



BUSINESSatOECD

# The Risks of Divergence Between Global ESG Reporting Standards

July 2025

## About *Business at OECD* (BIAC)

Established in 1962, *Business at OECD* (BIAC) is the officially recognised institutional business stakeholder at the Organisation for Economic Co-operation and Development (OECD). We stand for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.

# Executive Summary

The following report explores the growing complexity and cost burdens that companies face, amid a fragmented global ESG reporting landscape, based on a survey conducted between December 2024 and February 2025 by *Business at OECD* (BIAC). With over 600 reporting provisions now in place across jurisdictions, companies are navigating multiple overlapping mandatory and voluntary ESG reporting schemes. Despite the European Commission's Omnibus Package and the U.S. SEC's decision to pause its climate-related rulemaking, which may appear to diminish the regulatory burdens that companies face, the findings reveal an ongoing fragmented regulatory landscape with increased uncertainty for business about how it will evolve.

The survey confirms that the ESG reporting ecosystem imposes heavy and uneven burdens on companies across industries and regions.

- Complexity and compliance costs are top concerns: 57% of firms surveyed cited compliance complexity as a major challenge, 49% flagged high costs, and 62% pointed to supply chain unpreparedness.
- A majority of companies (83%) expect ESG reporting costs to increase, with many already allocating a significant share of their sustainability budgets to reporting rather than to actual project implementation.
- Furthermore, businesses reported particular difficulties in disclosing data on climate change, biodiversity, value chain workforce, and circular economy issues.
- The survey also underscores the critical role of institutional investors, identified by 72% of respondents as the primary audience for ESG reports, well ahead of regulators or NGOs, highlighting that market demands are as important as regulatory ones in shaping disclosure practices.

In response, the report outlines five key recommendations to governments:

- Reduce the number of reporting metrics
- Adopt phased approaches to regulation
- Harmonize reporting timelines
- Accept reporting under global standards as equivalent to domestic rules
- Support a global baseline such as ISSB

To the OECD, business recommends:

- Leveraging the convening power of the OECD to promote regulatory coordination
- Structured public–private dialogue
- Support long-term policy convergence
- Engage with other international standard-setters
- Integrate investor perspectives into ESG policy design

Taken together, these recommendations aim to rebalance the ESG reporting equation, maintaining transparency and accountability while addressing the operational realities of a fragmented global framework.

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# Introduction and Context

## The rise of ESG reporting in corporate practices

ESG reporting —the disclosure of companies’ environmental, social, and governance performance— has rapidly moved to become a mainstream corporate practice. Investors, regulators, customers, and the public now expect companies to report on areas ranging from carbon emissions and climate risks to workforce diversity and supply chain ethics.

Yet, as ESG reporting has gained relevance, it has also become increasingly fragmented. Over the past few years, jurisdictions and standard setters worldwide have introduced a proliferation of disclosure frameworks. The 2024 *Business at OECD* (BIAC) report, titled *Business Priorities for the OECD Work on Responsible Business Conduct*, highlights that “there are currently over 600 types of sustainability reporting provisions or regulations worldwide, with many having differing interpretations around key concepts”.<sup>1</sup>

A number of mandatory disclosure regimes have emerged or are on the horizon. Notably:

- The European Union’s Corporate Sustainability Reporting Directive (CSRD), with its detailed European Sustainability Reporting Standards.
- The United States Securities and Exchange Commission (SEC)’s proposed climate and ESG disclosure rules.
- The International Sustainability Standards Board (ISSB)’s global sustainability standards.

Regarding **International Sustainability Standards Board (ISSB)**:

- ISSB’s global sustainability standards have been adopted or considered by 36 jurisdictions.
- Integrated Reporting is gaining momentum (over 2500 companies in 70 different countries are utilizing Integrated Reporting). Especially when talking from the investor’s perspective.
- CSRD and ISSB standards for instance, are relatively interoperable. For Europe specifically, clarifications on CSRD are underway with the *Omnibus Package*.

At the same time, many firms continue to follow voluntary standards such as:

- **Global Reporting Initiative (GRI).**
- **Task Force on Climate-related Financial Disclosures (TCFD).**
- **Carbon Disclosure Project (CDP).**
- **The United Nations’ Sustainable Development Goals (UN SDGs).**
- **EcoVadis and other voluntary frameworks.**<sup>2 3 4 5 6</sup>

<sup>1</sup>Business at OECD (BIAC). (2024). *Business priorities for the OECD work on responsible business conduct*.

<sup>2</sup>Byrne, D. (2024). *Mastering ESG reporting: Frameworks, standards, and best practices*. The Corporate Governance Institute.

<sup>3</sup>Bhide, A. (2024, March 22). *The SEC’s climate disclosure rule: What you should know*.

<sup>4</sup>Watershed. *ISSB and how it impacts your company*.

<sup>5</sup>Aras, G., Kutlu Furtuna, O. & Hacıoglu Kazak, E. *SDG Impact Index with Double Materiality Perspective: Evidence from OECD Commercial Bank Industry*. Soc Indic Res 174, 967–1006 (2024).

<sup>6</sup>Apiday. (2024, July 2). *The guide to EcoVadis certification: Frequently asked questions*.

This trend reflects a broader development that non-financial factors can be material to business value and risk. Each framework comes with its own definitions, metrics, and timelines. While these initiatives share common goals of transparency and accountability, the vast amount of mandatory and voluntary standards has created a complex reporting landscape for companies.

While the EU is discussing the easing of certain sustainability reporting requirements, with its recently proposed *Omnibus Package*<sup>7</sup>, the U.S. has signaled more significant changes through regulatory pullback. This changing landscape is creating increased uncertainty for firms and their investors. Consequently, multinational companies must continuously monitor the evolving rules in each country or region and carry out multiple ESG reports to satisfy different requirements, while reconciling the varying definitions, approaches and requirements.

Over the past years, concerns about the costs and consequences of the global regulatory divergences posed by this wide array of standards have increased. Distinct ESG reporting requirements can lead to a duplication of efforts, inconsistencies in disclosed data, and higher compliance costs. This fragmented landscape means that companies operating internationally might simultaneously report under multiple regimes.

### **Why this report matters**

In this context, *Business at OECD* conducted a survey with the overarching objective of providing a clear snapshot of how businesses are experiencing the current ESG regulation landscape and the challenges that it poses to businesses. This report synthesizes those insights into strategic recommendations to both governments and the OECD.

The report begins with an overview of the survey's methodology and respondent profiles, providing context on the range of companies and sectors represented. It then maps the current ESG reporting landscape, analyzing the fragmented mix of mandatory and voluntary frameworks that companies must navigate. The next sections explore who is driving the demand for ESG disclosures, highlighting the central role of investors, and assesses the operational burdens that companies may face. Subsequently, the costs of regulatory divergence are analyzed (both financial and human), followed by recommendations that respondents shared with governments and the OECD. Finally, the report includes three relevant case studies reflecting business realities in this context, to then conclude with its main findings.

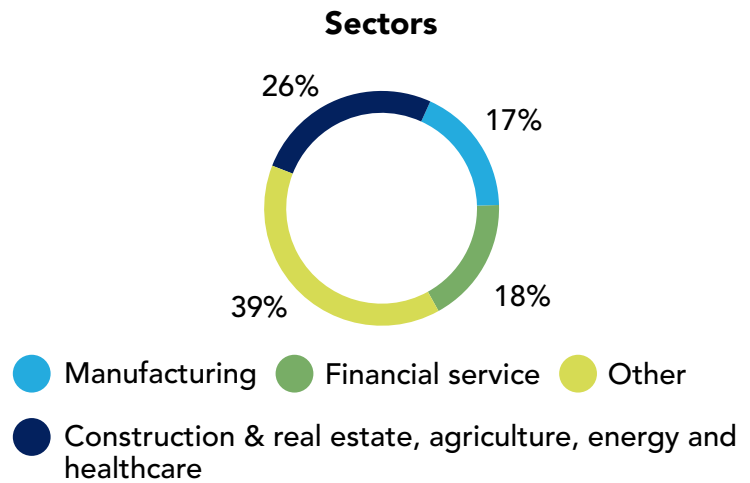
<sup>7</sup> European Commission. (2025, February 28). Q&A on simplification omnibus I and II.

# Profile of Survey Participants

A total of 92 companies completed the survey at 90%, reflecting strong engagement across *Business at OECD* (BIAC)'s membership. The profile of survey participants was diverse in terms of industry, size, and geography:

**Companies from a broad range of industries responded. The most represented sectors were:**

- Financial Services (about 18% of respondents).
- Manufacturing (17%).
- Other notable sectors including construction & real estate, agriculture, energy and healthcare (26%).
- Other (39%).

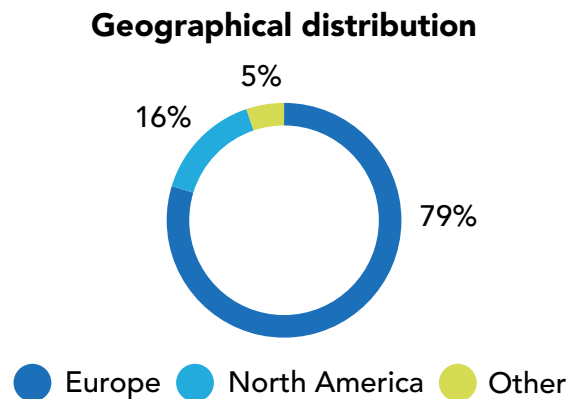


Source: *Business at OECD* (BIAC) survey

The varied profiles of survey participants helps ensure that the findings capture ESG reporting challenges across a broad spectrum of sectors, geographies, and organizational sizes, demonstrating their widespread relevance.

**A majority of responding companies are headquartered in:**

- Europe (approximately 79% of the sample), reflecting the intense focus on ESG reporting in Europe following new regulations.
- North America accounted for about 16% of respondents.
- The remaining ~5% were from Asia-Pacific and Latin America.

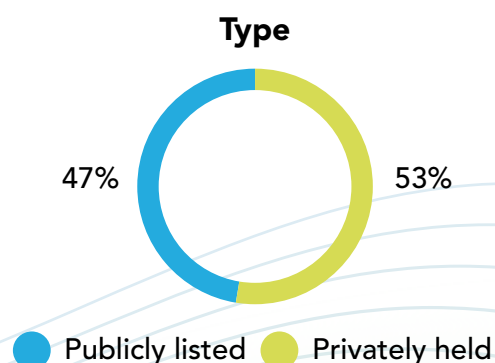


Source: *Business at OECD* (BIAC) survey

The greater emphasis on Europe likely reflects the higher regulatory exposure of European companies, particularly due to EU sustainability directives. However, the survey also incorporated valuable input from other OECD countries to ensure global representation. Although sustainability reporting standards are increasingly focused on disclosing sustainability performance, comparing this performance across different geographies and industries remains a significant challenge.

**Both large publicly listed corporations and privately held firms took part:**

- Roughly 47% of respondents are publicly listed companies.
- While 53% are privately held companies.



Source: *Business at OECD* (BIAC) survey

# The ESG Reporting Landscape

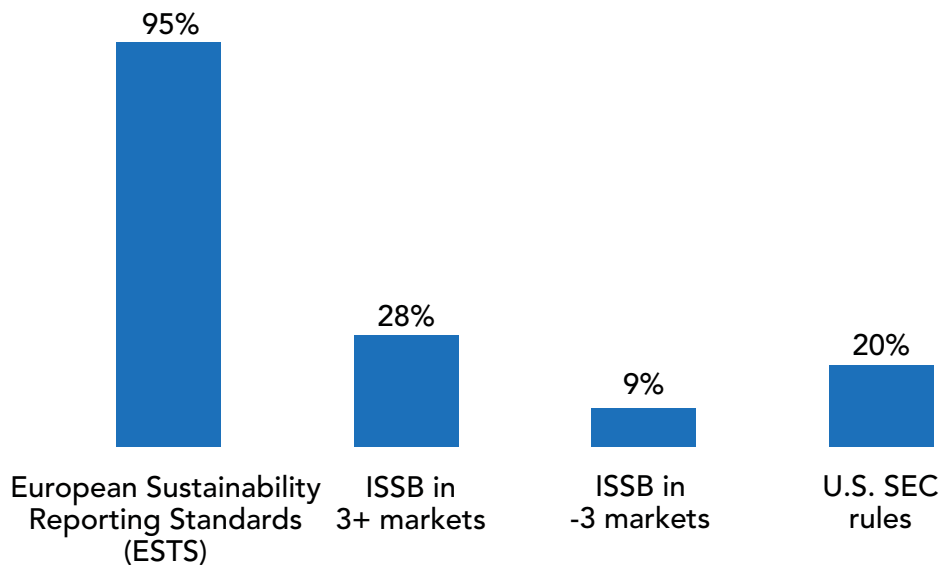
The current ESG reporting ecosystem is a mix of voluntary standards and mandatory regulations, each developed by different entities over the past two decades.

The fragmentation of ESG reporting requirements in this current landscape is highlighted as one of *Business at OECD* (BIAC)'s 2025 Top 10 policy priorities. There, when calling for "improving the framework conditions for business competitiveness" (Priority 1), it highlights the interrelation between regulatory fragmentation and economic growth.<sup>8</sup>

The following section provides an overview of the ESG reporting landscape and recent policy developments in major jurisdictions, based on the responses of survey participants.

## Mandatory ESG frameworks

By 2027, which frameworks do you expect your organization to be subject to for mandatory sustainability disclosures?



Source: *Business at OECD* (BIAC) survey

### Many companies foresee parallel reporting obligations in multiple jurisdictions:

- 95% expect to report under European Sustainability Reporting Standards (ESRS).
- 28% anticipate compliance with ISSB in 3+ markets, whilst 9% in fewer than 3 markets.
- 20% with U.S. SEC rules.

The European Union's Corporate Sustainability Reporting Directive (CSRD), adopted in 2022 and taking effect from 2025, is among the most far-reaching ESG regulations. It mandates detailed sustainability reporting according to European Sustainability Reporting Standards (ESRS), covering a wide range of environmental, social, and governance topics with a double materiality perspective (meaning that it takes into account its impact on both societal/environmental criteria and a company's financial performance). It is expected that around 50,000 companies will be subject to CSRD in the coming years (including some non-EU companies with significant EU operations), making it a farthest reaching global standard-setter. This report will subsequently mention the latest simplification measures introduced through the EU's Omnibus Package, including postponed deadlines, reduced data requirements, and adjustments for SME's.<sup>10</sup>

<sup>8</sup> *Business at OECD* (BIAC). (2024). *Setting the agenda for 2025: 10 policy priorities for Business at OECD* (BIAC). (p. 4)

<sup>9</sup> *What is the new corporate sustainability reporting directive?* CIRCE.

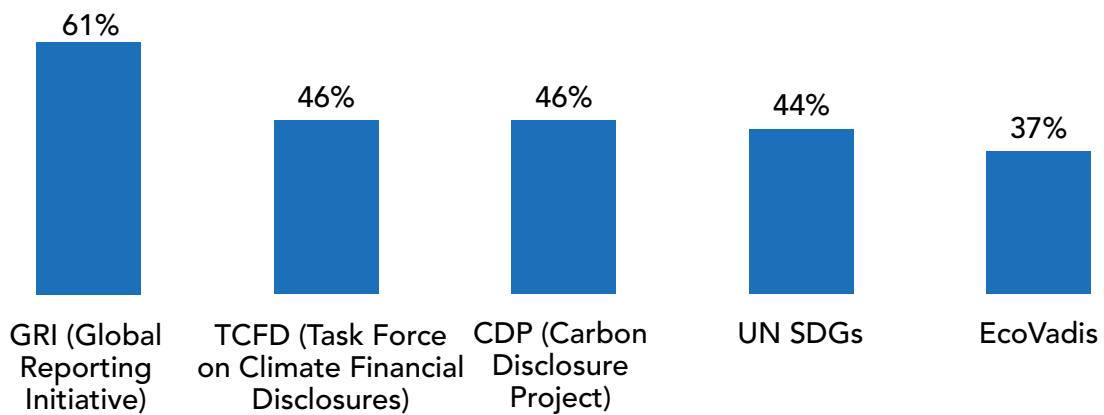
<sup>10</sup> European Commission. (2025, February 28). *Q&A on simplification omnibus I and II*.

In other markets, regulators are also active: the **International Sustainability Standards Board (ISSB)**, established by the IFRS Foundation in 2021, released its first global sustainability disclosure standards in 2023 (focusing on general requirements and climate, with an investor-centric approach). These ISSB standards are intended as a “global baseline,” and jurisdictions like the UK, Canada, Japan and others have indicated plans to incorporate or align with them.<sup>11</sup>

## Voluntary ESG frameworks

While regulatory divergence presents clear challenges, companies continue to rely heavily on voluntary ESG frameworks to meet stakeholder expectations. Survey responses confirm that these standards remain a core part of the reporting landscape, often complementing or anticipating mandatory requirements.

Which of the following frameworks does your organization currently use for voluntary sustainability disclosures?



Source: *Business at OECD (BIAC)* survey

Most respondents use multiple voluntary standards and frameworks, indicating a fragmented landscape:

- GRI (Global Reporting Initiative) – 61%
- TCFD (Task Force on Climate Financial Disclosures) – 46%
- CDP (Carbon Disclosure Project) – 46%
- UN SDGs – 44%
- EcoVadis – 37%

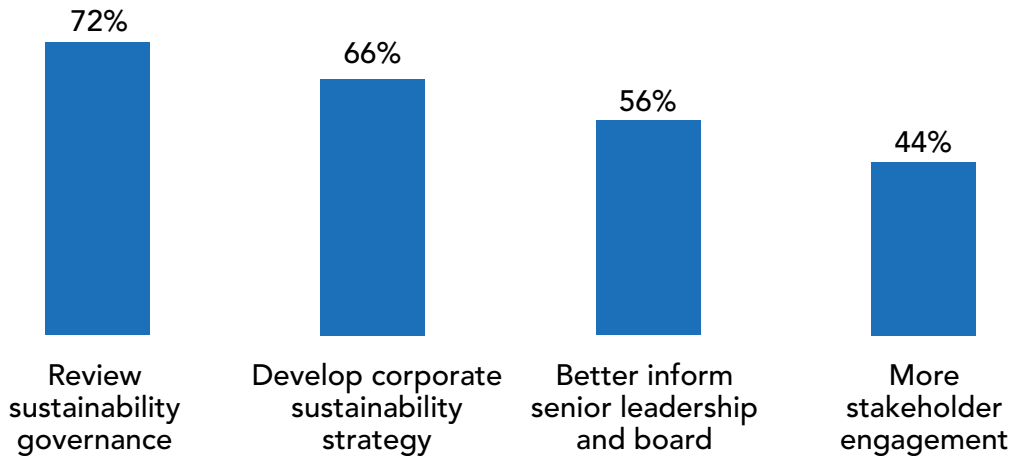
This practice of dual or multiple reporting is likely to continue (and even expand) as firms try to meet all expectations in the absence of a universally accepted standard. While using multiple frameworks can be burdensome, companies often deem it necessary to provide a complete picture to investors, customers, and civil society.

<sup>11</sup> Watershed. *ISSB and how it impacts your company.*

## Other effects of ESG regulations

However, despite the burdens discussed above, many companies acknowledge that mandatory sustainability disclosure regulations can also have positive internal effects.

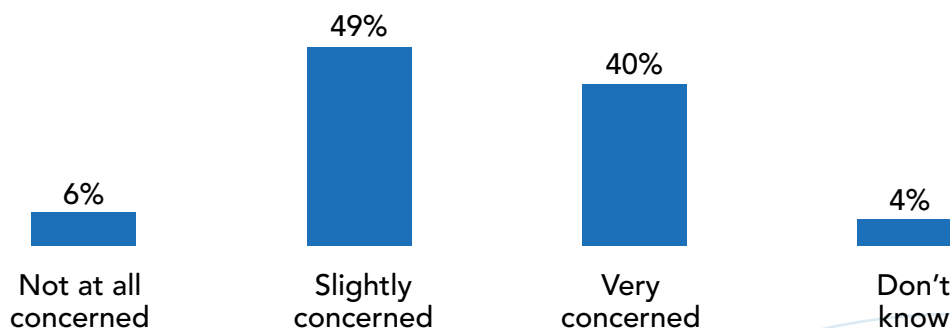
Would you say that mandatory sustainability disclosure regulations have enabled your organization to:



Source: Business at OECD (BIAC) survey

- According to the survey, 72% of respondents reported that such regulations helped them review their sustainability governance structures.
- 66% said that these rules contributed to further develop their corporate sustainability strategies.
- Over half (56%) noted improvements in how ESG information is communicated to senior leadership and the board.
- 44% observed greater stakeholder engagement as a result of compliance efforts.

How concerned are you about the global fragmentation of mandatory sustainability disclosure regulations?



Source: Business at OECD (BIAC) survey

Most respondents of the survey show concern regarding the global fragmentation of mandatory sustainability disclosure regulations.

- Specifically, 40% report being “very concerned”.
- While another 49% are “somewhat concerned”.

The survey confirmed this complexity: nearly all respondent companies expect to be subject to multiple jurisdiction requirements by 2027, while effectively having to face multiple ESG regulations in the near future.

### Recent ESG regulatory developments (as of May 2025)

Recent events in 2024–2025 demonstrate how policy shifts can either increase or ease the fragmentation challenge. Two notable developments, in the United States and in the European Union, illustrate ongoing divergent regulatory trajectories:

#### European Union: simplification efforts

The European Union in 2025 took steps to streamline its ambitious ESG reporting requirements. In February 2025, the European Commission adopted its *Omnibus Package*, a set of proposed adjustments to CSRD and other related sustainability rules, aiming to reduce the administrative burden on companies while maintaining the core objectives of the EU Green Deal.

#### Potential key changes under this *Omnibus Package* include:

- Significantly narrowing the scope of CSRD: the employee threshold for companies required to report would be raised from 250 to 1,000, which is estimated to remove roughly 80% of companies from CSRD’s initial direct scope. In practical terms, only the largest companies (over 1,000 employees and meeting certain financial thresholds) would face the full reporting obligations, relieving many mid-sized firms. However, mid-sized firms and SMEs would still be subject to significant requirements and resulting costs indirectly through mandatory disclosures to companies that are in scope under a “value-chain cap”.
- Another change is the introduction of a voluntary sustainability standard for SMEs, so that large companies cannot force small suppliers from its value chain to provide exhaustive ESG data.
- The Commission also proposed to simplify the reporting standards (ESRS) by reducing certain disclosure requirements and dropping plans for additional sector-specific standards.
- Furthermore, the timeline is being adjusted: a *stop-the-clock* provision will delay the CSRD reporting deadlines by about two years, giving firms and regulators more time to prepare.

The **policy intent** is clear: lighten regulatory burdens where possible without abandoning the EU’s leadership in requiring robust ESG disclosure.

Through these measures, the European Commission estimates about €4.4 billion in annual cost savings for companies from the CSRD scope reduction and standards simplification, plus around €1.6 billion in one-off savings (initial compliance investments avoided).<sup>12</sup>

<sup>11</sup> European Commission. (2025, February 28). Q&A on simplification omnibus I and II.

The *Omnibus Package* also reflects the European Commission's ongoing efforts to balance regulatory ambition with economic competitiveness.

- Introduced under the 2024-2029 Commission of President Ursula von der Leyen this adjustment aligns with the broader agenda to enhance Europe's competitiveness, specifically influenced by the *Draghi Report*.<sup>13</sup>
- By responding to concerns raised by the business community, the Commission also aims to ensure that ESG disclosure requirements remain effective yet proportionate.<sup>14</sup>

### United States: regulatory pullback amidst uncertainty

In March 2025, the Securities and Exchange Commission (SEC) announced that it would indefinitely pause and reconsider its climate-related disclosure rules, effectively halting the implementation of the proposed regulations aimed at standardizing corporate climate reporting.<sup>15</sup>

This decision came amidst shifting political winds and legal pushback against the SEC's role on ESG disclosures.

- The lack of a federal sustainability reporting mandate means that any requirements may instead potentially emerge at state levels, resulting in a wide array of regulations. For businesses operating across multiple states, or even globally, this creates further uncertainty and complexity.
- The U.S. approach underscores a widening transatlantic gap as Europe continues implementing ESG regulations. This also raises concerns about regulatory divergence and an uneven level playing field between U.S. and EU markets.<sup>16</sup>

This reversal reflects broader political shifts following the 2024 U.S. presidential election. Following President Trump's return to office in early 2025, Mark Uyeda was appointed Acting SEC Chairman, who has a longstanding critical view of ESG reporting. Under this leadership, the Commission halted legal efforts, related to ESG regulations, and signaled an intent to reevaluate its regulatory approach. These developments align with a wider deregulatory stance adopted by the current administration, particularly in relation to climate-related financial reporting.<sup>17</sup>

<sup>13</sup> Draghi, M. *The future of European competitiveness: A competitiveness strategy for Europe*. European Commission.

<sup>14</sup> WWF España. (2025, February 26). *El omnibus desregulador de Von der Leyen: Un golpe devastador a los objetivos medioambientales de la UE*.

<sup>15</sup> Sidley Austin LLP. (2025, April 1). *SEC ends defense of climate-related disclosure rules*.

<sup>16</sup> Shaw, C. (2025, April 3). *EU Omnibus Directive: What it means for sustainability reporting*. Anthesis Group.

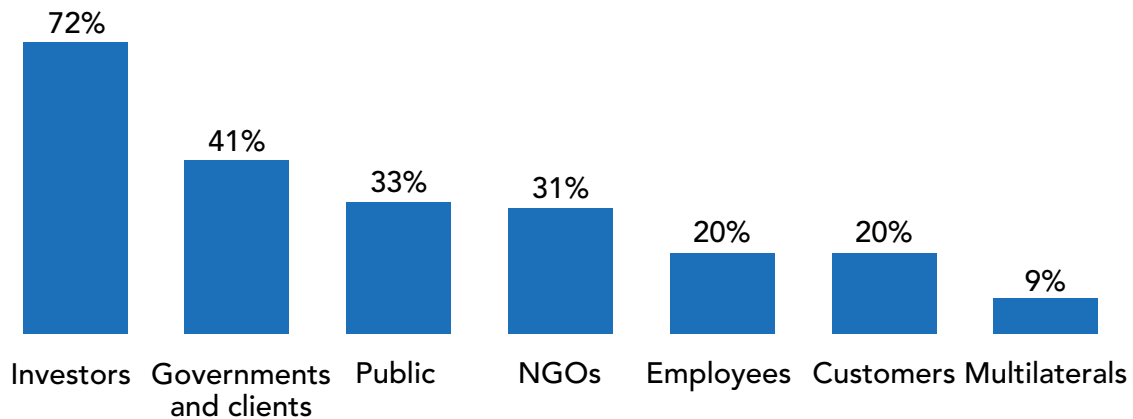
<sup>17</sup> Sweep. (2025, April 4). *SEC ends defense of climate disclosure rules*.

# Who is Asking for ESG Disclosure?

## Top audience

A common perception is that companies publish ESG reports mainly to comply with regulations or to enhance their reputation. However, survey results highlight that market forces —especially investor demands— are the strongest driver of ESG disclosure today.

In other words, sustainability reporting is not just a regulatory obligation; it has become a core channel for communicating with capital providers and other stakeholders who influence business value.



Source: *Business at OECD* (BIAC) survey

- 72% of surveyed companies identified institutional investors, asset managers, or banks as the top users of their ESG reports, well ahead of any other stakeholder group.
- By contrast, about 41% of companies cited government regulators as a key audience.
- Other stakeholder groups (such as NGOs, employees, or consumers) were mentioned by a smaller share of companies.

These results confirm that, while compliance with regulations is a very important driver, it is the financial market's appetite for ESG information that most strongly promotes companies' reporting efforts.

These results are in strong interrelation with the *2024 OECD's Global Corporate Sustainability Report*, which highlights that climate change and other ESG factors are now widely regarded as material risks and opportunities for businesses and their shareholders. That report notes, for instance, that climate-related risks are considered material by companies representing ~64% of global market capitalization.

- Human capital and data security also rank as high-priority material issues. (p. 8)
- Consequently, access to sustainability-related information is essential for institutional investors seeking to manage portfolio risk and engage effectively with companies on ESG performance. (p. 46)
- Notably, institutional investors already hold the majority share of equity in both the 100 highest-emitting companies and the 100 most innovative, low-emitting firms globally; 41% in each case. (p. 9)

This level of ownership concentration empowers investors to shape corporate strategies, including sustainability commitments.<sup>18</sup>

Ultimately, the fact that investors are the main audience for ESG reporting has two major implications:

### **1. The quality and comparability of the information becomes of utmost importance**

- Investors compare companies across markets
- Inconsistent standards can frustrate their analysis (e.g., an investor trying to assess carbon intensity across a portfolio will struggle if companies use different carbon accounting rules).

### **2. When crafting ESG policies, governments should consider market realities**

- Consider that regulatory requirements are often interrelated with existing market practices
- If companies are already disclosing certain metrics due to investor demand, an effective regulatory approach would be to build on that rather than create an entirely separate set of indicators.

<sup>18</sup> OECD (2024), *Global Corporate Sustainability Report 2024*, OECD Publishing, Paris.

# The Cost of Regulatory Divergence

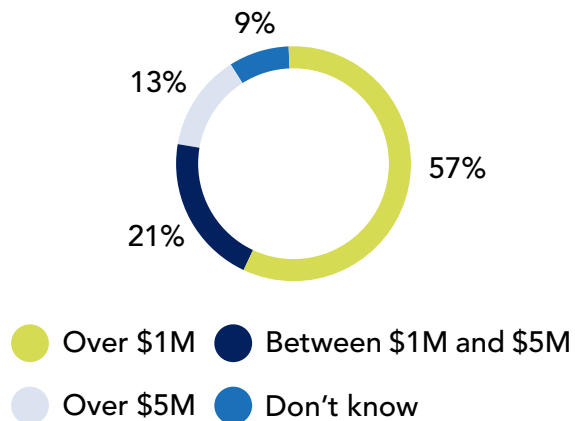
Having presented who, according to survey respondents, are the main audiences of ESG disclosures this report now analyzes what it takes, in terms of resources, for companies to meet these growing demands.

## Financial costs of ESG reporting

For many companies, sustainability reporting has grown from a minor item into a major budget category. This *Business at OECD* (BIAC) survey provides concrete evidence:

### Total amount spent on preparing for mandatory sustainability disclosure regulations:

- Most surveyed companies (57%) are spending over \$1 million per year on preparing ESG disclosures.
- Within that group, a notable subset (~13% of all respondents) report spending well above \$5 million annually solely on ESG reporting processes.

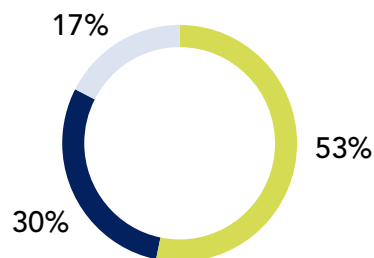


Source: *Business at OECD* (BIAC) survey

Moreover, when asked whether costs in sustainability reporting will increase in the coming year, 83% of respondents say yes.

### Amount spent on sustainability reporting compared with total spending on sustainability projects:

- Nearly half of the companies surveyed (47%) said that preparing ESG disclosures accounts for at least one-quarter of their total sustainability-related spending.
- For 17% of companies, reporting consumes over half of all the funds they dedicate to ESG projects.



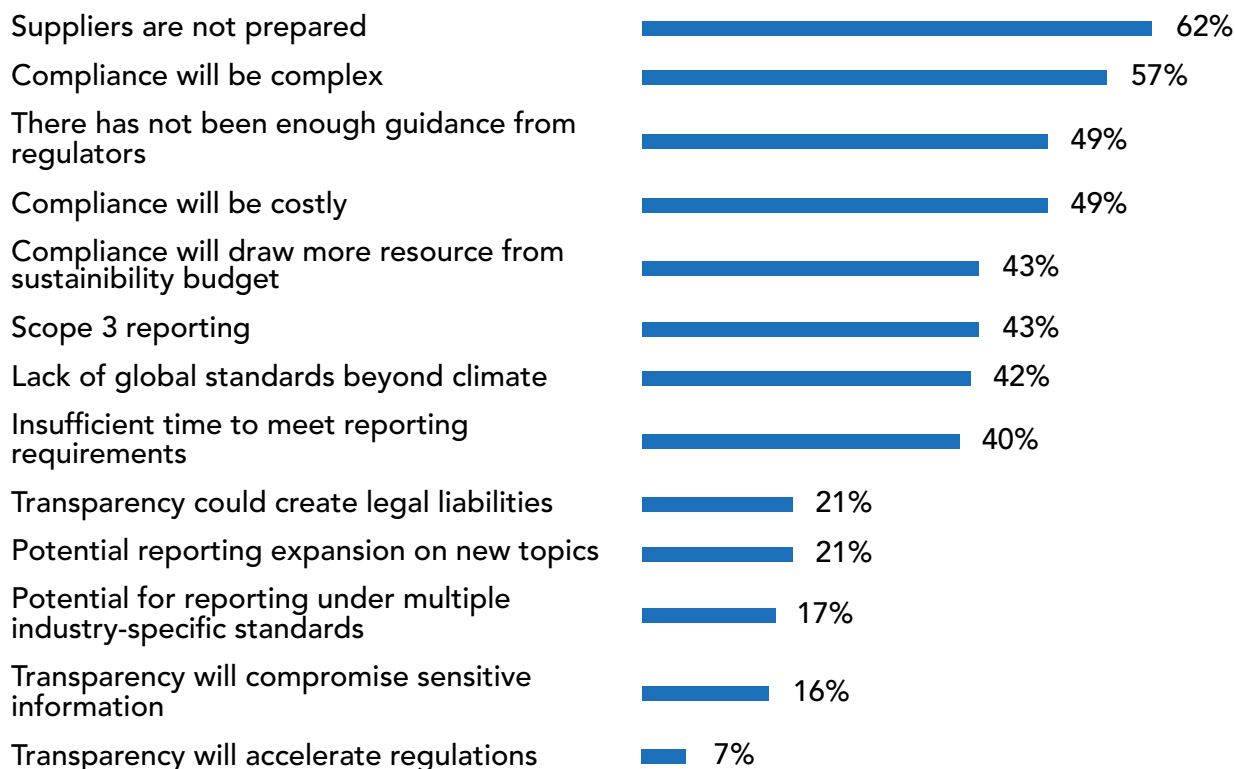
Source: *Business at OECD* (BIAC) survey

Hence, almost one in five firms is now devoting the majority of its sustainability budget to compliance and reporting activities, as opposed to operational environmental or social initiatives.

Consequently, it is important to highlight the opportunity cost of these rising expenses since money spent on reporting is money not spent on actual sustainability actions or on actual ESG projects.

## Time and opportunity costs

Preparing ESG disclosures is not only about economic and human resources, but also highly time intensive. As explained earlier in this report, companies must collect data from a vast variety of indicators, often through different reporting cycles, geographies and value chains, to ensure compliance with various ESG frameworks.

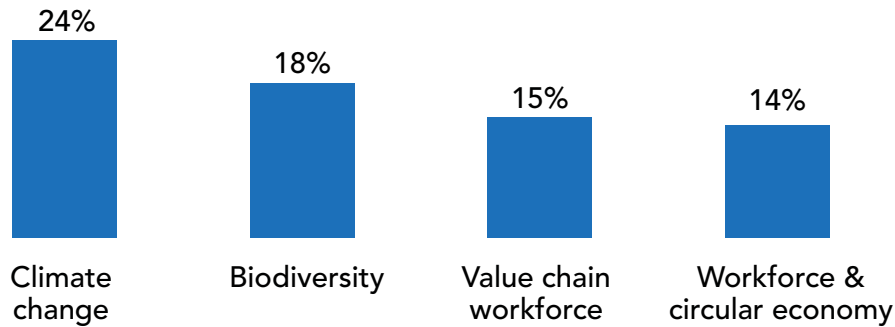


Source: Business at OECD (BIAC) survey

- Large companies often find that suppliers are not prepared to meet the demand of ESG disclosure requirements. 62% of respondents mark this as their top concern (apart from fragmentation).
- In the survey, “compliance complexity” was cited among the top concerns by 57% of respondents, and “costly compliance” by 49%, making these two the most frequently mentioned pain points regarding ESG disclosure mandates.
- Another major aspect is the insufficient regulatory guidance from regulators to help navigate this landscape with 49%.

## Other reporting difficulties

Which other topic represents the biggest reporting challenges for your organization?

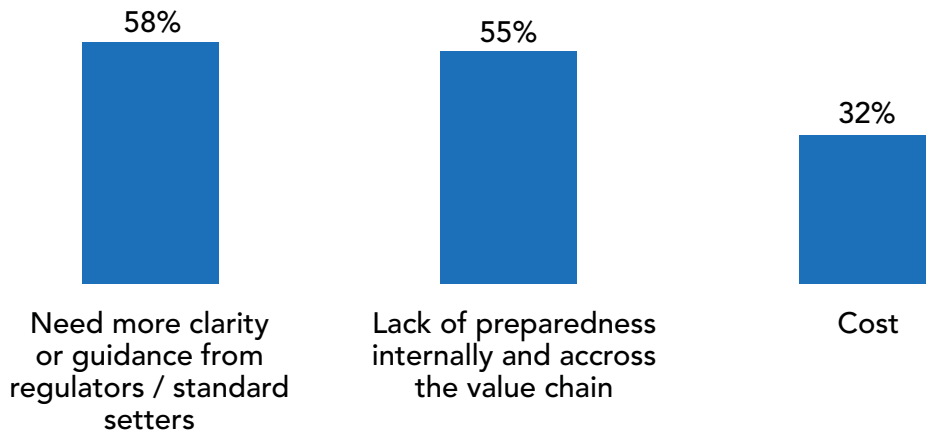


Source: Business at OECD (BIAC) survey

As shown in the survey firms struggle most on disclosing information on complex and multi-layered topics such as:

- Climate change (24%)
- Biodiversity (18%)
- Value chain workforce (15%)
- Circular economy issues (14%)

Why are these topics challenging for your organization?



Source: Business at OECD (BIAC) survey

- When asked about why it is difficult to report ESG activities over half of respondents (58%) indicated needing more clarity or guidance from regulators and standard setters.
- Other 55% also indicated that a lack of preparedness internally and across the value chain makes certain ESG topics difficult to report.

# Recommendations

Overall, the results of this survey reflect that the current ESG reporting landscape, despite recent developments in the EU and US, is fragmented. Thus, it creates significant burdens (both financial and human) for companies of all sizes, operating across different sectors and geographies.

- The survey highlights a need to rebalance this equation as 83% of respondents expect that reporting costs will continue to increase.
- In the concluding section of the survey respondents were asked about sharing which approaches governments and the OECD could take in order to address the aforementioned challenges.

## Five key recommendations to governments

# 59%

### Reduce the number of reporting metrics:

- Companies called for simplification of indicators to reduce duplication and administrative burdens.
- Streamlining metrics would allow businesses to concentrate resources, improving both the quality and clarity of disclosures.

# 33%

### Harmonize reporting timelines:

- Divergent timelines and reporting cycles across jurisdictions pose significant internal planning challenges (both human and financial).
- Aligning these timelines would ease pressures on reporting teams.

# 24%

### Adopt a global baseline for sustainability disclosures:

- Promoting international frameworks, such as ISSB, could standardize global metrics and serve as a foundation upon which jurisdictions can build context-specific additions.

# 39%

### Implement phased approaches to regulation:

- Adopt a step-by-step approach to new regulations which is critical to prepare companies for upcoming regulations and requirements.
- Particularly for small and medium-sized enterprises (SMEs), certainty is critical for enabling capacity-building and ensuring proportionality in compliance efforts.

# 31%

Accept reporting under globally relevant standards as equivalent to national rules:

- Recognizing existing internationally accepted frameworks would significantly reduce reporting duplication for large companies.

**Five key recommendations to the OECD:**

# 61%

Promote regulatory coordination across jurisdictions:

- The OECD is uniquely positioned to facilitate intergovernmental collaboration and regulatory alignment.
- Respondents encouraged the OECD to act as a platform for policy dialogue among member states to mitigate further divergence and promote international regulatory cooperation.

# 52%

Advance long-term policy solutions:

- Beyond short-term analysis, respondents identified a need for forward-looking policy solutions in the area of ESG reporting to foster certainty and convergence.

# 34%

Integrate investor perspectives into policy dialogues:

- Given that investors are the primary audience for ESG disclosures (as reported by 72% of survey participants), respondents recommended that the OECD increase its engagement with the investment community to ensure that ESG discussions remain aligned with financial market needs.

# 55%

Foster structured public-private dialogue:

- Respondents stressed the importance of effective stakeholder engagement with the private sector.
- The OECD plays a unique role to promote regulatory coordination across its members and effective dialogue with the private sector is critical to inform on business realities with regards to ESG reporting.

# 40%

Engage with other international bodies:

- Respondents recommended the OECD to collaborate with standard-setting organizations and other international institutions to promote coordinated approaches to ESG reporting.

# Case Studies

The following section focuses on three case studies of major companies operating across different geographies and sectors, all of which are required to report on their ESG-related activities. These case studies highlight each company's approach to ESG reporting and show how the challenges outlined in the report are business realities. All three companies participated in the survey and agreed to share their experiences.

## Case study: Telefónica



### About the company

Telefónica is a major multinational telecommunications company headquartered in Spain, with operations in Europe and Latin America. Given the geographic scope of its business, Telefónica is subject to multiple sustainability reporting requirements across jurisdictions.

### Company's approach to ESG reporting

- Telefónica highlights a significant institutional commitment to sustainability reporting, with more than 25 full-time equivalent staff members currently dedicated to disclosure-related tasks.
- Telefónica has confirmed that it has already reallocated resources away from sustainability initiatives themselves to meet the growing demands of regulatory reporting.
- The company estimates that its total annual expenditure for preparing mandatory sustainability disclosures falls between \$1 million and \$5 million.

### Top audience

- Investors are identified by the company as one of the top three primary audiences for its ESG reporting, highlighting the market-facing nature of these disclosures.

### ESG reporting frameworks

Telefónica follows a broad-based approach to sustainability reporting.

- On the voluntary side, the company uses a mix of internationally recognized frameworks including:
  - Task Force on Climate-related Financial Disclosures (TCFD).
  - Carbon Disclosure Project (CDP).
  - United Nations Sustainable Development Goals (UN SDGs).
  - Taskforce on Nature-related Financial Disclosures (TNFD).
  - EcoVadis.

- On the mandatory side and looking ahead to 2027, Telefónica expects to be subject to:
  - European Sustainability Reporting Standards (ESRS).
  - Telefónica also anticipates the adoption of the International Sustainability Standards Board (ISSB) standards in at least three of the markets where it operates, including key parts of its international footprint such as Brazil.

## **Moving forward**

Telefónica anticipates that its costs related to sustainability reporting will increase substantially in the coming year.

- In fact, current spending on reporting already represents between 25% and 50% of the company's total sustainability budget, highlighting the considerable share of resources allocated to disclosure compliance rather than direct project implementation.

## **ESG reporting and the company's sustainability strategy**

Despite the cost implications, Telefónica recognizes the strategic value of sustainability disclosure.

- The company affirms that, when implemented correctly, mandatory sustainability reporting frameworks enable the development and revision of corporate sustainability strategies.
- Mandatory sustainability disclosure regulations have helped Telefónica to both develop and revise its corporate sustainability strategy and priorities, as well as to review and strengthen sustainability governance within the organization.

## **ESG reporting and the impact of fragmentation**

Telefónica expressed a high level of concern regarding the global fragmentation of mandatory sustainability disclosure regulations. Among its top concerns are:

- Duplicative requirements that arise across jurisdictions.
- Inconsistency in metrics and definitions.
- The overall cost and complexity of compliance.
- The lack of comparable, decision-useful information for both investors and other stakeholders.

Beyond fragmentation, Telefónica's key concerns with mandatory reporting include:

- The absence of global standards for sustainability topics beyond climate.
- The potential for costly and complex compliance processes.
- Importantly, the company also noted that these compliance demands could divert resources away from meaningful sustainability activities.

In terms of content-specific reporting challenges, biodiversity and ecosystems, particularly within the supply chain, represent significant hurdles. Telefónica attributed these difficulties to:

- High costs.
- Shifting regulatory expectations.
- The limited readiness of value chain partners.
- The absence of global methodologies.
- The need for greater clarity and guidance from regulators and standard setters.

### **Recommendations to governments and the OECD**

Telefónica's main recommendations highlight the need for clarity, interoperability, and proportionality. The company calls for governments to:

- Reduce the number of reporting metrics to streamline compliance.
- Adopting a double materiality approach to ensure that both financial and societal impacts are reflected in disclosures.
- Requiring assurance of sustainability disclosures to enhance their credibility and comparability.

To the OECD, Telefónica recommends:

- Facilitate optimal outcomes by promoting dialogue with investor communities to better align reporting expectations with investor needs.
- Engaging with other international bodies and fora to foster regulatory convergence.
- Encouraging continuous dialogue between regulators and the private sector.



### About the company

Bayer is a global enterprise with core competencies in the life sciences fields of health care and agriculture. Headquartered in Germany, it operates in over 80 countries, including extensive business across Europe and Latin America.

### Company's approach to ESG reporting

- Over 50 full-time equivalent employees are currently dedicated to sustainability reporting tasks.
- The company has confirmed a temporary focus of internal resources on compliance efforts related to disclosure obligations while still remaining fully committed to their sustainability initiatives themselves.
- Bayer estimates an annual expenditure between \$1 million and \$5 million for preparing mandatory sustainability reports.
- Currently, ESG reporting accounts for 25–50% of its total sustainability spending.

### Top audience

While Bayer's reporting strategy is influenced by regulatory obligations, it remains strongly oriented toward broader stakeholder engagement and alignment with its corporate mission.

- The company noted that many investor expectations are already covered through comprehensive CSRD/ESRS reporting and emphasized the importance of tailoring communication to meet stakeholder-specific interests while avoiding excessive data generation that lacks relevance to decision-making.

### ESG reporting frameworks

- Bayer has a longstanding commitment to sustainability reporting, aligning with the Global Reporting Initiative (GRI) and the UN Global Compact since 2000. In recent years, it has integrated additional frameworks such as SASB and TCFD and now complies with the EU's Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).
- The company applies a double materiality approach, aiming to provide detailed disclosures on both the financial relevance of sustainability issues and their broader societal impact.
- On the voluntary side, and to reduce redundancy, Bayer has streamlined its voluntary disclosures, aligning them where possible with regulatory requirements:
  - International Sustainability Standards Board (ISSB).
  - Global Reporting Initiative (GRI).
  - Taskforce on Nature-related Financial Disclosures (TNFD).
  - Carbon Disclosure Project (CDP).

- United Nations Sustainable Development Goals (UN SDGs).
- Taskforce on Nature-related Financial Disclosures (TNFD).
- EcoVadis.
- World Economic Forum (WEF).
- On the mandatory side and looking ahead to 2027, Bayer expects to be subject to:
  - European Sustainability Reporting Standards (ESRS).
  - The company is also preparing to meet requirements emerging in other jurisdictions, including ISSB-aligned standards and California's SB 253 and SB 261.

## **Moving forward**

The company acknowledges that reporting under multiple regimes increases complexity and cost, particularly when requirements diverge on key technical details (e.g., the definitions of operational vs. financial control in ESRS E1).

- Internal experts have had to temporarily shift their focus from sustainability execution to reporting compliance.
- Bayer anticipates continued resource strain as new regulations proliferate, particularly for global firms with complex supply chains.

## **ESG reporting and the company's sustainability strategy**

Bayer reports that CSRD/ESRS did not significantly alter its internal sustainability priorities, as the company had already embedded many of the required elements into its strategy.

- Nevertheless, the framework helps reinforce existing governance practices and provides a structured approach for stakeholder communication.

## **ESG reporting and the impact of fragmentation**

The company views regulatory fragmentation as a growing challenge, especially for multinational firms.

- It highlighted that varying local frameworks, with differing scopes and materiality thresholds, create legal uncertainty and increase resource needs.
- Bayer supports a more cohesive global approach to sustainability reporting and calls for streamlined standards to ease cross-border compliance burdens.

Supply chain reporting poses an additional concern:

- With over 80,000 suppliers worldwide, Bayer has struggled to fully integrate supply chain data into its ESG disclosures.
- The availability of reliable product carbon footprint data from suppliers remains limited, particularly for Scope 3.1 emissions.
- The company emphasized that unrealistic expectations for detailed supplier data could lead to inefficient reporting practices without improving sustainability outcomes.

## Recommendations to governments and the OECD

Bayer encourages governments to:

- Promote alignment across national and global reporting standards.
- Apply proportionality and allow for flexibility in supply chain disclosures.
- Support clarity in definitions and materiality thresholds to improve data usability.

To the OECD, Bayer recommends:

- Strengthening the role of the OECD as a convener for dialogue between regulators and the private sector
- Showcasing business case examples that demonstrate companies' investments and commitment to high-quality sustainability reporting
- Raising awareness among policymakers about the resource implications behind ESG reporting and the value of streamlined approaches

## About the company

BASF is one of the world's leading chemical companies, headquartered in Germany, with a global footprint spanning Europe, America, Africa, Australia and Asia. The company offers products and solutions that contribute to sustainability across industrial value chains.

## Company's approach to ESG reporting

- Between 25 and 50 full-time equivalent staff are currently dedicated to managing BASF's sustainability disclosures.
- The company has confirmed that internal resources were temporarily reallocated from other sustainability initiatives to support the initial implementation of the European Sustainability Reporting Standards (ESRS), with expectations of reduced effort in future years as systems mature.
- BASF estimates that its annual expenditure on mandatory ESG disclosure falls between \$10 million and \$15 million.

## Top audience

BASF's ESG reporting approach reflects a dual emphasis on regulatory compliance and broader societal accountability.

- While investor needs remain a central consideration, the company also explicitly highlights civil society as a top audience for its sustainability disclosures. This underscores BASF's intent to foster transparency beyond financial markets, ensuring that its sustainability efforts are accessible and relevant to non-market stakeholders.

## ESG reporting frameworks

- On the voluntary side, BASF continues to use:
  - The Carbon Disclosure Project (CDP), particularly for thematic disclosures on water, forest, and climate-related issues.
  - EcoVadis, which, while not used to determine disclosure content, remains a tool for evaluating supplier performance within the company's value chain.
- On the mandatory side, BASF expects to be subject to:
  - The European Sustainability Reporting Standards (ESRS), with overarching compliance under the Corporate Sustainability Reporting Directive (CSRD).
  - Additionally, the company anticipates applying the standards of the International Sustainability Standards Board (ISSB) in three or more markets, which may lead to further national-level adoption, including in jurisdictions such as South Korea or Brazil.

## Moving forward

BASF does not anticipate a substantial increase in sustainability reporting costs in the near term, noting that the most resource-intensive phase occurred during the initial implementation of the ESRS.

- However, the company cautions that new regulatory initiatives, such as the EU's digital tagging requirements, could drive up future costs depending on the final scope and timelines of implementation.
- Considering evolving reporting frameworks and potential redundancies, BASF is considering scaling back certain voluntary disclosures. Specifically, it discontinued the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD), noting that TCFD content has now been integrated into the ISSB baseline, which will continue to inform reporting.

## ESG reporting and the company's sustainability strategy

BASF affirms that, when implemented effectively, mandatory sustainability disclosure regulations can play a meaningful role in strengthening internal sustainability governance.

- In particular, the company highlighted the value of double materiality assessments in aligning reporting with broader strategic priorities.
- Mandatory disclosure rules have contributed to refining BASF's corporate sustainability strategy, improving the clarity of its internal governance framework, and supporting more informed engagement by senior leadership.

## ESG reporting and the impact of fragmentation

BASF expressed moderate concern regarding the fragmentation of global sustainability disclosure regulations. The company emphasized that the extent of this challenge will ultimately depend on how well European and international standards can coexist or be harmonized.

Among the top concerns related to fragmentation are:

- Duplicative reporting obligations.
- Inconsistencies in metrics and definitions.
- Overall complexity and cost of compliance.
- Competitive disadvantage for globally active companies, noting that firms operating across fewer jurisdictions may face a lighter reporting burden.

Beyond fragmentation, the company flagged additional issues that affect its ability to implement effective sustainability reporting:

- Transparency requirements may expose companies to legal risks.
- The pace of regulatory implementation may not allow sufficient time to build internal capacity.
- Suppliers and other value chain partners are not always prepared to meet evolving data demands, particularly when detailed disclosures are expected.
- The rising complexity and cost of reporting may divert resources away from actual sustainability initiatives.
- There is also concern about overlapping requirements across industry-specific standards.

Biodiversity and ecosystem-related disclosures were identified as particularly challenging.

- BASF considers this topic highly material and emphasized the importance of keeping it prominent in regulatory agendas, despite the lack of clear methodologies or guidance for consistent impact assessment.

## **Recommendations to governments and the OECD**

BASF recommends to governments:

- To reduce the number of reporting metrics, with a focus on meaningful and decision-useful KPIs that serve investor needs and improve the relevance of disclosures.
- It also advocates for national regulators to accept reporting under globally recognized standards as equivalent to domestic requirements, helping to avoid duplication for multinational firms.
- Supports the adoption of a double materiality approach, which can reflect both financial and societal impacts.
- Calls for a global baseline, such as the ISSB standards, to serve as a common foundation across jurisdictions.

To the OECD, BASF recommends:

- The company encourages the OECD to continue facilitating dialogue among regulators to address fragmentation and regulatory divergence.
- In addition, it supports OECD engagement with other international institutions to promote coherence across emerging sustainability frameworks.

# Conclusion

- As the report shows, survey respondents highlight that, despite recent developments, ESG reporting today operates within a fragmented environment of overlapping standards and regulations. This fragmentation imposes high and uneven burdens on companies.
- While sustainability disclosures are increasingly essential for investors and public trust, the lack of international alignment across frameworks, definitions, and time-lines creates a series of risks that go well beyond administrative inconvenience.

## **Investors are driving demand, but fragmentation undermines clarity.**

- In the survey, 72% of respondents reported that investors are the top audience for their ESG disclosures, far more than any other group, reflecting the market's heavy reliance on these reports.
- However, inconsistent standards and varying definitions across jurisdictions are eroding the comparability of ESG data and weaken the strategic value of ESG reporting.

## **Reporting comes at a high cost.**

The financial cost of ESG reporting has become substantial and it is rising rapidly.

- More than half (57%) of survey participants are spending over \$1 million each year on sustainability reporting, with a significant portion spending more.
- Furthermore, 83% expect these costs to increase in the next year under current conditions.
- Complying with multiple frameworks often means duplicate efforts (e.g. producing separate reports or data streams for different standards) and requires specialized resources.

## **Resource allocation is being compromised.**

- Nearly half of all respondents dedicate more than 25% of their total sustainability budget to reporting compliance.
- In this context, for 17% of survey participants, over half of their sustainability resources go towards meeting reporting requirements. Overall, it creates a significant opportunity cost as resource allocation to ESG driven projects is being compromised due to the current regulatory landscape.

## **Governments and the OECD should take into account business realities.**

Survey responses highlight that the main priorities for national governments are to:

- **Reduce the number of reporting metrics (59%)** to reduce duplication and administrative workload.
- **Implement phased approaches to regulation (39%)** to prepare companies for upcoming regulations and requirements.
- **Harmonize reporting timelines (33%)** across jurisdictions which pose significant internal planning challenges (both human and financial).

- **Accept reporting under globally relevant standards** as equivalent to national rules (31%).
- **Adopt a global baseline** for sustainability disclosures (24%).

Finally, survey participants recommend the following actions to the OECD:

- **Promote regulatory coordination across jurisdictions (61%)** to facilitate intergovernmental collaboration and regulatory alignment.
- **Foster structured public-private dialogue (55%)** to inform on business realities with regards to ESG reporting.
- **Advance long-term policy solutions (52%)** in the **area of ESG reporting** to foster certainty.
- **Engage with other international bodies (40%)** to promote internationally coordinated approaches to ESG reporting.
- **Integrate investor perspectives into policy dialogues (34%)** to ensure that ESG discussions remain aligned with financial market needs.

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# Annex

## Methodology

The findings of this report are based on a survey conducted between December 2024 and February 2025 by *Business at OECD* (BIAC). The survey was designed to capture companies' experiences with sustainability reporting across different industries and regions. It was distributed among *Business at OECD* (BIAC)'s members, targeting senior sustainability, finance, and compliance professionals of companies operating across different sectors and geographies.

### Survey administration

- The survey was open for responses from December 2024 through February 2025.
- During this period, companies provided both quantitative data (e.g. estimates of costs, headcounts, percentages) and qualitative insights (open-ended comments on challenges and expectations).
- To encourage greater participation, responses were collected anonymously. The analysis relies on aggregate results, and any examples are presented without revealing the identity of individual firms (except for the case studies which were specifically approved by the respective companies).

### Scope of the questionnaire

- The survey covered various aspects of ESG reporting.
- Respondents detailed their current reporting practices (e.g. which frameworks or standards they use), the costs and resources involved, and the expectations of future reporting obligations.
- Key challenges were also identified, such as specific ESG topics or data points that are difficult to report under current frameworks.
- By covering these areas, the survey provides a comprehensive snapshot of how businesses are managing ESG disclosures in a fragmented regulatory landscape.



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