ESG Data Compliance of Multinational Companies: Conflicts and Integration of Regulatory Rules in China, the United States and Europe

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Abstract: Under the global wave of sustainable development, ESG (environmental, social, and governance) data compliance has become a key issue in the operations of multinational companies. As important global economic forces, China, the United States and Europe have both conflicting and integrated ESG regulatory rules. This article deeply analyzes the differences in the rules among the three, explores the root causes of conflicts and integration paths, and proposes response strategies for multinational companies, aiming to provide theoretical support and practical guidance for ESG data compliance of multinational companies.

Keywords: Multinational Corporation; ESG Data Compliance; Regulatory Rules; Conflict and Integration

1. Introduction

With the global emphasis on sustainable development, the ESG concept has become the core criterion for measuring the comprehensive value of enterprises [1]. As the main body of global economic activities, the ESG data compliance of multinational companies not only concerns their corporate image and market competitiveness, but also involves following international rules and preventing legal risks [2]. As the three major global economic blocks, China, the United States and Europe have significant influence on the formulation of ESG regulatory rules. However, due to differences in political systems, economic structures and cultural values, there are significant conflicts in regulatory rules among the three countries: the EU emphasizes "preventive regulation" and "full value chain responsibility", the US focuses on "market-driven" and "investor protection", while China follows the path of "gradual reform" and "state-led" [3]. This disparity leads multinational companies to face a "compliance paradox" - the same ESG indicator may be required to be disclosed in completely opposite ways in different jurisdictions [4]. Meanwhile, the establishment of the International Sustainability Standards Board (ISSB) and the G20's call for ESG standardization indicate a trend of regulatory rule convergence [5]. An in-depth exploration of the conflicts and integration of ESG data compliance of multinational companies under the regulatory rules of China, the United States and Europe is of great significance for formulating global compliance strategies and enhancing sustainable development capabilities.

2. Overview of ESG Regulatory Rules in China, the United States and Europe

2.1 EU ESG Regulatory Rules

The European Union is a pioneer in global ESG regulation and has established a multi-level regulatory system under its Green Deal framework. In the environmental dimension, the European Green Deal of 2019 set the goal of "climate neutrality by 2050", and the supporting legislation includes: The Sustainable Finance Disclosure Regulation (SFDR) of 2021 requires financial institutions to disclose the ESG characteristics of their investment products [6]. The Corporate Sustainability Reporting Directive (CSRD) of 2023 has expanded the scope of disclosure from listed companies to large unlisted enterprises [7]. The 2024 Corporate Sustainability Due Diligence Directive (CSDDD) mandates that enterprises assess human rights and environmental risks in their supply chains.

In terms of social supervision, the European Union has strengthened the protection of labor rights through the amendment to the Non-Financial Reporting Directive (NFRD), requiring enterprises to disclose information such as gender pay gaps and labor standards in supply chains [8]. The governance dimension focuses on the diversity of the board of directors. The 2022 Corporate Sustainable Governance Directive requires that at least 40% of the boards of directors of listed companies be non-executive directors, and 33% of them are women. The mandatory feature of EU rules is reflected in the strengthening of its "non-compliance means interpretation" principle. After the implementation of CSRD in 2023, enterprises that fail to meet the standards will face fines of up to 2% of their annual turnover.

2.2 ESG Regulatory Rules in the United States

The ESG regulatory rules in the United States exhibit diversified and decentralized characteristics. At the federal level, the U.S. Securities and Exchange Commission (SEC) has issued new climate disclosure rules, focusing on the quantitative analysis of climate-related financial risks and requiring listed companies to disclose the impact of climate risks on their corporate finances. Meanwhile, the United States has passed regulations such as the Dodd-Frank Financial Reform Act, requiring enterprises to disclose the sources and usage of resources in specific industries. At the state level, there are significant differences in ESG regulatory policies among states. Some states are actively promoting ESG development. For instance, California has passed the SB253 bill, requiring enterprises with annual revenue exceeding one billion to disclose carbon emissions throughout their entire value chain by 2026. Some Republican-dominated states, however, have restricted ESG investment and passed legislation to resist financial institutions that are regarded as "discriminating" against the fossil fuel industry. The ESG regulatory rules in the United States are significantly influenced by political and economic interest groups. The competition among different interest groups leads to policy instability and fragmentation.

2.3 ESG Regulatory Rules in China

China's ESG regulatory rules are in a stage of continuous improvement and development. At the national level, multiple ministries and commissions have issued relevant policies to promote the popularization of ESG concepts and standardize information disclosure. For instance, the "Opinions on Promoting Green and Low-Carbon Transformation and Strengthening the Construction of the National Carbon Market" emphasizes the carbon emission accounting and information disclosure of enterprises. At the industry level, different industries formulate ESG-related standards and guidelines based on their own characteristics. For instance, the "Supervision and Administration Measures for Energy Conservation and Ecological and Environmental Protection of Central Enterprises" regulates the environmental protection behaviors of central enterprises. At the enterprise level, with the influence of international ESG trends and the increasing domestic demand for sustainable development, more and more enterprises are proactively engaging in ESG management and practice, and disclosing ESG reports. China's ESG regulatory rules follow the principle of "pilot first, then promote; focus first, then be comprehensive", gradually building an ESG regulatory system that suits the national conditions, and promoting enterprises to achieve the unity of economic, environmental and social benefits.

3. Conflicts in ESG Regulatory Rules between China, the United States and Europe

3.1 Conflicts in Information Disclosure Requirements

The EU CSRD requires enterprises to disclose "dual substantive" information, covering quantitative data in multiple aspects such as carbon emissions and supply chain human rights, emphasizing the two-way relationship between environmental and social impacts and corporate finance. The new climate disclosure rules of the US SEC focus on the quantitative analysis of climate-related financial risks and explicitly require the disclosure of the specific impact of climate risks on finance. However, China's ESG information disclosure requirements are still being improved. Currently, enterprises are encouraged to voluntarily disclose key environmental indicators and social responsibility information, and the requirements for quantitative data are relatively low. This disparity forces multinational companies to prepare multiple versions of reports, significantly increasing compliance costs.

There are various international ESG information disclosure standards, such as GRI, TCFD, SASB, etc. The EU CSRD mandates that enterprises adopt the European Sustainability Reporting

Standards (ESRS), which are highly consistent with its own regulatory goals. The climate disclosure rules of the U.S. SEC are partially in line with the framework of the TCFD, but they are not fully unified. When formulating standards, China not only refers to international experience but also combines domestic realities to form disclosure standards with Chinese characteristics. Different standards lead to conversion difficulties for multinational companies in data collection, organization and report preparation, affecting the quality and efficiency of information disclosure.

3.2 Conflicts within the Scope of Compliance

The EU CSRD has a wide range of applications, covering large enterprises registered in the EU, companies listed in the EU (regardless of size), and non-EU enterprises with subsidiaries or branches in the EU and a net turnover of over 150 million euros. The scope of ESG compliance in the United States varies by state. For instance, California's SB253 targets enterprises with annual revenue exceeding one billion. At present, the scope of ESG compliance in China mainly focuses on listed companies and central enterprises, while the compliance requirements for non-listed companies and small and medium-sized enterprises are gradually being advanced. This difference makes multinational companies have to deal with different compliance thresholds in their global business layout, increasing the complexity and cost of compliance management.

In terms of supply chain compliance, the EU CSDDD requires enterprises to conduct due diligence on human rights and environmental risks throughout the entire value chain, and the obligation extends to all links of the supply chain. Some state regulations in the United States involve requirements for supply chain social responsibility, but overall they are not as comprehensive and strict as those in the European Union. China mainly promotes ESG compliance in the supply chain through industry guidelines and the practices of enterprises themselves, and has not yet formed a unified standard with binding force. The differences in supply chain compliance requirements have led multinational companies to establish diverse management systems to cope with the compliance pressure in different markets.

3.3 Conflicts in the Intensity of Regulatory Enforcement

The EU imposes severe penalties on ESG violations. Regulatory authorities of each member state have the right to order rectification and impose administrative penalties. The aggrieved party can claim compensation through civil means, such as the possible imposition of high carbon tariffs under the Carbon Border Adjustment Mechanism (CBAM). ESG regulatory penalties in the United States vary by state. Some states may impose fines on non-compliant enterprises, but the overall intensity and consistency of penalties are not as good as those in the European Union. At present, China mainly urges enterprises to comply with regulations through administrative supervision, credit penalties and other means, and the penalties for serious violations are gradually being strengthened. Different penalty measures cause multinational companies to face different costs of violations in different markets, affecting their compliance decisions. In addition, the regulatory resources and capabilities in Europe and the United States are relatively strong. Although China's regulatory resources are being enriched, there is still a gap compared with those in Europe and the United States. This leads to multinational companies facing different regulatory intensities and efficiencies, increasing the uncertainty of compliance management.

4. The trend of Integration of ESG Regulatory Rules among China, the United States and Europe

4.1 Convergence of International Standards

Promotion by international organizations: International organizations play a significant role in promoting the convergence of ESG international standards. International organizations such as the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial Disclosures (TCFD), and the International Sustainability Standards Board (ISSB) under the International Financial Reporting Standards Foundation (IFRS) are committed to formulating unified ESG information disclosure standards. The Sustainable Financial Disclosure Standards (IFRS S1 and IFRS S2) issued by the ISSB have received support from the G20 to accelerate their promotion, aiming to provide a unified ESG information disclosure framework for global enterprises. The formulation and promotion of these international standards have prompted China, the United States and Europe to gradually align their ESG regulatory rules with international standards, reducing compliance costs and obstacles caused by standard differences.

The practical impact of multinational companies: In their global business operations, multinational companies tend to adopt unified ESG management standards and information disclosure frameworks to reduce compliance costs and enhance management efficiency. Many multinational companies actively participate in the formulation and practice of international ESG standards, integrating international standards into their global ESG management systems. The practical influence of multinational companies has prompted regulatory authorities in China, the United States and Europe to refer to international standards and the practical experience of multinational companies when formulating ESG regulatory rules, promoting the convergence of regulatory rules.

4.2 The Common need to Address Global Challenges

Climate change: Climate change is a global challenge. As major economies and major carbon emitters in the world, China, the United States and Europe share common interests and responsibilities in addressing climate change. The European Union has promoted the green transformation of its economy through policies such as the European Green Deal. The United States has rejoined the Paris Agreement and formulated climate policies. China has proposed the "dual carbon" goals and actively promoted green development. In the process of addressing climate change, China, the United States and Europe need to enhance coordination and cooperation in ESG regulatory rules, and jointly promote enterprises to reduce carbon emissions and improve their climate adaptability. For instance, in areas such as carbon emission accounting and the construction of carbon trading markets, the three countries can share experiences and coordinate rules to enhance the efficiency and effectiveness of global response to climate change.

Social responsibility: Against the backdrop of increasingly prominent global social issues, such as labor rights, human rights protection, and fair competition, China, the United States, and Europe have all recognized the significance of enterprises fulfilling their social responsibilities. The regulatory authorities of the three countries have formulated ESG regulatory rules to guide enterprises to pay attention to social issues and enhance their social image and sustainable development capabilities. For instance, in terms of safeguarding the rights and interests of workers in the supply chain, China, the United States and Europe can enhance cooperation to jointly encourage enterprises to establish responsible supply chain management systems, protect the rights and interests of workers, and promote fair and sustainable development in the global society.

4.3 Promotion of Regional Cooperation

Bilateral cooperation: China, the United States and Europe have carried out various forms of bilateral ESG cooperation. China and the United States maintain communication and cooperation in the field of climate change. Enterprises and institutions from both sides carry out exchange and cooperation projects in the ESG field and share ESG management experiences and technologies. China and Europe have maintained close cooperation in the field of sustainable development. Through signing cooperation agreements and establishing cooperation mechanisms, the two sides have promoted cooperation in areas such as ESG standard setting, information disclosure, and green finance. Bilateral cooperation provides a platform and opportunity for the integration of ESG regulatory rules among the three countries, promoting mutual understanding and coordination of the rules.

Multilateral cooperation: Under the framework of global economic governance, China, the United States and Europe actively participate in multilateral ESG cooperation. In multilateral mechanisms such as the Group of 20 (G20) and the Asia-Pacific Economic Cooperation (APEC), the three countries have engaged in discussions and cooperation on ESG-related issues, promoting the formulation of global ESG rules and standards. Multilateral cooperation helps to coordinate the interests of the three countries, form global consensus, and promote the integration and unification of ESG regulatory rules on a global scale.

5. Strategies for Multinational Companies to Deal with Conflicts and Integrations in ESG Regulatory Rules among China, the United

States and Europe

5.1 Establish a Global ESG Compliance Management System

Unified compliance standards: Multinational companies should formulate unified global ESG compliance standards, based on mainstream international ESG standards and in combination with regulatory requirements in China, the United States and Europe, to build an ESG compliance framework applicable to their global business. Unified compliance standards help reduce compliance costs and risks caused by differences in market rules, and improve the efficiency and consistency of ESG management in enterprises.

Integrate compliance resources: Multinational companies should integrate global ESG compliance resources, establish dedicated ESG compliance teams, and be responsible for formulating, implementing and supervising global ESG compliance policies. At the same time, strengthen cooperation with external professional institutions, such as consulting companies, law firms, accounting firms, etc., to obtain professional ESG compliance services and support. Integrating compliance resources helps enhance an enterprise's ESG compliance capabilities and respond promptly to compliance requirements in different markets.

5.2 Strengthen Data Management and Information Disclosure

Establish a data management system: Multinational companies should establish a complete ESG data management system to ensure the accuracy, completeness and timeliness of ESG data. Adopt advanced data collection, storage and analysis technologies to enhance the efficiency and quality of data management. At the same time, strengthen data security management to ensure the security and privacy of ESG data.

Optimize information disclosure strategies: In accordance with the information disclosure requirements of China, the United States and Europe, optimize the ESG information disclosure strategies of enterprises. Formulate differentiated information disclosure plans to meet the information demands of different markets. In the process of information disclosure, emphasis should be placed on the readability and comparability of information to enhance the quality and transparency of information disclosure. At the same time, actively communicate with stakeholders such as investors, regulatory authorities, and the general public, promptly respond to concerns, and enhance the ESG image of the enterprise.

5.3 Participate in the Formulation of International Rules and Industry Cooperation

Participate in the formulation of international rules: Multinational companies should actively participate in the process of formulating international ESG rules, represent the interests of the enterprise and the viewpoints of the industry, and influence the direction of international rules. By participating in international organization activities, submitting feedback and other means, provide practical experience and suggestions for the formulation of international ESG rules, and promote the rationality and feasibility of international rules.

Strengthen industry cooperation: Multinational companies should enhance cooperation with enterprises in the same industry to jointly address the challenges of ESG regulatory rules. By establishing industry alliances, launching cooperative projects and other means, we share ESG management experiences and technologies, and promote the formulation and implementation of industry ESG standards. Industry cooperation helps to enhance the overall ESG level of the industry and strengthen the competitiveness of enterprises in the international market.

5.4 Cultivate and Introduce ESG Professionals

Internal training: Multinational companies should enhance the cultivation of ESG professionals within the company. Through training, job rotation, practical experience and other means, they should improve employees' ESG awareness and professional capabilities. Establish an ESG talent incentive mechanism to encourage employees to actively participate in ESG management and practice, providing talent support for the ESG development of the enterprise.

External recruitment: Actively recruit ESG talents with an international perspective and professional experience to enrich the company's ESG management team. By cooperating with universities and research institutions, an ESG talent reserve pool is established to provide a continuous supply of talents for the ESG development of enterprises.

6. Conclusion

The ESG regulatory rules in China, the United States and Europe are both in conflict and showing a trend of integration. The conflicts mainly manifest in aspects such as information disclosure requirements, compliance scope and regulatory enforcement intensity, with the root causes lying in political, economic and cultural differences. The trend of integration stems from the convergence of international standards, the common need to address global challenges, and the promotion of regional cooperation. As an important force in global economic development, multinational companies should actively respond to the conflicts and integrations of ESG regulatory rules among China, the United States and Europe. By establishing a global ESG compliance management system, strengthening data management and information disclosure, participating in international rule-making and industry cooperation, and cultivating and introducing ESG professionals, they can achieve ESG data compliance and enhance their sustainable development capabilities. Occupy a favorable position in the global market competition. In the future, as the global sustainable development process advances, ESG regulatory rules in China, the United States and Europe are expected to gradually move towards coordination and unification amid continuous conflicts and integrations, creating a fairer, more transparent and sustainable development environment for global enterprises.

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