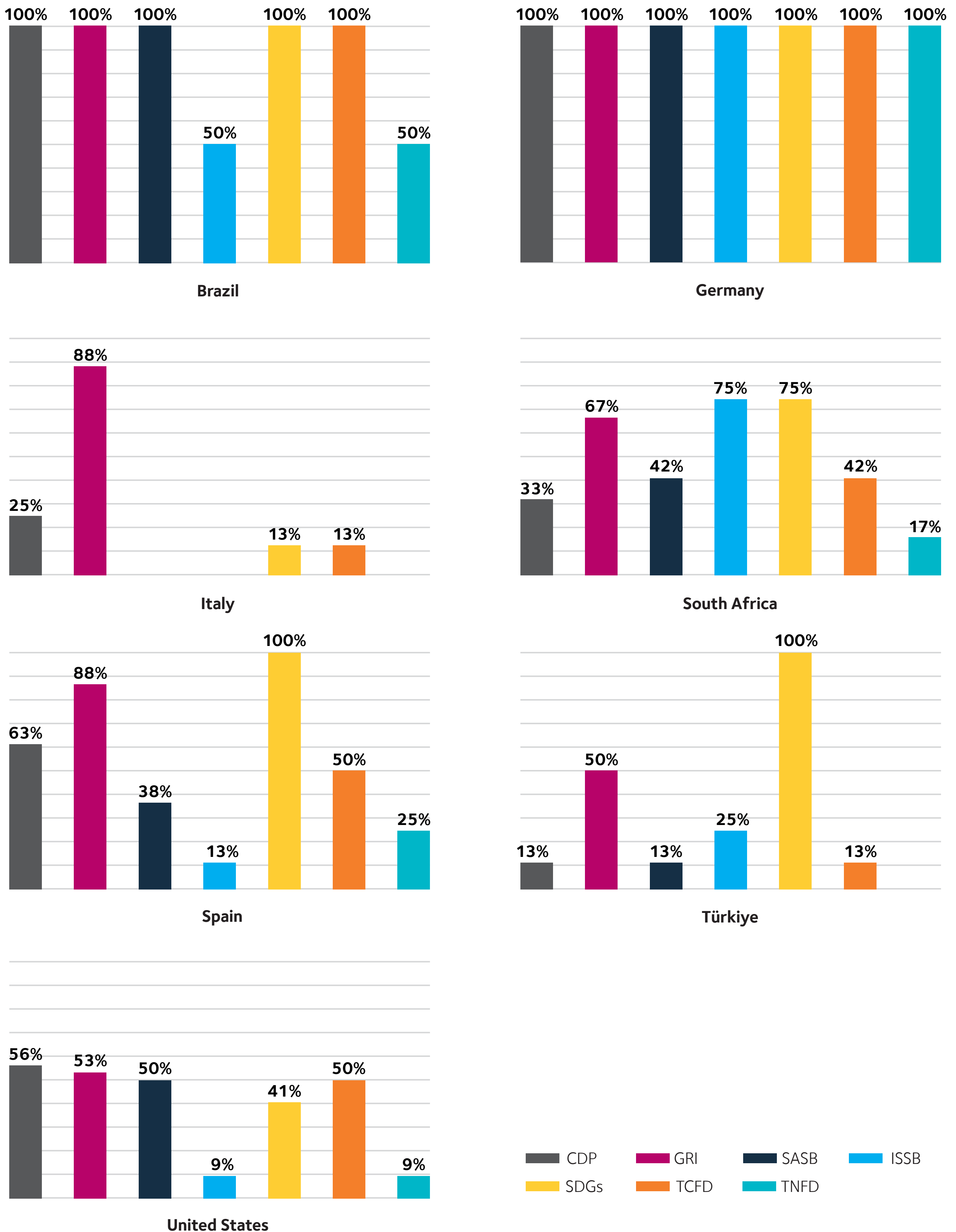


Source: CECP Pulse Survey, September 2024 and Global Exchange Survey, 2024 data.

Few countries within CECP'S GX have passed mandatory environmental or social disclosures (detailed in the section). Despite the absence of widespread mandated reporting, only 12.7% of companies do not publish ESG reports in some format, as we saw in Figure 1. For instance, even though the U.S. has historically lacked mandated non-financial reporting, many companies have increased voluntary disclosures, due to stakeholder pressure. This pressure will increase for U.S. companies within E.U. companies' value chains, even if they are not in the direct scope of the CSRD or CSDDD, as European companies subject to the new directives will request detailed, verifiable disclosures from all companies within their chains.

Companies currently use multiple reporting frameworks to meet different stakeholder needs, which convolutes an already complex reporting system. As the primary reporting frameworks currently leveraged are largely voluntary, with few (if any) data points being assured, the move toward CSRD and CSDDD compliance will involve large commitments of time, systems, and energy.

FIGURE 13. By Country/Region: Which Reporting Standard(s)/Framework(s) Does Your Company Leverage?



Source: CECP Pulse Survey, September 2024 and Global Exchange Survey, 2024 data.

Sustainability Reporting by Country/ Region

Globally, business leaders have shifted toward a more conscious form of organizational production, focusing on long-term environmental and social sustainability.[xv] Despite resistance to sustainability practices from some groups, governmental policies and organizational actions demonstrate a strong commitment to sustainability goals and the elimination of human rights violations. This section provides a brief overview of policies and agendas within various countries. Fulfilling reporting requirements can be complex, but such requirements represent a strong commitment to public transparency and the protection of human rights.

Brazil

Since the beginning of the 21st century, economic policy in Brazil has shifted quickly toward sustainability. Brazil's environmental compliance mandates are broad-reaching and extend to solid waste practices, biofuels, climate change mitigation, and environmental misuse fines. Its most recent environmental sustainability policies, put into force in 2023, focus on government financing options for companies to transition toward long-term sustainability practices under the management of the National Fund on Climate Change.[xvi] Brazil's social compliance policies are also extensive and largely relate to the fair and non-discriminatory treatment of various groups within the country's internal free market. Brazil's social compliance policies extend to adverse impacts on human rights within a company's supply chain.[xvii] Notably, Brazil's National Council for Human Rights has enforced formal monetary sanctions on organizations unable or unwilling to monitor, report, or prevent adverse impacts on human rights within their supply chains.[xviii] Given the increased legal protection for vulnerable groups within their supply chains, the imperative for Brazilian companies to mitigate or prevent adverse impacts on human rights is immense. This will be especially true in the coming years, as Brazil has mandated reporting against the International Sustainability Standards Board's (ISSB) standards starting in 2026.[xix]

Türkiye

The Capital Markets Board's (CMB's) Corporate Governance Principles regulate corporate governance in Türkiye. Only publicly traded companies are subject to such regulations. CMB's framework includes the Sustainability Principles Compliance Framework, which asks companies to report on sustainability strategies. Reporting to CMB's framework is voluntary; however, companies are required to report on these principles on a "comply or explain" basis (i.e., comply with sustainability principles or explain why the company does not engage in them).[xx] Importantly, publicly traded companies are required to produce their annual sustainability report on CMB's Public Disclosure Platform, which makes public the entirety of their sustainability practices. Companies that do not strive to uphold CMB's Sustainability Principles risk public judgment. Thus, pressure to comply with CMB's Sustainability Principles is a constant consideration for business leaders who refrain from doing so. Moreover, CMB's sustainability indicators are extensive and have integrated the UN's SDGs along with other global ESG initiatives including The Universal Declaration of Human Rights and reporting procedures from the CDP, GRI, and SASB. An informed public in Türkiye pressures business leaders to conform to sustainability reporting standards. Business leaders who wish to maintain the support of their consumer base are highly incentivized to meet compliance expectations by prioritizing non-financial reporting.

South Africa

Since 1956, South Africa has maintained reporting requirements in relation to environmental sustainability, however these requirements have traditionally concerned pension funds and investment groups.[xxi] Today, South Africa hosts a wide range of environmental and social policies regarding sustainability and human rights. Beyond its iconic Broad-Based Black Economic Empowerment legislation, which has substantively driven racial equity in the nation, other regulations, such as *The King IV Report on Corporate Governance for South Africa, 2016*, have laid out defined principles that an organization should apply to corroborate its orientation toward good corporate governance. While the King IV report is an important governance tool, reporting on its principles remains voluntary among South African organizations apart from those listed on the Johannesburg Stock Exchange (JSE; 274 companies in total). ESG disclosure support for organizations is also provided through the JSE Sustainability Disclosure Guidance and the Integrated Reporting Council (IRC) of South Africa. Published in 2022, the JSE guidance serves as a voluntary tool to help companies improve their ESG reporting. The IRC was established in 2010 and promotes the adoption and implementation of integrated reporting while supporting the principles of integrated thinking and sustainability. Both the guidance and the IRC align with international frameworks while being tailored for the South African context.

Experts predict that mandatory reporting requirements will soon follow, given the rapidly evolving policy changes in the European Union and abroad.[xxii] Additionally, ESG has become a hot topic for many South African brands, where private sector leaders have backed the Code for Responsible Investing in South Africa 2 (CRISA 2, the successor to CRISA 1). Launched in 2022, CRISA 2 is an attempt to shift organizational efforts toward responsible stewardship, guided by core principles of environmental and social sustainability and progression.[xxiii] Despite the voluntary nature of reporting in South Africa for most companies, the private sector appears to be launching its own campaign toward sustainability. This puts enormous pressure on business leaders to assess and report on ESG-related measures.

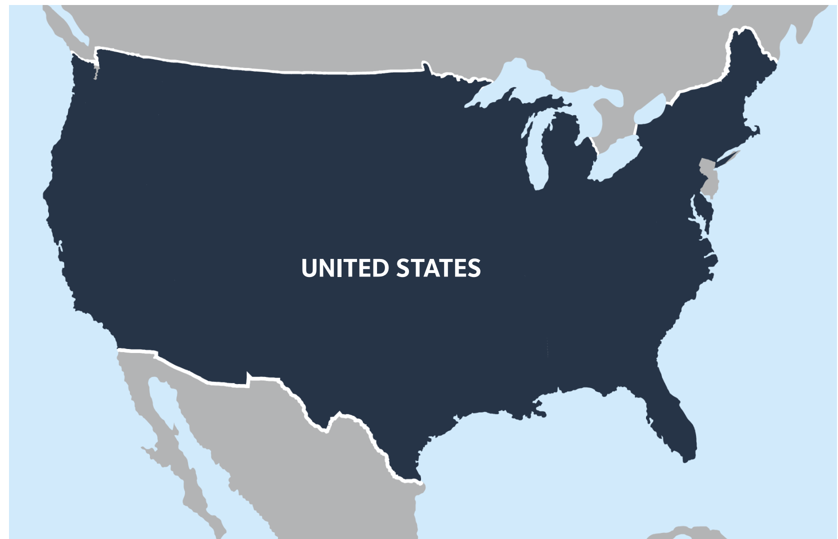
Mainland China and Hong Kong

The reporting landscape is rapidly evolving within Mainland China and Hong Kong. Until recently, non-financial disclosures were voluntary, and a large proportion of organizations routinely neglected to report on environmental or social governance issues. However, in the past five years China's reporting system transitioned toward mandatory sustainability disclosure requirements for companies that meet certain criteria developed by the China Securities Regulatory Commission and the Ministry of Environmental Protection. By the end of 2020, all companies that met the listed criteria were required to disclose sustainability risks associated with their operations.

China's reporting requirements were largely developed from previous policy documents, which outlined the imminent problems associated with climate change and carbon emissions among Chinese manufacturers.[xxiv] The governmental report *Action Plan for Carbon Dioxide Peaking Before 2030* highlighted the significant risks associated with the continued rise of carbon emissions in the country and the world at large.[xxv] In its *Global Risks Report 2024*, the World Economic Forum listed extreme weather events resulting from carbon emissions as the highest risk to China over a ten-year period.[xxvi] Because of this, Chinese policies have quickly aligned with other sustainability guidelines, such as the Paris Agreement. Additionally, in 2021, the National People's Congress passed the 14th Five-Year Plan, which includes both mid- and long-term domestic development strategies to keep pace with the United Nation's 2030 Climate Agenda.[xxvii]

Since transitioning to mandatory reporting strategies, China's policies match the reporting requirements of other nations. This is closely related to China's position in the global economy as the world's top manufacturing location for Global 500 firms.[xxviii] Mitigation of climate-related issues ensures longevity of manufacturing and greater foreign investment within the country.[xxix] Whereas China's reporting practices are clearly tied to environmental concerns, it is less clear whether and to what extent they

are informed by a commitment to social equity. Increased public awareness of human rights issues in China has brought social issues into mainstream discourse. This makes it ever more important for legislators to consider human rights when establishing regulations relating to the country's workforce.[xxx] Organizations will need to continue focusing on assessing, measuring, and analyzing their impact on social issues.



United States

In the U.S., sustainability disclosures have traditionally been voluntary. Publicly traded companies did not begin substantially reporting sustainability metrics until 2010, with public disclosures rapidly increasing around 2020. Driven by investor demands for comparable information, the federal and state governments have ramped up non-financial disclosure guidelines that are mandatory for companies to report. For instance, in 2021, the Biden Administration issued an executive order requiring the federal government to "drive assessment, disclosure, and mitigation of climate pollution and climate-related risks in every sector of our economy."[xxxi] The executive order put into motion several policy-compliance ordinances led by the Financial Stability Oversight Council, the Department of Labor, and the Security and Exchange Commission (SEC). The SEC released several rules to standardize climate-related disclosures for investors, increase member diversity among corporate boards, and regulate disclosures on human rights. The SEC also recently proposed amendments to key regulations in their 2010 Climate Guidance, which, if enforced, will bring about substantive changes to mandatory environmental sustainability disclosures among publicly traded corporations. Given the new administration taking office in January 2025, CECP does not expect the SEC to release new mandatory disclosure regulations regarding the maintenance of human rights and executive board member diversity.[xxxii]

In the absence of a comprehensive federal rule, states are adopting their own mandatory non-financial reporting legislation. California recently passed the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act in California, which will require companies doing business in California with at least US$1 billion in annual revenue to report Scope 1 and 2 emissions starting in 2026 and Scope 3 emissions starting in 2027. Additionally, companies doing business in California with at least US$500 million in annual revenue must disclose climate-related financial risks.[xxxiii]

Importantly, while support for ESG-related regulations is not unanimous, a vast majority of stakeholders want businesses to be sustainable.

Conclusion

This report highlights several important trends reflecting changes in the sentiment toward, and disclosures around, environmental and social issues. With the launch of the CSRD, CSDDD, and myriad other regulations around the world, there is now greater consensus around the reporting challenges across organizational operations. This report reasserts the complexity and uncertainty of the changing reporting landscape, given that preparedness, perceptions of the issues, and new policies are all evolving quickly; in addition, companies' non-financial information has traditionally received more lenient monitoring than financial information. These findings affirm an increased need for business leaders to invest in the operational and governance structures necessary to comply with new regulations and meet stakeholder demands, all while ensuring the quality and reliability of data shared.

Companies not subject to current reporting regulations will still need to prioritize transparent and accurate reporting. There will be a trickle-down effect of sustainability reporting regulations to private and medium-sized companies, as well as companies headquartered in regions without mandated reporting. In a globalized economy, many companies operate within the value chains of tlhose required to report non-financial metrics and accordingly will receive requests for their ESG metrics and practices. Additionally, despite recent political and public resistance to environmental and social issues in the U.S. and to a lesser extent abroad, stakeholders, particularly investors and customers, expect more transparency and rigor in the reporting data they receive from companies.

Endnotes

i European Commission. (2024). *Sustainable Corporate Governance Initiative Summary Report -Public Consultation*.

ii International Monetary Fund. (2024). *World Economic Outlook*.

iii *Ibidem*. Section 9.4. Page 16

iv Taylor, A. (2024). "*Corporate Advocacy in a Time of Social Outrage.*" Harvard Business Review.

v De Smit, V. & Wang, D. (2024). "*Sovereign ESG Data Portal.*" The World Bank, IBRD – IDA.

vi Safar, G. (2024). "*An Unpopular Opinion. The Benefits of CSRD.*"

vii Odobaša, R. & Maroševic K. (2023)."*Digitalization and Green Transformation of the EU, 7*."

viii Saeidi, S. P., Saeidi, S. P., & Saeidi, P. (2023). "*Alignment of CSR strategies with Business Objectives in IT Sector, Focusing on the Competitive Advantage.*" International Journal of Membrane Science and Technology, 10(4).

ix *Ibidem*. Section 1.2. Page 3.

x See Citation i.

xi *Ibidem*. Surveyed respondents included Non-Governmental Organizations, Companies, Business Associations, Trade Unions, Research Institutions, Public Authorities, Consumer Organizations, and Environmental Organizations.

xii See Citation iii. This statement refers to all suppliers within an organization's "chain(s) of activities."

xiii European Commission. (2024). *Sustainable Corporate Governance Initiative Summary Report -Public Consultation*.

xiv See Citation i.

xv Abou-Jaoude, N. (2023). "*Here's Why We Must Not Lose Sight of the Importance of ESG, Despite the Recent Backlash.*" World Economic Forum.

xvi Sasson, J. M. W. (2024). *"Environmental, Social & Governance Law Brazil 2024."* International Comparative Legal Guides.

xvii *Ibidem*. See Social Compliance.

xviii *Ibidem*. See Section 2.3.

xix Kapoor, M. (2024). "*Brazil Becomes First Country to Adopt Global ESG Reporting Rules.*" Bloomberg Law.

xx Doksat, C, Sonmez, A. D. Günaydin, I. D. Ozturk, Y. Z. Akbulut, H. & Uslu, M. (2023). "*Türkiye: Cross-Border Guide to ESG and Sustainable Finance.*" TerraLex.

xxi Davids, E. Kitcat, R. & Douglas, C. (2024). "*Environmental, Social & Governance Law South Africa 2024*." International Comparative Legal Guides.

xxii *Ibidem*.

xxiii Code for Responsible Investing in South Africa. "*CRISA 2 Code.*"

xxiv Chief Executives for Corporate Purpose (2023). "*Global Impact at Scale: The S in ESG.*"

xxv National Development and Reform Commission. "*Action Plan for Carbon Dioxide Peaking Before 2030.*"

xxvi Zahidi, S. (2024). "*Global Risks Report 2024.*" World Economic Forum.

xxvii Sutter, K. M. & Sutherland, M. D. (2021). "*China's 14th Five-Year Plan: A First Look.*" Congressional Research Service.

xxviii Hasmath, R. (2020). "*New ESG Practices in China and its Implications for Foreign Actors.*" Georgetown Journal of International Affairs.

xxix *Ibidem*.

xxx Chan, H. (2022). "*China Moves to Standardize Fragmented ESG Reporting Landscape.*" Thomson Reuters.

xxxi Silk, D. M. & Li, C. X. W. (2024). *"Environmental, Social & Governance Law USA 2024."* International Comparative Legal Guides.

xxxii *Ibidem*.

xxxiii Juergens, E., Rodel, P., Smith, and Ulysses Smith, Debevoise & Plimpton LLP (2024). *"California Climate Disclosure Laws: Recent Developments."*

About the 2024 Global Impact at Scale Methodology

The insights presented in this report are the results of a collaborative effort with CECP's Global Exchange (GX) Partners. This document features insights from GX Partners' market-specific research and secondary research from multiple sources, including CECP's Pulse Surveys, the European Commission's Sustainable Corporate Governance Initiative Public Consultation, documents pertaining to country/region-specific legislative policies, and other relevant sources (see **Endnotes**).

Acknowledgements

CECP is appreciative of GX Partners for their participation and meaningful insights shared on the topic of ESG and reporting strategies. Our CECP GX Partners are: Comunitas (**Brazil**), Corporate Responsibility Türkiye (**Türkiye**), CSR One (**Taiwan**), Dynamo Academy (**Italy**), Fundación SERES (**Spain**), Maala (**Israel**), SynTao (**Mainland China and Hong Kong**), Trialogue (**South Africa**), and Wider Sense (**Germany**).

CECP extends immense thanks to all contributors to *Global Impact at Scale: Challenges and Opportunities in Non-Financial Reporting:* Lindsey Elliott served as principal author, with contributions from Jenna Moore, Kari Niedfeldt-Thomas, Ella Snow, and Kate Stobbe.

When referencing findings from this report, please list the source as:
Chief Executives for Corporate Purpose.
Global Impact at Scale: Challenges and Opportunities in Non-Financial Reporting, 2024 Brief. Copyright © 2025 by CECP.