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Transnational Regulation of ESG Criteria in the EU-MERCOSUR Agreement and Its Impact on Companies in the South American Bloc*

Regulación Transnacional de Criterios ESG en el Acuerdo UE-MERCOSUR y su Impacto en las Empresas del Bloque Sudamericano

LUCIANA CRISTINA DA CONCEIÇÃO LIMA I, **

^I Universidade de Aveiro (Aveiro, Portugal)

lucianalima@ua.pt

<https://orcid.org/0000-0001-8729-4125>

SARA MORENO PIRES I, ***

^I Universidade de Aveiro (Aveiro, Portugal)

sarapires@ua.pt

<https://orcid.org/0000-0003-1349-7856>

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* Postdoctoral scientific research project. Department of Social, Political and Territorial Sciences and GOVCOPP (Governance, Competitiveness and Public Policies) of the Universidade de Aveiro, Portugal.

** Postdoctoral Researcher in Public Policies, GOVCOPP, Universidade de Aveiro (Aveiro, Portugal). PhD in International Environmental Law, Universidade Católica de Santos (Brasil), with research stay at Universidad Complutense de Madrid (España). Master's in Management Systems, Universidade Federal Fluminense (Brasil). Law degree, Universidad Internacional de La Rioja (España) and Universidade Católica de Santos (Brasil). Bachelor's in Pedagogy, Universidade Federal de Minas Gerais (Brasil). Lawyer (Brazil, Portugal, and Spain).

*** Assistant Professor of Public Policies, DCSPT, Universidade de Aveiro (Aveiro, Portugal). Full researcher and Vice-Coordinator of the Research Line of Public Policies, Institutions and Innovation, GOVCOPP/UA (Aveiro, Portugal). PhD in Applied Environmental Sciences, Universidade de Aveiro (Portugal). MSc in Development and Planning: Environment and Sustainable Development, University College London (UK). BSc in Economics, Universidade de Coimbra (Portugal). Co-founder (2018) and President (2023-) of Common Home of Humanity, environmental NGO. Scientific coordinator of the Ecological Footprint of Portuguese Municipalities project (2018-2021), awarded with the UA Cooperation Prize 2021.



DAVID NUNES RESENDE I, ****

^I Universidade de Aveiro (Águeda, Portugal)

david@ua.pt

<https://orcid.org/0000-0001-7206-9021>

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ABSTRACT

This study, analyzing the intersection of trade and socio-environmental governance, investigates how the requirement for environmental, social, and governance (ESG) criteria influences business practices beyond the borders of the European Union (EU). The research adopts a qualitative methodology based on documentary analysis and case studies of large European companies that already publish sustainability reports aligned with the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) and international standards. The results demonstrate that the EU exerts indirect regulatory pressure on third-country companies integrated into its value chains, encouraging the adoption of standardized reports and reinforcing the role of transnational administrative governance in promoting sustainability. The analysis also indicates that large companies in the Southern Common Market (MERCOSUR) are progressively converging on these standards, demonstrating alignment with EU standards and opening up prospects for regulatory harmonization within the Agreement. This dynamic creates both opportunities and challenges: although standardization promotes innovation and transparency, it imposes significant compliance costs, especially for small and medium-sized companies within MERCOSUR. It is concluded that international trade agreements can act as instruments of global sustainability governance, provided they are designed to balance competitiveness and socio-environmental protection through specific provisions, monitoring and technical cooperation, thus strengthening the role of governments and companies in this process.

Keywords: EU-MERCOSUR agreement; Corporate Sustainability Reporting Directive (CSRD); Environmental, Social and Governance (ESG); transnational regulation; MERCOSUR.

RESUMEN

Este estudio, que analiza la intersección del comercio y la gobernanza socioambiental, investiga cómo la exigencia de criterios ambientales, sociales y de gobernanza (ASG) influye en las prácticas comerciales más allá de las fronteras de la Unión Europea (UE). La investigación adopta una metodología cualitativa basada en el análisis documental y estudios de caso de grandes empresas europeas que ya publican informes de sostenibilidad alineados con la Directiva sobre Informes de Sostenibilidad Corporativa (UE) 2022/2464 (CSRD) y las normas internacionales. Los resultados demuestran que la UE ejerce presión regulatoria indirecta sobre las empresas de terceros países integradas en sus cadenas de valor, fomentando la adopción de informes estandarizados y reforzando el papel de la gobernanza administrativa transnacional en la promoción de la sostenibilidad. El análisis también indica que las grandes empresas del Mercado Común del Sur (MERCOSUR) están convergiendo progresivamente hacia estos estándares, demostrando su alineación con los estándares de la UE y abriendo perspectivas para la armonización regulatoria dentro del Acuerdo. Esta dinámica genera tanto oportunidades como desafíos: si bien la estandarización promueve la innovación y la transparencia, impone importantes costos de cumplimiento, especialmente para las pequeñas y medianas empresas del MERCOSUR. Se concluye que los acuerdos comerciales internacionales pueden actuar como instrumentos de gobernanza global de la sostenibilidad, siempre que estén diseñados para equilibrar la competitividad y la protección socioambiental a través de disposiciones específicas, seguimiento y cooperación técnica, fortaleciendo así el papel de los gobiernos y las empresas en este proceso.

Palabras clave: Acuerdo UE-MERCOSUR; Directiva sobre Informes de Sostenibilidad Corporativa (CSRD); Asuntos Ambientales, Sociales y de Gobernanza (ASG); regulación transnacional; MERCOSUR.

**** Professor at Escola Superior de Tecnologia e Gestão de Águeda – ESTGA, Universidade de Aveiro (Águeda, Portugal). Member of the Competitiveness, Innovation and Sustainability (CIS) research line, GOVCOPP/UA (Aveiro, Portugal). PhD in Industrial Engineering and Management, Universidade de Aveiro (2010). Postdoctoral studies, IC2 Institute, University of Texas at Austin (USA, 2014). President of the Steering Committee of PICTIS – International Platform for Science, Technology and Innovation in Health, and Director of LabSec1-Innovation. Member of IAPMEI's Rede Nacional de Mentores de Negócio, UTEN, UTAustin Portugal, and ERASMUS+ 2023 Expert on Quality Assessment. Member of editorial boards, scientific committees, and reviewer for several journals and conferences in management.



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1. INTRODUCTION

In recent years, global awareness of environmental sustainability, social justice, and corporate governance has grown exponentially.¹ ESG (Environmental, Social, and Governance) criteria now play a central role in assessing corporate impact and long-term viability,² guiding international agreements and regulations that seek to align business practices with high ethical and sustainable standards.

The EU, seeking to be a global leader in this field,³ has embedded ESG principles into its regulatory framework, reinforcing a transnational governance model. The EGD exemplifies this, aiming to make the EU resource-efficient and achieve net-zero emissions by 2050 while decoupling growth from resource use.⁴

The EU projects normative power by linking trade to cooperation to strengthen democracy, protect the environment, and uphold human rights. Integrating the Sustainable Development Goals (SDGs) into its bi-regional agenda is therefore essential to strengthening the relationships established through international agreements, such as the EU-MERCOSUR Agreement, which seeks to establish one of the largest free trade zones in the world,⁵ marking a milestone in the expansion of ESG commitments beyond Europe.⁶ Yet applying such standards in regions with divergent socioeconomic contexts poses challenges amid fragmented transnational regimes and limited

¹ BOSI, Mathew K.; LAJUNI, Nelson; WELLFREN, Avne C.; LIM, Thien S. Sustainability reporting through environmental, social, and governance: a bibliometric review. **Sustainability**, v. 14, n. 19, 12071, 2022. DOI: <https://doi.org/10.3390/su141912071>.

² TALIENTO, Marco; FAVINO, Christia; NETTI, Antonio. Impact of environmental, social, and governance information on economic performance: evidence of a corporate 'sustainability advantage' from Europe. **Sustainability**, v. 11, n. 6, 1738, 2019. DOI: <https://doi.org/10.3390/su11061738>.

³ EUROPEAN COMMISSION. **European Green Deal**. Brussels: European Commission, 2019a Available at: <https://www.consilium.europa.eu/en/policies/green-deal>. Accessed on: 22 Dec. 2025.

⁴ EUROPEAN COMMISSION. **Preguntas y respuestas sobre el acuerdo comercial UE-Mercosur**. Brussels: European Commission, 2019b. Available at: https://ec.europa.eu/commission/presscorner/api/files/document/print/es/qanda_19_3375/QANDA_19_3375_ES.pdf. Accessed on: 15 Mar. 2025.

⁵ GRIEGER, Gisela. **EU-Mercosur partnership agreement: trade pillar – analysis and overview**. Brussels: European Parliament, 2025. Available at: [https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI\(2025\)769537](https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI(2025)769537). Accessed on: 2 Apr. 2025. Accessed on: 22 Dec. 2025.

⁶ BERTRAM, Caroline; VAN COPPENOLLE, Hermine. Strengthening the Paris Agreement through trade? The potential and limitations of EU preferential trade agreements for climate governance. **International Environmental Agreements: Politics, Law and Economics**, v. 24, n. 4, p. 589-610, 2024.



coordination,⁷ particularly when European sustainability rules intersect with less harmonized domestic frameworks.⁸

The EU–MERCOSUR Agreement offers a key case for examining ESG requirements in interregional trade and stakeholder interdependence. Beyond economics, it functions as a laboratory for transnational governance, testing both blocs' capacity to balance trade aims with sustainability imperatives and revealing the tensions of global administrative law in seeking regulatory coherence across legal systems.⁹

Despite obstacles to ratification, the negotiation documents show that the Agreement's regulatory scope has expanded to address emerging socio-environmental challenges. It thus functions not only as a trade liberalization tool but as a platform for transnational administrative regulation, where European standards extend beyond its borders.¹⁰

In this context, understanding the Agreement's socio-environmental dynamics requires examining the EU's regulatory influence on third countries. The Corporate Sustainability Reporting Directive (CSRD) (Directive (EU) 2022/2464), adopted in December 2022, exemplifies this by improving sustainability reporting quality and consistency¹¹ while producing direct and indirect effects on trading partners like MERCOSUR.¹²

While the CSRD applies to companies within the EU and their foreign subsidiaries, evidence shows that it also produces indirect regulatory effects on actors beyond its scope. In this context, this study examines how these requirements manifest themselves in the EU-MERCOSUR Agreement, shaping corporate practices in the South American bloc¹³ and highlighting the challenges of transnational administrative governance and the possibilities for regulatory adaptation.

⁷ CASINI, Lorenzo. Global Administrative Law. In: DUNOFF, Jeffrey L.; POLLACK, Mark A. (eds.). **International Legal Theory: Foundations and Frontiers**. Cambridge: Cambridge University Press, 2019. p. 251-278.

⁸ BUHMANN, Karin; FELD, Leonard. Shifting boundaries: a transnational legal perspective on the EU corporate sustainability due diligence directive. **Transnational Legal Theory**, v. 15, n. 3, p. 370-396, 2024. DOI: <https://doi.org/10.1080/20414005.2024.2426961>.

⁹ BUHMANN, Karin; FELD, Leonard. Shifting boundaries: a transnational legal perspective on the EU corporate sustainability due diligence directive. **Transnational Legal Theory**, v. 15, n. 3, p. 370-396, 2024. DOI: <https://doi.org/10.1080/20414005.2024.2426961>.

¹⁰ CASINI, Lorenzo. Global Administrative Law. In: DUNOFF, Jeffrey L.; POLLACK, Mark A. (eds.). **International Legal Theory: Foundations and Frontiers**. Cambridge: Cambridge University Press, 2019. p. 251-278.

¹¹ BLANCO, Dámaso J. V.; BARDEL, Daniela. Las nuevas obligaciones de información corporativa en materia de sostenibilidad en la Unión Europea: La Directiva (UE) 2022/2464 y la naturaleza de sus normas. **Cuadernos Europeos de Deusto**, n. 70, p. 133-168, 2024. DOI: <https://doi.org/10.18543/ced.2992>.

¹² BUHMANN, Karin; FELD, Leonard. Shifting boundaries: a transnational legal perspective on the EU corporate sustainability due diligence directive. **Transnational Legal Theory**, v. 15, n. 3, p. 370-396, 2024. DOI: <https://doi.org/10.1080/20414005.2024.2426961>.

¹³ GRIEGER, Gisela. **EU-Mercosur partnership agreement: trade pillar – analysis and overview**. Brussels: **European Parliament**, 2025. Available at: [https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI\(2025\)769537](https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI(2025)769537).



For this analysis, a qualitative literature review method was adopted,¹⁴ using keywords such as ESG, sustainable development, international agreements, MERCOSUR, and transnational regulatory, including their variations and combinations in English, Spanish, and Portuguese. Searches were conducted in databases such as Scopus, Web of Science and DOAJ, resulting in an initial search of 132 references. We selected those published in the last fifteen years, peer-reviewed, thematically relevant to the research objectives, and with full-text access available.

Given the relevance of the topic and its ongoing evolution, official documents from international and regional organizations, such as the European Commission, the European Parliament, MERCOSUR, and the UN, were also included. Based on these searches and criteria, 78 relevant documents were identified and analyzed, of which 42 were selected and formed the final bibliographic basis for this study.

The study examined the CSRD's regulatory requirements for social and environmental disclosure and their implications for non-EU companies. It also reviewed the EU-MERCOSUR Agreement¹⁵ in Principle and the 2023 Supplementary,¹⁶ emphasizing sustainability-related provisions.

In a second phase, a practical and comparative analysis¹⁷ was conducted based on corporate sustainability reports from EU and MERCOSUR companies, following established approaches for qualitative document analysis. The objective was to assess how ESG criteria are integrated into corporate practices and their alignment with the regulatory expectations of the EU-MERCOSUR Agreement.

The initial sample included twelve EU and seven MERCOSUR companies operating in strategic sectors like energy and finance, key to the green transition and global sustainability policies. Selection criteria encompassed regional and international relevance, participation in EU-MERCOSUR value chains, and availability of detailed sustainability reports aligned with CSRD (EU) or global standards such as GRI and TCFD (MERCOSUR).

Methodological triangulation, combining regulatory and academic sources with the analysis of corporate reports, reinforces the study's validity and allows us to observe how the European Union's regulatory instruments extend beyond its territory. The

¹⁴ SNYDER, Hannah. Literature review as a research methodology: an overview and guidelines. **Journal of Business Research**, v. 104, p. 333-339, 2019. DOI: <https://doi.org/10.1016/j.jbusres.2019.07.039>.

¹⁵ EUROPEAN COMMISSION. **EU-Mercosur: text of the agreement**. Brussels: European Commission, 2019c. Available at: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/3bc87341-e6b2-4842-9584-4efa61643486/details?download=true>. Accessed on: 22 Dec. 2025.

¹⁶ EUROPEAN COMMISSION. **EU proposal for a joint instrument**. Brussels: European Commission, 2023. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023JC0020>. Accessed on: 22 Dec. 2025.

¹⁷ SAUNDERS, Mark N. K.; LEWIS, Philip; THORNHILL, Adrian. **Research methods for business students**. 9. ed. Harlow: Pearson, 2023. Available at: https://www.researchgate.net/publication/240218229_Research_Methods_for_Business_Students.



results were compared with the CSRD technical guidelines and the commitments of the EU-MERCOSUR Agreement, demonstrating that European administrative governance has diffuse effects on foreign companies. Based on this analysis, it is concluded that, although MERCOSUR companies are not directly bound by EU rules, indirect influence is already observed through value chains,¹⁸ illustrating regulatory repercussions of the CSRD that may intensify after the Agreement's ratification, a phenomenon analogous to that observed with the Carbon Border Adjustment Mechanism (CBAM).¹⁹

Therefore, this study contributes to advancing the understanding of how transnational sustainability regulations, such as the CSRD, shape global trade governance through their extraterritorial effects. By analyzing the EU–MERCOSUR Agreement, the article provides evidence of the interplay between regulatory diffusion, corporate adaptation, and the evolving architecture of global administrative law. Furthermore, it underscores the need for a continuous process of regulatory harmonization, considering that EU sustainability standards are not directly applicable in MERCOSUR countries but generate both direct and indirect regulatory impacts through trade commitments and interregional cooperation. Such harmonization enables the progressive alignment of national frameworks, thereby deepening the socio-environmental convergence between the two blocs.

2. EU-MERCOSUR RELATIONS

MERCOSUR originated as an economic integration agreement in the Southern Cone. Today, integration extends to areas such as the environment, health, transportation, culture, labor, and employment.²⁰ Created in 1991 through the Treaty of Asunción, the bloc seeks not only to reduce tariffs but also to foster the economic and social development of its members, which include Argentina, Brazil, Paraguay, Uruguay, and Venezuela, currently suspended under Article 5 of the Ushuaia Protocol.²¹ Bolivia joined

¹⁸ BUHMANN, Karin; FELD, Leonard. Shifting boundaries: a transnational legal perspective on the EU corporate sustainability due diligence directive. *Transnational Legal Theory*, v. 15, n. 3, p. 370-396, 2024. DOI: <https://doi.org/10.1080/20414005.2024.2426961>.

¹⁹ The Carbon Border Adjustment Mechanism (CBAM), established by Regulation (EU) 2023/956, is part of the “Fit for 55” package and aims to prevent carbon leakage by imposing a price equivalent to that of the EU Emissions Trading System (EU ETS) on imported products from carbon-intensive sectors such as steel, cement, and fertilizers. The mechanism will be applied progressively from 2026, affecting third-country companies exporting to the European market (OTTO, Simon). The external impact of EU climate policy: political responses to the EU's carbon border adjustment mechanism. **International Environmental Agreements: Politics, Law and Economics**, p. 1-18, 2025. DOI: <https://doi.org/10.1007/s10784-025-09583-4>.

²⁰ MERCOSUR. **Países del MERCOSUR**. Montevideo, 2025. Available at: <https://www.mercosur.int/quienes-somos/paises-del-mercosur/>. Accessed on: 22 Dec. 2025.

²¹ MERCOSUR. **Países del MERCOSUR**. Montevideo, 2025. Available at: <https://www.mercosur.int/quienes-somos/paises-del-mercosur/>. Accessed on: 22 Dec. 2025.



the bloc in July 2024, with four years to align its legislation before accessing free trade benefits.²²

EU–MERCOSUR relations predate 1991: since the 1960s, under the European Economic Community (EEC), initiatives have strengthened ties with Latin America through technical cooperation and trade agreements. In the 1980s, the EU deepened partnerships with the Andean Community, consolidating the interregional agenda in the 1990s.²³ This trajectory reflects the “new strategic regionalism”,²⁴ in which MERCOSUR became part of a broader process of South American integration, combining national priorities with regional cooperation and projecting this dynamic into global governance. Since then, the EU has continued to strengthen bilateral relations with South American countries. Table 1 summarizes trade and investment relations between the EU and MERCOSUR members.

Table 1. Individual relations between the EU and MERCOSUR member countries

Country	Agreement / Framework	Trade Relations	Foreign Direct Investment (FDI)
Argentina	Framework Agreement on Trade and Economic Cooperation (1990)	The EU is Argentina’s third trading partner, exporting agricultural and petroleum products, fish, and seafood; importing EU manufactured goods and chemicals.	The EU is the largest investor, focusing on renewable energy, finance, and telecommunications.
Brazil	Framework Agreement on Trade and Economic Cooperation (1995)	The EU is Brazil’s second trading partner. Exports: agricultural products and minerals. Imports: machinery, chemicals, and transport equipment.	The EU leads FDI in clean energy, technology, and education.
Uruguay	Framework Agreement on Cooperation (1992)	The EU is Uruguay’s third trading partner. Exports: meat, dairy, and cereals. Imports: machinery and chemicals.	FDI mainly in services, energy, and renewable projects.

²² PARLAMENTO DEL MERCOSUR – PARLASUR. Bolivia en el MERCOSUR: un nuevo capítulo de integración regional. *Revista PARLASUR*, 2024. Available at: <https://www.parlamentomercosur.org/innovaportal/file/22473/1/revista-40---julio-2024-es.pdf>. Accessed on: 22 Dec. 2025.

²³ SZILÁGYI, István. The European Union and Latin America: a bi-regional strategic alliance. *History Research*, v. 8, n. 2, p. 33-47, 2020. DOI: <https://doi.org/10.11648/j.history.20200802.11>.

²⁴ BIZZOZERO REVELEZ, L Lincoln. El Mercosur y el proceso sudamericano ante la segunda década del siglo XXI: ¿hacia una consolidación del nuevo regionalismo estratégico? *Si Somos Americanos*, v. 12, n. 1, p. 215-237, 2012. DOI: <https://dx.doi.org/10.4067/S0719-09482012000100009>.

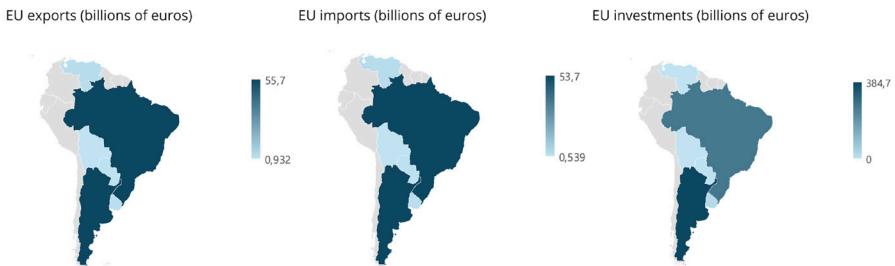


Country	Agreement / Framework	Trade Relations	Foreign Direct Investment (FDI)
Paraguay	Framework Agreement on Cooperation (1992)	The EU is Paraguay's fourth trading partner. Exports: soybeans and meat. Imports: machinery and chemicals.	FDI in sustainable agriculture and education.
Venezuela	-	Limited trade due to sanctions. Exports: petroleum and chemicals. Imports: machinery.	Minimal FDI because of sanctions and political crisis.
Bolivia	Generalized System of Preferences Plus (GSP+)	The EU is Bolivia's fourth trading partner. Exports: quinoa, soybeans, and minerals. Imports: machinery and transport goods.	FDI in sustainable mining and renewable energy.

Source: EUROPEAN COMMISSION (2025a), EUROPEAN COMMISSION (2024), EEAS (2021) (own elaboration).

Figure 1 below provides an individual and combined view of the impact of relations between the EU and MERCOSUR. The data highlights Argentina and Brazil as the main importers, exporters, and those receiving the largest external investments from the EU in the region, while Uruguay and Paraguay present less expressive data. Venezuela and Bolivia show a low level of participation due to their economic and political contexts.

Figure 1. Trade and investment relations between the European Union (EU) and MERCOSUR countries.



Source: EUROPEAN COMMISSION (2025a) and EEAS (2021) (own elaboration).



The EU's investment in MERCOSUR prioritizes sustainability and long-term development.²⁵ Argentina and Brazil lead in clean energy, technology, and financial services. Uruguay and Paraguay benefit from renewable energy and sustainable agriculture projects,²⁶ while Bolivia, though receiving less, remains relevant for the EU due to its potential in sustainable mining and energy.²⁷

3. EU-MERCOSUR AGREEMENT

Negotiations for the EU-MERCOSUR Agreement began in 1999 at the Rio de Janeiro Summit,²⁸ establishing a forum on trade, investment, and the environment.²⁹ The Agreement aims to create one of the world's largest free trade zones,³⁰ with broad economic, social, and environmental impacts.³¹ In 2019, the blocs reached a political accord, the Agreement of Principles, covering sustainable trade and tariff liberalization.³²

After the announcement of the conclusion of the negotiations, the process faced new obstacles that prevented its ratification by the parties. Additional environmental concerns have generated criticism of the Agreement, particularly regarding deforestation in the Amazon.³³ Since the conclusion of negotiations, new obstacles to ratifi-

²⁵ MAKUC, Adrián; DUHALDE, Gabriela; ROZEMBERG, Ricardo. **La negociación MERCOSUR-Unión Europea a veinte años del Acuerdo Marco de Cooperación: Quo vadis?** Nota Técnica del BID, n. 841, 2015. Available at: <https://relatsiberoamerica.com/documentos/MERCOSUR/Mercosur.UE.EstyAnL.AL.BID.2015.pdf>.

²⁶ EUROPEAN COMMISSION. **EU trade by country/region: Find out about the EU's trade relationships and negotiations with countries**, 2025a. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions_en. Accessed on: 22 Dec. 2025.

²⁷ EUROPEAN EXTERNAL ACTION SERVICE – EEAS. **La Unión Europea y Bolivia**. [S. l.], 2024. Available at: https://www.eeas.europa.eu/bolivia/la-union-europea-y-bolivia_es. Accessed on: 22 Dec. 2025.

²⁸ LATORRE, María C.; YONEZAWA, Hidemichi; OLEKSEYUK, Zoryana. **El impacto económico del Acuerdo Unión Europea-Mercosur en España. 2021**. Tese (Doutorado en Economía) – Escuela de Economía, Universidad Nacional de Costa Rica, Costa Rica, 2021. Available at: [https://comercio.gob.es/es-es/publicaciones-estadisticas/Documents/Impacto_EU-MCS_VF_v4\(corregido\).pdf](https://comercio.gob.es/es-es/publicaciones-estadisticas/Documents/Impacto_EU-MCS_VF_v4(corregido).pdf). Accessed on: 22 Dec. 2025.

²⁹ THUDIUM, Guilherme; GEIGER, Luana M.; CASTILLO, Marc; SAPPER, Sírio. Décadas en proceso: el Acuerdo UE-Mercosur. **Revista de la Secretaría del Tribunal Permanente de Revisión**, v. 9, n. 17, p. 220-233, 2021. <https://doi.org/10.16890/rstpr.a9.n17.p220>.

³⁰ LATORRE, María C.; YONEZAWA, Hidemichi; OLEKSEYUK, Zoryana. **El impacto económico del Acuerdo Unión Europea-Mercosur en España. 2021**. Tese (Doutorado en Economía) – Escuela de Economía, Universidad Nacional de Costa Rica, Costa Rica, 2021. Available at: [https://comercio.gob.es/es-es/publicaciones-estadisticas/Documents/Impacto_EU-MCS_VF_v4\(corregido\).pdf](https://comercio.gob.es/es-es/publicaciones-estadisticas/Documents/Impacto_EU-MCS_VF_v4(corregido).pdf). Accessed on: 22 Dec. 2025.

³¹ THUDIUM, Guilherme; GEIGER, Luana M.; CASTILLO, Marc; SAPPER, Sírio. Décadas en proceso: el Acuerdo UE-Mercosur. **Revista de la Secretaría del Tribunal Permanente de Revisión**, v. 9, n. 17, p. 220-233, 2021. <https://doi.org/10.16890/rstpr.a9.n17.p220>.

³² GHIOTTO, Luciana; ECHAIDE, Javier. Analysis of the agreement between the European Union and the Mercosur. **Berlin: Bündnis**, 2019, vol. 90, p. 2020-1. Available at: <https://www.annacavazzini.eu/wp-content/uploads/2020/01/Study-on-the-EU-Mercosur-agreement-09.01.2020-1.pdf>. Accessed on: 22 Dec. 2025.

³³ HOFFMANN, Rhea T.; KRAJEWSKI, Markus. **Parecer jurídico e propostas para o aperfeiçoamento ou renegociação da versão atual do Acordo de Associação UE-Mercosur**. Aachen: Misereor; Greenpeace; CIDSE, 2021. Available at: https://www.cidse.org/wp-content/uploads/2021/05/Legal-Opinion-EU-Mercosur_PT_final.pdf. Accessed on: 22 Dec. 2025.



cation have once again stalled the instrument's approval process. The global situation surrounding the COVID-19 pandemic and the war between Russia and Ukraine has affected the internal dynamics of the countries involved, altering economic and social priorities.³⁴

In addition to these issues, there are concerns about human and labor rights. True cooperation between the two blocs requires ensuring an equivalent level of respect for these principles. Therefore, the Agreement should include effective instruments to prevent negative social impacts and support sustainable development.³⁵ Countries such as France have expressed reservations, conditioning ratification on stronger environmental commitments from MERCOSUR members.³⁶ Meanwhile, European farmers fear competition from MERCOSUR agricultural products, which has also delayed the ratification process.³⁷

It is evident that environmental concerns were not the sole cause of the impasse. Several MERCOSUR leaders denounced them as a pretext for protectionism in the European market, particularly regarding agriculture and competitiveness. France, Austria, Finland, Greece, Hungary, Ireland, Luxembourg, and Poland questioned the Agreement, delaying its approval.³⁸ Within MERCOSUR, political changes, especially in Brazil and Argentina, also shaped the negotiations.

In Argentina, the Cambiemos government prioritized economic liberalization and closer ties with the Pacific Alliance, weakening MERCOSUR's internal cohesion.³⁹ In the case of Brazil, former President Jair Messias Bolsonaro directly attacked the Agreement and countries like France, hindering the establishment of any dialogue. Furthermore, it was a government that directly interfered in domestic environmental policies,

³⁴ WALLACE, Helen; POLLACK, Mark; ROEDERER-RYNNING, Christilla; YOUNG, Alasdair R. (Eds.). **Policy-making in the European Union**. Oxford: Oxford University Press, 2020. <https://doi.org/10.1093/heapl/9780198807605.001.0001>.

³⁵ SANAHUJA, José Antonio; RODRÍGUEZ, Jorge D. Twenty years of EU-MERCOSUR negotiations: inter-regionalism and the crisis of globalisation. In: TAVARES, Ana T.; RIGGIROZZI, Pia (Eds.). **Latin America-European Union relations in the twenty-first century**. Manchester: Manchester University Press, 2022. p. 117-153. DOI: <https://doi.org/10.7765/9781526136503.00012>.

³⁶ HOFFMANN, Rhea T.; KRAJEWSKI, Markus. **Parecer jurídico e propostas para o aperfeiçoamento ou renegociação da versão atual do Acordo de Associação UE-Mercosur**. Aachen: Misereor; Greenpeace; CIDSE, 2021. Available at: https://www.cidse.org/wp-content/uploads/2021/05/Legal-Opinion-EU-Mercosur_PT_final.pdf. Accessed on: 22 Dec. 2025.

³⁷ GRIEGER, Gisela. **EU-Mercosur partnership agreement: trade pillar – analysis and overview**. Brussels: European Parliament, 2025. Available at: [https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI\(2025\)769537](https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI(2025)769537). Accessed on: 22 Dec. 2025.

³⁸ SANAHUJA, José Antonio; RODRÍGUEZ, Jorge D. Twenty years of EU-MERCOSUR negotiations: inter-regionalism and the crisis of globalisation. In: TAVARES, Ana T.; RIGGIROZZI, Pia (Eds.). **Latin America-European Union relations in the twenty-first century**. Manchester: Manchester University Press, 2022. p. 117-153. DOI: <https://doi.org/10.7765/9781526136503.00012>.

³⁹ RAMOS, Hugo. ¿MERCOSUR o Alianza del Pacífico? Las políticas de integración del gobierno de Cambiemos en Argentina. **Si Somos Americanos**, v. 18, n. 2, p. 103-127, 2018. DOI: <https://doi.org/10.4067/S0719-09482018000200103>.



hindering the fight against deforestation in the Amazon.⁴⁰ When the Brazilian political issue was resolved, with the transition to a government that supported the Agreement and focused more on environmental issues, there was a major change in government and, consequently, in Argentina’s domestic politics, which became more denialist regarding climate and environmental issues.⁴¹

Despite these difficulties, the Agreement remained active on the agenda, with both parties seeking consensus through dialogue. In 2023, to overcome the main obstacles to ratification, the European Commission proposed an additional document⁴² reinforcing environmental and social commitments aligned with the SDGs and the Paris Agreement. The text also addressed civil society concerns, raised by NGOs and trade unions, regarding the protection of labor and indigenous rights, reflecting a stronger commitment to sustainable development and responsible business practices. Table 2 summarizes the main expected benefits and challenges of the Agreement’s implementation.

Table 2. Expected benefits and challenges of the EU-MERCOSUR agreement

<i>Category</i>	<i>Expected Benefits</i>	<i>Expected Challenges</i>
<i>Trade and growth</i>	Tariff reduction and market access, increasing MERCOSUR agricultural exports (+40%) and EU industrial exports.	The entry of European products could affect less competitive industries in MERCOSUR.
<i>Access to agricultural markets</i>	EU gains access to MERCOSUR goods, and MERCOSUR to high-value EU foods, diversifying both markets	Expanding agricultural exports may increase the agricultural frontier, with risks of deforestation and environmental impacts.
<i>Competitiveness</i>	EU industrial gains and MERCOSUR access to European technology and innovation.	EU farmers fear competition with low-cost agricultural products from MERCOSUR.

⁴⁰ MARIANO, Karla L. P.; MENEZES, Roberto G. Três décadas de Mercosul: institucionalidade, capacidade estatal e baixa intensidade da integração. **Lua Nova: Revista de Cultura e Política**, n. 112, p. 147-179, 2021. <https://doi.org/10.1590/0102-147179/112>.

⁴¹ HOFFMANN, Rhea T.; KRAJEWSKI, Markus. **Parecer jurídico e propostas para o aperfeiçoamento ou renegociação da versão atual do Acordo de Associação UE-Mercosur**. Aachen: Misereor; Greenpeace; CIDSE, 2021. Available at: https://www.cidse.org/wp-content/uploads/2021/05/Legal-Opinion-EU-Mercosur_PT_final.pdf.

⁴² GRIEGER, Gisela. EU-Mercosur partnership agreement: trade pillar – analysis and overview. Brussels: European Parliament, 2025. Available at: [https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI\(2025\)769537](https://www.europarl.europa.eu/thinktank/es/document/EPRS_BRI(2025)769537). Accessed on: 22 Dec. 2025.



<i>Category</i>	<i>Expected Benefits</i>	<i>Expected Challenges</i>
<i>Geopolitics</i>	The EU consolidates its influence in South America, while MERCOSUR gains stronger positioning in global trade.	Resistance from political, social, and economic groups in both blocs.
<i>Economic diversification</i>	MERCOSUR gains access to the large European market for commodities and agricultural products, while EU companies diversify investments and operations in Latin America.	Risk of perpetuating the primary-export model in MERCOSUR, hindering industrialization.
<i>Investments</i>	Trade liberalization and legal improvements stimulate direct investments in industry and agribusiness for both blocs.	Regulatory adjustments and significant investments are required to comply with environmental commitments (Paris Agreement).
<i>Technology transfer</i>	Technical cooperation on sustainability, digitalization, and agricultural modernization, with integration into global value chains for both regions.	Implementation depends on robust monitoring mechanisms; the lack of tools may limit effectiveness.
<i>Political dimension</i>	Strengthened dialogue on environment, human rights, and security, with joint commitments to international governance.	Strong governance and institutional capacity are essential for effective implementation and compliance with EU standards.
<i>Sustainability</i>	Environmental commitments, such as the 2023 Joint Instrument, promote sustainable practices for both blocs. While the Agreement does not explicitly require sustainability reporting, its principles are aligned with global standards such as the GRI.	Ensuring sustainability standards and ESG reporting is complex and costly, particularly for SMEs in MERCOSUR.

Sources: Ghiotto & Echaide (2019); De Oliveira et al. (2024); European Commission (2023); Grieger (2025) (own elaboration).

It is important to note that, although the Agreement includes a chapter on Trade and Sustainable Development, it does not explicitly require companies to produce



sustainability reports. The chapter, however, emphasizes transparency and business practices consistent with international standards, which identify ESG criteria as a driver of institutional modernization in public administration,⁴³ further highlighting that the commitments undertaken can evolve into mechanisms for monitoring and business cooperation. In this context, although the Agreement does not directly bind MERCOSUR, it serves as a reference for improving ESG disclosure and alignment with international standards such as the GRI and ISO 14001. This dynamic illustrates transnational administrative governance, where international agreements function as regulatory platforms that disseminate administrative principles beyond national jurisdictions.⁴⁴

4. ESG CRITERIA AND THE EXTRATERRITORIAL IMPACTS OF CSRD

The CSRD Directive, in force since January 5, 2023, represents a fundamental EU regulatory framework for sustainable development. It strengthens corporate social and environmental responsibility and promotes ethical and transparent governance based on ESG criteria. The Directive requires the disclosure of non-financial information on environmental, climate, and human rights practices, making it mandatory for companies operating in the EU and already subject to the NFRD (Directive 2014/95/EU). These companies must include in their management reports data demonstrating the impact of their activities on sustainability and how these issues affect performance. The CSRD consolidates the EU's sustainable development policy within the framework of the European Green Deal (2019), aiming for a green, competitive, and resource-efficient economy.⁴⁵

Structure of the Directive

To expand sustainability reporting requirements, the CSRD amends Regulation (EU) No. 537/2014 on statutory audits of public-interest entities, Directive 2004/109/EC on the transparency of listed companies, Directive 2006/43/EC on the statutory audit of annual financial statements, and Directive 2013/34/EU on consolidated annual financial statements. The main changes concern sustainability reporting for large companies, including climate impact assessment and greenhouse gas reduction. Other important aspects include social responsibility, which encompasses labor rights, gender equality, and community relations, and corporate governance, particularly due

⁴³ PÉREZ CAMPILLO, Lorena. ESG y legal tech: impulsando la sostenibilidad. **Revista Eurolatinoamericana de Derecho Administrativo**, Santa Fe, vol. 11, n. 2, e270, jul./dic. 2024. DOI: 10.14409/redoeda.v11i2.13896.

⁴⁴ CASINI, Lorenzo. Global Administrative Law. In: DUNOFF, Jeffrey L.; POLLACK, Mark A. (eds.). **International Legal Theory: Foundations and Frontiers**. Cambridge: Cambridge University Press, 2019. p. 251-278.

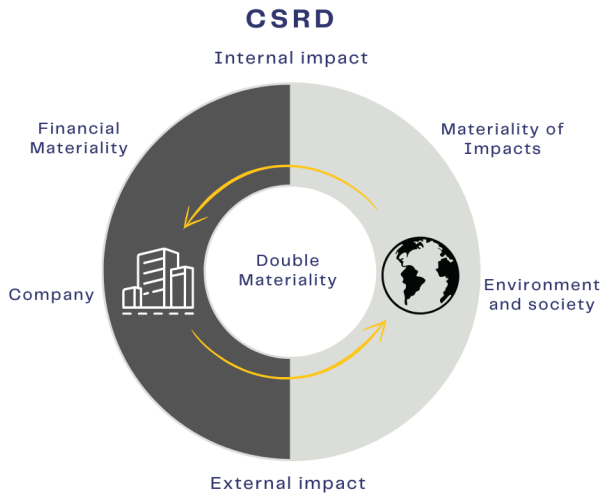
⁴⁵ EUROPEAN COMMISSION. **Preguntas y respuestas sobre el acuerdo comercial UE-Mercosur**. Brussels: European Commission, 2019b. Available at: https://ec.europa.eu/commission/presscorner/api/files/document/print/es/qanda_19_3375/QANDA_19_3375_ES.pdf.



diligence, corporate responsibility, and anti-corruption measures. A significant addition is the requirement to monitor impact across the entire value chain, assessing both the company's operations and its suppliers.

The CSRD specifies requirements based on the type of company and includes equivalence rules that allow non-EU companies to comply with the standards through recognized and comparable alternative standards.⁴⁶ These rules ensure the alignment of foreign sustainability reports with EU regulations. To ensure comparability and reliability, reporting standards must be harmonized, with common parameters for cross-sectoral data comparison. The CSRD also introduces dual materiality, requiring companies to disclose both the financial impact of sustainability risks (financial materiality) and the social and environmental impact of their activities (impact materiality). The first dimension reflects the ESG risks that affect the business (internal impact), while the second reflects the impacts on society and the environment (external impact), as illustrated in Figure 2.

Figure 2. Dual materiality of the CSRD (own elaboration)



It is important to highlight that dual materiality provides a comprehensive view of sustainability, addressing both internal financial aspects and external impacts related to suppliers and environmental responsibility.⁴⁷ It reinforces corporate accountabili-

⁴⁶ GLAVELI, Niki; ALEXIOU, Maria; MARAGOS, Apostolos; DASKALOPOULOU, Anastasia; VOULGARI, Viktoria. Assessing the maturity of sustainable business model and strategy reporting under the CSRD shadow. **Journal of Risk and Financial Management**, v. 16, n. 10, 445, 2023. DOI: <https://doi.org/10.3390/jrfm16100445>.

⁴⁷ BLANCO, Dámaso J. V.; BARDEL, Daniela. Las nuevas obligaciones de información corporativa en materia de sostenibilidad en la Unión Europea: La Directiva (UE) 2022/2464 y la naturaleza de sus normas. **Cuadernos Europeos de Deusto**, n. 70, p. 133-168, 2024. DOI: <https://doi.org/10.18543/ced.2992>.



ty across value chains, requiring disclosure of how companies manage supplier risks linked to sustainability, human rights, and environmental impacts.

The CSRD extends transparency obligations beyond direct operations, establishing a supervisory system and requiring verification of reports by independent auditors or accredited certifiers. Its annexes detail disclosure requirements and key performance indicators (KPIs) used to measure corporate sustainability performance.

The implementation timeline, originally defined by the CSRD, was adjusted by Directive (EU) 2025/794 of April 14, 2025, known as *stop-the-clock*, which extends deadlines under the *Omnibus I* simplification package. The measure aims to reduce administrative burdens and provide companies with additional time to adapt. Table 3 summarizes company categories, main requirements, and revised deadlines.

Table 3. CSRD Requirements by Scope and Deadlines

<i>Company Type</i>	<i>Disclosure Requirements</i>	<i>Original Deadline</i>	<i>Updated Deadline (2025/794)</i>
<i>Large companies already subject to NFRD (>500 employees)</i>	Full disclosure of sustainability information (environmental, social, and governance) covering the entire value chain.	2025	2025
<i>Large companies (>250 employees)</i>	Full sustainability disclosure similar to listed companies.	2026	2028
<i>Credit and insurance entities</i>	Disclosure of risks and opportunities related to sustainability (credit, investment, and insurance activities).	2026–2028	2028–2029
<i>Listed SMEs</i>	Simplified sustainability requirements.	2026–2028	2028–2029
<i>Non-EU companies with significant activity in the EU</i>	Option not to disclose information during the transition period, with justification in the management report.	2026–2028	2028–2029
<i>Existing subsidiaries/ branches in the EU</i>	Requirements apply if significant activity in the EU (revenues >€150 million or branches >€40 million).	2026–2028	2028–2029

Source: Directive (EU) 2022/2464, and Directive (EU) 2025/794. (Own elaboration)



5. PRACTICAL ANALYSIS OF THE INTERNAL AND EXTERNAL APPLICATION OF CSRD

While the CSRD's implementation is gradual, several large EU companies have already aligned their sustainability reporting with its requirements. To assess the practical implications of this alignment, two companies were selected from an initial sample of twelve EU firms in the energy and finance sectors that have adopted CSRD guidelines in their latest reports.

Report 1⁴⁸ refers to an energy company operating in multiple countries with extensive local supply chains, whose recent reporting demonstrates transparency and accountability consistent with CSRD standards.

Report 2⁴⁹ concerns a financial and investment company with a strong presence in Latin America and other non-EU markets, which applies global responsible-purchasing policies and has strengthened sustainability reporting through detailed environmental, social, and governance disclosures. The key findings from both reports illustrate how CSRD compliance influences supply-chain oversight and supplier practices.

Sustainability Report 1

Considering the CSRD requirements in Table 3, which detail the Directive's application by company type, Report 1, classified as a large, listed company, must disclose sustainability information covering ESG aspects, including its entire value chain, starting in 2025. However, its integrated report, released in April 2024, already demonstrates alignment with the CSRD. Table 4 summarizes the practices and evidence supporting this compliance.

⁴⁸ IBERDROLA. **Consolidated Non-Financial Information Statement (NFIS) and the sustainability reporting**, 2024. Available at: <https://www.iberdrola.com/documents/20125/4778712/gsm25-sustainability-report-2024.pdf>. Accessed on: 22 Dec. 2025.

⁴⁹ SANTANDER. **Estado de sostenibilidad: estado de información no financiera consolidado e información sobre sostenibilidad**, 2024. Available at: <https://www.santander.com/content/dam/santander-com/es/documentos/informe-anual-de-sostenibilidad/2024/estado-sostenibilidad-2024-es.pdf>.



Table 4. Sustainable practices Report 1

<i>CSRD Requirement</i>	<i>Reporting Practices 1</i>	<i>Evidence/Source</i>
<i>Sustainability reporting</i>	Publishes detailed sustainability reports using GRI, SASB, and IIRC frameworks, ensuring transparency and comparability.	Externally verified.
<i>Responsibility of Governing Bodies</i>	The Board of Directors oversees compliance with sustainability and international accounting standards.	Internal governance documentation; Good Governance Report.
<i>Appointment of Verification Partners</i>	Engages external assurance for sustainability reports, ensuring the reliability of the information.	Certification of third-party verification of ESG reports.
<i>Verification records and archives</i>	Maintains documented verification files for each report, meeting the required deadlines.	Sustainability audit and certification procedures.
<i>Disclosure of Third Party Audits</i>	Details third-party audits of its sustainability reports, complying with transparency and audit requirements.	Annual and Sustainability Report, external verifications.
<i>Competence and Training</i>	Ensures ongoing sustainability training for its employees and auditors.	Internal ESG training program, annual training report.
<i>Business model and risk resilience</i>	Details its approach to energy transition and diversification to minimize risks, highlighting its strategy in renewable energy and smart grids.	Business and ESG Strategy 2024; Energy transition plan.
<i>Strategic plans for the transition to a sustainable economy</i>	Sets targets for 2030 and 2040, invests in renewable projects and aligns with the EGD and the Paris Agreement, monitoring progress through KPIs.	Renewable Energy Investment Plan 2024-2026; CO2 reduction targets.
<i>Supply chain due diligence</i>	Implements ESG assessments for suppliers and periodic audits, offering plans for improvement.	ESG assessment model; GoSupply Portal and supplier audits.
<i>Impact on the value chain</i>	Collaborates with more than 20,000 suppliers, monitoring sustainability practices and promoting improvements to reduce impacts.	Supplier Portal, value chain impact reports.



<i>CSRD Requirement</i>	<i>Reporting Practices 1</i>	<i>Evidence/Source</i>
<i>GHG emissions</i>	Publishes reports on its carbon footprint, with offsetting and reduction initiatives in the supply chain.	Sustainability Report 2024; Carbon2Nature Program
<i>Dual materiality</i>	Evaluates both the impacts of its activities on the environment and the ESG factors that affect financial performance	Integrated Report 2024, materiality analysis based on GRI and TCFD.

Source: Sustainability Report 1 (Iberdrola, 2024) (own elaboration).

Sustainability Report 2

Report 2 presents various aspects of its strategy for transitioning to a sustainable economy and climate neutrality, aligned with the objectives of the European Green Deal (EGD) and the SDGs. Table 5 below analyzes the practices and evidence supporting the company's CSRD status.

Table 5. Sustainable practices Report 2

<i>CSRD Requirement</i>	<i>Reporting Practices 2 (2024)</i>	<i>Evidence</i>
<i>Presentation of sustainability information</i>	Publishes a global consolidated report in compliance with CSRD/ESRS, the EU Taxonomy and Spanish Law 11/2018. Based on a double materiality analysis.	2024 Sustainability Report prepared under ESRS, including Sustainability Note 1 and PwC assurance.
<i>Responsibility of Administrative Bodies</i>	The Board of Directors oversees ESG, integrated into three-year strategic plans and the annual budget. Dedicated committees assess risks and performance.	ESG governance structure reporting to the Board and integrated across global businesses.
<i>Appointment of Verification Partners</i>	PwC acts as independent assurance provider, issuing a limited review report in line with ESRS.	Independent verification report by PwC.
<i>Verification records and archives</i>	Data stored in internal repositories, audited annually and externally verified before disclosure.	Internal records and limited external audit.



<i>CSRD Requirement</i>	<i>Reporting Practices 2 (2024)</i>	<i>Evidence</i>
<i>Disclosure of Third Party Audits</i>	External audits of carbon credits and financed projects, verified by Gold Standard, Verra and Climate Action Reserve.	Certification reports of carbon credits and independent verification.
<i>Competence and Training</i>	206,753 employees; €14.3 billion in salaries/benefits. Global ESG training programs and Your Voice employee survey with 83% participation.	Training programs and inclusive culture initiatives; global engagement survey.
<i>Business model and risk resilience</i>	Climate and social risks integrated into strategic planning, with Risk Challenge exercises and stress-testing scenarios.	ESG risk management model aligned with strategic plan.
<i>Strategic plans for the transition to a sustainable economy</i>	Net Zero 2050 target; €120 billion green finance goal met 18 months ahead of schedule (2019–2025).	Climate transition plan; GFANZ alignment; net zero commitments.
<i>Supply chain due diligence</i>	ESG criteria applied to financing, investments and procurement; 89% of suppliers are local (88% of purchases).	ESG due diligence policies and supplier monitoring.
<i>Impact on the value chain</i>	Reports impacts of financing across the entire value chain; adheres to PRI, UNEP FI, WBCSD and other global initiatives.	Impact reports and participation in international forums.
<i>GHG emissions</i>	100% of operational emissions offset with certified credits. In 2024, 39 million cards (84%) issued using recycled PVC or PLA.	Emissions inventory + offsets validated by third parties.
<i>Double materiality</i>	Identification of 32 impacts, risks and opportunities (IROs) in 2024; approved by the Board; covering environmental, social and financial impacts.	Sustainability Note 3 on materiality methodology; 2024 report.

Source: Report 2 (Santander, 2024) (own elaboration).



Comparing Compliance with the CSRD

To evaluate how the analyzed sustainability reports align with CSRD requirements, a comparative matrix was developed to highlight practices, strengths, and areas for improvement. Table 6 summarizes the level of compliance in key aspects, based on evidence from both companies' annual reports. This analysis enables comparison and supports recommendations for enhancing reporting practices.

Table 6. Comparative matrix - Reports 1 and 2

<i>CSRD Requirement</i>	<i>Report 1</i>	<i>Report 2</i>
<i>Sustainability reporting</i>	Reports aligned with GRI and TCFD, with detailed examples.	Global consolidated report aligned with CSRD/ESRS, ISSB, GRI, SASB and TCFD, assured by PwC.
<i>Responsibility of Governing Bodies</i>	Direct oversight by the Board, aligned with ESG principles.	Board integrates ESG into strategic and financial planning, supported by global ESG committees.
<i>Appointment of Verification Partners</i>	External audits carried out by PwC.	PwC as independent assurer, issuing limited assurance on ESG disclosures.
<i>Verification records and archives</i>	Important and well-documented records.	Centrally stored data, audited annually and externally verified.
<i>Disclosure of Third Party Audits</i>	Publication of external audit results on the sustainability portal.	External audits and certifications of carbon credits by Gold Standard, Verra and Climate Action Reserve.
<i>Competence and Training</i>	Continuous ESG training programs with measured impact.	Important programs with clear impact metrics (Global ESG training).
<i>Business model and risk resilience</i>	Leading ESG risk integration, standing out in the energy transition.	Climate and ESG risk fully integrated into strategic planning and stress testing.



<i>CSRD Requirement</i>	<i>Report 1</i>	<i>Report 2</i>
<i>Strategic plans for the transition to a sustainable economy</i>	Ambitious carbon neutrality targets for 2040, with clear renewable energy projects.	Net Zero 2050 target; €120bn green finance goal reached ahead of schedule.
<i>Supply chain due diligence</i>	Documented ESG assessments, with clear standards for suppliers.	ESG criteria applied to financing and procurement.
<i>Impact on the value chain</i>	Comprehensive and detailed monitoring of ESG impact across the value chain.	Monitoring of financing impacts.
<i>GHG emissions</i>	Clear measures to reduce emissions, aligned with the Paris Agreement.	100% operational emissions offset; 84% of cards issued with recycled PVC/PLA.
<i>Dual materiality</i>	Comprehensive analysis of impact and financial materiality, linked to corporate strategy.	Adequate approach, though it lacks specific examples of integration into operations.

Sources: Sustainability Report 1 (Iberdrola, 2024) and Sustainability Report 2 (Santander, 2024) (own elaboration)

Regarding CSRD compliance, both companies have a high level of compliance, excelling in different areas. Report 1 focuses on energy transition and addressing dual materiality with practical examples. Report 2 leads in green finance but it could improve on the details of its supply chain assessments and the practical integration of dual materiality.

ESG Reporting in MERCOSUR Companies

To extend the analysis beyond companies directly covered by the CSRD, this study examined two of seven large MERCOSUR firms selected for their relevance, sectoral similarity, and participation in EU-linked value chains. Their sustainability strategies and adherence to ESG criteria reveal voluntary convergence with international frameworks and, to some extent, with CSRD requirements. The following section summarizes key findings from Reports 3 and 4, emphasizing ESG performance and alignment trends.



Sustainability Report 3

Report 3 presents the ESG practices of a major MERCOSUR energy company⁵⁰ that voluntarily aligned its strategy with GRI and TCFD guidelines, integrating climate risk management and supply chain oversight. The report shows significant convergence with CSRD principles, particularly in governance, carbon management, and risk resilience. Table 7 summarizes the main practices and evidence from the 2024 Sustainability Report, illustrating ESG implementation in a non-EU context.

Table 7. Sustainable practices - Report 3

<i>CSRD Requirement / ESG Criterion</i>	<i>Reporting Practices 3</i>	<i>Evidence / Source</i>
<i>Sustainability reporting</i>	Publishes annual sustainability reports aligned with GRI 2021, SASB (Oil & Gas), and IPIECA guidelines.	GRI Standards; SASB Standards; IPIECA Guidelines.
<i>Responsibility of governing bodies</i>	The Board of Directors and Executive Board oversee ESG strategy, supported by the Safety, Environment, and Health Committee (CSMS).	Corporate Governance Policies.
<i>Appointment of verification partners</i>	External assurance of the Sustainability Report 2024 conducted by KPMG.	KPMG External Assurance Statement.
<i>Verification records and archives</i>	Maintains internal and external audit records, with quantitative indicators available in the ASG Panel.	ASG Panel 2024.
<i>Disclosure of third-party audits</i>	Discloses the results of internal and external audits, strengthening controls and transparency.	External Audit Reports.
<i>Competence and training</i>	Offers continuous training programs through the Institutional University, with a focus on ESG and energy transition.	Institutional University Programs.
<i>Business model and risk resilience</i>	Strategy focused on energy transition, low-carbon businesses (hydrogen, biofuels, CCUS), and climate resilience.	Strategic Business Model.

⁵⁰ PETROBRAS. **Relatório de sustentabilidade 2024**. Rio de Janeiro, 2024. Available at: <https://sustentabilidade.petrobras.com.br/#:~:text=Os%20resultados%20de%202024%20confirmam,em%20nossas%20operações%20desde%202015>. Accessed on: 22 Dec. 2025.



<i>CSRD Requirement / ESG Criterion</i>	<i>Reporting Practices 3</i>	<i>Evidence / Source</i>
<i>Strategic plans for the transition to a sustainable economy</i>	Aims for carbon neutrality by 2050, allocating US\$ 16.3 billion for low-carbon projects (2025–2029).	Strategic Plan 2050.
<i>Supply chain due diligence</i>	Applies Integrity Due Diligence (IDD) to suppliers, with compliance monitoring and oversight.	Supplier Integrity Program.
<i>Impact on the value chain</i>	Monitors socio-environmental risks across the value chain and supports local communities through socio-environmental programs.	Socio-environmental Program.
<i>GHG emissions</i>	Measures and reports GHG emissions (Scopes 1, 2, and 3); implements carbon credits and nature-based solutions (NBS).	Climate Change Report.
<i>Dual materiality</i>	Conducts double materiality assessment based on GRI and ESRS standards, considering risks and impacts.	Materiality Matrix 2024.

Source: Sustainability Report 3 (Petrobras, 2024) (own elaboration).

Sustainability Report 4

Report 4 highlights the company's progress on its ESG commitments, particularly in governance, climate risk management, and sustainable finance.⁵¹ As one of the largest financial institutions in Latin America, with operations in several countries and ties to global investors, the company plays a strategic role in promoting responsible finance and integrating ESG throughout the financial sector. The report is aligned with international sustainability standards and details actions to integrate ESG principles into corporate strategy and risk management. Table 8 summarizes key ESG practices and supporting evidence related to CSRD requirements.

⁵¹ ITAÚ UNIBANCO. **Relatório ESG. São Paulo, 2024**. Available at: <https://www.italu.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/5515608b-6771-7238-9846-cbb71a14c8db?origin=2>. Accessed on: 22 Dec. 2025.



Table 8. Sustainable practices - Report 4

<i>CSRD Requirement / ESG Criterion</i>	<i>Reporting Practices 4</i>	<i>Evidence / Source</i>
<i>Sustainability reporting</i>	Publishes annual sustainability reports with independent assurance, following GRI, SASB, and the Principles for Responsible Banking (PRB).	GRI Standards 2021; SASB (Banking Sector); PRB Principles; AA1000AP (2018).
<i>Responsibility of governing bodies</i>	The Board of Directors and ESG Committees monitor the sustainability strategy; 5% of executives' variable remuneration is tied to ESG targets.	Corporate Governance Policies; ESG Committee; Sustainable Remuneration Policy.
<i>Appointment of verification partners</i>	External assurance is conducted by an independent auditor, following NBC TO 3000 and ISAE 3000 standards.	Independent Assurance Statement; ISAE 3000 Standards.
<i>Verification records and archives</i>	Maintains records of internal and external audits, with recommendations for continuous improvement.	External Audit Reports; Internal Control Systems.
<i>Disclosure of third-party audits</i>	Discloses audit results and ensures transparency of ESG processes and controls.	External Audit Reports; Governance Reports.
<i>Competence and training</i>	Training programs with tracks on ESG, leadership and organizational culture.	ESG Academy; iox Learning Platform; Corporate Training Programs.
<i>Business model and risk resilience</i>	The strategy focuses on sustainable finance, climate transition, diversity, and innovation, with ESG products and public commitments.	ESG Strategic Plan; Net Zero Roadmap; Sustainable Finance Framework.
<i>Strategic plans for the transition to a sustainable economy</i>	Goal to mobilize R\$ 1 trillion in sustainable finance by 2030 (R\$ 469.1 billion already achieved by 2024).	Sustainable Finance Framework; Green Bonds and ESG Lending Programs.
<i>Supply chain due diligence</i>	Commitment to engage 100% of suppliers in ESG criteria by 2030, with continuous due diligence.	Supplier Integrity & ESG Program; ESG Risk Procedures in the Value Chain.



<i>CSRD Requirement / ESG Criterion</i>	<i>Reporting Practices 4</i>	<i>Evidence / Source</i>
<i>Impact on the value chain</i>	Portfolio includes R\$ 328.1 billion in positive impact financing and R\$ 80.4 billion in ESG retail products.	ESG Financial Portfolio; Sustainable Credit Lines.
<i>GHG emissions</i>	Aims to cut operational emissions (Scopes 1, 2, and 3) by 50% by 2030, with a commitment to reach Net Zero by 2050.	Net Zero Plan; Carbon Credit Program; Nature-Based Solutions (NBS).
<i>Double materiality</i>	Conducts double materiality assessments to map socio-environmental and economic risks and opportunities.	Materiality Matrix 2024; ESG Risk and Impact Assessment.

Source: Sustainability Report 4 (Itaú Unibanco, 2024) (own elaboration).

Comparative matrix – Reports 3 and 4

Table 9 compares Reports 3 and 4, providing a structured overview of how both companies incorporate environmental, social, and governance aspects into their operations and disclosures, based on evidence from their most recent ESG and sustainability reports. The analysis adopts the same framework of requirements established by the Directive, allowing for a comparison with Reports 1 and 2. The comparison serves as a tool to identify progress, gaps, and opportunities to enhance transparency and ESG integration in line with international standards.

Table 9. Comparative matrix Report 3 and Report 4

<i>CSRD Requirement</i>	<i>Report 3</i>	<i>Report 4</i>
<i>Sustainability reporting</i>	Reports aligned with GRI, SASB, and IPIECA guidelines, with detailed ESG performance examples.	Reports aligned with GRI, SASB, and PRB, supported by external assurance and detailed financial ESG metrics.
<i>Responsibility of Governing Bodies</i>	Oversight by the Board of Directors, with a Sustainability Committee ensuring ESG alignment.	Board oversight with ESG Committees, linking 5% of executives' variable remuneration to ESG performance.
<i>Appointment of Verification Partners</i>	External assurance carried out by KPMG.	External assurance performed by an independent auditor under NBC TO 3000 and ISAE 3000 standards.



<i>CSRD Requirement</i>	<i>Report 3</i>	<i>Report 4</i>
<i>Verification records and archives</i>	Maintains third-party verification files and audit logs.	Maintains audit records and independent control reports, ensuring continuous improvements.
<i>Disclosure of Third Party Audits</i>	Transparent disclosure of third-party audits in sustainability reporting.	Transparent communication of audit results and governance reports.
<i>Competence and Training</i>	Continuous ESG training through Institutional University, with quantitative performance data.	Comprehensive ESG training programs, with 1,020,474 hours of training and R\$119.5 million invested in 2024.
<i>Business model and risk resilience</i>	Focus on energy transition, low-carbon businesses (hydrogen, biofuels, CCUS), and climate resilience.	Focus on sustainable finance, diversity, and climate transition, integrating ESG products and innovation.
<i>Strategic plans for the transition to a sustainable economy</i>	Carbon neutrality target by 2050, with US\$ 16.3 billion allocated to low-carbon projects (2025–2029).	Target to mobilize R\$1 trillion in sustainable finance by 2030 (R\$469.1 billion already achieved).
<i>Supply chain due diligence</i>	ESG assessments for suppliers with periodic audits and improvement plans.	ESG criteria for 100% of suppliers by 2030, with continuous due diligence processes.
<i>Impact on the value chain</i>	Collaboration with 20,000+ suppliers, improving social and environmental impacts.	R\$328.1 billion in positive impact financing and R\$80.4 billion in ESG retail products.
<i>GHG emissions</i>	Carbon footprint reports, with reduction initiatives and offsetting strategies.	Reduction of 50% in operational emissions by 2030 and commitment to achieve Net Zero by 2050.
<i>Dual materiality</i>	Double materiality analysis based on GRI and TCFD, integrating ESG factors into financial performance.	Double materiality assessment aligned with SDGs and ESG risk mapping.

Sources: Sustainability Report 3 (Petrobras, 2024) and Sustainability Report 4 (Itaú Unibanco, 2024) (own elaboration).



Regarding the compliance of Reports 3 and 4 with ESG criteria, both show a high degree of alignment, though with different focuses. Report 3 emphasizes the energy transition and fully integrates dual materiality into its analysis. Report 4, although not explicitly using the term, applies a structured materiality matrix based on stakeholder engagement and the evaluation of economic, social, and environmental impacts, effectively reflecting the same concept.

A comparison of the four reports shows that the international standards adopted in Reports 3 and 4 (GRI, SASB, PRB) create ESG terminology closely aligned with CSRD requirements, indicating a trend toward regulatory harmonization even among companies not directly bound by the Directive. This demonstrates the CSRD's extraterritorial reach, which impacts foreign firms both directly, through their operations in the European market, and indirectly, when acting as suppliers to EU companies subject to CSRD obligations. SMEs with subsidiaries or significant turnover in the EU are directly required to comply, ensuring comparability of information, while those outside the EU but integrated into its supply chains must provide sustainability data to enable their partners' compliance (Art. 1, secs. 4.2a and 4.2f).

This dynamic carries significant socio-environmental implications. Foreign companies may face growing pressure to adapt their practices, as EU-based partners increasingly demand CSRD alignment to reduce risks, costs, and delays. Conversely, early compliance offers competitive advantages, including better access to European markets. Companies failing to disclose key indicators, such as their carbon footprint, risk exclusion from value chains, especially since many EU firms are adapting to stricter rules under Directive (EU) 2023/959 on the Emissions Trading System.

For foreign SMEs, compliance can represent significant financial and administrative challenges, especially when unfamiliar with CSRD auditing and reporting requirements. However, international frameworks such as the Global Reporting Initiative (GRI) provide flexible and modular tools to facilitate alignment and comparability.⁵² The adoption of the GRI reaches, on average, 68% of the 100 largest companies (N100) in the EU, with particularly high levels in countries such as Germany, Sweden, Spain, France, Italy, Ireland, and Finland.⁵³ In Latin America, including the MERCOSUR countries, the average adoption rate is 78%, led by Brazil, Argentina, and Uruguay.⁵⁴ These figures highlight

⁵² YOSIFOVA, Dessislava; PETROVA-KIROVA, Magdalena. The new EU corporate sustainability reporting framework in the context of GRI standards. In: VARAZDIN DEVELOPMENT AND ENTREPRENEURSHIP AGENCY (Ed.). **Economic and social development: book of proceedings**. Varazdin: Varazdin Development and Entrepreneurship Agency, 2022. p. 85-95.

⁵³ KPMG. **Big shifts, small steps: survey of sustainability reporting 2022**. [S. l.], 2022a. Available at: <https://assets.kpmg.com/content/dam/kpmg/se/pdf/komm/2022/Global-Survey-of-Sustainability-Reporting-2022.pdf>.

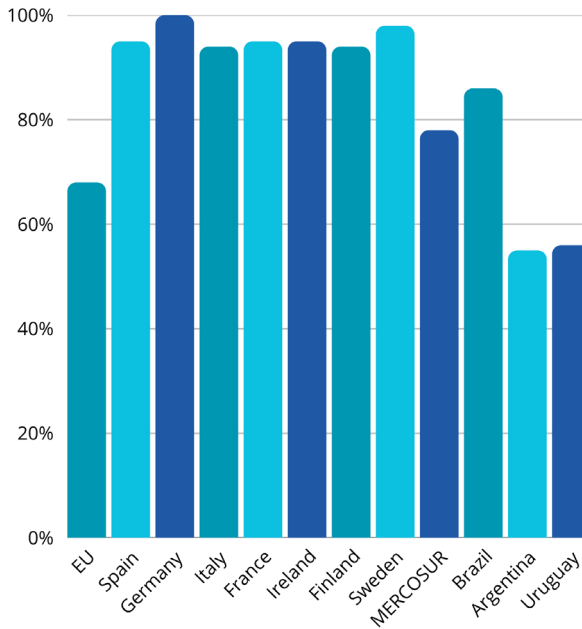
⁵⁴ KPMG. **Big shifts, small steps: sustainability reporting in Latin America 2022: advances and challenges regarding corporate management in ESG matters in Latin America**. [S. l.]: KPMG International, 2022b. Available at: <https://assets.kpmg.com/content/dam/kpmg/co/sac/pdf/2023/06/bc-KPMG-ESG-English.pdf>.



the strong presence of GRI across both regions, while also revealing disparities among European countries, especially in Eastern and Mediterranean contexts.

For foreign SMEs, compliance poses financial and administrative challenges, especially for those unfamiliar with auditing and CSRD reporting. However, frameworks such as the Global Reporting Initiative (GRI) facilitate alignment and comparability. GRI adoption averages 68% among the 100 largest EU companies (N100) 55 and 78% in Latin America, led by Brazil, Argentina, and Uruguay⁵⁶. These figures confirm the GRI's strong presence in both regions, despite disparities in some Eastern and Mediterranean countries. Figure 3 illustrates this comparative adoption of sustainability frameworks between the EU and MERCOSUR.

Figure 3. GRI adoption in the UE and MERCOSUR.



Sources: KPMG (2022a) and KPMG (2022b) (own elaboration).

⁵⁵ KPMG. **Big shifts, small steps: survey of sustainability reporting 2022**. [S. l.], 2022a. Available at: <https://assets.kpmg.com/content/dam/kpmg/se/pdf/komm/2022/Global-Survey-of-Sustainability-Reporting-2022.pdf>.

⁵⁶ KPMG. **Big shifts, small steps: sustainability reporting in Latin America 2022: advances and challenges regarding corporate management in ESG matters in Latin America**. [S. l.]: KPMG International, 2022b. Available at: <https://assets.kpmg.com/content/dam/kpmg/co/sac/pdf/2023/06/bc-KPMG-ESG-English.pdf>.



These data confirm that, although many MERCOSUR companies are not formally bound by the Directive, they are progressively aligning with EU standards through international frameworks. This trend highlights the potential of the EU-MERCOSUR Agreement to strengthen regulatory cooperation, build institutional capacity, and reduce asymmetries in sustainability practices.

This process reflects transnational regulatory governance, where public and private actors share responsibility for advancing sustainability objectives. The regulatory diffusion driven by the CSRD operates as a form of transnational administrative cooperation⁵⁷, extending principles of accountability and transparency beyond national borders. These mechanisms embody co-regulation, creating hybrid structures based on shared oversight between state and non-state entities to pursue public interest goals.⁵⁸

The CSRD's external scope affects foreign companies directly, through their presence in the European market, and indirectly, when they act as suppliers to EU firms subject to CSRD obligations. Foreign SMEs with subsidiaries or significant turnover in the EU are directly bound by sustainability disclosure requirements, ensuring information comparability. Non-EU companies, while not legally bound, are indirectly influenced as EU clients demand sustainability data from their suppliers to maintain compliance.

This dynamic has significant socio-environmental implications. Foreign firms face growing pressure to align with CSRD standards as European partners prioritize compliant suppliers to reduce risks and costs. Conversely, early compliance can yield competitive advantages, such as better market access and supplier eligibility. Companies failing to disclose indicators like carbon footprint risk exclusion from global value chains, especially as many EU firms adapt to stricter rules under Directive (EU) 2023/959 on greenhouse gas emissions trading. Although compliance may pose financial and administrative challenges, particularly for SMEs, frameworks like the GRI offer adaptable tools to support alignment and comparability.

6. CONCLUSIONS

The analysis demonstrates that Directive (EU) 2022/2464 (CSRD) represents a decisive regulatory milestone for strengthening corporate governance and sustainability both within and beyond the European Union. By requiring sustainability reporting based on double materiality, the Directive expands its extraterritorial reach, influencing companies integrated into European value chains, including those from MERCOSUR.

Although the CSRD is not expressly incorporated into the EU-MERCOSUR Agreement, its principles, aligned with internationally recognized sustainability standards,

⁵⁷ CASINI, Lorenzo. Global Administrative Law. In: DUNOFF, Jeffrey L.; POLLACK, Mark A. (eds.). **International Legal Theory: Foundations and Frontiers**. Cambridge: Cambridge University Press, 2019. p. 251-278.

⁵⁸ CAFAGGI, Fabrizio. New foundations of transnational private regulation. **Journal of Law and Society**, v. 38, n. 1, p. 20-49, 2011. Available at: <http://www.jstor.org/stable/23030395>. Accessed on: 22 Dec. 2025.



are expected to shape the Agreement's clauses and implementation. The study confirms that EU regulations affect third-country companies directly, through their participation in the European market, and indirectly, through supply chain obligations and trade commitments. This diffusion reinforces the emergence of a transnational regulatory dynamic grounded in transparency, accountability, and sustainable development.

The comparative analysis of EU and MERCOSUR companies revealed progressive regulatory convergence. European companies subject to the CSRD have adopted structured ESG strategies, integrating supplier monitoring, performance indicators, and transparent disclosure practices. Likewise, major MERCOSUR companies, though not formally bound by the Directive, have voluntarily aligned their reports with international standards such as the GRI and TCFD. This convergence highlights the growing compatibility between sustainability frameworks across regions and confirms the CSRD's indirect influence beyond EU borders.

Empirical data support these findings: the adoption of the Global Reporting Initiative (GRI) reaches, on average, 68% of the 100 largest companies (N100) in the EU, and 78% in Latin America, led by Brazil, Argentina, and Uruguay. These results demonstrate the strong presence of sustainability reporting in both blocs and underline the potential for deeper interregional cooperation.

For the EU-MERCOSUR Agreement to promote equity and coherence, sustainability standards must be clearly integrated into its text. Incorporating ESG criteria explicitly, supported by financial and technical cooperation, can strengthen the Sustainable Development chapter and enhance transparency and comparability. Bilateral monitoring mechanisms, sectoral ESG commitments, and regulatory harmonization should be prioritized to ensure uniformity and trust.

The inclusion of binding sustainability clauses, inspired by international ESG frameworks, would not only reinforce socio-environmental commitments but also ensure that the Agreement contributes to fair and sustainable trade. Mechanisms such as flexible adaptation deadlines, materiality-based criteria, and compliance incentives can balance competitiveness and sustainability, positioning both blocs as global benchmarks in responsible trade governance.

Ultimately, the CSRD and the EU-MERCOSUR Agreement share the same normative ambition: promoting accountability and sustainable development through transnational cooperation. Their convergence illustrates how international regulatory governance, grounded in co-regulation between public and private actors, can extend sustainability principles beyond territorial borders, turning interregional trade into a vector for global transformation.



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