



# Sustainability Under Scrutiny

Corporate ESG in an  
Uncertain Policy Environment

GOVERNANCE & SUSTAINABILITY CENTER



# Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment

27 MAY 2025



The corporate sustainability landscape has evolved significantly in 2025, shaped by ongoing shifts in US federal climate and energy policy, regulatory divergence across jurisdictions, and increasing public and political scrutiny. This report examines how companies are navigating, adapting, and recalibrating their sustainability strategies and initiatives for a new era—drawing on a survey of 125 corporate sustainability and environmental, social & governance (ESG) executives at leading US and multinational companies.

---

## Key Insights

- Amid heightened policy uncertainty in 2025, 80% of companies are adjusting their ESG strategies by strengthening legal oversight, emphasizing business value, and adopting less politicized language.
  - Surveyed sustainability leaders cite escalating regulatory fragmentation across federal, state, and international jurisdictions as a primary concern over the next two years, complicating compliance and strategic alignment amid diverging ESG mandates.
  - In a polarized environment, 90% of sustainability heads expect ESG “backlash”—driven primarily by activist groups and political actors around hot-button issues—to persist or intensify over the next two years, although most firms experience it at the industry rather than company level.
  - With climate goals and transition plans emerging as the most contested sustainability issue, companies must enhance governance, legal defensibility, and operational alignment of climate targets to manage intensifying scrutiny.
  - Corporate oversight and governance of sustainability is moving toward a more risk-oriented, compliance-driven model, with boards and senior leaders prioritizing legal defensibility, return on investment (ROI), and alignment with enterprise value.
-



## The Evolving Political and Regulatory Environment in 2025

### US Policy Shifts on Climate, Energy, and ESG

Since January, the current US administration has taken multiple actions that affect corporate sustainability strategies and priorities:

- **Energy:** Issued executive orders and agency directives [to prioritize fossil fuel production and infrastructure expansion](#), while reducing federal support and incentives for renewable energy. These changes are reshaping the regulatory and economic landscape for clean energy investment, emissions targets, and supply chain engagement.
- **Environmental standards:** Initiated efforts to [scale back Environmental Protection Agency oversight](#), including reversing emissions standards, pollutant regulations, and reporting requirements; and eliminating environmental justice programs.
- **Corporate ESG disclosures:** Under new leadership, the Securities and Exchange Commission (SEC) halted its defense of a [proposed corporate climate disclosure rule](#), effectively ending efforts to mandate federal reporting on climate risks and emissions. This eases near-term compliance burdens but introduces uncertainty and reduces investor comparability.
- **International frameworks:** Formally withdrew from the Paris Agreement, [signaled disengagement](#) from the UN Sustainable Development Goals, and reduced participation in related global initiatives.
- **State-level climate laws:** Issued an [executive order](#) and pursued [legal challenges](#) to state laws such as climate “superfund” statutes in New York and Vermont that seek to impose liability on fossil fuel companies for climate harm. These actions heighten legal uncertainty for companies operating across multiple jurisdictions and may increase litigation exposure.

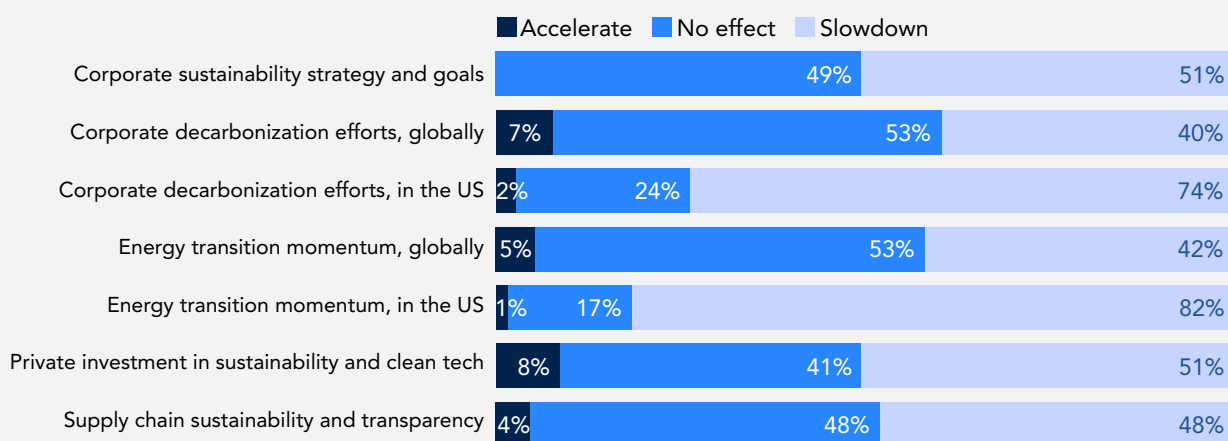
ESG and sustainability leaders—80% of whom represent US-headquartered firms—generally believe that recent US policy shifts could slow corporate progress on sustainability, decarbonization, and the domestic energy transition, according to a survey from The Conference Board (Figure 1). Many point to potential headwinds from regulatory rollbacks, reduced federal support for renewable energy, and legal challenges to climate-related accountability measures. Some also expect private investment in clean tech and supply chain sustainability to moderate amid heightened uncertainty. Notably, far more respondents expect the energy transition to slow in the US than globally. This reflects the view that momentum remains strong elsewhere, with China, the EU, and others accelerating investment, regulation, and innovation—potentially positioning them to outpace the US in setting standards and capturing market share.

However, while concerns about a possible chilling effect in the US are widespread, not all respondents anticipate uniform or lasting disruption and many acknowledge that market forces, technological innovation, and state- and international-level statutes will continue to drive progress despite federal policy changes.

Figure 1

### Most surveyed sustainability leaders anticipate a slowdown in corporate sustainability efforts, decarbonization, and the US energy transition under the current administration

Q: How do you expect the current US administration's policy stance to influence the following over the next two years?



Note: 125 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025



## Recalibrating Corporate Sustainability for a New Era

### Adjusting ESG strategies

Figure 2

#### Companies are adapting their sustainability strategies by reframing messaging, increasing legal oversight, and enhancing focus on ROI

Q: How is your company adjusting its ESG/sustainability strategy in response to the new US administration and evolving political and regulatory environment? (Select all that apply)



Note: 125 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

According to the survey, 80% of companies are adjusting their ESG or sustainability strategy in response to the shifting political and regulatory environment in 2025. However, only 6% report making significant changes, with most implementing minor (45%) or moderate (29%) adjustments. Companies are primarily doing so by:

- **Strengthening legal and risk oversight:** ESG disclosures, public commitments, and programmatic goals—especially those related to climate; diversity, equity & inclusion (DEI); and human rights—are undergoing closer legal review to ensure compliance with evolving standards and mitigate litigation or reputational risk. Many companies are also reevaluating whether to participate in external alliances or public pledges that could introduce legal or fiduciary risks. Notably, several major financial institutions—including banks, insurers, asset managers, and service providers—have recently exited high-profile net-zero alliances, citing regulatory uncertainty and potential legal liabilities.<sup>1</sup>
- **Sharpening focus on ROI:** Rising political scrutiny, economic headwinds, and shifting regulatory incentives have heightened internal demands for ESG and sustainability initiatives to deliver **demonstrable business value**. While many sustainability leaders have made progress on more clearly connecting programs to core business metrics such as operational efficiency, risk reduction, and cost of capital, expectations are intensifying for clearer articulation of how such initiatives directly, indirectly, or peripherally contribute to bottom-line results.
- **Reframing communications:** Sustainability communications strategies are becoming more deliberate, focusing on material business impacts and investor-relevant outcomes, while steering away from symbolic or lower-priority commitments. The acronym “ESG,” often viewed as politically charged, is increasingly being **downplayed or replaced with alternatives** such as “sustainability” or “impact.”

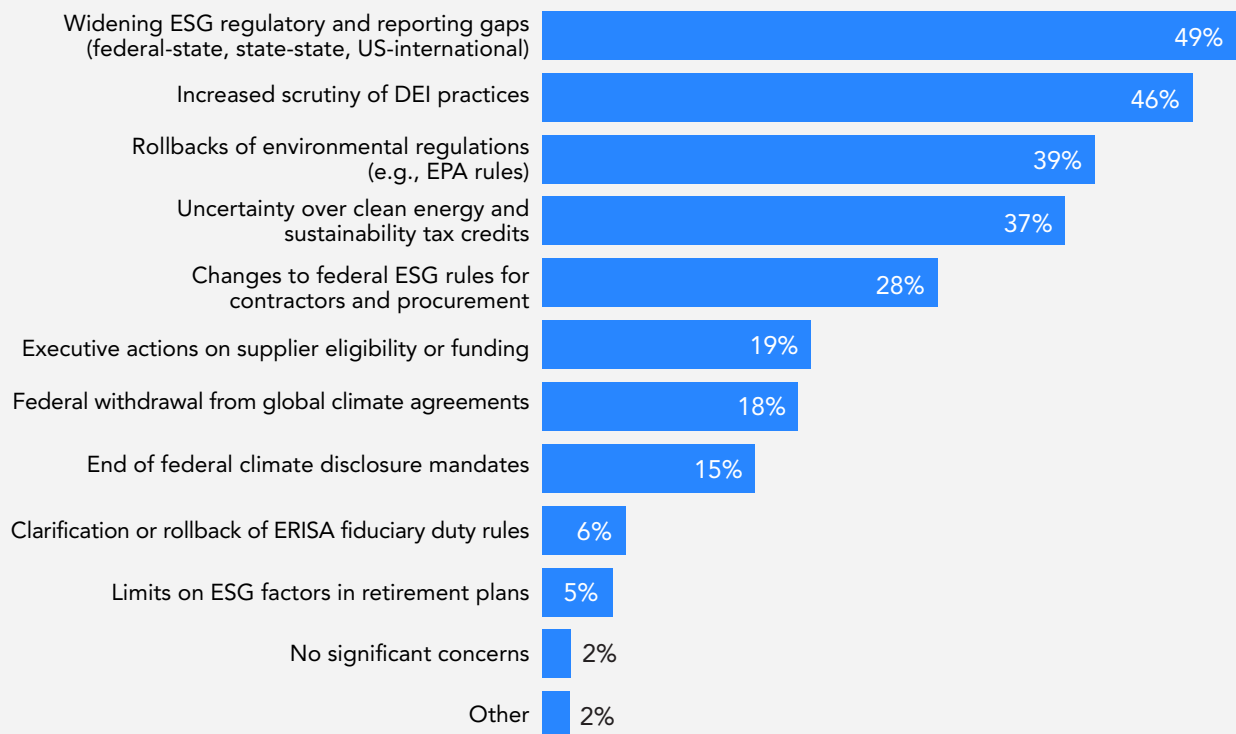
## Navigating growing political and regulatory divergence

Corporate sustainability leaders are closely monitoring federal developments that could reshape their strategies in the years ahead. Key concerns for survey respondents include scrutiny of DEI, changes to environmental regulations, and the rollback of clean energy tax incentives—all with potential impacts on capital planning, project feasibility, and decarbonization targets. For example, companies that invested under the Inflation Reduction Act may now face stranded assets, delayed returns, or reduced feasibility as the federal government considers [reclaiming](#) unspent funds.<sup>2</sup> By contrast, changes to fiduciary duty and ESG in retirement plans rank low despite [recent legal developments](#), likely as they are seen as more relevant to institutional investors than corporate issuers.<sup>3</sup>

Figure 3

### Sustainability leaders are concerned by growing regulatory divergence between federal and state governments

Q: Which potential federal-level developments are you most concerned could affect your company's ESG or sustainability efforts over the next two years? (Select up to three)



Note: 125 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

The top concern for ESG leaders is widening regulatory divergence, especially around [sustainability reporting](#). Corporate sustainability has steadily shifted from voluntary reporting toward mandatory disclosure, such as the SEC federal climate disclosure rule, adopted in 2024, requiring public companies to report climate-related risks and greenhouse gas emissions.<sup>4</sup> California followed with [SB 253](#), mandating large companies doing business in the state to disclose their full emissions footprint, and [SB 261](#), requiring climate-related financial risk disclosures.<sup>5</sup> However, the SEC's recent decision to [halt enforcement](#) under the current administration has disrupted momentum toward federal standardization. Companies are now navigating a fragmented landscape, with California and like-minded states advancing mandatory ESG disclosures, while at least a dozen states (including Texas and Florida) have enacted laws to [restrict the use of ESG factors](#) in state investment and contracting decisions.

US companies also face widening gaps with international regimes, notably the EU's [Corporate Sustainability Reporting Directive](#) (CSRD), which imposes detailed sustainability reporting requirements on large EU companies and non-EU companies—including US firms—with significant operations or customers in Europe.<sup>6</sup> The EU is now adjusting and streamlining the CSRD through its [Omnibus package](#), with changes to reduce reporting complexity and data burden in response to implementation concerns. However, many multinationals will still face extensive disclosure and due diligence obligations in Europe, even as US federal requirements are being scaled back.

To navigate these regulatory complexities, companies can:

- **Anchor in stakeholder alignment:** Many organizations maintain ESG commitments to meet investor, customer, and partner expectations, preserving market credibility and operational continuity despite looser federal mandates.
- **Balance enterprise consistency with local compliance:** Most seek unified enterprise strategies, while some tailor approaches by jurisdiction to manage divergent state, federal, and international requirements.
- **Monitor global regulatory developments:** Stay informed and agile as international regimes (i.e., EU, UK, and those in Asia) evolve, recognizing that noncompliance risks and market expectations may outpace US regulatory requirements. Notably, 73% of survey respondents agree that “state and global mandates will continue to drive progress on corporate sustainability.”



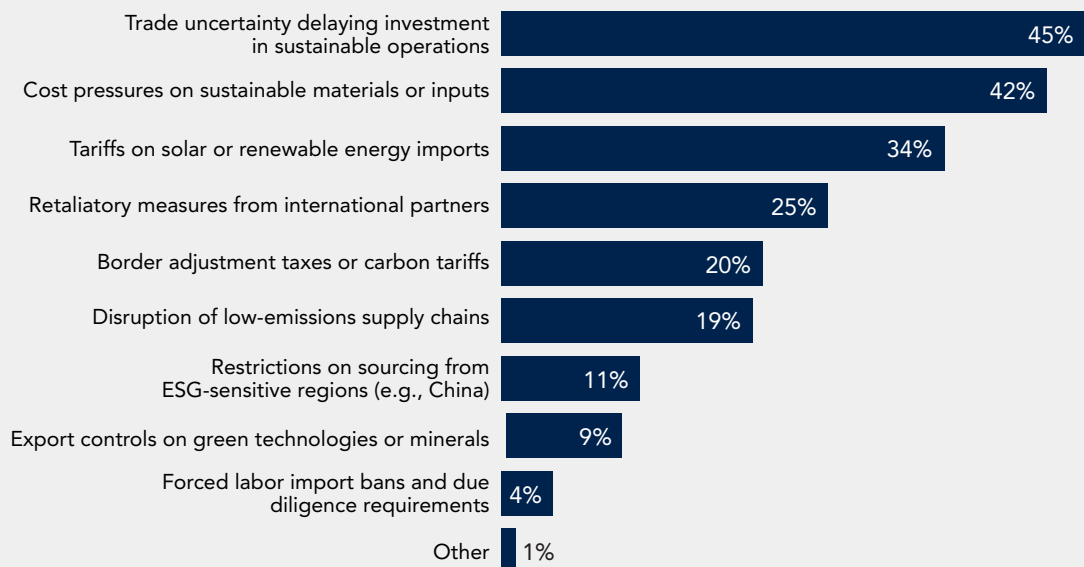
## Tariffs and trade restrictions

Trade policy is a defining feature of the new US administration's economic strategy. Building on economic measures implemented in the first term, the current strategy expands the use of [tariffs and trade restrictions](#) to advance industrial and geopolitical goals. Notable actions relevant to corporate sustainability include tariffs on Chinese solar and clean technology imports, expanded trade enforcement, and a pullback from climate-aligned trade collaboration. Against this backdrop, two-thirds of surveyed sustainability leaders say they are somewhat (44%) or very (22%) concerned that current or future US trade measures could impede their goals.

Figure 4

### US tariffs may directly and indirectly impact sustainability efforts

Q: Which trade-related developments pose the most risk to your company's ESG/sustainability goals? (Select up to three)



Note: 110 survey respondents. Data reflects respondents that expressed some concern over the potential impact of tariffs and trade-related developments.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

Beyond the general uncertainty arising from tariffs delaying investments, sustainability leaders cite specific risks, including rising costs and supply chain disruptions for renewable energy technologies and sustainable materials (Figure 4). Over one-third identify tariffs on solar panels, inverters, and storage systems as direct barriers to achieving ESG targets. These pressures have already prompted some companies to delay projects, reallocate capital, or reconsider clean energy strategies. Fewer respondents point to carbon border adjustments (20%) or forced labor and ESG due diligence requirements (4%) as immediate concerns, though both are expected to gain relevance as global regulations tighten.

To stay ahead of tariffs, sustainability leaders should:

- **Integrate trade policy into ESG risk planning:** Approach tariffs, export controls, and sourcing restrictions as core ESG risk factors. Develop scenarios that model potential trade disruptions and involve ESG teams in trade compliance and procurement decisions.

- **Diversify and regionalize clean tech supply chains:** Where feasible, source from allied or lower-risk jurisdictions—especially for solar, batteries, and critical minerals. Explore onshoring, nearshoring, or friendshoring to reduce exposure to volatile or politically sensitive trade routes.
- **Adjust project and procurement strategies:** Anticipate tariff-related price increases and equipment delays in renewable energy projects. Consider alternative technologies, modular procurement, or advance and bulk purchasing strategies to lock in pricing and secure availability. Reassess project timelines and capital allocation to account for trade-related disruptions.
- **Monitor global regulatory trends:** Stay ahead of evolving international regulations, including carbon border taxes, forced labor standards, and ESG supply chain audits. Focus on the EU, UK, Canada, and other jurisdictions where early regulatory action may foreshadow broader global requirements.

## Navigating ESG Backlash and Stakeholder Scrutiny

### Forms of opposition to ESG

Recent shifts in US federal policy have increased scrutiny of corporate sustainability and ESG practices, adding to pressures that were already building in recent years. Often referred to broadly as “backlash,” this dynamic has prompted many companies to recalibrate how ESG is prioritized, communicated, and integrated. In practice, “backlash” is an umbrella term for several distinct forms of opposition from varied stakeholders, many of which raise legitimate critiques (Figure 5):

- **Financial skepticism:** Concerns about underperformance, fees, and sector exclusions in ESG funds, especially following 2022–2023 market volatility. Some institutional investors scaled back allocations after high-profile ESG funds lagged conventional benchmarks during periods of energy sector outperformance.
- **Fiduciary duty:** Claims that consideration of nonfinancial factors by pensions and asset managers conflicts with fiduciary obligations. State pension funds in Florida, Texas, and other jurisdictions have publicly cited fiduciary duty concerns in decisions to restrict or divest from firms or funds perceived to prioritize ESG criteria over financial returns.
- **Legal:** Investigations and legal action related to antitrust claims, greenwashing, or political bias. For example, since 2023, Republican state attorneys general have probed major asset managers’ participation in climate alliances, alleging potential antitrust violations related to coordinated decarbonization efforts.
- **Operational:** Perceived complexity, administrative and bureaucratic burdens, and “scope creep” of ESG frameworks and practices. Critics cite conflicting standards, duplicative reporting, excessive data collection, and inconsistent metrics as drivers of high compliance costs and limited business value.
- **Opportunism:** Companies and executives facing reputational risk and political reaction over perceived stances on hot-button social or environmental issues, drawing boycotts, legislative pushback, and reputational attacks amid wider cultural and electoral debates. For example, several US manufacturers have drawn political criticism for climate targets and renewable energy investments seen as threatening energy independence and traditional jobs.

Figure 5

## There are a wide range of critiques and strains of opposition to ESG

Types of opposition to ESG, with typical claims

FINANCIAL SKEPTICISM	FIDUCIARY DUTY	LEGAL	OPERATIONAL	OPPORTUNISM
<ul style="list-style-type: none"> <li>ESG funds underperform and carry higher fees</li> <li>ESG assets are overvalued</li> <li>ESG funds include firms with weak "E" and "S" records</li> <li>ESG misallocates capital from profitable industries</li> </ul>	<ul style="list-style-type: none"> <li>ESG and "stakeholder capitalism" conflict with fiduciary duty</li> <li>ESG proxy voting prioritizes nonfinancial goals</li> <li>ESG regulations interfere with investor autonomy and free-market decision-making</li> </ul>	<ul style="list-style-type: none"> <li>Misleading claims about "E" and "S" benefits (i.e., greenwashing)</li> <li>ESG alliances violate antitrust laws</li> <li>State-level restrictions on financial firms due to ESG practices or screening</li> </ul>	<ul style="list-style-type: none"> <li>ESG ratings are inconsistent, unreliable, opaque</li> <li>Reporting costs outweigh benefits</li> <li>Bureaucratic checkbox exercise</li> <li>Scope creep dilutes impact</li> </ul>	<ul style="list-style-type: none"> <li>Vehicle for "woke capitalism" and ideological agendas</li> <li>Reflects elitist or globalist priorities</li> <li>ESG is a form of corporate virtue signaling</li> </ul>

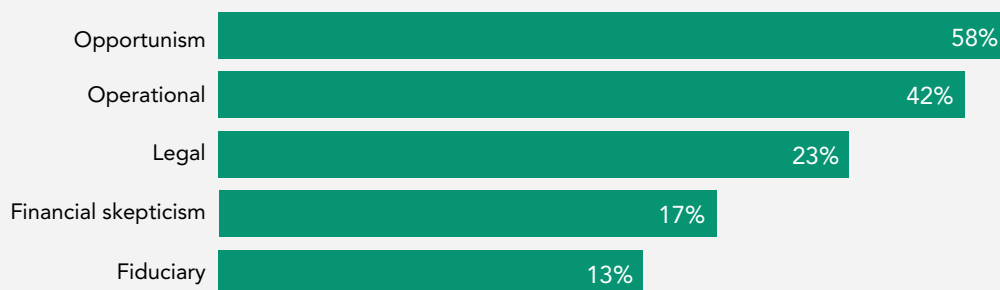
Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

Survey respondents report that the most common forms of ESG backlash have been politically driven and operational in nature (Figure 6). The prominence of politically opportunistic attacks reflects how ESG has become a flashpoint in broader public debates.

Figure 6

## The most commonly experienced forms of ESG backlash are operational and politically opportunistic in nature

Q: Which type of ESG backlash has your company primarily experienced? (Select up to two)



Note: 81 survey respondents. Data reflects respondents who experienced noticeable backlash.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

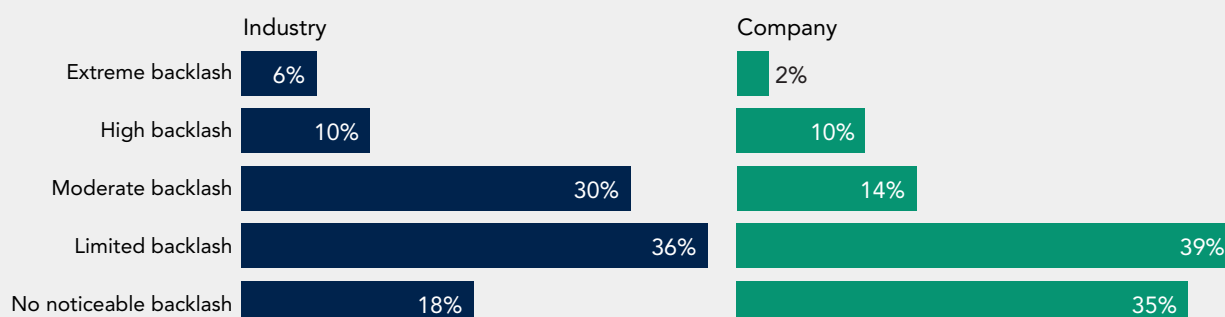


Despite heightened focus on anti-ESG sentiment, most companies report minimal direct impact: 74% of surveyed leaders say their firms have experienced either no (35%) or only limited (39%) backlash (Figure 7). Where impacts have occurred, they have been more industry specific, shaped by policy shifts, legal actions, and reputational factors. For most, the issue remains a monitoring and communications challenge rather than a material operational risk.

Figure 7

### ESG backlash has been more at an industry level than experienced by specific companies

Q: Over the past two years, how would you characterize the level of ESG backlash experienced by your:



Note: 125 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

According to survey respondents, the industries most targeted by ESG backlash are:

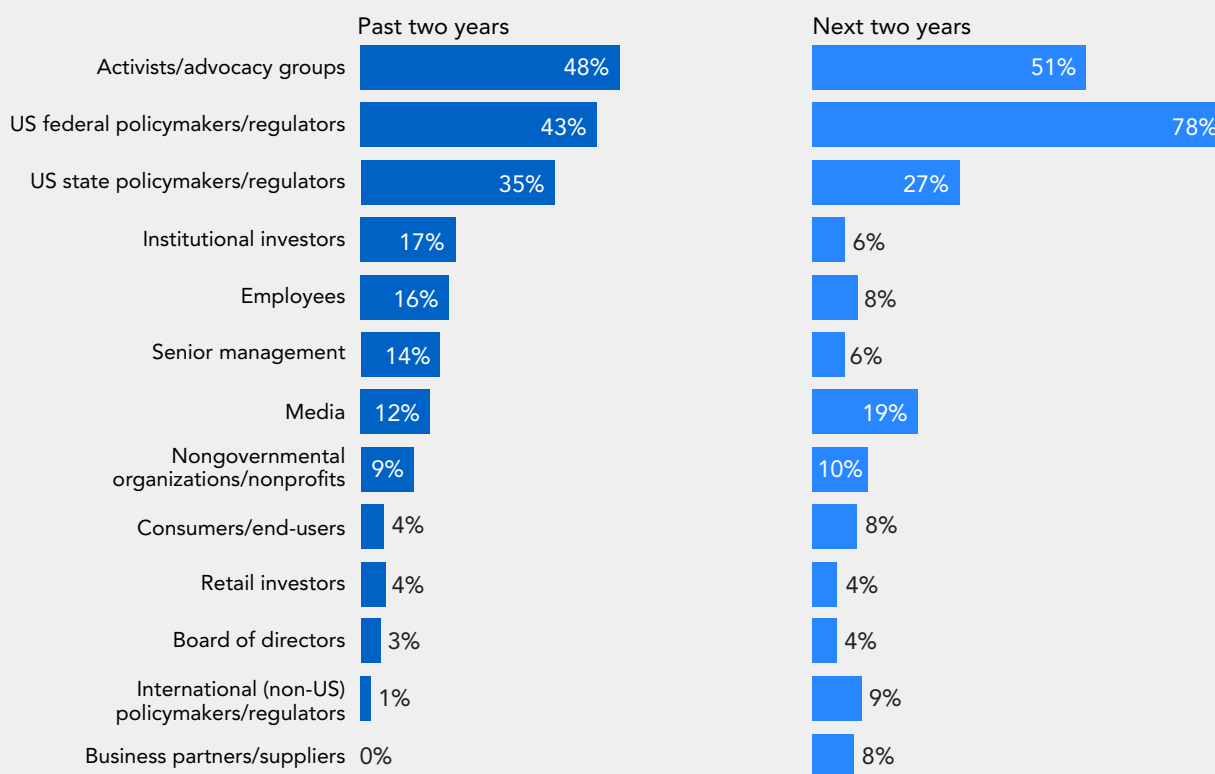
- **Financials:** The most affected sector, subject to investigations and legislative action (particularly in Texas and Florida) around proxy voting, ESG funds, antitrust concerns, and perceived discrimination against sectors such as fossil fuels and firearms. Asset managers have faced especially sustained scrutiny over their ESG practices.
- **Communication services:** Tech and media firms face ongoing criticism over content moderation, political advertising, and misinformation. For example, social media firms have drawn fire from lawmakers and activist groups across the political spectrum for both alleged censorship and perceived failure to curb misinformation.
- **Energy:** Oil and gas companies, long under environmental scrutiny, continue to face pressure from activists, shareholders, and policymakers. The sector's positioning may now shift as firms adjust to the administration's pivot toward expanded fossil fuel production.
- **Consumer staples:** Companies with broad consumer reach can face boycotts and criticism, often relating to perceived cultural or political signaling rather than specific ESG initiatives. High-profile examples include the backlash against Target and Bud Light in 2023 over LGBTQ+ marketing efforts, which triggered consumer boycotts and widespread media coverage.

## Drivers of ESG backlash

Figure 8

### Activists and policymakers are the primary sources of ESG backlash

Q: Who have been the most significant drivers of ESG backlash or scrutiny toward your company?  
(Select up to three)



Note: 125 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

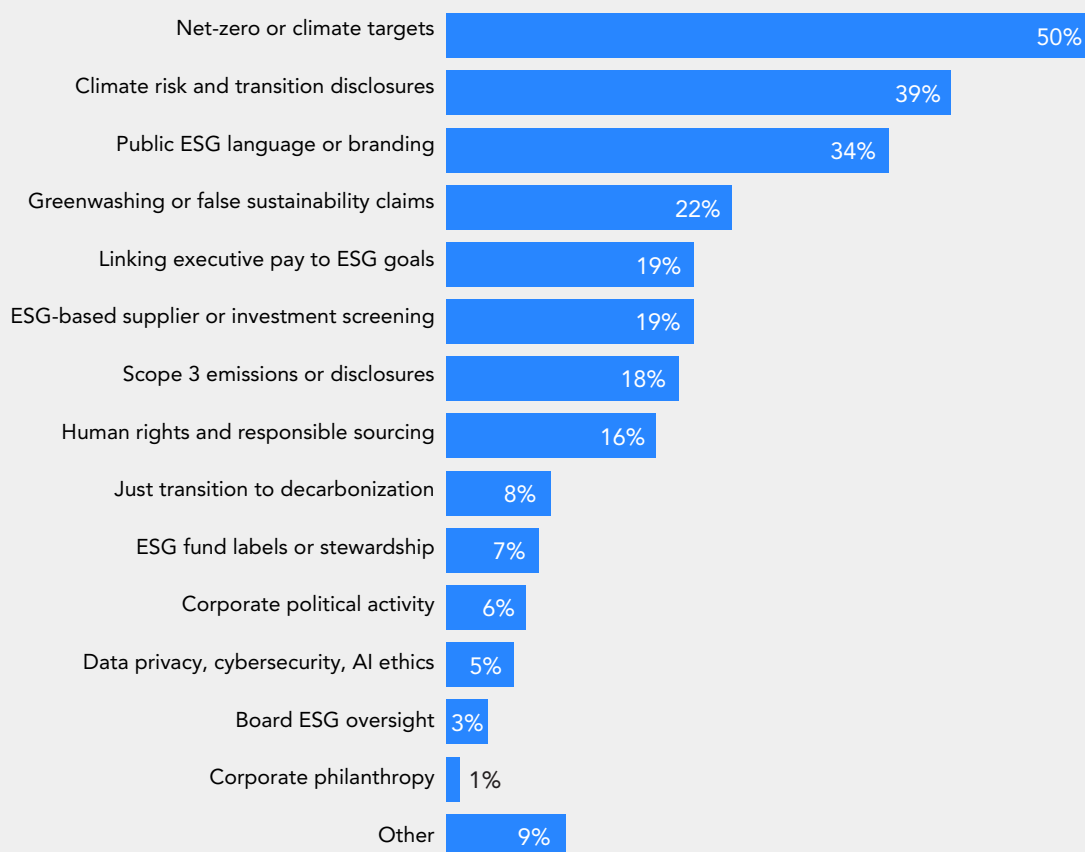
According to survey participants, advocacy groups and federal policymakers have been the primary sources of ESG backlash (Figure 8). State-level political pressure has also been significant, with [at least 20 states](#) enacting laws that restrict ESG practices among financial institutions. Internal scrutiny from investors, employees, and management has been less pronounced.

Looking ahead, 78% of respondents expect federal policymakers to remain the dominant source of backlash, citing efforts to scale back climate and DEI rules, investigate ESG investing, and limit state-level initiatives. Notably, 90% of executives anticipate anti-ESG sentiment will either increase (39%) or hold steady (51%) over the next two years. Pressure from investors and senior leaders is expected to decline, suggesting a shift toward quieter, less visible ESG strategies to mitigate external risk.

Figure 9

### Sustainability leaders expect climate goals and transition plans to attract scrutiny and opposition

Q: Which ESG issue areas do you most expect to attract backlash over the next two years?  
(Select up to three)



Note: 114 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

As ESG scrutiny persists, climate is set to become the most contested area. Half of survey respondents expect net-zero targets and climate goals to attract backlash over the next two years, with 39% anticipating challenges related to climate disclosures and transition plans. This underscores both the centrality of climate in corporate ESG strategies and its growing exposure to:

- **Policy headwinds:** Shifting federal priorities—including efforts to reverse climate regulations and preempt state-level laws—have created regulatory uncertainty and conflicting mandates.
- **Legal risks:** Climate-related disclosures and pledges face growing litigation and enforcement risk, particularly around greenwashing, securities violations, and missed targets.



- **Cost and feasibility concerns:** Transition plans often involve major operational and capital commitments. Critics question whether these targets are achievable—particularly in high-emissions sectors—and aligned with fiduciary duties.
- **Political polarization:** Climate has become a flashpoint in broader political debates, with opponents framing emission targets and disclosure mandates as overreach, a threat to economic competitiveness, or politically motivated.
- **Global regulatory momentum:** International frameworks such as the CSRD continue to advance, requiring multinationals to balance global compliance with domestic pushback.

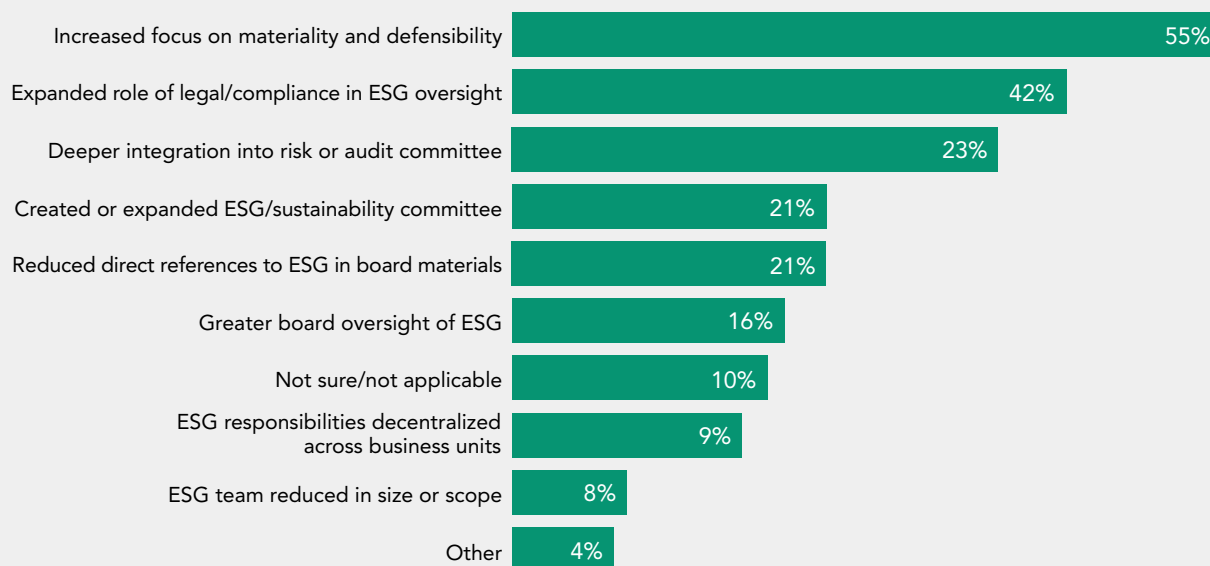
Notably, 19% of respondents cited ESG-related supplier screening and 18% flagged Scope 3 emissions reporting as areas vulnerable to scrutiny and potential action. Curtailing supplier screening and weakening Scope 3 disclosure requirements would undercut efforts to address emissions and human rights risks across global value chains—both essential components of many corporate sustainability strategies. Companies should ensure that climate goals are credible; transition plans are defensible; and governance structures can withstand legal, operational, and reputational risks.

## Approaches to Sustainability Governance

Figure 10

### Most surveyed companies are enhancing their focus on sustainability's materiality and defensibility

Q: How is your company's governance and oversight of ESG/sustainability evolving in 2025?  
(Select all that apply)



Note: 112 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

In an uncertain and scrutinized environment, ESG governance is shifting toward tighter alignment with risk management, legal exposure, and business priorities. Survey data show many companies are adapting oversight structures accordingly (Figure 10), with an emphasis on:

- **Materiality and defensibility:** Companies are narrowing focus to financially relevant issues and ensuring disclosures withstand regulatory scrutiny and litigation. This often means limiting activity in nonmaterial or politically sensitive areas.
- **Legal and compliance oversight:** Legal and compliance teams are playing a greater role, reflecting rising litigation risk and a shift toward mandatory disclosures.
- **Risk dimensions and framing:** 23% of respondents report integrating ESG into audit or risk committees to recognize climate, supply chain, and reputational risks as enterprise-level concerns. Where ESG remains outside these committees, boards may reassess oversight adequacy.

Only 16% report expanding full board ESG oversight, suggesting most changes are occurring at the committee or management level. Survey data show board concerns center on legal exposure, reputational risk, political visibility, and compliance—not brand or purpose (Figure 11). While innovation and efficiency remain internally relevant, boards expect ESG to be governed as a matter of enterprise risk and regulatory accountability, not as a communications or value-driven function.

Figure 11

### For ESG issues, corporate boards are particularly concerned about legal, reputational, and political risk exposure

Q: What ESG-related areas are your board most concerned about? (Select up to three)



Note: 112 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

Boards and senior management are also emphasizing the [business case for sustainability](#).

Nearly half of surveyed sustainability leaders report increased internal pressure to demonstrate ROI in 2025 (9% significant and 38% moderate pressure). This underscores the need for ESG teams to collaborate closely with finance, operations, and strategy to build ROI frameworks focused on risk reduction, cost control, regulatory preparedness, and value chain resilience.

The result is likely to be a more disciplined phase of sustainability investment, characterized by stable baselines, targeted execution, and stronger expectations for financial justification. For ESG leaders, the mandate is clear: move from scaling for visibility to embedding, defending, and validating sustainability in the core business strategy—where outcomes, not rhetoric, will sustain long-term support.

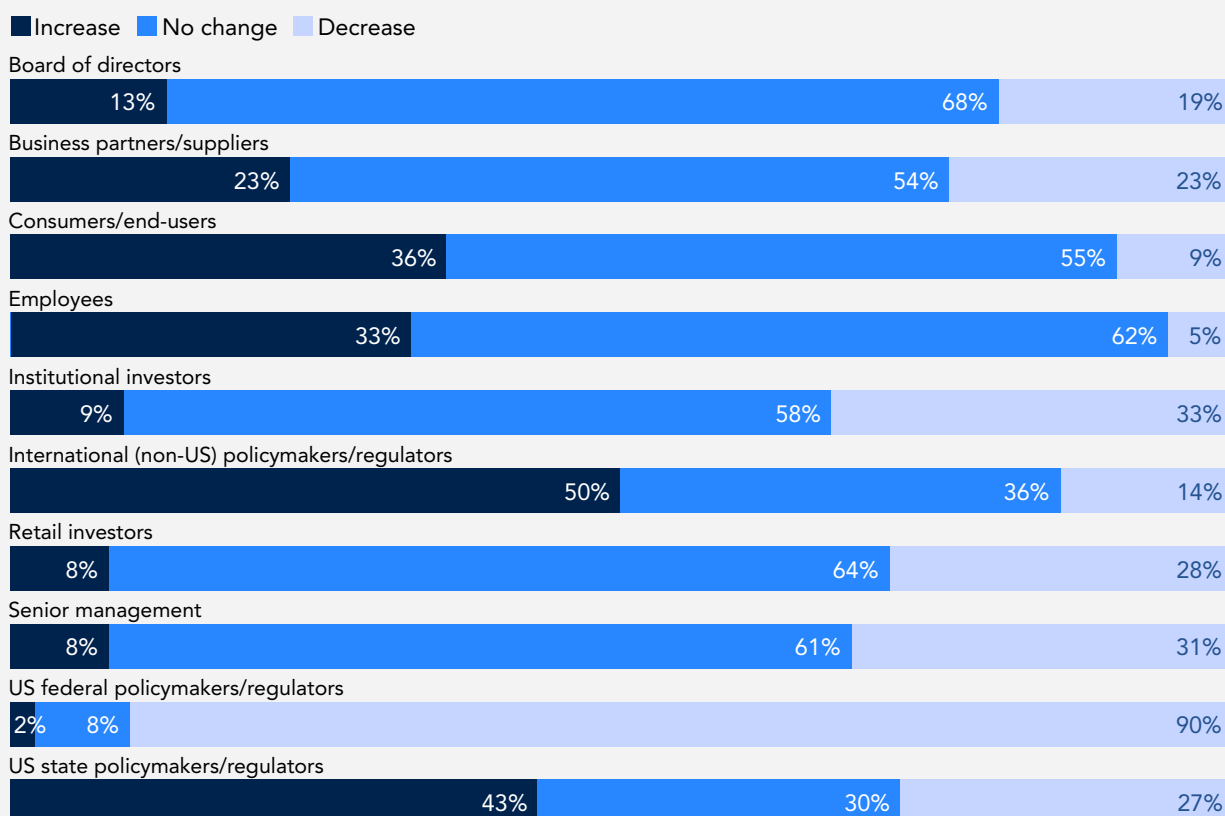


## Conclusion

Figure 12

### Surveyed leaders expect international and state regulators, consumers, and employees to be major drivers of sustainability demands

Q: Over the next two years, how do you expect demands or requirements for your company's sustainability efforts to change across the following stakeholder groups?



Note: 121 survey respondents.

Source: *Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment*, The Conference Board, May 2025

Corporate ESG strategies are shifting into a more fragmented, risk-oriented phase. Global regulators and several US states are advancing new standards, even as federal action slows and internal corporate momentum stabilizes. Consequently, corporate leaders must manage diverging and often conflicting sustainability expectations from employees, consumers, investors, and regulators with greater precision and pragmatism (Figure 12).

Corporate ESG and sustainability efforts will continue to deliver business and societal value, but their long-term impact and resilience will hinge on disciplined execution, defensible claims, and deeper integration into core enterprise strategy—especially in the face of polarization and regulatory uncertainty.

## ABOUT THIS REPORT

This report examines how large corporations are adjusting sustainability and ESG strategies amid shifts in US policy, regulatory divergence, and increased external scrutiny in 2025. It draws on a survey conducted by The Conference Board Governance & Sustainability Center (March–April 2025) of 125 senior sustainability and ESG leaders from 125 large US and multinational companies. Of the respondents, 80% represent US-headquartered firms, 46% report annual revenue over \$10 billion, and 18% report annual revenue exceeding \$25 billion. Respondents include C-Suite executives, board members, senior vice presidents, and directors.

## ENDNOTES

- 1 In early 2025, several major US financial institutions withdrew from prominent net-zero alliances amid increasing regulatory and political scrutiny. Between December 2024 and January 2025, the six largest US banks—JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley, Wells Fargo, and Goldman Sachs—exited the UN-backed Net-Zero Banking Alliance, citing concerns over potential legal liabilities and political backlash. Similarly, BlackRock, the world's largest asset manager, departed from Net-Zero Asset Managers in January 2025, leading the initiative to suspend its activities. These departures reflect a broader trend of financial institutions reevaluating their commitments to climate-focused alliances in response to shifting political landscapes and regulatory pressures.
- 2 The [Inflation Reduction Act \(IRA\)](#), enacted in 2022, allocated over \$370 billion in incentives, grants, and loans to accelerate clean energy deployment, reduce emissions, and expand US manufacturing—including in Republican-led states. In May 2025, the new administration and House Republicans [proposed a tax and spending bill](#) to rescind billions in unspent IRA funds, citing concerns over excessive or misallocated spending.
- 3 Legal challenges to ESG based on fiduciary duty are increasing. In *Spence v. American Airlines* (January 2025), the US District Court for the Northern District of Texas [ruled](#) that American Airlines breached its ERISA duty of loyalty by permitting underperforming ESG-focused funds in its \$26 billion retirement plan. The court cited underperformance and potential conflicts with asset managers but found no breach of prudence. As the first ruling of its kind, the case signals [rising legal risk for ESG strategies in retirement plans](#) and may influence future fiduciary standards if upheld on appeal.
- 4 The Securities and Exchange Commission (SEC) finalized its [climate disclosure rule](#) in March 2024 after two years of consultation and public comment. The rule requires US public companies to disclose material climate-related risks, governance and oversight practices, and certain greenhouse gas emissions (Scope 1 and Scope 2). Reporting was to be phased in beginning with large accelerated filers in 2026. However, under the new administration, the SEC announced in March 2025 that it would [not defend the rule from legal challenge](#), effectively pausing implementation amid legal challenges and shifting regulatory priorities.
- 5 California enacted its climate disclosure laws—[SB 253](#) and [SB 261](#)—in October 2023, creating the most expansive US state-level climate reporting requirements. SB 253 mandates Scope 1, 2, and 3 emissions disclosure for companies with over \$1 billion in annual revenue doing business in California; SB 261 requires climate-related financial risk reporting for companies with over \$500 million in revenue. Both laws are set to take effect in 2026, covering thousands of US and global companies. As of May 2025, the rules face multiple legal challenges in federal court, with opponents citing constitutional and jurisdictional concerns. Compliance expectations remain pending court decisions.
- 6 The EU adopted the [Corporate Sustainability Reporting Directive \(CSRD\)](#) in January 2023 to standardize and expand corporate sustainability disclosures across Europe. The CSRD requires detailed reporting on ESG impacts, risks, and opportunities under the European Sustainability Reporting Standards starting in 2025 for large EU companies and gradually extending to non-EU companies with substantial EU operations. In February 2025, the European Commission proposed the CSRD [Omnibus adjustments](#) to streamline requirements and defer sector-specific standards, responding to concerns about reporting complexity and administrative burden.

## ABOUT THE AUTHOR



**Andrew Jones**, PhD, is a Principal Researcher at The Conference Board Governance & Sustainability Center in New York, where he leads research and thought leadership on corporate sustainability, governance, ESG, and citizenship. A prolific author and speaker, Andrew frequently engages with and advises corporate sustainability leaders, including C-Suite executives.

---

THE CONFERENCE BOARD is the Member-driven think tank that delivers ***Trusted Insights for What's Ahead®***. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the United States.

© 2025 The Conference Board, Inc.