

# 75% of Global ESG Policies Lack Bite in Driving Business Change

Submitted by: BlueSky Education

Tuesday, 14 November 2023

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Global environmental, social, and governance (ESG) policies are increasingly voluntary, finds the 2023 annual Carrots & Sticks report.

Carrots & Sticks (<https://www.carrotsandsticks.net/>) is the world's most comprehensive database of ESG and sustainability policies, comprising 2,463 policies from 132 countries, 76 international organisations, across 38 languages, and spanning from 1897 to the present day. The research was led by Dr. Robyn Klingler-Vidra, Associate Dean for Global Engagement at King's Business School, King's College London, and Dr. Adam William Chalmers, University of Edinburgh.

Before 2015, a majority (52%) of ESG policies were mandatory, but post-2015—the same year the UN Sustainable Development Goals were introduced—this trend has reversed. In 2023, mandatory policies now only constitute 44.8%, while voluntary policies make up 55.2%.

'Mandatory' policies are legal regulations that organisations must follow, as non-compliance may result in penalties or legal consequences. 'Voluntary' policies are initiatives that companies choose to undertake based on their strategic priorities, ethical considerations, or a desire to align with specific values or industry best practices. They are not legally compulsory.

75% of policies were also found to have low restrictiveness on businesses. This underscores a lack of strictness, stringency, and overall demands imposed on businesses by the policies, whether mandatory or voluntary. In essence, three-quarters of current global policies do not exert substantial pressure on businesses.

“The newest findings underline a transformative shift in the ESG policy and regulation landscape. The question arises—how effective are policies when the majority of commitments are only voluntary? The fact that only 25% of policies contained language that exerts change on businesses signals a crucial moment for reflection. It may signal that more, and more complex, issues are now entering the policy agenda. But it may also suggest that public policy lacks sufficient teeth to drive substantive impact, let alone change,” says Dr Klingler-Vidra.

For the first time, this year Chalmers and Klingler-Vidra used natural language processing and machine learning techniques to analyse policy texts to determine the 'restrictiveness' of policies and provide a comprehensive view of the global policy landscape.

“This approach marks a significant advance in the way that we have, until now, understood these types of policies. Previously, researchers would hand code an entire policy by saying, 'Oh, well, that looks at the environment... this one looks at social policy'. We can now more precisely answer questions like - what are these policies actually about? Which companies do they target? How? To what extent does the text align with some, all, or none of the UN SDGs?” says Dr Chalmers.

First initiated in 2006 as a collaborative initiative between Global Reporting Initiative (GRI), the UN Environment Programme and KPMG International, Carrots & Sticks has since been highlighting sustainability

reporting standards trends. This year, Dr Klingler-Vidra and Dr Chalmers joined as the academic co-leads, working closely with GRI, broadening the scope through rigorous data collection efforts, and making an intentional effort to enhance global coverage by including policies in nearly 40 different languages.

Today, the database is informing decision-making and keeping policymakers and stakeholders accountable. Dr. Klingler-Vidra emphasises the importance of not just acknowledging the findings but actively leveraging the insights to help policymakers craft more effective policies.

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For more information on the Carrots & Sticks database, or to speak with the research team, please contact Alexandre Lopez at BlueSky Education at [alex@bluesky-pr.com](mailto:alex@bluesky-pr.com) or call on +44 (0)1582 797959.