LEGAL INSIGHTS FOR **BUSINESS LEADERS**

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EXECUTIVE SUMMARY

Over the past decade, aspects of sustainability have evolved from voluntary corporate behavior into hard law. This transition is happening with remarkable speed and intensity, with legislation expanding simultaneously across multiple regions. Jurisdictions such as the European Union, United Kingdom, Japan, Singapore, China, United States and Canada are introducing or strengthening Environmental, Social, and Governance (ESG)-related obligations with different legal architectures and policy priorities. The result is a regulatory environment that is accelerating and increasingly multidimensional, requiring businesses to navigate a complex ecosystem with partially overlapping but not fully harmonized obligations, creating compliance challenges, legal uncertainty and increased resource burdens. In this context, the global regulatory landscape is evolving differently across regions, creating distinct compliance challenges and opportunities for businesses.

EUROPE:

European Union: Fast-paced, integrated framework (Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), European Union Deforestation Regulation (EUDR) with "Omnibus" adjustments for small and medium-sized enterprises (SMEs).[1]

United Kingdom: Mature regulatory environment integrating sustainability into corporate governance.

LATIN AMERICA:

Fragmented ESG regulations with efforts toward harmonization and sustainable finance growth.

ASIA PACIFIC:

Strong climate policy focus driving sustainable finance and adoption of International Sustainability Standards

AFRICA:

Sustainability integration into governance, early ISSB adoption, and anti-greenwashing measures.

NORTH AMERICA:

United States: Federal rollbacks contrast with advancing state-level climate disclosure laws (e.g. in California), resulting in a fragmented compliance environment.

Canada: Advancing voluntary ISSB-aligned sustainability standards while developing mandatory climate disclosure rules for federally incorporated businesses.

Corporate legal teams play a critical strategic role beyond risk management, actively contributing to redefining corporate governance and integrating sustainability into decision-making. Drawing on leading corporate practices, legal leaders can:

- Integrate sustainability principles into governance and reporting
- Strengthen oversight, aligning compliance strategies globally
- Identify opportunities that go beyond compliance, improving market access and attracting investments
- Anticipate risks in areas such as climate, human rights, AI and data privacy
- Foster cultures of integrity through ethics frameworks and transparency

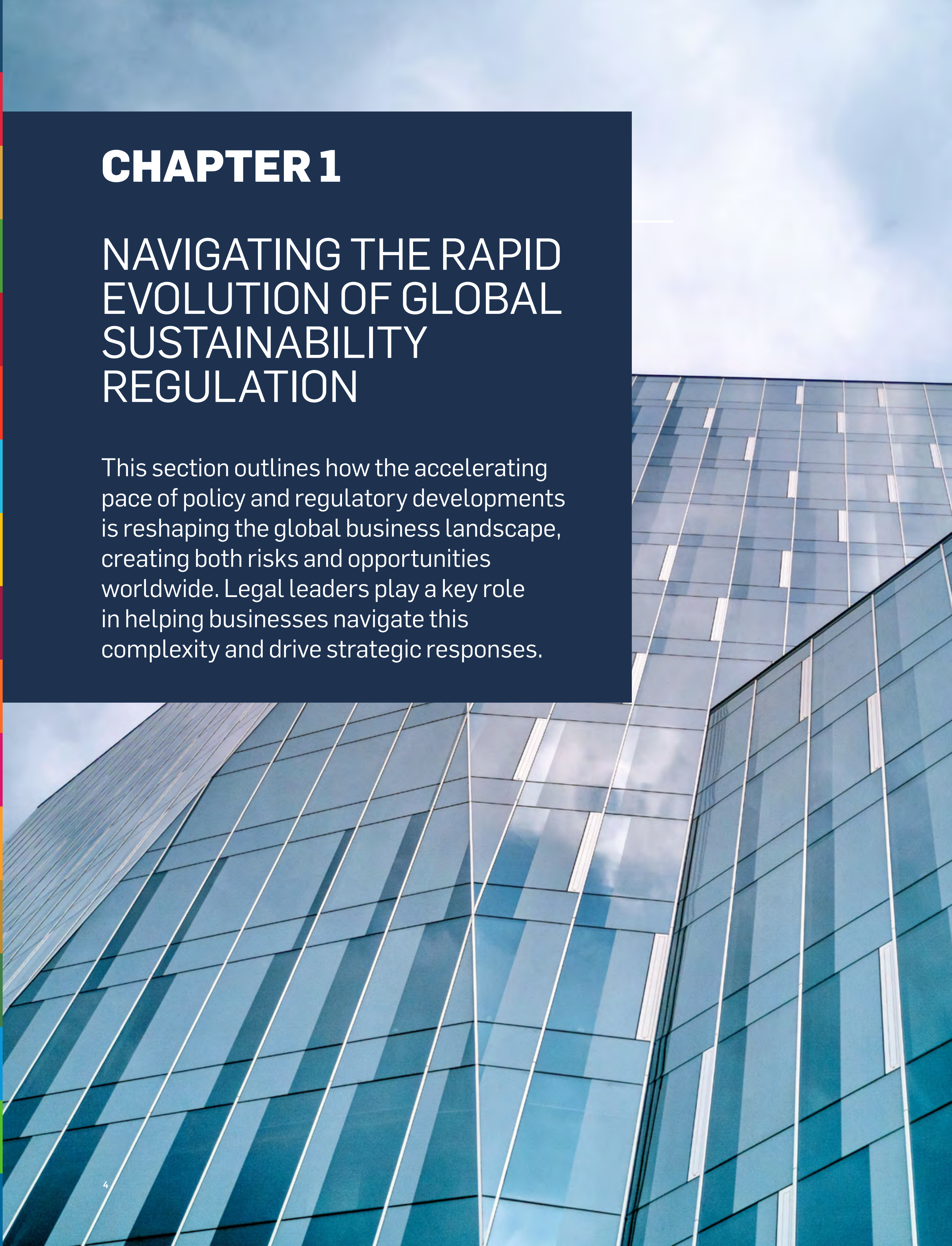
These actions position organizations to achieve competitive advantage, enhance resilience and build enduring stakeholder trust. To support businesses, the UN Global Compact provides structured approaches and tools that help integrate sustainability into corporate governance and strategy. One such approach is Transformational Governance, which enables business leaders to move beyond reactive compliance to develop governance structures that anticipate regulatory shifts and strengthen risk assessment and management. Moreover, the annual Communication on Progress (CoP) serves as a bridge between different regulatory standards, offering a flexible yet structured framework.

1. *Omnibus is a single legislative measure that combines multiple or wide-ranging provisions.*

CHAPTER 1

NAVIGATING THE RAPID EVOLUTION OF GLOBAL SUSTAINABILITY REGULATION

This section outlines how the accelerating pace of policy and regulatory developments is reshaping the global business landscape, creating both risks and opportunities worldwide. Legal leaders play a key role in helping businesses navigate this complexity and drive strategic responses.



The Changing Context

How rapid regulatory shifts — especially in sustainability — are creating a dynamic and fragmented global landscape, impacting corporate strategies, operations and stakeholder expectations.

The changing context: speed, complexity and global reach

Over the past decade, sustainability has evolved from a voluntary corporate behavior into a binding legal requirement. This transition is happening with remarkable speed and intensity. Sustainability-related legislation is expanding simultaneously across multiple regions, with the European Union playing a leading role in creating a wide and intertwined legal framework that governs financial markets, corporate governance, consumer protection and supply chain management. What distinguishes the current moment is the global nature of this legal transformation. Jurisdictions such as, inter alia, the United Kingdom, Japan, Singapore, China, United States and Canada are introducing or strengthening ESG-related obligations, albeit with different legal architectures and policy priorities. The result is a regulatory environment that is not only accelerating but also becoming increasingly multidimensional. Businesses, especially multinationals, are required to navigate a complex ecosystem with partially overlapping but not fully harmonized obligations, creating compliance challenges, legal uncertainty and increased resource burdens. Businesses must align data collection and reporting systems across jurisdictions, manage cross-border inconsistencies in ESG terminology and ensure that their public sustainability statements do not expose them to legal or reputational risks under different legal regimes.

Evolution of corporate strategies and stakeholder expectations

This rapidly changing and fragmented context has profound implications for corporate strategies, governance and internal operations. Sustainability issues have now become legal matters requiring board-level oversight and robust risk management structures. This involves establishing integrated ESG data governance, ensuring traceability and auditability of sustainability metrics, overseeing the legality of marketing communications and embedding ESG clauses into supply chain contracts.

Furthermore, the legal risks associated with sustainability-related non-compliance are growing. The operational burden is particularly acute for businesses with extended global supply chains. New sustainability due diligence requirements create shared liability across supplier networks, making ESG risk assessment a prerequisite for legal defensibility in case of environmental or human rights violations within the value chain. In addition, greenwashing is now subject to regulatory enforcement, civil liability and reputational scrutiny, with potential actions by consumers, investor lawsuits or regulatory penalties.

In parallel with legal developments, stakeholder expectations are rising. Institutional investors, consumers, civil society and financial regulators are demanding that businesses demonstrate clear, measurable and credible sustainability performance. These expectations reinforce the need for businesses to maintain consistency across jurisdictions, as inconsistencies may lead to accusations of greenwashing, even if they stem from regulatory variations rather than corporate intent.

Market access, capital availability and creditworthiness are increasingly increasingly dependent on demonstrating credible sustainability practices. Financial institutions, in particular, are subject to sustainability risk integration rules and therefore require their corporate clients to produce verifiable and comparable sustainability data.

This development is an opportunity to review corporate strategies in order to meet these expectations and gain easier access to finance, ESG indexes or upgrades in sustainability ratings.

Regulatory and compliance challenges

The competitive pressures and emerging risks that businesses and their legal functions must navigate in an increasingly complex regulatory landscape.

Sustainability regulation at a crossroads: global trends and impacts on corporate governance

The global regulatory landscape is evolving, influenced by a combination of societal demands, investor expectations, regulatory initiatives on sustainability and shifting geopolitical dynamics.

However, progress varies across jurisdictions.

In this environment, businesses must prepare to navigate diverse regulatory approaches and anticipate future shifts. The competitive pressures and emerging risks are significant, requiring agility, foresight and strategic legal guidance.

The following section outlines the disclosure-related developments across different regions, providing an overview of the trends reshaping corporate strategies, governance structures and stakeholder expectations worldwide.

EUROPE

European Union

Sustainability regulations inside the European Union (EU) continue to transform at a fast pace with new European Commission proposals indicating a preference for practical sustainability standards. The current objective is to integrate ESG management into corporate governance and strategies by reducing burdens while retaining accountability, practical implementation and alignment with the overarching goals of the European Green Deal.

The core of the EU's ESG regulatory framework — Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive, CSRD), the related European Sustainability Reporting Standards (ESRS) established through Delegated Regulation (EU) 2023/2772 and Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive, CSDDD) — is under scrutiny to enhance sustainability with economic competitiveness.

The recent "Omnibus" legislative package has delayed CSRD requirements by two years for the majority of recipients while pushing back CSDDD obligations by one year. These proposals include simplifying the ESRS and raising the employee reporting threshold, aiming to deliver both clarity and flexibility, especially for SMEs, and encouraging recipients to concentrate on essential sustainability-related actions. Independently of the "Omnibus" framework, businesses must establish specific legal safeguards and protections for handling sustainability risks. Implemented corporate changes can serve as assets to attract investors and credit institutions, which are mandated to collect ESG data and assess sustainability risks within their decision-making processes.

At the same time, future EU regulations under the Green Deal, such as the EU Deforestation Regulation (EUDR), continue to expand the scope of mandatory sustainability requirements.. EUDR imposes due diligence obligations on businesses placing certain commodities on the EU market, integrating climate protection directly into trade practices and procurement strategies.

United Kingdom

UK businesses are subject to ESG-related regulation covering a broad range of issues, and sustainability factors have increasingly been integrated into corporate governance over the years. The market has attained the level of regulatory coherence and maturity needed for an economy of its size and complexity, ensuring meaningful engagement with ESG risks and opportunities. Larger businesses and those that are listed and/or have a public interest element (such as insurers and pension funds) typically shoulder a greater compliance burden, compared to SMEs.

In some areas, such as financial services, the UK has recently introduced significant measures to provide clarity for consumers wishing to make more sustainable investment choices and tackle greenwashing. UK company law and certain rules relating to listed entities already require larger and more economically significant businesses to report annually on environmental, climate-related and other non-financial matters. Work is ongoing to finalise UK Sustainability Reporting Standards that would incorporate the ISSB global baseline standards for sustainability and climate-related disclosures. The evolution of these Standards has coincided with the proposals of the UK Green Taxonomy, closely aligned with its EU equivalent, which the UK decided not to pursue as of July 2025.

UK regulatory development on sustainability matters aims to manage nature and climate risks, increasing consumer awareness of sustainability issues and growing investor interest in ESG performance. While there have been calls to simplify the regulatory burden in some areas (such as reporting requirements), particularly for SMEs, some UK ESG regulatory agendas have developed more slowly. Nonetheless, the pursuit of sustainable long-term growth is well-established as an objective of the UK's approach to corporate governance.

LATIN AMERICA

Latin America

Unlike other regions with more consolidated and comprehensive ESG legal frameworks, the implementation of regulations aligned with each of the respective "E", "S" and "G" dimensions in Latin America and the Caribbean is highly uneven. While a considerable number of laws, regulations and guidelines related to environmental, social and governance aspects exist in the various countries, these are often scattered and not articulated within a unified ESG framework.

Faced with this fragmented context, where specific regulations may exist but do not form a coherent and encompassing body of ESG norms, the need for initiatives that seek to consolidate and harmonize regulatory information becomes even more relevant. These efforts are crucial to facilitate understanding and compliance by businesses, investors and other stakeholders involved in managing risks and opportunities related to sustainability and the impact economy. Mapping and classification efforts that organize ESG regulations by relevant themes for the region represent an important step in this direction.

Despite this lack of unification, the increasing regulatory pressure on listed businesses and the influence of international standards are driving the integration of sustainability into corporate strategies. The need to respond to the demands of global investors and the potential extraterritorial application of foreign regulations are incentivizing businesses, especially the largest ones with international ties, to redefine their strategies. They are incorporating ESG considerations as central elements for risk management and long-term value creation.

For corporate governance, while there is a growing trend towards strengthening internal structures to oversee and manage ESG risks and opportunities, studies indicate that important areas for development remain across the region. These include a limited familiarity with the strategic relevance of ESG considerations, a siloed approach to implementation, low adoption of metrics monitoring systems, limited interaction with stakeholders and a partial understanding of the value of ESG disclosure.

Nevertheless, it would be desirable for businesses to move towards the incorporation of sustainability at the Board of Directors level and the designation of ESG officers in senior management, as this would strengthen the oversight and integration of these factors into strategic decision-making. This evolution could be driven by the demands of capital markets and institutional investors.

To illustrate the regulatory evolution in the region, we can observe concrete examples:

- Brazil has made significant progress in regulating the financial sector and capital markets. The Central Bank requires financial institutions to disclose social, environmental and climate-related risks. At the same time, the Securities and Exchange Commission (CVM) is advancing toward mandatory ESG reporting aligned with International Sustainability Standards Board (ISSB) standards by 2026. In parallel, Brazil is developing a regulated carbon market under the National Climate Change Policy.
- Colombia developed a Green Taxonomy to guide sustainable investments and made ESG disclosure mandatory for supervised financial entities in 2022. The Financial Superintendency is also promoting the integration of sustainability into governance structures and risk management systems.
- Chile has implemented regulations requiring disclosure of climate-related financial risks by institutional investors and listed businesses. The Financial Market Commission (CMF) has incorporated climate risk into its supervisory practices and is promoting the integration of sustainability into financial decision-making. Additionally, the country has issued a Sustainable Finance Strategy and a sovereign green bond framework.
- Mexico has adopted a comparatively fast paced approach to sustainability reporting. In 2024, the Mexican Board for Research and Development of Financial Information Standards (CINIF) introduced national sustainability reporting standards, which

have applied since January 2025 to entities using Mexican Financial Reporting Standards. Additionally, the securities regulator has mandated the adoption of ISSB standards for domestic issuers. These initiatives are supported by Mexico's Sustainable Taxonomy and the Sustainable Financing Mobilisation Strategy reflecting a coordinated effort to embed ESG principles into financial and corporate governance practices.

It is crucial to recognize the particular challenges faced by SMEs in adopting the ESG agenda, given the complexity and costs associated with complying with the fragmented regulatory landscape and the lack of specific resources.

Latin America and the Caribbean hold significant strategic potential in the global sustainable economy, given their wealth of natural resources and their role in global food security. The consolidation of a more coherent ESG regulatory framework along with the efforts to better support SMEs' inclusion in this transition will be key to fully harnessing this potential.

In summary, the region is characterized by an abundance of ESG regulations, yet greater integration and coherence at the macro level remain important areas for progress. While the adoption of ESG governance practices is at an early stage, market pressure and the need to respond to sustainability challenges make strengthening them an important goal for businesses in the region.

ASIA-PACIFIC

Asia-Pacific

In China, the Shanghai, Shenzhen, and Beijing Stock Exchanges jointly released the Guidelines for the Preparation of Sustainability Reports by Listed businesses (Guidelines) in February 2024. Following a one-year public consultation, the Guidelines came into effect on January 17, 2025, building on the Sustainability Reporting Standards for Listed businesses (Standards) issued in April 2024. These Guidelines and Standards draw on international frameworks, including the ISSB's International Financial Reporting Standards (IFRS) S1 and IFRS S2. Their release marks a significant step in China's sustainability disclosure regime, forming a two-tier structure with mandatory standards (Standards) and voluntary best practices (Guidelines).

From a macro perspective, governments in Asia Pacific are predominantly adopting a strong climate policy focus, with particular emphasis on driving climate finance and transition. Earlier this year, China issued its sovereign green bonds listed on the London Stock Exchange.

In 2024, the government of Japan issued the first ever sovereign transition bond globally, demonstrating that country's commitment. Moreover, in March 2025 the Sustainability Standards Board of Japan (SSBJ), established in 2022, issued its inaugural three sustainability disclosure standards.

The ASEAN Capital Markets Forum has published two versions of the ASEAN Transition Finance Guidance, providing further technical support. Such measures, coupled with the development and use of taxonomies in Asia Pacific (most recently proposed in India, Australia and Korea, for example) along with regulatory expectations on financial institutions — including banks, asset owners and asset managers — for robust climate risk management, are driving together sustainable finance and sustainability standards in the region.

The picture represents a fast-evolving landscape for corporations operating in Asia Pacific, under increasing stakeholder expectations of better sustainability performance and reporting, from governments, financiers, investors and the public in general. With ISSB adoption, corporations will increasingly be required to demonstrate robust governance frameworks and board oversight on sustainability matters, such as strategic assessment of climate-related risks and opportunities, concrete risk management and transition plans. Failure to meet expected standards may risk access to financing, and significant mismanagement of sustainability risks may affect corporate resilience and creditworthiness.

AFRICA

Africa

Across Africa, corporate strategies and governance structures are undergoing significant transformation in response to evolving stakeholder expectations and global sustainability trends. Governments are adopting regulations aimed at addressing environmental and social impacts of corporate enterprise, while seeking to ensure that their jurisdictions remain competitive, resilient and sustainable. Regulators are considering interventions to ensure that citizens and investors are not misled by greenwashing, and that financial sectors are not vulnerable to climate and social risks.

Several African jurisdictions are leading the way with ambitious policies that require the integration of ESG factors into corporate decision-making, the improvement of transparency in sustainability reporting for investors and an increased focus on the environmental and social impact of business on people and the planet.

In South Africa, the King IV Report on Corporate Governance set a benchmark for integrated thinking and responsible leadership, and the recently released draft of King V further advances this agenda. King V suggests that climate change, along with other nature-related risks like biodiversity loss and water scarcity, should be incorporated across governance domains as integral to organisational ethics and corporate citizenship, the formulation of strategy and performance indicators, organisational reporting, risk and compliance, remuneration, assurance and stakeholder relationships.

Capital markets throughout Africa require mandatory or voluntary sustainability and climate reporting from listed businesses. In South Africa, while climate-related disclosure requirements for listed businesses are not yet mandatory, the Johannesburg Stock Exchange (JSE) has issued sustainability and climate disclosure guidance to encourage alignment with international frameworks. Kenya's Nairobi Securities Exchange has introduced ESG disclosure guidelines, which, although currently voluntary, signal a growing emphasis on transparency and responsible business practices. Businesses listed on the Ghana Stock Exchange are obligated to follow ESG disclosure guidance which consists of both compulsory and voluntary aspects regarding ESG. The Stock Exchange of Mauritius has provided a framework for listed businesses to voluntarily disclose their ESG performance.

African jurisdictions have also been early adopters of the ISSB's sustainability standards, with Nigeria, Zimbabwe, Ghana and Kenya among the first to signal their intent to formally adopt the standards in domestic legislation.

NORTH AMERICA

United States

In 2025, the ESG regulatory landscape in the United States continues to evolve within a context of legal and political divergence. At the federal level, regulatory developments have been marked by reversals of recent sustainability-related initiatives. In March 2025, the U.S. Securities and Exchange Commission (SEC) announced that it would no longer defend its climate disclosure rules adopted in 2024. These rules had introduced requirements for large accelerated filers to disclose climate-related risks and greenhouse gas (GHG) emissions beginning with fiscal year 2025.

At the same time, individual U.S. states are advancing their own ESG-related regulatory frameworks, resulting in a fragmented compliance environment. Notably, California has enacted two significant climate disclosure laws: the Climate Corporate Data Accountability Act (SB 253), which mandates disclosure of Scope 1, 2 and 3 GHG emissions, and the Climate-Related Financial Risk Act (SB 261), which requires disclosure of climate-related financial risks. These obligations apply to businesses above certain revenue thresholds conducting business in California, with phased implementation set to begin in 2026. The California Air Resources Board has signaled a transitional approach to enforcement, focusing on good-faith compliance during the initial years of implementation.

Additional federal-level measures affecting corporate engagement with ESG include updated SEC guidance expanding disclosure obligations for certain shareholders actively engaging with management and narrowing parameters for shareholder proposals. Meanwhile, the U.S. Department of Labor has withdrawn its prior rule that permitted pension plan fiduciaries to consider ESG factors as tiebreakers in investment decisions. The Department has indicated plans for further rulemaking.

In the investment fund context, the SEC's proposed rules on ESG-related disclosures by investment advisers and registered funds remain under review following a change in administration. These proposed rules, initially designed to standardize ESG disclosures based on investment strategy integration, have not advanced in 2025. By contrast, the SEC's amendments to the "Names Rule", which took effect in September 2023, continue to apply. These amendments require that investment funds with ESG-related terms in their names (e.g., "green", "sustainable" or "socially responsible") allocate at least 80 per cent of assets in accordance with those terms.

Despite federal-level regulatory uncertainty, disclosure obligations are increasing at both the state and international levels. Many U.S.-based businesses are now subject to emerging state laws, such as those in California, and cross-border regulations including the EU's CSRD. These developments underscore the growing necessity for businesses with international operations to maintain robust ESG compliance frameworks.

Canada

Canada is advancing distinct sustainability disclosure frameworks while navigating global regulatory uncertainties. The Canadian Sustainability Standards Board (CSSB) released final Canadian Sustainability Disclosure Standards (CSDS 1 and 2) in December 2024, aligned with the International Sustainability Standards Board framework and effective as voluntary standards from January 1, 2025. In a recent announcement, the Chair of the Canadian Securities Administration (CSA) and CEO of the Alberta Securities Commission said that the CSSB should be considered a useful voluntary, rather than mandatory, disclosure framework for sustainability and climate-related disclosure. The announcement cited rapid and significant changes in the global economic and geopolitical landscape.

Simultaneously, mandatory climate disclosure requirements for large federally incorporated private businesses remain under development through amendments to the Canada Business Corporations Act (timeline and specific requirements have yet to be finalized). Meanwhile, federally regulated financial institutions are already subject to climate-related disclosure requirements under the Office of the Superintendent of Financial Institutions' updated Guideline B-15.

Looking ahead: from compliance to competitive advantage

The strategic direction of sustainability regulation becomes clear even though regulatory standards continue to evolve with uncertainty. Businesses that have already begun their ESG commitments are gaining a clear competitive edge.

The current regulatory changes in regions such as the European Union function more as an opportunity than merely a compliance exercise, despite the management burdens involved. Businesses can leverage this transition period to create actionable plans, enabling them to protect their operations against current and future market and regulatory requests.

The convergence of international ESG standards may need extensive time but many regions and jurisdictions are adopting globally established frameworks such as the ISSB and the Taskforce on Climate-Related Financial Disclosures (TCFD). In this context, regional frameworks that provide clear guidance can support and guarantee global alignment and offer a reference point for international partnerships.

Complying with such frameworks not only helps businesses in strategic decision-making and domestic compliance but also enhances preparedness for global market trends. Entities streamline their operations, attracting market operators, financial sector entities as well as investors across jurisdictions.

The role of legal leaders

How legal leaders can drive proactive responses, helping businesses integrate sustainability, anticipate regulatory shifts, address reputational risk and develop governance structures that support long-term competitiveness.

How legal teams can drive proactive responses

In today's context, legal teams play a strategic role in transforming how businesses approach sustainability. Their work goes beyond managing legal risks, they actively contribute to redefining the foundations of corporate governance.

From this perspective, legal teams act as agents of change, capable of:

- **Integrating ESG principles into corporate governance:** Ensuring that decision-making processes consider not only minimum legal compliance but also social, environmental and human rights impacts, thereby strengthening the creation of sustainable value.
- **Strengthening oversight and accountability structures:** Supporting boards in exercising their fiduciary duties more broadly, incorporating sustainability criteria into risk and opportunity assessments and linking ESG metrics to corporate reporting.
- **Anticipating and managing emerging risks:** Identifying regulatory changes in human rights, climate change and business ethics, and preparing organizations to act proactively, thereby protecting both their reputation and long-term viability.
- **Fostering organizational cultures rooted in integrity:** Developing compliance frameworks and grievance mechanisms that not only prevent violations but also promote consistent ethical behaviour throughout the company.

By adopting an integrated and forward-looking approach, legal teams help businesses not only meet today's expectations but also lead the way in building resilient, just and competitive business models for the future.

In this context, the role of legal teams extends far beyond risk management. By embedding sustainability considerations into legal advice and corporate governance structures, lawyers can help organizations generate positive impact and contribute to the development of more sustainable societies. ESG frameworks offer a unique opportunity to align corporate decision-making with broader societal and environmental goals, thus reinforcing long-term value creation.

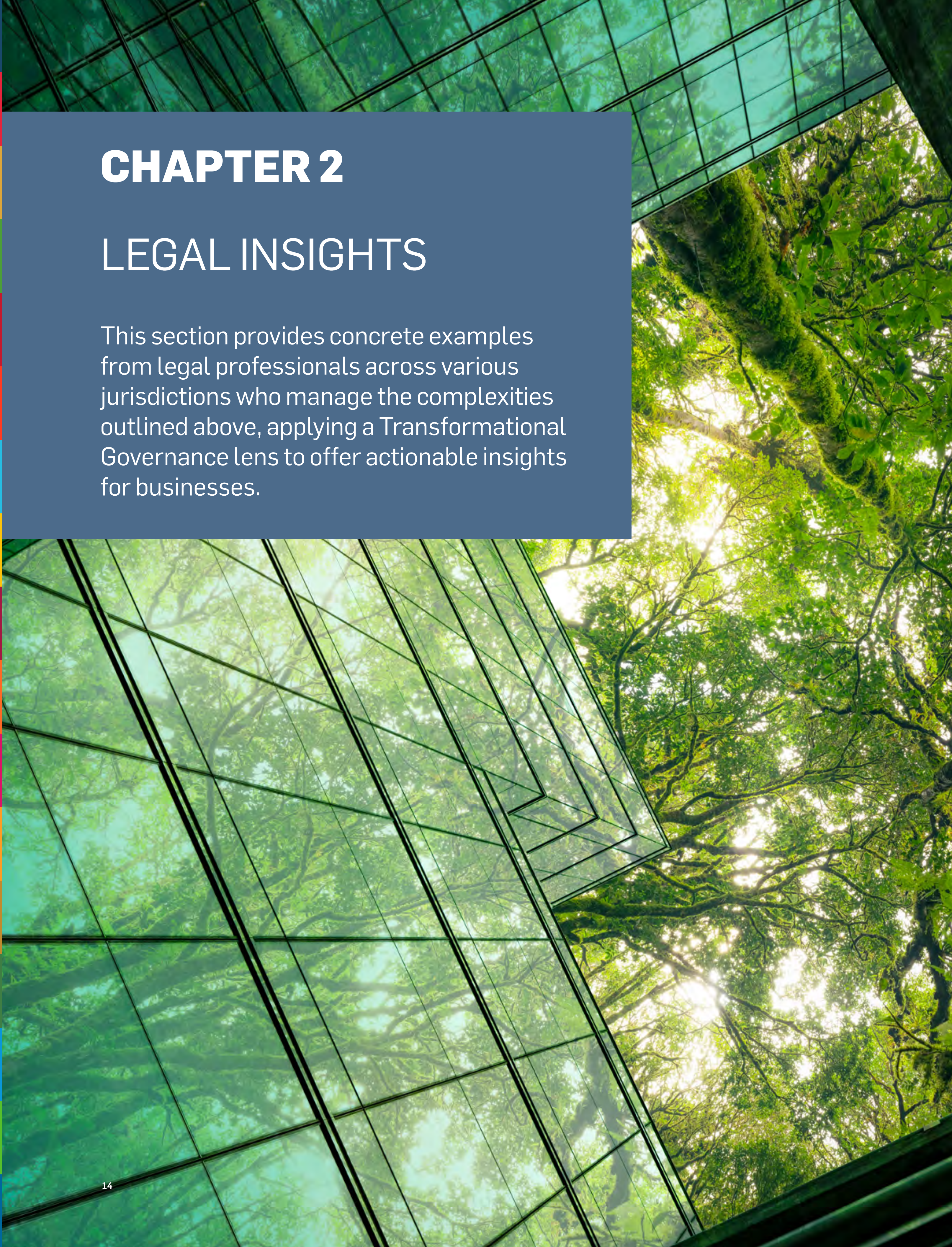
Today, legal advice must increasingly encompass not only what is lawful but also what is ethically sound and socially responsible. Legal teams are in a privileged position to identify and facilitate breakthrough opportunities that address environmental and human rights challenges, moving beyond traditional compliance approaches.

The integration of sustainability — or broader "impact" considerations — into legal strategy is emerging as a key driver of innovation, resilience and competitive advantage. Far from being merely a compliance obligation, sustainability represents a profound opportunity for the legal profession to contribute meaningfully to the transformation of business and society.

CHAPTER 2

LEGAL INSIGHTS

This section provides concrete examples from legal professionals across various jurisdictions who manage the complexities outlined above, applying a Transformational Governance lens to offer actionable insights for businesses.



LEGAL AS A STRATEGIC PARTNER

LEXISNEXIS

Challenges

A key issue is the **fragmented global regulatory landscape** for data services, where differing and conflicting laws across jurisdictions create complexity and ambiguity for compliance. Even though global manufacturing is more efficient, businesses still have to deal with different data rules for the same activities.

To manage this, LexisNexis adopts a **unified approach**, implementing the highest reasonable standard globally, even if it exceeds local requirements. This strategy ensures **consistency** and minimizes compliance risks. Ongoing risk assessments are crucial to determine applicable regulations and **anticipate potential reputational or compliance risks**. These challenges and risks can indirectly affect the company's reputation and shareholder value.

Solutions

LexisNexis checks **supplier compliance**, but enforcing these standards can be difficult with SMEs, due to the disproportionate effort for the size and nature of the contract, or the lack of resources at SMEs, or with state-owned firms who may simply refuse any kind of audit requirements.

- This regulatory imbalance necessitates a **pragmatic approach**. In-house legal teams must evaluate what is realistically achievable and customize compliance expectations accordingly.
- The legal profession now looks at **regulatory, reputational and ESG risks** — not just the law itself. For example, after the Nike factory collapse in Bangladesh, the reputational damage was enormous even though legal liability was limited.

By "**moving lawyers up the value chain**" and embedding them in strategic decision-making, organizations can leverage their legal teams for greater value. This transition allows legal professionals to contribute to strategic direction, risk management and reputation. Involving legal departments at the design stage of business initiatives is crucial, rather than only at the legal review stage.

Transformational governance, beginning with digital policy discussions, has been key at LexisNexis.

Takeaways

- As business leaders, seek legal input as early as possible, ideally at the inception of an idea.
- Legal leaders should communicate and work more collaboratively with business leaders, focusing on teamwork instead of hierarchy. When seen as partners in developing ideas, legal professionals are more valued.
- A pause on new regulations would greatly benefit businesses. Regulatory stability would allow businesses to better understand the environment, plan for the longer term and thrive globally.

#INTEGRATION

EDB

Challenges

EDB's core challenge is to lead not only in AI technology, but in ethics, privacy and sustainability, despite a rapidly evolving risk landscape and a lack of clear regulation.

As a company building and using AI to support both customer and internal efficiency, EDB is expected to lead responsibly in a fast-moving space where use cases and risks evolve daily. In this context, trust is everything. EDB's position as a data and AI company depends on its ability to earn and maintain trust — by acting ahead of regulation, grounding decisions in its values and staying transparent about risks and how they are managed. Failure to lead in this space could result in loss of customer confidence, reputational damage and significant legal and economic exposure.

Solutions

- **Talent and team:** One of the first actions taken by the CLO at EDB was to recruit a first-rate sustainability leader, anticipating the world the company is heading into. In parallel, EDB brought on an experienced data privacy leader, two critical roles that don't always have dedicated resources at a company of this size, but were prioritized by the management team to lead in a critical area.
- **Guideposts for leadership:** With the team in place, EDB developed and launched its **Principles for Responsible AI**, which now guides its decision-making in the absence of clear regulatory mandates. The company looked externally for thought leadership, building on its participation in the **UN Global Compact** to engage with best-in-class businesses. EDB also embraced the **EU AI Act**, becoming a signatory to the **EU AI Pact** as a way to tether its practices to an emerging framework.
- **Controls:** EDB formed a **cross-functional AI Governance Committee**, a cornerstone initiative to ensure ethical, sovereign, secure and effective adoption of AI throughout the company. It also created an internal hub, **AI Central**, to support employees with updated **AI Guidelines**, development resources and a clear one-page **Dos and Don'ts** guide to promote safe and responsible use.

> **Adopting a Transformational Governance approach has helped us move from reactive compliance to proactive leadership**

Takeaways

- **Act early**. Don't wait for final rules. Start aligning now to stay flexible.
- **Make Legal a design partner**. Embed compliance in Product, not just contracts. (e.g., sustainability dashboard)
- **Get cross-functional buy-in**. Legal, InfoSec, Product, HR, Finance, Marketing, etc. We need a shared understanding of risks and responsibilities.

#TRUST

LEGAL AS ENABLER OF TRANSPARENCY AND ACCOUNTABILITY

WORKIVA

Challenges

The global sustainability disclosure environment is undergoing rapid transformation, introducing significant complexities for multinational enterprises. Efforts to align international standards have been made, but significant variation still exists between the core standards (ESRS vs ISSB) and between country-specific transpositions. Furthermore, some countries have introduced variation into their adoption of the standards themselves and other differences only become apparent upon analysis of the surrounding legal framework. Additionally, there are regional reporting requirements, such as the California climate disclosure rules, that may need to be taken into consideration. For legal and compliance teams, this translates into immediate challenges in adapting with agility to rapidly evolving scoping requirements across diverse jurisdictions, interpreting potentially overlapping standards and navigating inherent regulatory uncertainty. This complex landscape necessitates a proactive and sophisticated legal approach to ensure compliance, mitigate risk and capitalize on emerging opportunities.

In particular, global businesses need to consider the risk that arises as subsidiaries, operating in this fragmented environment, produce inconsistent disclosures that affect the brand perception as well as potentially the performance of global operations.

Strategic implications for legal counsel

The intricacies of this disclosure environment directly impact a company's ability to foster stakeholder trust and maintain a competitive edge. Missteps in data quality, governance or compliance can lead to significant reputational damage and legal exposure. Conversely, businesses that anticipate and respond proactively to stakeholder expectations can be rewarded with increased investor confidence and enhanced operational resilience. This underscores the critical role of legal counsel in guiding corporate strategy in this domain.

Solutions

Workiva, while not currently legally bound by CSRD or other emerging mandates, has voluntarily chosen to report on its sustainability performance. This decision reflects a strategic belief in transparency and value creation, offering a compelling case study for other organizations. Workiva's internal governance structure includes a Sustainability Taskforce, chaired by the CFO, which governs sustainability targets aligned with the SDGs. The annual publication of an Impact Report, underpinned by robust disclosure controls and rigorous legal oversight, ensures the provision of decision-useful and verifiable data. Furthermore, cross-functional workstreams spanning legal, finance, technology and human resources ensure seamless collaboration across departments.

The Workiva platform itself is designed to assist organizations in navigating regulatory complexity by connecting sustainability and financial data, streamlining workflows and supporting the creation of audit-ready disclosures. This integrated approach facilitates compliance with evolving standards while simultaneously enhancing overall business value. As Brandon Ziegler, Chief Legal Officer at Workiva, states, "We voluntarily report to demonstrate our commitment to accountability and ethical conduct, which in turn builds trust and strengthens relationships with key stakeholders, including investors, customers and employees."

Key takeaways

To effectively navigate the evolving landscape of sustainability reporting, legal and business leaders should consider the following recommendations

- **Strategic reorientation:** View sustainability reporting not merely as a compliance burden, but as a strategic opportunity to enhance organizational value and reputation.
- **Cross-functional governance:** Establish robust cross-functional governance structures, similar to Workiva's Sustainability Taskforce, to ensure alignment among legal, financial and operational goals.
- **Leverage digital tools:** Build a tech stack that centralizes data, ensures transparency and can adapt to evolving international standards.
- **Early legal engagement:** Proactively engage legal teams at the nascent stages of sustainability initiatives that could have material impact on the company to identify jurisdictional overlaps and future-proof reporting practices.
- **Voluntary disclosure for accountability:** Consider voluntarily disclosing sustainability impact and progress to build stakeholder trust and lead as a forward-looking organization.

#COMPLEXITY

LEGAL AS ENABLER OF TRANSPARENCY AND ACCOUNTABILITY

GLOBAL LAW FIRM

Challenges

A key challenge for one leading global firm was that **many business activities, while well-managed as processes, were not documented to a sufficient extent to meet CSRD reporting standards.** The need for formal articulation of the processes and their governance, measurement and reporting was a task that fell principally to business professionals.

This work, seen as time-consuming and non-critical, risked undermining the goodwill and collaboration hitherto built up with business professionals through previous sustainability-related activities. Moreover, timing not only puts pressure on these functions but also the firm's competitive position. Judging appropriate responses is hard with no peer comparison yet available.

Solutions

The firm is meeting this challenge by bringing together internal and external experts to review frameworks, identify gaps and then enhance processes, leading to greater cross-team collaboration than ever before.

A global compliance strategy was chosen, applying CSRD requirements to all offices — both inside and outside the EU — for a unified approach that streamlines operations and sets clear expectations firmwide. The legal team framed CSRD compliance as good business practice, not just a sustainability exercise, to encourage firmwide buy-in. This became an opportunity to 'professionalize' business processes through globally consistent and clear articulation of how the business is run. In this sense, CSRD functioned as a "Trojan horse": a catalyst for better governance, transparency and business practices.

Takeaways

- **Strong governance frameworks should be viewed as essential business infrastructure,** not just compliance tools. If it is worth doing, it is worth doing properly. This challenge kicked off an exercise in global consistency and formalization that was long overdue.
- **Making sustainability and governance central to business decisions should be a priority,** following transformational governance principles that emphasize responsibility and transparency in all activities.
- Ultimately, the goal is to **develop a culture of transparency**: when stakeholders have competing priorities, articulating the value of good governance becomes even more important.

#TRANSPARENCY

LEGAL FOR OPERATIONAL AND POLICY ALIGNMENT

ENEL

Challenges

The main challenge concerns the **need to address the complexity and rapid evolution of international regulation without compromising competitiveness or slowing down the company's strategic decision-making processes**. To align its internal documentation with these developments, Enel updated its Ethical System, including the Code of Ethics, Human Rights Policy, Zero Tolerance of Corruption Plan and the Enel Global Compliance Program.

The main complexity was **ensuring** that these documents reflected **not only legal compliance but also a proactive commitment to ESG principles**. This required a cross-functional effort spanning legal, sustainability, HR and other functions, aligning updates with regulatory expectations and stakeholder values. A key risk was the potential misalignment between documented commitments and operational practices, with possible reputational or legal consequences. To mitigate this, Enel implemented a governance mechanism to ground updates in business processes and subject them to regular internal review.

Fast-evolving legal frameworks, particularly around ESG disclosure and due diligence, are reshaping compliance as a strategic element of corporate identity. Pressures to enhance transparency, such as on supply chain sustainability, require balancing compliance with operational feasibility and costs. Updating the Ethical System became a catalyst for organizational alignment around ESG goals and embedding sustainability into decision-making processes

Solutions

To be compliant with new regulations, the Enel Group reviewed its System of Ethics. The process involved all corporate functions responsible for the content of the ethical documents, including Legal, Sustainability, HR, Audit, Finance and others.

The update led to both content and formal adjustments to reflect:

- **regulatory developments**
- **new corporate policies** (e.g. Environmental Policy, DEIB Policy, Anti-corruption Policy)
- **new positioning** (e.g. Enel values, Brand Vision and Purpose)
- **emerging issues** (e.g. artificial intelligence, tax matters and crimes)
- **harmonization of recurring references across documents** (e.g. communication channels)

Transformational Governance plays a significant role in shaping our approach. Its emphasis on transparency, accountability, and inclusive stakeholder engagement aligns closely with our values. One of the most practical aspects is embedding ethical considerations into decision-making processes across all levels of the organization

Takeaways

Policy updates should be approached not as compliance exercises, but as strategic opportunities to reinforce corporate values and build trust with stakeholders. For business leaders facing similar challenges, the following practical steps could be recommended:

- **Engage stakeholders early and often**: this includes employees, leadership and external partners. Co-creating policies with those affected by them builds buy-in and ensures greater relevance and impact.
- **Leverage cross-functional working groups**: bringing together different perspectives (e.g., HR, legal, sustainability, operations) helps identify blind spots and integrate ethical considerations across the organization.
- **Measure and communicate progress**: establish KPIs tied to policy objectives and report on them regularly to sustain momentum and demonstrate accountability.

#ALIGNMENT

LEGAL FOR OPERATIONAL AND POLICY ALIGNMENT

SAFARICOM

Challenges

Safaricom is an early adopter of sustainability, with 14 years of reporting aligned to Global Reporting Initiative (GRI) standards. The company has contributed to national ESG regulation, including the NSE ESG Disclosures Manual (2021), the ICPAK Roadmap (2024) for IFRS Sustainability Disclosure Standards and the ongoing revision of the Corporate Governance Code.

Recent regulatory changes have increased complexity and cost. The EMCA 2025 introduced new environmental fees affecting telecom projects. E-waste rules now require registration, real-time tracking, collection targets and a 1.5 per cent levy on devices.

Additional challenges include compliance with data protection laws (GDPR, Kenya's Data Protection Act), cybersecurity disclosure rules and renewable energy sourcing requirements (20 per cent by 2026, rising to 35 per cent by 2030).

The growing number of frameworks and requirements has created overlapping obligations and compliance pressures, raising concerns about efficiency, consistency and long-term sustainability incentives.

Solutions

The legal team at Safaricom plays a central role in helping leadership navigate legal complexity through:

- **Advisory:** ongoing legal input and strategic guidance to senior leadership on emerging legislative, policy or governance challenges.
- **Research:** continuous monitoring of legal trends and regulatory risks that could shape compliance and governance practices.
- **Representation:** acting on behalf of the business in external forums and legal matters, including judicial cases such as environmental litigation (e.g., Elgon Place).

This proactive legal engagement supports agile decision-making and internal alignment across departments.

Transformational Governance has played a critical role in how Safaricom responds to fast-changing regulatory environments and rising sustainability expectations.

The company applies TG principles through:

- **Agility:** rapid response to emerging governance and disclosure requirements.
- **Stakeholder engagement:** involving regulators, employees and communities.
- **Accountability:** robust audits, data privacy safeguards and ethical oversight

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Takeaways

- **Legal and policy teams are strategic enablers** — engage them early.
- **Invest in technology.** to streamline legal research and compliance.
- Prioritize **transparency and accountability:** this builds long-term resilience.

#PRESSURE

CHAPTER 3

THE UN GLOBAL COMPACT: GUIDING BUSINESS

Building on the challenges and insights explored, this final section presents the tools and frameworks offered by the UN Global Compact to help businesses navigate complexity and lead with integrity.

The need for Transformational Governance to address new risks

How Transformational Governance enables business leaders to move beyond reactive compliance and develop resilient governance structures that enhance risk management and competitiveness.

An introduction to Transformational Governance (TG)

Transformational Governance responds to rising stakeholder expectations by expanding the traditional scope of corporate governance beyond shareholders to include all stakeholders and society at large. While conventional governance frameworks focus primarily on shareholder interests and regulatory compliance, transformational governance recognizes that businesses are integral in solving global challenges. TG requires businesses to take a broader and more responsible approach to their corporate governance, integrating ESG into core strategy and adopting a systems view of risk and resilience. This applies not only to multinational corporations but also to SMEs that participate in global supply chains or financial markets. By doing so, broader sustainability goals can become relevant across functions, creating coherence between internal values and external actions, and ultimately strengthening a company's impact on society, laws and institutions.

TG is a response to the business case for private sector action on Sustainable Development Goal 16 — peace, justice and strong institutions — reframing corporate responsibility to involve all stakeholders and the broader society. Through the Transformational Governance Corporate Toolkit, including a self-assessment tool, businesses can evaluate their governance maturity across three interrelated dimensions:

- **Conventional Governance** that ensures legal compliance, board oversight and internal controls
- **Sustainable Governance** that integrates environmental and social factors into strategy and decision-making
- **Global Governance** that reflects the company's role in strengthening public institutions, legal frameworks and systems through responsible lobbying, collective action and policy engagement

These dimensions are not sequential but interconnected. Together, they form a holistic model for governance that reflects the complexity of today's challenges and the interconnectedness of markets, institutions and societies.

Integrating ESG into Core Strategy

At the heart of Transformational Governance is integration — the principle that these dimensions cannot function in isolation. Integration means breaking down silos between traditional corporate functions to create a holistic approach where sustainability isn't separate from core business but embedded within it and across it.

Ultimately, Transformational Governance offers a pragmatic **path for businesses to shift from shareholder governance and reactive compliance** that only addresses legal and regulatory requirements, **to proactive and purpose-driven leadership**.
By embedding ESG priorities into decision-making and engaging meaningfully with stakeholders, governance becomes not only a tool for oversight but a catalyst for impact, advancing the targets of SDG 16. This approach aligns business action with SDG 16 and further enables the achievement of the Global Goals overall.

The Communication on Progress (CoP) as a vital resource to support corporate sustainability performance

- *A bridge between different regulatory standards, helping businesses prepare for both local and global expectations without being restricted to a single standard.*
- *A mechanism that does not attach any rating or ranking to each participant's performance. Instead, it prioritizes self-evaluation through identification of possible areas for improvement and policies and initiatives that are working well.*

Introduction to the Communication on Progress

Introduced in 2004 as an annual requirement for business participants, the CoP is the main reporting mechanism of the UN Global Compact. It also serves as the principal accountability measure based on commitments from businesses to make continuous progress towards the Ten Principles of the UN Global Compact and the Sustainable Development Goals (SDGs).

It is a mandatory requirement for all businesses that join the UN Global Compact to report on their actions, performance and progress via the annual submission of their CoP. Failure to submit may result in the ultimate removal of the company from the UN Global Compact. To promote transparency and accountability, all submitted CoPs are made publicly available on each participant's profile page which is accessible on the website of the UN Global Compact.

The Communication on Progress as a component of the UN Global Compact

Transparency and accountability are often identified as key pillars essential to improving corporate sustainability performance, and they underpin the CoP as a reporting mechanism. Commitment to these values and subsequent efforts to advance the Ten Principles and the SDGs contribute directly to the mission of the UN Global Compact while ensuring its integrity is safeguarded at all times.

Through submission of an individual CoP, businesses display their commitment while also:

- Providing crucial information that informs UN and government decisions on the private sector's contribution towards a more sustainable future
- Ensuring the UN Global Compact develops key support resources to meet their needs
- Most importantly, galvanizing global business towards a responsible and sustainable future

As of 2024, the CoP generates a collection of data from over 20,000 individual businesses which provides a unique insight into global corporate sustainability. Through the development of the Data Visualization Tools, this dataset can then be used to track progress, benchmark and identify trends within the participant base of the UN Global Compact.

The Data Visualization Tools are not only available to UN Global Compact participants but can also be utilized by external stakeholders including other UN partner organizations, government agencies and individuals seeking to learn more about corporate sustainability.

How does the Communication on Progress fit into the broader corporate sustainability reporting landscape?

As sustainability gathers importance within the wider corporate world, businesses must adjust to an increasingly complex regulatory environment. A growing number of jurisdictions now subject businesses to mandatory sustainability reporting requirements that may require significant time and expense to meet. This has resulted in businesses suffering from a 'reporting burden' which can hinder the wider sustainability movement.

The CoP is a voluntary reporting framework that aligns with global reporting standards and requirements. In 2022, the UN Global Compact designed the CoP Questionnaire in close collaboration with related reporting frameworks, including GRI and Carbon Disclosure Project (CDP), as well as the United Nations Conference on Trade and Development (UNCTAD) and International Standards of Accounting and Reporting (ISAR). This has helped to drive alignment with other mechanisms, thereby increasing interoperability and reducing the resources needed for reporting so that they can be utilized for action.

These efforts to promote interoperability and alignment are reflected in the development of the Analysis of Goals and Targets Database. This database, co-created alongside GRI in 2022 and updated in July 2024, is an online inventory that businesses can use to identify possible disclosures as they relate to each SDG at the level of the 169 targets. It is based on a wide range of disclosure and indicator sources. These include internationally recognized frameworks and standards, which businesses can use to report on their contributions towards the SDGs.

As new reporting requirements are introduced or evolve (see the EU Corporate Sustainability Reporting Directive (CSRD) below), the UN Global Compact will remain committed to promoting alignment while incorporating the latest sustainability topics and trends within the CoP Questionnaire and related guidance. This will allow participants to remain informed and well-prepared for more rigorous reporting commitments that may be required in other jurisdictions.

How does regulatory uncertainty affect the role of the Communication on Progress?

In February 2025, the European Commission introduced a package of legislative proposals, referred to as the EU Omnibus, aimed at streamlining and simplifying existing European sustainability regulations. The proposals have raised questions and uncertainty for businesses about the future scope, timelines and implementation of corporate sustainability reporting requirements.

As of July 2025, the proposals are still under consideration. However, there is a growing concern that a significant number of SMEs could end up in an effective reporting "no man's land", neither covered by the Voluntary Sustainability Reporting Standards for non-listed SMEs (VSME), nor meeting the thresholds for mandatory reporting under the CSRD. The subsequent uncertainty may prove to be disruptive to the wider corporate sustainability movement and has led the European Central Bank to raise serious concerns.

Having been developed on the back of extensive engagement with businesses of all sizes, the CoP is well-positioned to support both smaller and medium-sized businesses that may now need guidance in navigating the choppy seas of the European (and by extension, global) reporting landscape.
In addition, the UN Global Compact is supported by an extensive system of Country Networks and regional experts and standard setters, each with a comprehensive understanding and insight into the latest regulatory changes. This has aided the development of the EU Sustainability Navigator, an essential tool for navigating EU sustainability regulations, available to UN Global Compact participants.

With these resources in mind, as well as an overarching commitment to interoperability and alignment with global sustainability standards and goals, the CoP serves as an ideal reporting mechanism for businesses that may be subject to national or regional regulations such as the CSRD.

CONTRIBUTORS

Chapter 1 - with support from Global Alliance of Impact Lawyers Team (GAIL)

- **Africa:** Jessica Blumenthal, Chair of GAIL Africa and Director at ENS
- **Asia Pacific:** Vivien Teu and Michael Ryland, Current President of GAIL
- **Europe:** Roberto Randazzo, Former President of GAIL, and Francesco Bernardi, both from Legance
- **Latin America:** Constanza Connolly, Former President of GAIL and Director and Co-founder of Keidos
- **UK:** Luke Fletcher and Phillippa Holland, GAIL members and Partners at Bates Wells
- **US and Canada:** Chintan Panchal and Tom Scriven, GAIL members and Partners at RCPK

Chapter 2 - with support from the UN Global Compact Legal Council Participants.

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ABOUT THE UN GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the **UN Global Compact** is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 20,000 participating companies, 5 Regional Hubs, 64 Country Networks covering 80 countries and 13 Country Managers establishing Networks in 18 other countries, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, follow **@globalcompact** on social media and visit our website at **unglobalcompact.org**.

United Nations
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685 Third Avenue New York, NY 10017, USA