Event Recap: The Rise of Corporate Sustainability Law in Europe and China. Convergence, Divergence and the Future of Global Supply Chains

Date: 18 May 2026

Time: 10:00-11:00 am

Organizer: School of Law Research Centre for Chinese and Comparative Law (CCCL)

The Centre for Chinese and Comparative Law (CCCL) at the School of Law, City University of Hong Kong, successfully held a public seminar on 18 May 2026. The seminar entitled "The Rise of Corporate Sustainability Law in Europe and China. Convergence, Divergence and the Future of Global Supply Chains". Prof. Gonzalo LARREA from Utrecht University served as distinguished speaker. Prof. YU Chen (City University of Hong Kong) served as the moderator. Prof. Virginia HARPER HO (City University of Hong Kong) and Prof. FANG Meng Mandy (City University of Hong Kong) served as discussants.

From left to right: Prof. YU Chen, Prof. Gonzalo LARREA, Prof. FANG Meng Mandy

Prof. Gonzalo LARREA delivered a presentation based on his ongoing research at Peking University. He noted the EU and China together account for around one-third of global trade and GDP, with frequent high-level exchanges to deepen bilateral economic ties. Though transnational supply chains bring widespread environmental, labour and commercial risks, there remains no unified multilateral regime to enforce corporate sustainability accountability. This regulatory vacuum has driven the rapid development of dedicated sustainability legislation in both jurisdictions, forming an emerging interdisciplinary legal field shifting corporate governance from shareholder to stakeholder orientation.

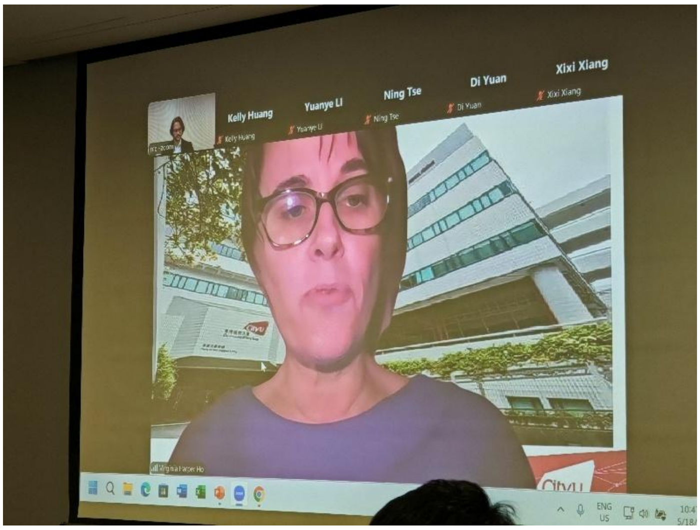
Prof. LARREA categorised relevant rules into risk management and disclosure frameworks, split into cross-industry horizontal rules and sector-specific vertical provisions. Comparing the

EU's Corporate Sustainability Due Diligence Directive (CSDDD) and China's Ecological and Environmental Code, he outlined core divergences. The EU establishes a unified, binding system with strict market-access penalties for non-compliant foreign firms. By contrast, China's statutory provisions set broad green supply chain requirements but rely on fragmented domestic administrative rules without equivalent cross-border sanctions. Similar divides apply to disclosure rules: the EU Corporate Sustainability Reporting Directive (CSRD) enforces comprehensive supply chain reporting via double materiality assessments, while China's pilot disclosure standards only impose indirect, limited supply chain transparency obligations.

Prof. Gonzalo LARREA

While both regimes mandate sustainability risk oversight and disclosure, their extraterritorial mechanisms differ fundamentally. EU rules adopt territorial extension, forcing overseas suppliers to comply to access its market. Chinese regulation primarily governs domestic entities, generating indirect pressure through commercial relationships as local buyers may terminate partnerships with uncooperative foreign suppliers. Misaligned standards create extra compliance costs, legal uncertainty and weakened global sustainability outcomes. Prof. LARREA also mentioned China's emerging countermeasures against EU extraterritorial rules and proposed mutual recognition of compatible standards as a pragmatic solution. He further noted a recent EU policy shift prioritising industrial competitiveness over sustainability, which contrasts with China's balanced "Two Mountains" ecological and economic development framework.

Two discussants offered constructive comments. Prof. Virginia HARPER HO questioned the definition and core analytical focus of corporate sustainability law, and suggested separating geopolitical counter-regulation into independent research. Prof. FANG Meng Mandy requested empirical enforcement data on EU rules, highlighted China's multi-layered green supply chain administrative measures, and pointed out that incomplete technical methodologies risk undermining EU regulatory implementation.



Prof. Virginia HARPER HO (online)

During audience Q&A, one participant contrasted the state-led logic of China's Environmental, Social, and Governance (ESG) system with the market-driven narrative of EU sustainability rules, prompting further discussion on the EU's evolving policy priorities. The seminar concluded with productive cross-jurisdictional academic dialogue.