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ESG Disclosure Mandates and International Regulatory Harmonization

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ABSTRACT: The research has examined the interrelationship between ESG distribution and global legal harmonization. It has explored the growth of ESG reporting standards that focused on frameworks like TCFD, SASB, GRI and EU's CSRD that highlighted the discrepancies posed by regulatory disruption. With the help of these case studies and quantitative analysis, the paper has identified the financial implications of the ESG regulations inconsistency. This also includes compliance expenses and uncertainty of the investment. The study has proposed action-based recommendations to align with the international ESG standards so that the transparency rate can be improved by minimising greenwashing and enhancing sustainable reporting to a faster coherent and trustworthy international framework for corporate ESG disclosure.

KEYWORDS: ESG Disclosure, Regulatory Harmonization, Sustainability Reporting

I. INTRODUCTION

The growing investor demand and regular scrutiny have made environmental social governance disclosure a critical aspect of Corporate transparency. In 2023 more than 90% of S&P 500 organisations published reports that reflected the rise of international focus on sustainable reporting (G&A, 2023). In addition to this regulatory compliance remains a significant challenge with frameworks like the Corporate Sustainability Reporting Directive of the EU, the Security Exchange Commission of the USA has proposed climate and disclosure regulations and the Global Stability Standards Board has created various inconsistencies for global organisations.

KPMG survey in 2022 has found that around 75% of the international CEOs have stated that ESG reporting is an important factor of financial reporting, whereas, 37% of people only felt prepared to improve regulatory requirements (KPMG, 2022). The financial effect of ESG alignment has been significant. Organisations are not able to meet disclosure standards risk capital flight for example around 120 billion dollars has been outflow in 2023 because of greenwashing claims. This paper has explored the interconnection between the ESG disclosure mandate and global regulatory harmonization that analysed the current frameworks' significant barriers and potential strategies. With examination of case studies and quantitative trends the static and provide action-based recommendations for the regulators and organisations so that gaps can be mitigated and transparency of ESG can be enhanced at an international rate.

II. RATIONALE AND OBJECTIVE

The increasing importance of ESG disclosure stems from the increasing regulatory supervision demand of the investors and the expectations of society for corporate responsibility. Irrespective of this the lack of a unified global framework, it has led to inconsistencies, complaints, burdens and significant greenwashing risks. Organisations are operating across different jurisdictions and need to navigate a complicated landscape of various disclosure mandates like "The European Union corporate social responsibility reporting directive", "U.S. SEC's proposed climate disclosure rules", and voluntary standards like the "Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB)" (Krueger et al., 2024). These inconsistencies have hindered compatibility transparency maintenance and decision-making of the investors.

The main objective of the research is to critically examine the ESG disclosure mandate state and explore different path towards global regulatory harmonization. The study has also aimed towards certain factors.

Objectives:

Examine Existing ESG Disclosure Frameworks – examining significant regulatory and voluntary ESG reporting standards across various jurisdictions.

1. Identify Challenges and Gaps – Identifying the challenges to maintain harmonization that includes legal cultural and operational factors.
2. Evaluate a Real-World Case Study – examining the efficiency of primary ESG reporting initiative.
3. Propose Policy Recommendations – offering evidence-based strategies so that disclosure recruitment can be aligned globally.

By fulfilling the derivatives of these objectives the study has focused on contributing towards a standard transparent and efficient ESG disclosure landscape.

III. METHODOLOGY

The research has followed a secondary research approach by optimising current literature reports and data to analyse the ESG disclosure mended and global regulatory harmonization. Secondary research is important as it has allowed for a comprehensive overview of the current ESG frameworks, International regulatory trends and financial effects without the requirement of a primary data collection method.

Review of Existing Literature – The study has examined research government reports and industry white papers regarding environmental, social and governance disclosure mandates. Primary sources include regulatory institutions like the European Commission, US Secretaries and exchange commission and the International Sustainability Standard Board.

Analysis of ESG Reporting Frameworks – There are major ESG reporting standards which include the global reporting initiative, sustainability accounting standards board, and task force on climate-based financial disclosure which will be compared to identify the differences and harmonization areas (Ye, 2024).

Use of Published Data and Reports – There are different reports from organisations like KPMG, International ESC monitor and World bank will be examined to assess the adoption trends of ESG, challenges of regulatory compliance and financial effect on the fragmentation of regulatory discrepancies.

With the dependency on secondary sources, the study has ensured events structured analysis of ESG disclosure mended and his provided database suggestion for regulatory harmonization.

IV. LITERATURE REVIEW

A literature review has been structured around 5 significant themes that explore ESG distribution and global regulatory harmonization.

1. Evolution of ESG Disclosure Mandates

The rise of environmental, social and governance disclosure mandates has been directed by the increasing rate of demand from investors, pressure from regulatory protocols and increasing awareness of climate-based financial risk (Ye, 2024). Since the beginning of ESC reporting, large voluntary companies used to formulate frameworks like sustainability accounting standard boards or global reporting initiatives to disclose sustainability-based information. However, this trend has moved towards compulsory ESG reporting as government entities and financial regulators are seeking towards improving transparency and accountability in corporate areas.

In 2023, The European Union Corporate Reporting Directive came into effect representing major elements of ESG regulation. Expanded reporting requirements to around 50000 Organisations in comparison to 11700 under the

scrutiny of non-financial reporting directives (European Commission, 2025). Organisations need to provide detailed sustainability disclosures aligned with the European sustainability reporting standards.

Organisations did provide detailed subscriber disclosure that should be aligned with European sustainability reporting standards. In the United States, the Securities and Exchange Commission has proposed new climate disclosure rules that would allow publicly traded organisations to report their scope 1 and 2 along with in some cases scope 3 greenhouse gas emissions. After its implication, these regulations could have impacted more than 4000 US organisations along with novel forms operating in the USA (Zaid and Issa, 2023).

The KPMG survey in 2023 has found that around 75% of international CEOs believe that ESG reporting is equally important as financial reporting (KPMG, 2024). Only 37% of people are fully prepared to meet the increasing ESG requirements. This regulatory change is also reflected in capital markets as 120 billion dollars in sustainable investment funds experienced outflow in 2023 because of the concerns regarding greenwashing and maintaining reporting standards inconsistency. Voluntary transition into mandatory estrogen for more has highlighted the requirement for better regulatory harmonization so that consistency and transparency along with summer reporting all over the world can be maintained.

2. Comparison of Global ESG Reporting Standards

The scenario of ESG disclosure is articulated by various global reporting frameworks and each of these are distant with methodologies and objectives. The absence of a unified standard has presented challenges for different organisations that need to navigate underlying conflicting elements.

One of the most broadly optimised frameworks adopted by more than 10000 organisations all over the world is the global reporting initiative (Ho, 2022). It focused on the material impact that has emphasised specifically climate-relevant uncertainty and threads along with financial disclosures affecting stakeholders and made it popular for sustainability-based reporting. Moreover, its wider scope can lead to inconsistency that is reported across industries. More than 4000 organisations across 100 + jurisdictions have supported a task force on climate-related financial disclosure (IBM, 2023). SASB gives importance to ESG factors that have a direct impact on financial performance but critics have made arguments regarding the lack of seamless sustainability of perception.

More than 4000 organisations across 100 + jurisdictions have been supported by a task force on climate-related financial disclosures that Infosys on assessment of the risk which inference regulatory approaches including "Corporate Sustainability Reporting Directive (CSRD)" and "UK's mandatory climate disclosures".

IFRS Foundation has launched the global sustainability standard board with the aim of establishing an international wavelength for ESG reporting. The IFRS S1 and S2 standards have been beneficial since 2024 which integrated recommendations of TCFD and focused on seeking harmonizing the current frameworks. In addition to this adoption of IFRS has remained voluntary with whole global alignment that needs to be achieved (Challapalli, 2023).

Based on the PWC study in 2022 it can be understood that 78% of the investors believed that comparability across various jurisdictions is important yet around 34% satisfied with the current reporting standard (PWC, 2022). Some organisations were struggling with compliance expenses and intersections in the regulatory landscape with the requirement of harmonized USD reporting which remained a crucial challenge for international sustainability transparency.

3. Challenges in ESG Regulatory Harmonization

A primary challenge in ESG reporting is the regulatory disintegration where various jurisdictions are imposing different disclosure requirements. The absence of sustainability has created a burden of regulatory compression which reported inconsistencies and uncertainties of greenwashing that sustainability will declare and undermine the trust of the investors and consumers.

Based on KPMG reporting, it has been found that around 62% of global companies are struggling to navigate various ESG reporting frameworks (Sulkowski and Jebe, 2022). Further, the mandate of the European Union corporate

sustainability reporting directive has stated a comprehensive disclosure of ESG which is aligned with European sustainability reporting standards whereas the US Securities and Exchange Commission has focused on climate-relevant financial risks. Alongside the ESG disclosure of China's guidelines has given importance to the government-based sustainability goals that added to the complication of international business.

The extreme financial pressure of compliance is important. A PwC study in 2022 has estimated that large companies will spend between 530000 pounds and 1.3 million pounds annually on ESG reporting because of superimposed regulation (PwC, 2022). For SMEs, the expenses can be restricted by limiting their capability towards complying with strict ESG mandates. Another significant challenge is the inconsistency of data. Various reporting frameworks are using metrics that will make across-jurisdiction and ESG performance comparisons problematic. Based on the global EST monitor report in 2023, it has been found that around 42% of the ESG reports have provided externally authentic data that raised concerns regarding credibility and dependency (Corporation, 2023).

In addition to this, discovery in greenwashing is escalated by regulatory consistency. Without the existence of a unified standard organisations can selectively disclose the information so that they can appear sustainable. This has led to a sustainable investment of 120 billion dollars in fund outflow in 2023 as investors have increased transparency and accountability demand (Sustainable finance trends, 2024).

While addressing these challenges requires better regulatory coordination there are organisations like International standard boards for working towards International alignment. However, to achieve full harmonization it just remains a complicated ongoing process (Lubogo, 2024).

4. Financial and Investment Implications of ESG Reporting

Stringent ESG disclosure has become an important factor to attract investment and minimise capital expenses. Research has consistently shown that organisations with robust practices are not only appealing to socially responsible investors but also trending towards experiences with lower costs of capital. Based on the 2022 MSCI report forms with better ratings will enjoy 25% of the lower cost of capital in comparison to those with low ESG costs (Elidrisy, 2024). It is because investors have increased the importance of sustainability by witnessing the organisations with strong performance of ESG.

On the contrary, companies had faced failure to disclose ESG data and reports had faced prominent investment issues. CFA institute survey in 2023 has found that around 69% of the investors have considered ESG factors while procuring investment decisions but only 30% believed that the present ESG disclosures have provided adequate information for assessing the financial performance efficiently (CFA, 2024). The discrepancy between investor expectations and actual reporting standards has created a gap which has caused uncertainty in investment.

The impact of regulatory inconsistency has further complicated investment decisions. There are organisations operating across various jurisdictions that need to comply with different ESG regulations that have led to increasing compliance expenses and operation and risks. A Bloomberg study in 2022 has revealed that 120 billion dollars in sustainable investment funds have experienced out-flow because of concerns over inconsistency in ESG regulations and greenwashing (Schwartzkopff, 2025).

In addition to this non compliance with ESG reporting regulation has resulted into reputation and damage and loss of confidence of the investors. The international ESG monitor in 2023 has found that around 42% of the investors are actively avoiding organisations which have failed to meet disclosure standards of ESG that underscored the financial consequences of inadequacy in ESG reporting (Aboud et al., 2024).

Therefore, strong ESG disclosure has improved financial performance and has attracted capital to procure inconsistency in regulations for creating significant investment risks to highlight the requirement for international regulatory harmonization (Frecautan and NITA, 2022).

5. Case Studies on ESG Disclosure Implementation

The authentic Real-world case scenarios of ESG disclosure have implemented different insights regarding best practices challenges of regulatory compliance and the contribution of government towards enforcing legal standards. Task Force on Climate-related Financial Disclosures (TCFD), is a prominent example that has been broadly adopted by international organisations towards reporting climate-based risks. More than 4000 organisations across 100 + countries have endorsed recommendations of TCFD in 2023 that illustrated the increasing importance of financial reporting (Fourgon, 2024).

TCFD-based disclosures have been mandatory for large organisations that have been credited with improving consistency and transparency in the United Kingdom. In 2022 the Department for Business, Energy & Industrial Strategy (BEIS) in the UK found that around 93% of FTSE 100 companies had begun reporting in comparison to 54% in 2020 (Department for Business, Energy & Industrial Strategy, 2023). This fast update underscores the efficiency of government rules and regulations towards driving transparency in ESG.

Moreover, the implementation of TCFD guidelines has not been without challenges. Different companies have reported difficulties in accurately assessing and addressing climate-related financial uncertainties, particularly concerning Scope 3 emissions. PwC study in 2022 has found that around 16% of organisations fully disclose scope 3 emissions because of data loopholes and complications in the supply chain (Gossain, 2023).

There is another significant case where the European Union's Corporate Sustainability Reporting Directive (CSRD) has aimed towards strengthening disclosure of ESG across Europe. The Deloitte report of 2023 has highlighted that more than 50% of EU-based organisations would be affected by CSRD, which introduces detailed reporting parameters and external auditing necessities. This directive has aimed towards harmonising disclosures of ESG across the EU, but the success has hinged on the association of other international standards including the International Sustainability Standards Board (ISSB) (FRECAUTAN and DANILA, 2022).

These case scenarios have shown that progress has been made with the disclosure of ESG with significant challenges that remained in terms of quality of data, scope and alignment of global regulations to highlight the requirement for international regulatory harmonization for ensuring efficient and comparable reporting.

V. CONCLUSION

The increase in the importance of historical disclosures in the business world has reflected the rise of demand for transparency, accountability and sustainability. However, this segmentation of the current regulatory landscape with various jurisdictions has imposed reporting standards to create significant challenges for various organisations. "Global Reporting Initiative", "Sustainability Accounting Standards Board" and "Task Force on Climate-related Financial Disclosures" have been offering valuable insights but the absence of harmonization across these regulatory parameters has led to inconsistency, increasing complaints expenses and escalated greenwashing risks.

There are optimisations of case studies like the adoption of TCFD in the UK and the application of CSRD which demonstrated significant regulatory alignment but also highlighted the issues relevant to data loopholes and limitations of scope. Irrespective of this, the growth of investor demand for ESG information is backed by the increasing rate of sustainable investment flows which emphasises the financial significance of ESG reporting. To address these challenges International regulatory harmonization is important and greater alignment between major frameworks and standard bodies like ISSB is important to reduce complaints pressure, enhance the reliability of data and ensure that ESG disclosure has provided meaningful, compatible insights with international collaboration.

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