# Fragmented global sustainability regulations face industry pushback amid EU softening moves



Corporate sustainability reporting and due diligence regulations are rapidly evolving globally, creating a complex and fragmented landscape that challenges both companies and investors. Sergei Guriev, Professor of Economics and Dean at London Business School, highlights the patchwork nature of these rules, with entities such as the European Union, the US Securities and Exchange Commission (SEC), and the UK developing distinct and sometimes disconnected frameworks. The EU’s Corporate Sustainability Reporting Directive (CSRD) has been operational for some years, while the US SEC’s rules on sustainability disclosure were adopted recently and are set to take effect in this fiscal year. The UK’s regulatory environment is also in flux, reflecting a broader global trend toward increasing corporate accountability on environmental, social, and governance (ESG) issues.

Despite these complexities, companies like The Carlyle Group are navigating the regulatory demands by integrating sustainability considerations into their reporting and investment decisions. According to a representative from Carlyle, the challenge goes beyond regulatory compliance to understanding and quantifying physical climate risk and carbon footprints across diverse portfolio companies, ranging from highly mature firms with established carbon data to smaller, less experienced entities requiring estimation. This regulatory focus has shifted the role of Chief Financial Officers, who now face the dual pressures of reporting ESG data within financial statements and managing reputational risks while crafting coherent corporate sustainability narratives.

Academic research supports the transformative power of such regulations. Marcel Olbert, Assistant Professor of Accounting at London Business School, underscores that transparency regulations—often considered a form of “sunlight”—have driven significant corporate behavioural change, particularly in emissions reduction. More direct policy measures, such as carbon taxes, also influence corporate behaviour globally.

However, not all regulatory developments reflect a tightening of standards. In the European Union, there has been a notable political and corporate pushback that has led to substantial softening of the Corporate Sustainability Due Diligence Directive (CSDDD), originally intended to compel companies to address human rights and environmental issues in their supply chains. In mid-October 2025, the European Parliament’s legal committee approved plans to raise the compliance thresholds drastically—shifting from companies with over 1,000 employees and €450 million in turnover to those with at least 5,000 employees and €1.5 billion turnover. Moreover, requirements for companies to develop transition plans were proposed to be removed. These dilutions are framed as efforts to ease the regulatory burden amidst volatile global economic conditions but have drawn sharp criticism from environmental and human rights advocates who warn the changes undermine the directive’s fundamental goals.

Corporate resistance to the CSDDD has been visible, with industry giants such as TotalEnergies and Siemens publicly urging the EU to abolish the directive altogether. In a jointly signed letter to prominent European leaders, these firms contended that repealing the law would better support Europe's economic competitiveness by cutting excessive regulatory costs. Siemens highlighted the necessity to reform competition laws and reduce burdens across sectors. This stance extends beyond softening rules; it calls for the complete repeal of the directive, surpassing the current negotiations in the European Parliament. Such opposition is not limited to Europe; countries including the US and Qatar have voiced resistance to the directive’s extraterritorial aspects.

The revised CSDDD has been accepted by a coalition of political groups within the European Parliament, including the center-right European People's Party, socialists, and liberals, in what some negotiators described as a reluctant compromise to avoid further political deadlock. The changes have led to internal dissent, exemplified by the resignation of a Dutch Socialist negotiator who opposed the weakening of corporate accountability. The amended proposal is expected to be voted on soon with the aim of finalising negotiations ahead of the directive’s planned implementation in 2027.

Parallel to these developments, the EU is also advancing its reporting frameworks under the CSRD. This directive imposes stringent disclosure requirements on large companies, encompassing environmental, social, and governance topics, with mandates for independent audits and certifications to enhance transparency and comparability. It applies broadly to large and listed companies, including non-EU firms with significant activity in the EU market, reinforcing the bloc's aim to lead on corporate sustainability transparency.

While these EU directives signal a commitment to sustainability, the recent rollbacks reflect tensions between regulatory ambition and political-economic realities. Stakeholders outside Europe also face challenges; for instance, the current US administration has contemplated cutting clean energy funding, and some corporations like Nestlé have withdrawn from methane reduction alliances despite maintaining net-zero goals. Meanwhile, innovation continues in sustainability science, such as research in Chile studying drought-resilient plants to address emerging environmental challenges.

Overall, the evolving corporate sustainability regulatory landscape is marked by significant progress in transparency and accountability, tempered by political compromises and industry resistance. Companies, investors, and regulators must navigate this shifting terrain with careful attention to emerging rules, stakeholder expectations, and the broader imperative of sustainable economic transformation.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.london.edu/think/sustainability-reporting-corporate-behaviour%20), [[6]](https://www.consilium.europa.eu/en/policies/corporate-sustainability/)
* Paragraph 2 – [[1]](https://www.london.edu/think/sustainability-reporting-corporate-behaviour%20)
* Paragraph 3 – [[1]](https://www.london.edu/think/sustainability-reporting-corporate-behaviour%20)
* Paragraph 4 – [[2]](https://www.reuters.com/sustainability/climate-energy/eu-lawmakers-back-further-cuts-sustainability-law-2025-10-13/), [[4]](https://www.reuters.com/sustainability/climate-energy/eu-parliament-plans-cut-back-sustainability-law-further-2025-10-08/), [[5]](https://www.reuters.com/sustainability/sustainable-switch-eu-makes-deeper-cuts-sustainability-rules-2025-10-10/)
* Paragraph 5 – [[3]](https://www.reuters.com/sustainability/boards-policy-regulation/totalenergies-siemens-urge-eu-abolish-climate-law-letter-shows-2025-10-09/)
* Paragraph 6 – [[4]](https://www.reuters.com/sustainability/climate-energy/eu-parliament-plans-cut-back-sustainability-law-further-2025-10-08/), [[2]](https://www.reuters.com/sustainability/climate-energy/eu-lawmakers-back-further-cuts-sustainability-law-2025-10-13/)
* Paragraph 7 – [[6]](https://www.consilium.europa.eu/en/policies/corporate-sustainability/), [[7]](https://www.europarl.europa.eu/news/en/press-room/20220620IPR33413/new-social-and-environmental-reporting-rules-for-large-companies)
* Paragraph 8 – [[5]](https://www.reuters.com/sustainability/sustainable-switch-eu-makes-deeper-cuts-sustainability-rules-2025-10-10/), [[2]](https://www.reuters.com/sustainability/climate-energy/eu-lawmakers-back-further-cuts-sustainability-law-2025-10-13/)

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## Bibliography

1. <https://www.london.edu/think/sustainability-reporting-corporate-behaviour%20> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/climate-energy/eu-lawmakers-back-further-cuts-sustainability-law-2025-10-13/> - On October 13, 2025, the European Parliament's legal committee approved plans to scale back the scope of the European Union's Corporate Sustainability Due Diligence Directive (CSDDD). Originally applicable to companies with over 1,000 employees and €450 million in turnover, the revised rules would now apply only to companies with at least 5,000 employees and €1.5 billion in turnover. The committee also supported removing a requirement for companies to develop 'transition plans'. These changes aim to reduce regulatory burden on businesses, particularly in volatile global conditions. The initiative, led by conservative MEPs, seeks to simplify compliance for corporations while drawing criticism from environmental and human rights advocates who argue the amendments undermine the directive’s purpose. International stakeholders, including the U.S. and Qatar, have pushed back against the law, questioning its extraterritorial reach. Major European companies such as TotalEnergies have lobbied for the law's repeal, citing competitiveness concerns. However, some investors and nonprofits warn the dilution jeopardizes Europe’s sustainability leadership and effort to meet climate targets. The European Parliament may proceed to negotiations with EU countries, although a full vote could still be called by a minority of lawmakers.
3. <https://www.reuters.com/sustainability/boards-policy-regulation/totalenergies-siemens-urge-eu-abolish-climate-law-letter-shows-2025-10-09/> - TotalEnergies and Siemens, along with 44 other European companies, have urged the European Union to abolish its corporate sustainability due diligence directive, citing concerns about competitiveness. In a letter dated October 6, addressed to French President Emmanuel Macron and German Chancellor Friedrich Merz, the CEOs of TotalEnergies and Siemens argued that removing the directive would symbolize a strong governmental commitment to restoring Europe's economic competitiveness. Siemens emphasized the need to reduce regulatory burdens across all sectors and called for reform of competition laws. The EU directive, adopted the previous year, mandates companies to address human rights and environmental issues within their supply chains or face substantial fines. While EU lawmakers are considering revisions to simplify the rules and exempt more companies, the call from TotalEnergies and Siemens seeks a complete repeal—exceeding the scope of current negotiations. This directive has faced broad political and corporate opposition, including from countries like the U.S. and Qatar, and companies such as Exxon Mobil.
4. <https://www.reuters.com/sustainability/climate-energy/eu-parliament-plans-cut-back-sustainability-law-further-2025-10-08/> - The European Parliament's majority lawmaker groups have agreed to significantly scale back the EU's Corporate Sustainability Due Diligence Directive (CSDDD), a key regulation aimed at ensuring companies address human rights and environmental issues in their supply chains. Initially adopted last year, the directive is facing substantial political pressure, especially from Germany, France, the U.S., Qatar, and major corporations like Exxon Mobil. Under the new agreement, the threshold for companies to comply would increase from firms with 1,000 employees and €450 million in turnover to those with at least 5,000 employees and €1.5 billion in turnover. The deal was struck between the center-right European People's Party (EPP), socialist, and liberal groups, after threats by the EPP to ally with far-right lawmakers. Though not ideal for some—leading to the resignation of Dutch Socialist negotiator Lara Wolters—it was accepted as a lesser compromise. Critics argue the revisions risk undermining corporate accountability. Parliament will vote on the amended proposal later this month before final negotiations with EU member states, ahead of the law’s planned implementation in 2027.
5. <https://www.reuters.com/sustainability/sustainable-switch-eu-makes-deeper-cuts-sustainability-rules-2025-10-10/> - The October 10, 2025 edition of the 'Sustainable Switch' newsletter highlights significant rollbacks in global sustainability efforts. The European Parliament's majority lawmakers have agreed to weaken the EU’s Corporate Sustainability Due Diligence Directive (CSDDD), limiting its application to only companies with over 5,000 employees and €1.5 billion in turnover—significantly higher thresholds than the original 1,000 employees and €450 million turnover. This move, driven by pressure from major economies and corporations, marks a notable shift in Europe’s green agenda. In parallel, the U.S. government is considering cancelling billions in clean energy funding, including for direct air capture projects and grants in Democratic states like California and New York, under President Donald Trump's administration. Meanwhile, Nestlé has exited the Dairy Methane Action Alliance, a corporate initiative to reduce methane emissions, though it maintains its commitment to net-zero by 2050. In the ESG spotlight, researchers in Chile are studying the drought-resistant flower Cistanthe longiscapa, which blooms in the Atacama Desert, aiming to apply its survival traits to agricultural crops to address water scarcity challenges.
6. <https://www.consilium.europa.eu/en/policies/corporate-sustainability/> - The European Union has introduced new rules on corporate sustainability reporting and due diligence to enhance transparency and accountability in business practices. Under the Corporate Sustainability Reporting Directive (CSRD), large companies are required to disclose information on environmental, social, and governance (ESG) matters, including their impact on the environment, human rights, and social standards. These reports must be independently audited and certified to ensure reliability and comparability. The CSRD applies to all large companies and listed companies, including non-EU companies with substantial activity in the EU market. The Corporate Sustainability Due Diligence Directive (CSDDD) mandates companies to actively prevent, end, or mitigate negative impacts on human rights and the environment within their supply chains. This includes addressing issues such as slavery, child labour, and biodiversity loss. Companies found in breach of these obligations may incur fines of up to 5% of their net worldwide turnover and be required to compensate affected individuals and communities. These directives aim to equip investors with reliable information, increase corporate accountability, and ease the transition to a sustainable economy.
7. <https://www.europarl.europa.eu/news/en/press-room/20220620IPR33413/new-social-and-environmental-reporting-rules-for-large-companies> - The European Parliament has agreed on new EU sustainability reporting requirements for large companies, aiming to end greenwashing and lay the groundwork for global sustainability reporting standards. These rules will apply to all large companies, defined as those with over 250 employees and a turnover exceeding €40 million, whether listed or not. Companies will be required to report on their impact on the environment, human rights, social standards, and work ethics, based on common standards. The information provided will be independently audited and certified, ensuring reliability and comparability. Non-EU companies with substantial activity in the EU market, specifically those with €150 million in annual turnover in the EU, will also have to follow equivalent reporting rules. This initiative seeks to enhance transparency and accountability in corporate sustainability practices across the EU.