Integrating Sustainability and Public Policy

Sustainability in public policy engagement isn't just about complying with the latest climate reporting requirements or sharing your perspective on a proposed regulation. It's about proactively identifying what regulations are helping or hindering your sustainability strategy and then advocating for changes that will help you achieve your goals. Companies that anticipate and integrate policy shifts aren't just staying compliant. They are transforming policy risks into a competitive advantage.

Why it matters

Political and regulatory landscapes are evolving rapidly and changing policies could have a significant impact on business.

What we know

- **The number of sustainability regulations is growing.** According to ESG Book, there are over 2,400 ESG regulations covering more than 80 jurisdictions worldwide. This represents an increase of 155% over the past decade.

- **Policy whiplash is real.** The sustainability policy landscape is dynamic and often contradictory, especially for multinationals. Sweeping new mandates (e.g., EU Corporate Sustainability Reporting Directive (CSRD), SEC Climate Rule) are introduced then scaled back. Compliance in one jurisdiction could mean noncompliance in another.

- **Patchwork policies are more costly to comply.** For US companies, a lack of federal regulation has left room for states to adopt their own standards on a variety of sustainability issues, but a complex web of differing requirements can create confusion and additional compliance burden. According to the Information Technology and Innovation Foundation (ITIF), a 50-state patchwork of privacy laws could cost $1 trillion more than a single federal law.

- **Not all regulations come from your own government.** Many countries are introducing regulations with extraterritorial reach, such as the EU's Corporate Sustainability Due Diligence Directive (CSDDD), requiring companies to take action even if they are headquartered or incorporated elsewhere.

- **Value chain exposure is increasing.** Policies like the EU's Carbon Border Adjustment Mechanism (CBAM), CSDDD, and extended producer responsibility laws push compliance requirements far beyond direct operations, into sourcing, vendors, and even product design. Even if your company isn't directly affected by a new regulation, your customers or suppliers might be. And they may require action from you to help them comply.

What we observe

- **Materiality does not mean readiness.** What's strategic today may become mandatory tomorrow. Many companies have mapped sustainability topics through materiality assessments and developed goals and metrics, but few are stress-testing their strategy against emerging regulations.
- **Teams are stuck in reactive mode, and internal silos slow progress.** Legal teams monitor policy developments but may not know when to engage sustainability teams. Sustainability teams understand how to respond to new requirements but may lack budget and resources to execute. Finance teams know how to resource sustainability teams but may not actively monitor the regulatory pipeline. Few companies connect these dots fast enough to act strategically.
- **Horizon scanning is still patchy at best.** Many companies lack a structured process to track, analyze, and act on sustainability-related policy changes, which can leave them unprepared when new regulations emerge.

Bottom line

Smart companies are evolving from sustainability reporters to policy and regulatory shapers, building resilience not just by reacting, but by influencing.

1. **Map your material issues to policy trends.** See what's coming - not just what's required now - and adjust your roadmap accordingly. Some regulations are grounded in common reporting frameworks (e.g., International Sustainability Standards Board (ISSB), which may enable synergies if identified and integrated proactively.
2. **Build a simple regulatory scanning system.** Keep it fresh, dynamic, and flexible with clear ownership and a structured process for disseminating findings. Quarterly is a good start.
3. **Expand scenario planning beyond just climate.** Climate risk is often top-of-mind for scenario analysis, but extending these efforts to all areas of sustainability can help you plan strategically for what's next in a range of possible futures.
4. **Break the silos.** Sustainability, legal, finance, and operations teams need to be in the room early and equipped with executive buy-in and the right resources to succeed.
5. **Engage, don't just observe.** The most strategic organizations actively participate in policy dialogues either directly or through industry groups to shape regulation before it shows up in a compliance checklist.

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We'd love to hear your perspective. Leave a comment on our LinkedIn or reach out at info@impactpathways.com.

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