The Fragmentation Doctrine: Institutional Collapse and Regulatory Decoupling in the SEC's ESG Disclosure Retreat

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Abstract
The U.S. Securities and Exchange Commission's abandonment of its 2024 climate-disclosure rules represents not merely a policy reversal but a crisis of institutional legitimacy that exposes the fragility of mandatory disclosure governance when supported primarily by regulatory authority rather than by pragmatic stakeholder consensus. This article argues that the SEC's retreat, when analyzed through the lens of institutional organization theory, particularly Meyer & Rowan's decoupling thesis and Suchman's taxonomy of organizational legitimacy, reveals a deeper phenomenon, the migration of disclosure governance from coercive to pragmatic legitimacy, and the simultaneous fragmentation of global regulatory regimes into incompatible poles. The practical result is that multinational corporations now face a "compliance paradox," navigating simultaneously mandatory, voluntary, and mixed regimes across jurisdictions (European Union, India, Japan, the United Kingdom, and the United States) that embody incommensurable materiality standards and assurance requirements. This article develops the concept of "decoupling-as-fragmentation" to describe this multi-regime instability and demonstrates that absent a restoration of regulatory consensus or an evolution toward pragmatic legitimacy grounded in genuine investor demand (rather than political ideology), corporate disclosure practice will increasingly become a site of contestation between competing institutional logics. The article concludes with legislative recommendations for Congress and the SEC that recognize the limits of unilateral regulatory authority and the necessity of aligning disclosure mandates with demonstrated stakeholder preferences.
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Introduction:

On March 6, 2024, the Securities and Exchange Commission, adopted landmark rules requiring public companies to disclose climate-related risks, greenhouse gas emissions (Scope 1 and 2), and the financial effects of severe weather events.[1] Fourteen months later, on May 29, 2026, the SEC, formally proposed the rescission of those same rules.[2]

The temporal compression of this reversal, from adoption to defense-abandonment to rescission proposal in less than two years, demands more than mechanical legal analysis. It invites institutional examination of how regulatory legitimacy operates when political ideology shifts, how organizations respond to contradictory formal demands, and what happens when the regulator withdraws the coercive authority that was supposed to undergird compliance.

The SEC climate rule, styled as the "Enhancement and Standardization of Climate-Related Disclosures for Investors," was adopted by a 3-2 vote along party lines.[3] It was stayed within weeks of adoption pending Eighth Circuit litigation.[4] In March 2025, following a change in administration, the SEC voted again by party line to end its legal defense.[5] Each ideological turn was accompanied by a completely inverted interpretation of the SEC's statutory mandate, the rules constituted a straightforward exercise of the SEC's 1933-era authority to require "material" disclosures; later, they represented an overreach that would "dictate corporate behavior" and impose costs exceeding benefits.[6]This reversal is instructive not because it represents a novel political conflict over climate policy. Rather, it illuminates a structural tension in institutional disclosure governance i.e., the dependence of mandatory corporate reporting standards on regulatory authority that is itself subject to sudden withdrawal when institutional control changes. The article proceeds from the hypothesis that this tension can be understood through institutional organization theory, particularly through Meyer and Rowan's model of organizational decoupling and Suchman's framework for organizational legitimacy. The practical consequence is that multinational corporations have been forced to adopt a new compliance posture, what this article terms "decoupling-as-fragmentation", in which they simultaneously maintain substantive disclosure practice while selectively coupling to incompatible formal regulatory regimes across four divergent global poles.

Institutional Theory and the Varieties of Regulatory Legitimacy

Meyer and Rowan's foundational decoupling concept posits that organizations, when subject to conflicting institutional pressures, adopt formal structures ceremonially to secure legitimacy while maintaining operational autonomy through loose coupling between formal structures and technical cores.[7] The classic case is the adoption of organizational charts and grievance procedures that exist "on paper" while actual decision-making follows different channels. In the context of corporate disclosure, decoupling traditionally meant that firms adopted sustainability reporting frameworks (Eg. Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures) without fundamentally altering operational carbon-reduction strategies, maintaining the ceremonial facade while protecting technical autonomy.[8]

Suchman's framework for organizational legitimacy refines this model by disaggregating legitimacy into three types i.e., regulative (compliance with formal rules and legal authority), moral (normative approval by stakeholders), and pragmatic (recognition that the organization serves investors self-interest).[9] In the traditional disclosure context, corporate reporting was sustained by all three as regulative legitimacy (SEC enforcement), moral legitimacy (investor and stakeholder approval of transparency), and pragmatic legitimacy (investors' self-interest in material information). The SEC climate rule, when adopted, appeared to strengthen all three, where it formalized the obligation (regulative), reflected societal consensus on climate materiality (moral), and promised investors consistent, comparable data (pragmatic).

The rescission proposal, however, inverts this calculation. Chair Atkins's statement of May 29, 2026, frames the rescission around the assertion that the rules "exceed the scope of the agency's statutory authority" and, independently, that disclosure obligations "should be guided by materiality as the North Star, avoid the practical effect of dictating corporate behavior, and be imposed only when the expected benefits justify the likely costs and burdens."[10] This framing does not simply withdraw regulative legitimacy; it redefines the very basis on which the SEC claims authority to impose disclosure obligations. The authority argument shifts from an expansive reading of "material/resources" (encompassing prospective climate risks) to a constrained reading grounded in "costs and burdens."

Tilcsik's later work on decoupling in a post-communist government agency identifies a critical vulnerability, decoupling "may carry the seeds of its own decay" when the ideology and demography of powerful organizational actors shift.[11] As observed in the case study, a government agency's formal structures were designed by a prior administration to embed liberal-democratic values (transparency, citizen participation) while its technical operations remained captured by holdover bureaucrats with communist-era incentives. When the ideology of the leadership changed, the decoupling dissolved i.e, the formal and technical cores were not integrated by genuine commitment but by the temporary dominance of one ideological coalition. Similarly, the SEC rule, which was adopted by a slim 3-2 majority under a Democratic administration and immediately challenged in court, lacked the structural robustness to survive a change in political control. It was, in Tilcsik's terms, ideology-dependent rather than institutionally embedded.

The critical insight for corporate disclosure governance is that the SEC rule never achieved what Suchman would call robust pragmatic legitimacy. To possess such legitimacy, the rule would have needed to demonstrate that investors, as a constituent body, view the standardized climate disclosure as genuinely serving their interests in a way that justified the compliance burden. Instead, investor demand for the rule was mixed. While large institutional investors and asset managers initially supported standardized climate disclosure, by late 2024-2025, this consensus was fracturing.[12] McKinsey's investor survey (conducted December 2024 across 81 institutional investors in Canada, Europe, and the United States) found that "82 percent of respondents indicated that they do not consider ESG factors to be a 'very' or 'extremely' important factor in an investment's attractiveness."[13] Stanford Graduate School of Business surveys documented a significant collapse in younger investors' support for ESG-focused investing, falling from 44 percent characterizing environmental priorities as "extremely important" in 2022 to 11 percent in 2024.[14]

This pragmatic-legitimacy deficit meant that when regulative legitimacy (the SEC's legal authority) came under sustained legal challenge and faced a change in political control, there was no reserve of stakeholder consensus to sustain the standard. The rule collapsed because it rested on a single pillar, the regulatory authority, rather than on a foundation of demonstrated stakeholder preference.

Decoupling as Fragmentation: The Multi-Regime Compliance Paradox

The traditional decoupling framework, as developed by Meyer and Rowan and applied in organizational sociology, assumes a single organization responding to a single, internally contradictory institutional environment (e.g., a school adopting formal curricula standards while maintaining pedagogical autonomy; a corporation adopting CSR programs while maintaining profit-maximization priorities). The current global disclosure environment presents a novel case: a single organization (a multinational corporation) responding to multiple, *formally incompatible* regulatory regimes operating simultaneously across different jurisdictions.

This article proposes extending the decoupling concept from a single formal-technical gap to a multi-regime, multi-jurisdiction fragmentation. A large corporation listing on the New York Stock Exchange while maintaining subsidiaries or operations in the European Union, Japan, India, and the United Kingdom now faces at least four distinct, partially incommensurable disclosure regimes:

1. The United States (retreat to voluntary): Following the SEC's March 2025 abandonment of defense and the May 2026 rescission proposal, federal climate disclosure is now effectively voluntary. However, California's SB 253, enacted in 2023, remains independently binding and requires scope 1, 2, and 3 greenhouse gas emissions disclosure by companies operating in California with revenue exceeding one billion dollars.[15] The practical effect is a bifurcated US regime: federal voluntariness coexists with California-specific mandate, creating regulatory friction.
2. The European Union (mandatory with simplified architecture): The Corporate Sustainability Reporting Directive (CSRD), adopted in 2022 and significantly recalibrated by the Omnibus I package approved February 2026, establishes mandatory sustainability reporting for companies with 1,000 or more employees and annual net turnover exceeding €450 million (approximately 50,000 companies globally, roughly 9,000 EU-based firms).[16] The CSRD embeds the European Sustainability Reporting Standards (ESRS), which mandate "double materiality" assessment i.e., both financial materiality (impacts on the enterprise) and impact materiality (impacts of the enterprise on the environment and society). The Omnibus simplification reduced ESRS data points from 1,073 to approximately 320, but the mandatory architecture and double-materiality concept survived.[17]
3. Asia-Pacific (advancing toward mandatory ISSB-aligned frameworks): Japan, via the Sustainability Standards Board of Japan (SSBJ), issued final standards in March 2025 aligned with the International Sustainability Standards Board (ISSB) IFRS S1 and S2.[18] These standards employ single materiality (financial materiality only) and became binding for Prime Market-listed companies with market capitalization of ¥3 trillion

or higher from fiscal year 2027, phasing to ¥1 trillion by FY2028 and ¥500 billion by FY2029.[19] Similarly, Singapore mandated ISSB-aligned climate disclosure (Scope 1 and 2) for all listed companies from FY2025, with Scope 3 mandatory for Straits Times Index constituents from FY2026.[20] India, via the Securities and Exchange Board of India (SEBI), imposed mandatory Business Responsibility and Sustainability Reporting (BRSR) for the top 1,000 listed companies (representing approximately 70 percent of market capitalization), with Scope 1 and 2 disclosures and value-chain ESG reporting on a comply-or-explain basis.[21]

4. The United Kingdom and Brazil (mixed trajectories): The United Kingdom adopted the UK Sustainability Reporting Standard (UK SRS), aligned with ISSB, with mandatory reporting for listed companies proposed from January 1, 2027.[22] Brazil, conversely, reversed its earlier trajectory, CVM Resolution 193 (October 2023) had mandated ISSB-aligned reporting from January 1, 2026, but was superseded by CVM Resolution 244 (2025), which converted the mandate to a voluntary "comply-or-explain" framework effective January 1, 2027.[23]

The critical difficulty is that these regimes are substantively incommensurable. The EU's double materiality asks "*What climate risks affect this firm, and what impacts does this firm have on the climate?*" This produces two distinct disclosure universes. The ISSB/Japan/Singapore/UK framework asks only "*What climate-related financial risks affect this firm?*" This produces a narrower disclosure set centered on financial materiality. India's BRSR occupies a middle ground, requiring both financial disclosure and stakeholder-engagement assessment, but with different data architectures and assurance requirements than either CSRD or ISSB.For a multinational, this creates an acute compliance paradox. Consider a hypothetical US technology company with significant EU operations, manufacturing in India, and listing on the Tokyo Stock Exchange. That company must simultaneously:Avoid triggering California SB 253 scope 3 disclosure obligations while monitoring the SEC's ultimate disposition of the climate rule (currently stayed since April 2024, rescission proposed but not final as of June 2026);

- Conduct a full double-materiality assessment for CSRD, identifying financial impacts on the firm and impact materiality of the firm on the climate, with third-party limited assurance required by FY2026;
- Adopt SSBJ standards for Japan listing, disclosing only financial materiality (narrower scope than CSRD) with different greenhouse gas accounting methodologies;
- Report under India's BRSR for subsidiary operations, with value-chain ESG disclosure on a comply-or-explain basis and third-party assessment of Scope 3 emissions from FY2026-27;
- Potentially adopt UK SRS for any UK-listed subsidiaries, aligning with ISSB but with UK-specific supplementary disclosures.

This is not simply a matter of "choosing which rule applies where." It is a substantive conflict, the same company may be simultaneously required to identify "financial materiality to climate change" (Japan), "financial impact of climate on the firm" (CSRD), and "material ESG risks to the firm and stakeholder impacts of the firm's operations" (India/BRSR). These are not harmonizable through a single disclosure framework. A

Scope 3 emission that is "immaterial" under ISSB's single-materiality test may be "materially impactful" under CSRD's impact-materiality test.

This fragmentation constitutes decoupling at a systemic level where multinational corporations maintain substantive disclosure practice (the "technical core" of genuine climate-risk assessment and reporting) while selectively coupling to incompatible formal regulatory structures (i.e., the "ceremonial facades" of CSRD, ISSB, BRSR, SB 253, etc.). The corporation's sustainability department must produce a single underlying carbon inventory and climate-risk assessment, then dissect and re-frame that data to satisfy four or more distinct regulatory audiences, each with incommensurable demands.

The Signature of Fragmentation: Greenhushing and Pragmatic Legitimacy

If decoupling-as-fragmentation is the theoretical diagnosis, the empirical signature should be visible in corporate behavior, where firms should maintain substantive disclosure practice while withdrawing symbolic commitment to the disclosure itself, particularly as the regulative legitimacy (legal authority) supporting disclosure weakens and pragmatic legitimacy (stakeholder consensus) fragments.

This is precisely what the Conference Board's 2025 research documents. Despite S&P 500 sustainability reporting (99 percent of the S&P 500 reported sustainability data for fiscal year 2024, the highest rate in the G&A Institute's 15-year tracking history),[24] the terminology used to describe that reporting shifted dramatically, in 2023, 40 percent of S&P 100 companies used the term "ESG" in their annual sustainability report titles; in 2024, this fell to 25 percent; and as of mid-2025 (with half of companies having reported), only 6 percent were using "ESG" terminology, despite 87 percent of S&P 500 firms continuing to disclose climate targets unchanged year-over-year.[25]

This phenomenon, termed "greenhushing," is the decoupling signature. Companies are maintaining the substance of disclosure i.e., the same carbon inventories, climate risk assessments, and emissions targets, while systematically withdrawing the vocabulary that ties those disclosures to a coherent "ESG" or "sustainability" brand. The Conference Board's 2025 Sustainability Under Scrutiny survey (125 sustainability executives, conducted March-April 2025) found that 52 percent were adjusting ESG strategies by "reworking sustainability messaging and moving away from the term 'ESG.'"[26] Another 80 percent reported adjusting ESG strategies in response to the new US administration; 90 percent expect anti-ESG backlash to persist or intensify over the next two years.[27]

The institutional logic is clear, when faced with weakening regulative legitimacy (the SEC rule is stayed, rescission is proposed, enforcement risk is declining) and fragmenting pragmatic legitimacy (investor consensus on ESG importance is fracturing, with McKinsey's 82-percent finding that investors do not consider ESG "very" or "extremely" important), firms are protecting themselves by maintaining substantive reporting (hedging against the possibility that investors, regulators, or courts will later demand it) while signaling flexibility and political neutrality by withdrawing ESG branding.

This decoupling strategy also appears in institutional investor behavior. BlackRock's voting patterns exemplify the pragmatic-legitimacy shift i.e., having supported environmental and social shareholder proposals at over 40 percent in 2021, BlackRock's support collapsed to less than 2 percent by 2025, with zero support for climate-focused shareholder proposals.[28] State Street dropped its board-diversity slate requirement from its 2025 proxy policy; Vanguard settled Texas v. BlackRock in February 2026.[29]

Yet, these same institutional investors continue to engage with portfolio companies on climate-risk metrics. The shift is from moral legitimacy (a principled stance that ESG governance serves societal goals) to pragmatic legitimacy (engagement with climate risk to the extent it affects financial returns). As BlackRock's 2025 Voting Spotlight noted, it continues to "prioritize climate risk, environmental stewardship and other issues that have direct financial implications" but has withdrawn from positions on "social" agendas or broad sustainability goals.[30]

Regulatory Divergence and the Limits of Unilateral Authority

The SEC's retreat reveals a fundamental asymmetry in regulatory architecture. When the SEC operates within a single jurisdiction (the United States), subject to political cycles and ideological shifts in the executive branch adopts a rule that lacks robust support from (a) the courts, (b) industries, or (c) a demonstrable consensus among pragmatic stakeholders (investors), such rule is vulnerable to reversal when political control changes.

The European Union's regulatory trajectory, by contrast, reflects a more institutionally robust approach. The CSRD, adopted in 2022 and recalibrated but *not* abandoned in the February 2026 Omnibus package, has survived changes in EU political composition across member states (including the rise of center-right and right-wing governments in multiple EU countries). The reason is that the CSRD is embedded not in administrative discretion but in the legislative process, with requirements for impact assessments, cost-benefit analysis, and multi-year implementation timelines. When the Omnibus simplification was proposed in February 2025, the recalibration was framed explicitly around "EU competitiveness" rather than the legitimacy of mandatory disclosure itself, the EU maintained the mandatory architecture while acknowledging cost concerns and streamlining the data requirements. [31]

Leuz's empirical analysis of German firms' response to the introduction of IAS versus domestic GAAP found that firms strategically calibrated their disclosure and accounting policies based on which standard they adopted, with information asymmetry varying systematically across the two regimes. [31a] When multinational corporations face a choice of regulatory regimes, they do not simply adopt one standard globally; instead, they adjust information production and disclosure granularity to match the institutional requirements of each regime.

Japan's approach similarly demonstrates institutional embedding. The SSBJ standards, adopted via formal Cabinet Order and integrated into listing requirements of the Financial Instruments Exchange, bind the SEC's functional equivalent - the Financial Services Agency (FSA), such that future FSA leadership cannot unilaterally withdraw the mandate absent legislative action.[32]

The United States, by contrast, has left mandatory disclosure governance to administrative discretion. The SEC's authority to require disclosure derives from the

Securities Act of 1933 and the Securities Exchange Act of 1934, statutes drafted nearly a century ago that grant the SEC broad authority to require disclosure of "material" information.[33] But "materiality" is not statutorily defined, it is a creature of SEC interpretation and case law. This creates a vulnerability, a change in SEC leadership, supported by a change in administration ideology, can rapidly reinterpret "materiality" to exclude climate risks, recategorizing what the prior administration deemed within the SEC's mandate as an overreach.

The rescission proposal itself illustrates this interpretive instability. The former-SEC argued that "climate-related risks are material to many companies" and that "investors should have consistent, comparable, and decision-useful information about how issuers assess and manage climate-related risks."[34] While, the current-SEC argues that climate disclosure rules constitute a "dramatic overreach" that would "dictate corporate behavior" and that disclosure is justified only "when the expected benefits justify the likely costs and burdens."[35] Both interpretations claim fidelity to the SEC's mandate to protect investors. The difference is ideology, not doctrine.

Stakeholder Theory and the Fragmentation of Constituent Demands

Freeman's stakeholder theory posits that corporations are accountable not only to shareholders but to multiple constituencies i.e., employees, consumers, suppliers, communities, and regulators, whose interests may conflict.[36] In the disclosure context, stakeholder theory predicts that firms will face contradictory pressures, investors demanding consistent climate risk assessment, employees and consumers demanding sustainability commitments, governments (US federal, EU, state/provincial) demanding compliance with often-incompatible standards, and climate advocates demanding transparency and accountability on emissions reduction.

The 2025-2026 environment represents an acute manifestation of stakeholder fragmentation. A single multinational corporation faces simultaneously:

- EU regulatory pressure (CSRD mandatory reporting with double-materiality assessment, subject to enforcement and reputational exposure);
- US federal ambiguity (the SEC rule is stayed and facing rescission, but California law is binding; enforcement risk is declining federally but rising sub-nationally);
- Asia-Pacific mandatory standards (SSBJ, Singapore, India all moving toward mandatory ISSB-aligned or equivalent regimes);
- Investor pressure that is itself stratified (large EU-based institutional investors and asset managers continuing to demand climate disclosure; US-based investors increasingly indifferent or skeptical);
- Internal stakeholders (employees, particularly younger cohorts, expecting sustainability commitments; executives facing potential D&O liability for climate-risk disclosure failures);
- Advocacy and reputational stakeholders (NGOs, media, climate advocates pressuring companies to expand commitments; conservative advocacy groups and state attorneys-general pressuring companies to retreat from ESG branding).

Under classical stakeholder theory, the corporation's optimal strategy would be to identify the most salient stakeholders (those with the greatest power, legitimacy, and urgency) and to weight their interests accordingly.[37] The problem is that stakeholder salience itself is fragmenting. In 2020-2023, large institutional investors (BlackRock, Vanguard, State Street) possessed high salience due to their control over massive asset pools and their explicit commitment to ESG stewardship. By 2025-2026, the salience of those same investors had declined as their commitment to ESG engagement weakened, and competing stakeholders (state attorneys-general, shareholder plaintiffs in Delaware litigation, climate-conscious employees) gained relative prominence.

The practical effect is that corporations cannot satisfy all stakeholders simultaneously. The Conference Board's finding that 90 percent of sustainability executives expect anti-ESG backlash to persist or intensify reflects this salience fragmentation: firms that commit strongly to climate disclosure and emissions-reduction targets will face pressure from conservative advocates. While firms that retreat from ESG branding will face pressure from employees, EU regulators, and climate advocates. The decoupling strategy, maintaining substantive disclosure while withdrawing ESG branding, represents a hedged bet where firms satisfy the formal regulatory requirements (CSRD, BRSR, SSBJ) while signaling political neutrality to domestic critics.

Legislative Implications and the Case for Regulatory Stability

The SEC's climate-disclosure reversal, examined through institutional and stakeholder lenses, illuminates several legislative vulnerabilities in current US disclosure governance. This section outlines recommendations for Congress and the SEC premised on the diagnosis developed above.

*Recommendation 1***:** The SEC's authority to require disclosure derives from the broadly worded "material" standard in the 1933 and 1934 Acts, now nearly a century old. This interpretive flexibility enabled both former and current SEC’s expansive reading and constrained reading, respectively. Congress should consider codifying specific categories of disclosure (including climate-related risks, cybersecurity risks, and human-capital metrics) into statute, thereby removing the interpretation from administrative discretion and insulating the standards from ideological reversals. The EU's approach, legislating substantive disclosure requirements through the CSRD rather than delegating authority to regulatory agencies, provides a model. Statutory codification would require overcoming political obstacles (conservative opposition to climate disclosure mandates), but it would also create institutional stability by removing mandatory disclosure from the vulnerability to SEC leadership changes.

Recommendation 2: California SB 253 remains binding regardless of federal SEC action. This creates regulatory friction and competitive disadvantages for companies who must comply with California law but not federal law, creating an effective de facto mandate for large companies with California operations. Congress should either (a) preempt state climate-disclosure laws with a uniform federal standard which would require federal legislation mandating—not merely authorizing—disclosure, or (b) create a safe harbor for companies complying with the most stringent applicable standard (state or federal). The current bifurcated regime is unstable and costly.

Recommendation 3: Rather than leaving materiality determinations to the SEC's unilateral judgment, legislation could require the SEC to conduct stakeholder consultation (investors, companies, auditors, ESG providers) before adopting or rescinding disclosure standards. The EU's requirement for impact assessments and stakeholder consultation before CSRD implementation provides a model. Such a requirement would not bind the SEC to any particular outcome but would create a record of stakeholder preferences and would institutionalize the pragmatic-legitimacy assessment: if investors genuinely do not view climate disclosure as material, that should be documented and weighed in the SEC's analysis.

Recommendation 4: The fragmentation of global disclosure regimes i.e., CSRD vs. ISSB vs. BRSR vs. SSBJ creates compliance costs for multinational corporations and limits investor access to comparable data. Congress should encourage the SEC to participate in the development of converged international standards. The ISSB, sponsored by the International Financial Reporting Standards Foundation, has now been adopted by over 40 jurisdictions on a mandatory or mandatory-for-certain-sectors basis.[38] The SEC's decision to retreat from climate disclosure at the moment when global convergence around ISSB standards is accelerating is particularly costly: US companies will face regulatory arbitrage (California's stricter standard binding them; federal requirements weakening; international standards binding subsidiaries), while international competitiveness may suffer as US investors lack comparable data relative to EU-listed competitors.

Recommendation 5: Top management face exposure under state corporation law and common law for failure to disclose material risks (including climate risks) in shareholder communications and SEC filings. Delaware courts, in particular, have increasingly recognized that board liability obligations include climate-risk governance.[39] This creates a counterintuitive result: the SEC may withdraw climate-disclosure requirements, but corporate officers may face derivative litigation exposure for inadequate climate-risk disclosure to shareholders. Congress should clarify the relationship between SEC disclosure standards and D&O fiduciary-duty standards, ensuring that a withdrawal of SEC requirements does not create ambiguity about board obligations. One approach would be to establish that compliance with SEC-mandated disclosure standards creates a safe harbor for D&O liability; conversely, failure to disclose risks that SEC standards would require creates a presumption of breach of duty.

Conclusion:

The SEC's retreat from climate-disclosure requirements, when examined through the lens of institutional organization theory, reveals a deeper structural problem: the dependence of mandatory disclosure standards on regulatory authority that is itself subject to rapid reversal when political control changes, combined with the erosion of pragmatic legitimacy (investor consensus) that might otherwise sustain disclosure practice through political cycles.

Meyer and Rowan's decoupling framework, extended to a multi-regime context, explains why corporate disclosure practice has not collapsed despite the SEC's regulatory withdrawal, firms maintain substantive disclosure (climate-risk assessment, emissions inventories, target-setting) because they face binding requirements in California, the EU, Japan, India, the UK, and other jurisdictions, and because they hedge against future regulatory shifts or shareholder litigation. But this decoupling-as-fragmentation creates inefficiencies (firms maintain multiple disclosure architectures for incommensurable regimes), compliance costs (multinational corporations report spending $18-60 million to achieve full compliance across CSRD and related frameworks),[40] and investor confusion (capital markets cannot easily aggregate comparable climate-risk data across jurisdictions).

The fragmentation is unlikely to resolve without legislative intervention. The EU's CSRD will continue to tighten through the 2026-2029 implementation period and beyond. Asia-Pacific jurisdictions are advancing toward mandatory ISSB-aligned standards. India's BRSR will continue to expand in scope and assurance requirements. California SB 253 remains binding. The only variable is the US federal standard, which remains in limbo: the SEC rule is proposed for rescission, but final action may take years; even if rescission is finalized, California law will continue to bind large companies; and the question whether the SEC possesses inherent authority to require climate disclosure (as opposed to regulatory discretion to do so) will likely be litigated if a future administration attempts to restore federal requirements.

The legislative recommendations, statutory codification of materiality standards, alignment of federal and sub-national standards, stakeholder consultation requirements, international harmonization, and clarification of D&O liability standards, proceed from the recognition that disclosure governance cannot be left to administrative discretion alone. Political cycles will inevitably change SEC leadership; absent legislative constraints, disclosure standards will remain vulnerable to reversal. The cost of this instability falls not on the SEC (which can reorganize its authority as administrations change) but on multinational corporations (which must navigate perpetually shifting requirements) and on investors (who cannot access comparable, stable data on a critical risk category).

The fragmentation doctrine developed in this article is not merely a theoretical observation. It is a diagnosis of structural dysfunction in the US regulatory system, with implications for both corporate governance and financial-market efficiency. Until Congress addresses the legislative vulnerability that enables administrative reversals, corporate disclosure governance will remain a site of periodic disruption, and multinational corporations will continue managing the paradox of maintaining substantive disclosure practice while selectively decoupling from incompatible formal requirements.

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