

Environmental, Social, and Governance (ESG) Reporting and Ethical Performance in Sustainable Development

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ABSTRACT

Environmental, Social, and Governance (ESG) reporting has emerged as a significant framework for evaluating sustainability performance and promoting ethical accountability in modern development systems. Increasing global concerns about environmental degradation, social inequality, and governance failures have encouraged organizations to adopt ESG frameworks to integrate sustainability into their strategic and operational practices. ESG reporting provides structured disclosures related to environmental impacts, social responsibilities, and governance mechanisms, enabling stakeholders to assess organizational commitment to sustainable and responsible practices. This review article examines the conceptual foundations of ESG, its dimensions, reporting mechanisms, and the role of ESG disclosures in promoting transparency and ethical governance. The study also explores the transition from Corporate Social Responsibility (CSR) to ESG frameworks and discusses how environmental, social, and governance indicators contribute to evaluating sustainability performance. In addition, the article highlights key benefits of ESG reporting, including improved organizational credibility, enhanced stakeholder confidence, stronger sustainability strategies, and better environmental performance monitoring. However, the review also identifies several challenges associated with ESG reporting, such as greenwashing, ESG fatigue, inconsistencies in reporting standards, and difficulties in measuring ethical performance. Case illustrations including the Volkswagen emissions scandal and the Rana Plaza disaster further demonstrate the limitations of sustainability monitoring systems and the need for stronger governance and transparency mechanisms. The study concludes that improving reporting transparency, strengthening governance structures, and developing standardized ESG evaluation systems are essential for enhancing the credibility and effectiveness of ESG reporting in supporting sustainable development and ethical accountability.

Keywords: ESG reporting, sustainable development, ethical accountability, sustainability governance, transparency, economic growth.

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INTRODUCTION

Sustainability and responsible ethics have taken a center stage in the current developmental efforts as the societies continue to understand how the economic growth, the environment and social welfare are related. Traditional conceptualizations of development in which financial results were the main factors are being displaced by more comprehensive theories which include the sustainability and ethical governance. This change is an indicator of increased global consciousness on issues of environmental degradation, social inequality and government failures that may compromise long-term development objectives. It, therefore, follows that organizations and institutions are likely to incorporate the concept of sustainability in their

operations and decision making at their operational levels so as to be responsible and create long term value. The role of incorporating the environmental, social, and governance factors in the sustainability plans has thus assumed a significant process of sustainable and balanced development (Alsayegh et al., 2020). Within this changing environment, it has become common knowledge that Environmental, Social, and Governance (ESG) has become a prevalent model in assessing the sustainability practices and ethical performance. ESG frameworks present systematic pointers that determine how organizations handle environmental threats, social roles, and put in place governance systems that guarantee transparency and responsibility. The environmental element is centered on the topic of climatic change reduction, managing resources, and environmental conservation. Social

dimension touches on the relations with the stakeholders such as employees, communities, and consumers whereas the governance focuses on the leadership responsibility, adherence to regulations, and ethical management behaviors. Combining these three dimensions, ESG provides a holistic view of the sustainability performance evaluation and the responsible development initiatives (Arvidsson and Dumay, 2022; Gazi et al., 2025).

This growing importance of ESG has resulted in a lot of expansion in the practices of ESG reporting, which entails disclosure of information pertaining to the effects on the environment, social programs, and governance systems. ESG reporting is a fundamental tool of reporting on sustainability performance to the stakeholders such as investors, regulators, and the general population. With systematic reporting, an organization is able to show that it takes responsible actions and that it has an evidence to show how the issue of sustainability has been embedded in its strategy and practices. Empirical evidence indicates that the practice of ESG disclosure has been growing significantly over the past few years, especially as the interested parties expect enhanced transparency and accountability in terms of sustainability performance (Abdul Rahman and Alsayegh, 2021). This has made ESG reporting a significant tool of enhancing transparency and making it easier to assess ethical and sustainability activities. The stakeholder expectations are also very important in shaping the ESG disclosure and sustainability practices. Investors, regulators and civil societies are increasingly holding organizations to be responsible and play their part towards the wider sustainability objectives. Such expectations tend to impose the pressure on the organizations to pursue the strategy of ESG reporting and show their interest in ethical governance and sustainability programs. It has been shown that the pressure of stakeholders can have a strong impact on the quality and quantity of ESG disclosures because companies are trying to be legitimate and build trust among important stakeholder groups (Alessa et al., 2024). To this end, ESG reporting acts not only as a tool of transparency but also as a strategic tool of responding to the stakeholder requirements and increasing the organizational credibility. Besides being part of transparency and accountability, ESG reporting has been associated with a wider organizational performance such as financial and strategic development. It has been estimated that companies practicing ESG disclosure can enjoy better reputation, greater stakeholder trust, and better financial results. Such results are frequently related to a higher degree of investor confidence and better entry to capital markets as investors increasingly integrate ESG information into their process of making decisions (Agbakwuru et al., 2024). Moreover, in some instances, sustainability reporting has also been linked to

enhanced profitability, especially when sustainability practices concur with the national development policies and regulations which enforce responsible governance (Ali et al., 2025). It is also necessary to have effective governance mechanisms in order to attain ESG-related goals. It has also been found that governance structures like sustainability committees are key drivers of ESG strategy implementation and monitoring of sustainability performance. Such governance mechanisms enable the consideration of sustainability in the process of decision-making and proper tracking and execution of ESG targets. It has been demonstrated that the existence of special sustainability committees has intensified the ability of organizations to realise ESG objectives and enhance the responsible governance practice in development systems (Abdullah et al., 2024).

Even with the increased significance of the ESG frameworks and reporting, there are still difficulties with the issue of making the ethical performance and sustainability outcomes measurable. The differences between the reporting standards, the disclosure quality, and the inconsistencies in the measurement of the ESG may cause challenges when evaluating the sustainability performance of organizations and regions. Such challenges demonstrate the necessity to examine the ESG reporting practices in more detail and how they contribute to ethical responsibility in the sustainable development efforts. It is against this background that the current review paper handles the issue of ESG reporting in measuring the ethical performance as part of the wider context of sustainable development. In the article, the authors examine the conceptual background of ESG, explain the importance of ESG reporting in promoting transparency and accountability, and examine the connection between ESG practices and ethical governance. The second parts of the article give a closer look into the ESG dimensions, reporting processes, advantages, difficulties, and prospects on how ESG reporting can be reinforced towards achieving sustainable development and maintaining ethical responsibility.

2. Conceptual Foundations of ESG

2.1 Evolution of Sustainability and Ethical Responsibility

The concept of sustainability has become a standard of the contemporary developmental approach that underlines the principle of the equilibrium of the development of the economic sphere, environmental preservation, and the welfare of the population. The early debate on sustainability was mainly about conservation of the environment and proper management of resources. Gradually, the idea enlarged to comprise social equity and governance aspects as the crucial elements of the long-term development. This expanded perception realizes that

sustainable development involves concerted methods which involve concurrent protection of the environment, social concern, and institutional government. The emergence of the concept of sustainability has thus motivated organizations and policymakers to learn to use systematic systems in assessing the sustainability performance and stability in societal effects in the long term (Bosi et al., 2022).

The issue of ethical responsibility has grown to be a major concern in sustainability practice as the stakeholders demand transparency, accountability, and integrity in the decision making process. Ethical responsibility entails taking into account the environmental and social

implications of its operational activities in addition to the fairness and responsible governance. The emergence of sustainability frameworks made ethical governance a significant factor in shaping the development practices and institutional strategies. These frameworks foster accountable management practices and foster the thought of integrating the ethics in the sustainability programs. The history behind the development of sustainability governance as shown in Figure 1 (Historical evaluation of ESG), has over time seen the development of the environmental, social, and governance factors into the present day development systems (Camilleri, 2015).



Figure 1: Historical evaluation of ESG

2.2 Transition from CSR to ESG

Corporate Social Responsibility (CSR) was significant in the initial sustainability efforts in promoting organizations to be focused on the environmental and social challenges in addition to the economic goals. The community development programs, environmental protection programs, and philanthropic activities geared towards enhancing social welfare were common in CSR programs. Such programs assisted in ensuring the responsible organizational behavior and enhanced the connection between the institutions and their stakeholders. CSR thus remained a guiding principle that formed the basis of bringing sustainability and ethical accountability into the governance practices, which helped in the formulation of systematic sustainability strategies (Atan et al., 2016).

CSR was limited to several constraints in measuring sustainability performance because there were no standard reporting and measurement systems. Most of the CSR activities were optional and were sometimes undertaken outside the governance and strategy decision-making procedures hence it was not easy to evaluate sustainability performance on a regular basis. These shortcomings led to the development of more systematic models that can give quantifiable measures of sustainability practices. In reaction, ESG became a more methodical assessment system that incorporates indicators of the environment, social and governance systems into sustainability analysis. According to Figure 2 (Thematic evaluation of the transition of CSR to ESG), ESG offers more transparent measures and enhances the transparency of sustainability reporting practices (Bătae et al., 2020).

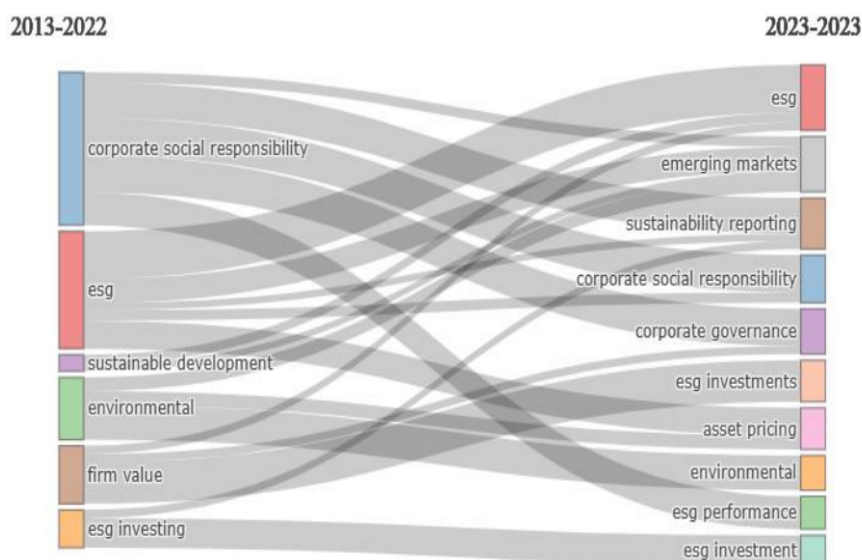


Figure 2: Thematic evaluation of the transition of CSR to ESG

2.3 Components of ESG

The ESG framework is comprised of three dimensions that are linked to each other and assess the performance of sustainability and governance practices. Environmental dimension dwells upon the problems of climate change reduction, pollution, and the responsible administration of resources. The social aspect focuses on the wellbeing of the stakeholders such as rights of the employees, their communities and social responsibility programs. The governance aspect looks at accountability of leadership, transparency, compliance with the regulations and decision-making processes that are ethical. These three elements can be united to create a systematic approach that can help the stakeholders evaluate the sustainability practices and responsible governance of development systems (Căpățînă & Bușmachi, 2024).

3. ESG Dimensions and Ethical Performance

3.1 Environmental Dimension

Environmental aspect of ESG dwells on sustainability measures that deal with environmental preservation and sound stewardship of resources. The organizations are more likely to be expected to minimize the effect on the environment by using natural resources efficiently, reducing pollution, and minimizing production. Environmental sustainability consists of the employment of strategies that reduce ecological degradation and promote long-term economic and social development. Organizations play a role in the wider sustainability agenda through environmental initiatives like energy saving, reduction of waste, and sustainable use of resources. Such eco-friendly activities are critical in terms of ensuring responsible development and operation of the practices that are in accordance with the global sustainability agenda, as well as environmental governance structures (Chopra et al., 2024).

The environmental dimension in the environmental sustainability frameworks focuses on climate change reduction and environmental protection. Companies are advised to adopt policies that minimize the emission of green gases, embrace the use of renewable energy, and embrace sustainable environmental policies. These initiatives do not only contribute to solving the problem of global climate but also increase environmental resilience and sustainability results in the long term. Environmental indicators under the ESG reporting systems are quantitative data about environmental performance such as carbon emission, energy use, and environmental management policies. These indicators allow the interested parties to measure environmental commitments and determine the role that sustainability practices play in environmental protection and responsible development (de Souza Barbosa et al., 2023).

3.2 Social Dimension

The social aspect of ESG focuses on credence of the welfare of the stakeholders and also the social accountability in sustainability practices. This dimension deals with the way organizations relate with employees, communities, consumers and other parties involved without compromising in their activities. Social responsibility entails inclusion of inclusive policies, human rights protection, and adding value to society. Trust and greater social legitimacy are built on the stakeholder welfare of organizations. The ESG models promote institutions to incorporate social factors into the operational plans, where development operations are conducted in a way that they are beneficial to both the society and the community as a whole (Finatto et al., 2024). The social dimension in ESG frameworks is focused on labor rights, diversity and community engagement. Fair labor practices, safe working environments, and the

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workplace diversity and inclusion are aspects that are supposed to be promoted by organizations. The community engagement programs are also significant in building relationships with the local communities and solving the social problems. Social accountability in ESG reporting also helps the stakeholders to determine whether

organizations are performing their social responsibilities well. Figure 3 (Thematic map of ESG evaluation of social responsibility) shows that ESG frameworks offer systematic processes of social performance appraisal and responsible stakeholder interaction (Chouaibi and Affes, 2021).

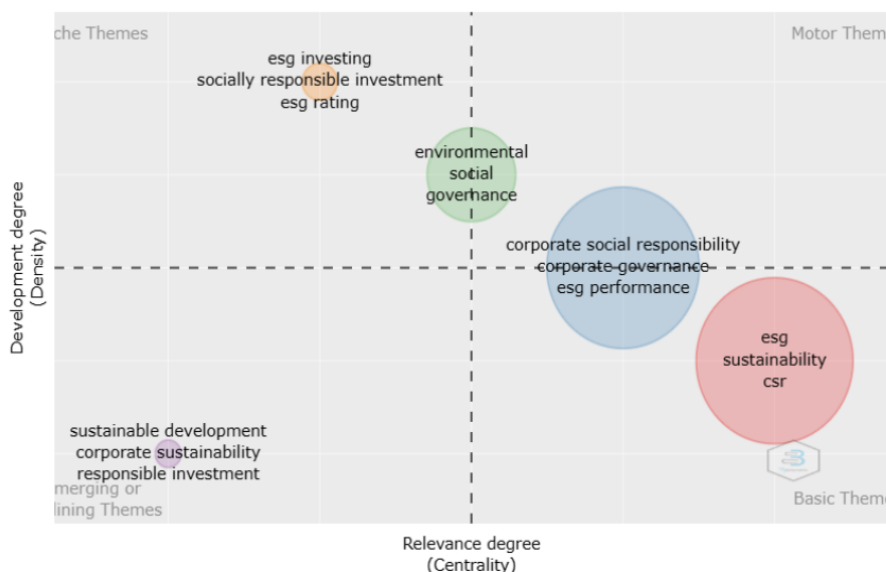


Figure 3: Thematic map of ESG's evaluation of social responsibility

3.3 Governance Dimension

Governance aspect of ESG deals with the accountability of leadership, management ethical practices, and transparency of the institution. Governance systems are necessary to make sure that sustainability programs are carried out in a responsible manner and in accordance with the ethical norms. Government systems direct decisions, encourage good leadership and adherence to governing systems. Ethical leadership is very important in integrating the principles of sustainability in the governance systems and the organizational strategies. Organizations can boost transparency, enhance accountability, and responsible management practice to achieve long-term sustainability objectives by strengthening governance structures (De Silva Lokuwaduge et al., 2022).

The major elements of governance in ESG lines include transparency, responsibility, and regulatory adherence. Open governance systems guarantee the stakeholders correct information about the sustainability and the performance of the organization. Accountability mechanisms help the institutions control the sustainability practices and make sure that ethics are preserved. Regulatory compliance also enhances governance systems because it aligns the activities in organizations with the legal and policy requirements. Good governance is hence a source of ethical performance in the ESG frameworks that make sustainability promises be executed in a responsible

manner and in a way that helps to drive larger development goals.

4. ESG Reporting and Sustainability

4.1 Importance of ESG Reporting

ESG reporting is now a huge tool of promoting transparency and accountability in the sustainability practices. By providing information to the stakeholders through systematically revealed environmental, social, and governance activities, organizations can inform them about its sustainability strategies and its operations and impacts. This type of reporting allows the stakeholders to assess the extent of incorporation of sustainability aspects in making decisions and development plans. ESG disclosures also enable institutions to show responsible methods of running their operations as they align their activities with the wider sustainability goals. With the process of sustainability issues increasingly defining the global governance and financial structures, the application of ESG reporting is becoming a significant tool in enhancing transparency and accountability in the process of sustainable development programs (Junaedi, 2024).

Sustainability reporting also helps in the systematic reporting on sustainability performance on the environmental, social, and governance aspects. These reports enable companies to report on their achievements in meeting their sustainability goals like environmental

protection, social responsibility and governance reforms. ESG reporting empowers the stakeholders to assess the performance of the institutions and compare sustainability activities across sectors and regions, through the provision of measurable information on sustainability initiatives. Sustainability-themed disclosures thus improve the capacity of investors and policymakers in evaluating sustainability risks and opportunities as well as enabling them make informed decisions on the strategies to adopt on responsible investment and long-term development (Gherghina, 2024).

4.2 Reporting Frameworks and Transparency

The success of the ESG reporting systems has enhanced the comparability and consistency of sustainability reporting.

Standardized reporting guidelines offers companies with systematic methods of reporting information on the environment, social and governance. These frameworks put in place indicators and reporting systems that allow the stakeholders to perform better in assessing sustainability performance. By using systematic reporting procedures, organizations are able to express sustainability commitments and at the same time disclosures are made using the established reporting principles. The use of systematic reporting frameworks is a contributing factor towards the enhancement of transparency and enhancing the credibility of the sustainability-related information released by organizations, as shown in Figure 4 (Reporting stages of ESG to enhance transparency and credibility) (Ilori et al., 2023).



Figure 4: Reporting stages of ESG to enhance transparency and credibility.

Sustainability disclosures should be credible to assure that reporting of ESG can be used effectively to promote transparency and accountability. Trustworthy reporting systems enable the interested parties to determine the sustainability commitments and whether the organizations are truly adopting responsible governance practices. In the absence of plausible disclosure systems, sustainability reporting might not be consistent and accurate as a measure of the real sustainability performance. Therefore, the creation of strong reporting principles and auditing controls is essential to enhance the quality of ESG reporting and build trust among the stakeholders who use sustainability reporting to make decisions (Kandpal et al., 2024).

4.3 Influence on Stakeholder Decision-Making

ESG reporting is a valuable tool that affects the stakeholder decision making by offering the sustainability information that would help in making the responsible investment and

governance decisions. Investors are progressively using ESG information to make financial analysis to assess environmental risks, governance practices, and social performance. Clear sustainability reports enable investors to target organizations that have sustainable management and long-term sustainability policy. ESG reporting can promote more informed decision-making in investments, as well as promote practices that are oriented towards sustainable development practices by enhancing the accessibility of sustainability information (Ismail and Latiff, 2019).

5. Benefits of ESG Reporting

ESG reporting also helps in maximizing organizational credibility and reputation, since it shows that the organization is committed to responsible environmental, social and governance practices. Sustainability initiatives should be publicly announced so that organizations can inform the stakeholders about their ethical practices and

actions that are responsible towards them. This kind of transparency is an increase in legitimacy and contributes to a favorable image, especially in sectors with a high level of observability of the environmental and social consequences of work. Through public reporting of the ESG practices, the organisations will send strong signals to their commitment to sustainable development and responsible governance. These reports enhance the perception of people and build trust in the minds of stakeholders, who demand organizations to conduct their practices in an environmentally and socially responsible way (Khamisu et al., 2024).

The other significant advantage of ESG reporting is that it increases stakeholder confidence. Sustainability disclosures continue to become more important to investors, regulators, and communities to assess practices of responsible organizations. ESG reporting presents a well-organized data about environmental management, social projects, and governance systems that can assist the stakeholders to estimate risks and opportunities. Availability of credible ESG reports builds trust and facilitates more informed decision making by the investors and stakeholders. By reporting sustainability performance on a regular basis, the stakeholders feel that the organizations are more accountable and responsible, and this enhances investor confidence and the long-term relationships between the organizations and their stakeholders (Kumar & Firoz, 2022).

ESG reporting also helps in the formulation of long-term sustainability plans as it helps organizations to incorporate sustainability issues into their operations and other decision-making mechanisms. Organized sustainability reporting enables organizations to assess the environmental performance, social initiatives relating to social engagement, and governance systems in a better manner. This assessment process enables institutions to understand sustainability issues and make strategic solutions that

enable the long-term growth aspirations. Incorporating ESG reporting within the strategic management framework can thus assist organizations in aligning the sustainability efforts with the centralization of innovation, positive changes in the environmental performance, and the creation of value in the long term (Khanchel et al., 2023). The other advantage of ESG reporting is that it aids in better environmental performance evaluation and monitoring of sustainability. ESG models urge organizations to monitor environmental performance variables including emissions, energy use, and resource use to assess environmental performance more precisely. ESG reporting helps organizations to measure the sustainability indicators and enhance sustainability management practices by creating measurable indicators of sustainability. This methodical assessment of environmental performance is helpful in more successful sustainability planning and in the responsible environmental governance in the development arrangements (Meiden & Silaban, 2023).

Lastly, ESG reporting enhances ethical governance behaviour which stimulates transparency, accountability, as well as responsible leadership. The governance mechanisms correlating to ESG frameworks help in making ethical decisions and provide an effective implementation and monitoring of sustainability promises. Institutional integrity is enhanced by integrating ESG principles into the system of governance and responsible management practices are encouraged to be embraced by organizations. It is also in the disclosures of ESG that there is compliance with sustainability and enhancement of monitoring of the environmental and social initiatives (Table 1). Such governance arrangements eventually result in enhanced accountability as well as enhancing ethical management in the systems of sustainability-focused development (Lehner and Harrer, 2019).

Table 1. Key Benefits of ESG Reporting

Benefit of ESG Reporting	Description	Supporting References
Credibility	Improves reputation through sustainability disclosure.	Khamisu et al. (2024)
Stakeholder trust	Supports informed stakeholder decisions.	Kumar & Firoz (2022)
Sustainability strategy	Integrates sustainability into planning.	Khanchel et al. (2023)

Environmental monitoring	Tracks environmental performance indicators.	Meiden & Silaban (2023)
Ethical governance	Strengthens transparency and accountability.	Lehner & Harrer (2019)

6. Challenges and Limitations of ESG Reporting

6.1 Greenwashing and Symbolic Sustainability

Greenwashing, when an organization lies or inflates its sustainability promises, is one of the most popular issues linked to ESG reporting. In other instances, sustainability reporting puts a lot of focus on positive environmental or social activities and ignores negative effects or operational failures. These symbolic sustainability practices might give an illusion of responsible actions that do not imply actual environmental or social changes. This misrepresentation reduces the confidence of stakeholders and destroys the credibility of ESG reporting systems. With the growth of the ESG disclosures as an instrument of enhancing the image and reputation of the organization, the threat of greenwashing intensifies, prompting the questions regarding the genuineness of the reported sustainability promises (Ngwa et al., 2025).

6.2 ESG Fatigue and Compliance Challenges

The implementation of ESG reporting in organizations can be met with a lot of pressure especially when there are rising regulatory demands, stakeholder requirements, and the intricate reporting requirements. Such pressures may have the effect of causing what is often referred to as ESG fatigue where institutions are finding it difficult to respond to many sustainability requirements and disclosure systems. The administrative and financial loads that may be encountered by organizations because of the process of gathering sustainability information, addressing emerging requirements in reporting rules, and dealing with stakeholder demands may be significant. Consequently, other institutions can opt to consider ESG reporting as a requirement, as opposed to a strategy that will result in sustainable practices, and this can diminish the power of ESG frameworks when it comes to fostering meaningful sustainability practices (Mohammad & Wasiuzzaman, 2021).

6.3 Box-Ticking Approach to ESG

The other weakness of ESG reporting is the advent of a box-ticking strategy, whereby organizations are concerned with meeting the reporting conditions, and not making meaningful sustainability changes. When this happens, ESG reporting turns into a ritualized process of ensuring that disclosures are made according to the stipulations

without any reference being made to the underlying environmental or social issues. This form of woundness may lead to a breach between what is reported in sustainability commitment and what happens in the organization. When ESG reporting is approached as an obligation and not as a sustainability strategy instrument, it might not have an impact to initiate a real change in ethics or to engage responsible governance practices in institutions (Neri, 2021).

6.4 Measurement and Standardization Issues

One of the significant issues with ESG reporting is concerned with the inconsistency of ESG indicators and the absence of measurement systems. The various reporting patterns, rating practices and sustainability measures tend to create different assessments to the sustainability performance of organizations and regions. Such discrepancies complicate the comparisons of ESG performance and the trustworthiness of sustainability reporting by the stakeholders. There are no globally recognized reporting standards thus provide difficulties with the assessment of the sustainability results and how reported ESG practices are relevant to the work of organizations and responsible governance practices (Mooneepen et al., 2022).

There are also great challenges of measuring ethical performance in ESG frameworks. Ethical conduct, governance practices are usually complicated and in most cases they are not easily measurable on a set of standardized indicators. As much as ESG disclosures strive to understand the element of ethical governance and social responsibility, the metrics availed might not capture all the ethical aspect of organizational activities. Poor management of the ESG factors may thus compromise the performances of the sustainability and restrict the efficiency of reporting systems in ensuring responsible development (Table 2). These measurement issues underscore the necessity of the enhanced evaluation frameworks that can be used to better reflect the moral aspects of sustainability practices (Oprean-Stan et al., 2020).

Table 2. Key Challenges and Limitations of ESG Reporting

Challenge	Description	Supporting References
Greenwashing	Misleading or exaggerated sustainability claims.	Ngwa et al. (2025)
ESG fatigue	Burden from complex reporting and compliance requirements.	Mohammad & Wasiuzzama (2021)
Box-ticking reporting	Focus on disclosure compliance rather than real change.	Neri (2021)
Inconsistent ESG metrics	Different standards hinder performance comparison.	Mooneepen et al. (2022)
Measuring ethics	Ethical performance difficult to quantify.	Oprean-Stan et al. (2020)

7. Case Illustrations of ESG Challenges

7.1 Volkswagen Emissions Scandal

The Volkswagen emissions crisis is a big case of environmental malpractices and organizational mal-governance by organizations that publicly declare their commitment to sustainability. The company was found to have installed a software that would be used to alter the outcome of the emission tests so that the vehicles could pass their tests even at a condition where they emit much more pollutants when they are subjected to normal driving. The case showed that there were fundamental flaws in the environmental control and corporate governance mechanisms. Although it publicly reported its environmental commitments, the incident showed that sustainability reports are not necessarily a good indicator of what is taking place in operations. These failures underscore the need to have a more robust ESG monitoring and reporting to guarantee transparency and responsible environmental governance (Sadiq et al., 2023).

7.2 Rana Plaza Disaster

The Rana Plaza disaster in Bangladesh brought to light the huge lapses in social responsibility and labor governance in global supply chains. One of the disasters that led to the death of more than a thousand workers in a garment factory at the Rana Plaza building in 2013 attracted the attention of the whole world to the reality of dangerous working conditions and loosely organized regulatory control in the manufacturing plants that serve international brands. The tragedy also revealed significant shortcomings in sustainability monitoring systems that did not detect bad labor conditions. This case underlined the necessity of more powerful ESG structures that could enhance social responsibility, work safety, and protection of labor rights throughout the world production chains (Shaikh, 2022).

7.3 Sustainability Communication Challenges

The other challenge in ESG practices is associated with the concept of sustainability communication and the relationship between sustainability branding and the real performance in the environment or social performance. There are cases in which organizations demonstrate the sustainability performance in terms of marketing campaigns but disclose less or selectively on sustainability performance. This disconnect between communication and operational practices can lower the level of confidence held by the stakeholders and increase doubts concerning the validity of sustainability efforts. Enhancement of transparency in ESG reports entails the establishment of sound data systems and the use of uniform reporting systems. ESG performance assessment and enhanced reporting tools can be reinforced by the application of the life-cycle sustainability assessment and enhance the validity of sustainability disclosure (Padilla-Rivera et al., 2025).

Efforts towards increased transparency and accountability in ESG reporting are increasingly moving towards the deployment of technological changes and digital reporting systems. Data analytics and digital monitoring are the Industry 4.0 technologies that allow organizations to monitor sustainability performance more efficiently and increase the accuracy of reporting. The technologies make it easier to gather and certify environmental and social information, diminishing the chances of false sustainability reporting. Technological innovation can therefore be used to strengthen the quality of reporting and facilitate more credible sustainability reporting in the framework of governance (Saxena et al., 2022).

Close links between enhancements in the quality of financial reporting and improvements in governance practices and transparent, reliable ESG reporting also exist. Companies that incorporate effective ESG governance

Environmental, Social, and Governance (ESG) Reporting and Ethical Performance in Sustainable Development. practices are better placed to embrace the use of transparent reporting requirements that increase accountability and lower information asymmetry. Better reporting quality helps the stakeholder to assess the practice of sustainability more precise and builds trust in presented information

(Table 3). Sound governance systems are consequently significant in making sure that ESG reports capture authentic sustainability practicings as opposed to token promises, and provides credible sustainability governance frameworks (Şeker and Sengur, 2021).

Table 3. Case Illustrations of ESG Challenges

Case	ESG Issue	Description	Reference
Volkswagen	Environmental failure	Emission test manipulation.	Sadiq et al. (2023)
Rana Plaza	Social failure	Unsafe labor conditions.	Shaikh (2022)
Sustainability branding	Communication gap	Marketing vs real performance.	Padilla-Rivera et al. (2025)
Digital reporting	Transparency tools	Tech improves ESG data.	Saxena et al. (2022)
Governance systems	Reporting reliability	Governance strengthened disclosures.	Şeker & Sengur (2021)

8. ESG Reporting and Ethical Accountability

There has been a growing importance of the linkage between ESG reporting and ethical performance as organizations are keen on being shown to conduct responsible governance and sustainable practices. ESG reporting gives the stakeholders clear evidence regarding the environmental management, social undertakings and the governance systems which allow the stakeholders to assess the alignment between the organizational activities and the ethical standards. By way of structured disclosures, organizations can communicate how the idea of sustainability is embedded in the operations and strategies of the company. A clear ESG report thus enhances accountability and inspires organizations to follow responsible behavior in solving environmental and social issues. High-quality ESG reporting may also result in a better sustainability performance due to the increased use of ethical decision-making and responsible management practices (Shalhoob and Hussainey, 2022).

The foundations of sustainability rest on ethics since a responsible development entails that organizations are responsible and operate ethically, justly, and accountably. ESG frameworks are known to promote ethical governance frameworks in institutions that promote sustainability processes and performance that ensure that environmental

and social responsibilities are undertaken. The sustainable governance practices are based on ethical leadership, accountability in reporting, and responsible stakeholder engagement. When ethical values are incorporated in the ESG reporting, then chances are that the organizations will be in a better position to align sustainability strategies with long term interests of the society. These ethical pillars enhance the trust of the stakeholders and promote the validity of the sustainability reporting in the global governance systems (Wilburn and Wilburn, 2020).

The inclusion of ethical values in the ESG systems is necessary to make sure that the sustainability reporting is not a mere manifestation of symbolic promises. ESG frameworks offer a mechanism that will make organizations consider the ethical impacts of their actions and decision-making. With the presence of ethical considerations in governance structures, the organizations are more likely to enjoy transparency and accountability in the sustainability practices. Moreover, implementing ethical governance to the ESG reporting may enhance organizational performance through enhancing the relationship between stakeholders and introducing responsible management practices (Table 4). This type of integration allows to control sustainability efforts with ethical considerations and promote more general sustainable development goals (Wasiuzzaman et al., 2023).

Table 4. ESG Reporting and Ethical Accountability

Aspect	Description	Reference
ESG–ethics link	ESG reporting supports ethical accountability.	Shalhoob & Hussainey (2022)
Ethical foundations	Ethics guide sustainable governance.	Wilburn & Wilburn (2020)
Ethical integration	Ethics in ESG improves transparency.	Wasiuzzaman et al. (2023)

9. Future Directions for ESG Reporting in Sustainable Development

Enhancing the quality of transparency and reporting is a significant future trend of ESG reporting systems. Since sustainability disclosures are increasingly being considered by investors and other decision-makers in the governance sphere, an organization should endeavor to make ESG reports reliable and comprehensive. Enhancing the quality of reporting requires following the standard practices of disclosure, increasing the quality of data verification and incorporating digital technologies in reporting which amplify the precision of sustainability data. Clear ESG reporting assists the interested parties to study environmental and social effects in a better manner and diminish chances of false declaration. Enhancing the quality of reporting is thus helping to bring even greater accountability and allowing the credibility of sustainability governance in the framework of development (Yadav et al., 2025).

Another important direction to ensure the development of ESG reporting practices is the strengthening of governance mechanisms. Proper governance mechanisms make sure that the sustainability pledges are incorporated into the company strategies, and they are constantly tracked. Accountability in reporting sustainability can be enhanced through the governance structures like oversight committees, ethical leadership structures and internal monitoring systems. Effective governance systems are also conducive to the realization of the ESG strategies and adherence to the sustainability principles. Empowering the governance systems, organizations can improve the credibility of the sustainability disclosures and foster responsible decision-making that is in line with the long-term sustainable development goals.

Increase in the stakeholder involvement is also needed to improve the sustainability performance and reporting of ESG. Another significant stakeholder in the determination of sustainability expectations and impacting on reporting practice is the external stakeholders like the investors, regulators, and the civil society. The more stakeholders are involved, the more the organizations will be able to grasp the issues of sustainability and integrate these visions into their reporting policies. Active stakeholder involvement also enhances transparency and accountability as it will push the organizations to report about the information that is related to

sustainability. Enhancing cooperation among organizations and stakeholders thus helps to build more inclusive and credible ESG reporting systems that can be helpful in sustainable development (Wong et al., 2023).

Another step to improve sustainability reporting is developing more regular ESG evaluation systems. The discrepancies of ESG metrics, systems, and reporting frameworks frequently cause discrepancies in measuring the performance of sustainability across organizations and countries. Creating more coherent evaluation criteria and standardized reporting principles can enhance sustainability reporting comparability, and enhance the credibility of sustainability evaluations. Regular assessment systems help investors and policymakers to make better sense of sustainability information and aid in improved decision-making. Further evolution of standardized ESG assessment systems will thus be important in enhancing effectiveness of ESG reporting and encouraging responsible development practices.

10. Conclusion

Environmental, Social and Governance reporting has become a very important framework in assessment of sustainability performance in the contemporary system of development, as well as advocating the responsible governance. With the world increasingly concerned about environmental degradation, social inequality, and government failure, the ESG frameworks present organizations with systematic ways of factoring sustainability concerns into their strategies and operations. ESG reporting helps the stakeholders evaluate the effects on the environment, social responsibilities, and governance systems through transparent reporting practices, which helps in increasing accountability and aiding in making more informed decisions. Nevertheless, the review also suggests a number of challenges that limit effectiveness of ESG reporting, among which there are greenwashing, ESG fatigue, inconsistency of reporting standards, and problems in measuring performance in terms of ethics. Such struggles practice is the external stakeholders like the investors, show that ESG reporting systems have to be continuously enhanced so that the disclosures would true sustainability practices had been reflected by symbolic promises. More so, the examples of cases analysed in the current research reveal how the ineffectiveness of environmental regulations, labour responsibility, and sustainability reporting can cost the credibility of the ESG programmes. The improvements in

ESG reporting in the future should be aimed at enhancing transparency, creation of consistent evaluation criteria, and establishment of ethical guidelines in sustainability governance systems. With such issues resolved, ESG reporting will be more useful in enhancing ethical responsibility and sustainable growth in any organization and international governance system

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