

Corporate Responsibility in the ESG Era: Assessing Governance, Ethical Foundations, and Measurement Challenges

*Yeo Xue Ly¹, Tan Seng Teck¹, Lim Swee Geok¹, Sam Toong Hai¹, Eddie Eu¹, Jason See Toh¹, Subrun Veerunjaysingh², Shaurya Prakash³

¹INTI International University, Malaysia

²Educator, M.P.S. Jugdambi, SSS, Mauritius

³Assam down town University, Guwahati, Assam, India

*Corresponding author: Yeo Xue Ly
I26039687@newinti.edu.my

Abstract

Environmental, Social, and Governance (ESG) has emerged as an important framework for evaluating corporate responsibility in modern business environments. This review examines the evolution, benefits, limitations, and ethical foundations of ESG while assessing its effectiveness as a tool for measuring responsible corporate conduct. The study adopts a narrative review approach, synthesizing existing literature on ESG, corporate governance, ethical theory, and sustainability frameworks. It traces the development of ESG from socially responsible investing to its integration into contemporary corporate strategies and its growing alignment with global sustainability agendas such as the United Nations Sustainable Development Goals (SDGs). The analysis highlights that ESG practices can enhance corporate governance, financial stability, risk management, and stakeholder trust while supporting long-term value creation and sustainable business strategies. However, several limitations remain, including inconsistencies in ESG rating methodologies, the risk of symbolic compliance and greenwashing, stakeholder skepticism, and structural constraints within shareholder-oriented economic systems. Ethical perspectives further reveal tensions between profit maximization, stakeholder interests, and broader institutional responsibilities in evaluating corporate conduct. The findings suggest that although ESG provides useful guidance for improving transparency and sustainability practices, it remains an incomplete framework for assessing corporate responsibility. Strengthening regulatory frameworks, improving measurement standardization, and integrating ethical reasoning into corporate governance will be necessary to enhance the credibility and effectiveness of ESG initiatives.

Keywords: ESG, corporate governance, sustainability, corporate responsibility, sustainable development, economic growth

How to cite this article: Ly YX, Teck TS, Geok LS, Hai ST, Eu E, Toh JS, Veerunjaysingh S, Prakash S. Corporate Responsibility in the ESG Era: Assessing Governance, Ethical Foundations, and Measurement Challenges. *Int J Drug Deliv Technol.* 2026;16(17s): 860-869. DOI: 10.25258/ijddt.16.17s.101

1. Introduction

Environmental, Social, and Governance (ESG) is a strategy that has become highly popular in assessing corporate responsibility in contemporary business settings. In the past companies used to measure corporate performance using financial measures that mainly included profitability, market share and shareholder returns. But the growing concern of environmental degradation, social inequality and corporate governance failures have widened expectations of the role that corporations play in the society. The ESG frameworks have been designed to represent such wider aspects of corporate conduct through assessing the manner in which companies are dealing with environmental effects, social relations, and governance infrastructures. Consequently, ESG has been a growing focal point to stakeholders in pursuit of the issue of whether the corporations are acting responsibly in the highly complex global economic systems. The increasing significance of ESG is also directly connected with the changes in the expectations of investors, regulators, and the society. The institutional investors,

especially, have been interested in the increasing incorporation of ESG information in the investment decision making processes. Instead of putting investments in short-term financial performance, investors are putting more emphasis on sustainability risks, and corporate governance quality in evaluating long-term corporate value. According to research, most investors consider the ESG information as a handy resource to determine possible risks, evaluate management practice, and calculate the resilience of firms that function in an unpredictable economic setting in the long run (Amel-Zadeh and Serafeim, 2018; Gazi et al., 2025). As a result, ESG has over time found its way into the financial analysis, portfolio management and corporate reporting practice in the global markets. In addition to interest by investors, ESG practices are also related to enhanced organizational efficiency and operations. Companies that aggressively support ESG in their strategies tend to want to maximize the utilization of resources, minimize adverse effects on the environment, and enhance the process of governance. Such initiatives can promote more effective production

*Author for Correspondence: I26039687@newinti.edu.my

systems, improve the risk management practice, and enhance organizational accountability. The empirical studies have proposed that firms with ESG-oriented policies can see an increase in the efficiency of their production, which points to the possibility of economic gains of sustainability-oriented management practices (Arsenopoulou et al., 2025). These results have strengthened the view that ESG may not only be relevant to ethical corporate action, but also long term business sustainability. Regardless of these perceived benefits, the idea of corporate responsibility in ESGs is controversial. The critics state that the corporate responsibility initiatives may be at times rather symbolic plans aimed at increasing the legitimacy of the corporations, but not at establishing a radical change of the corporate conduct. In this regard, ESG could be a reputational instrument that will enable companies to appear to be socially responsible even as they maintain operations that will cause environmental or social damage. Skeptical approaches to corporate social responsibility point to the fact that sustainability projects are not incompatible with the larger economic systems which continue to support inequality, environmental destruction, and power dynamics in the international market (Banerjee, 2008). All these issues bring the valid concerns whether ESG frameworks really encourage ethical corporate practices or merely re-brand the modes through which corporations handle their image.

The other major issue is associated with measuring ESG performance indicators and their dependability. Multiple agencies produce ESG ratings that have a different methodology, data source, and evaluation criteria. Consequently, the same corporation can be rated highly different in terms of ESG scores based on the system applied. This inconsistency has been found to be a significant drawback of ESG assessment since inconsistent ratings diminish transparency as well as the making of investment decisions. Research into ESG rating has shown that there is significant variation between rating providers implying that the existing measurement systems might not perform well in providing uniform ratings of corporate sustainability performance (Berg et al., 2022). These contradictions contradict the argument that ESG can be effectively used as a universally valuable indicator of corporate responsibility. Besides the problems of measurement, the ethical issues also influence the discussion that considers the role of ESG in corporate responsibility. Other frameworks of ethics like utilitarianism consider moral actions on the basis of their implications on the general welfare and the common good. In this view, ethically justifiable corporate tasks that create positive social and environmental impacts may be justified provided that they help to produce the greater good in the society (Bentham, 1996). Nevertheless, the implementation of these ethical principles to the corporate environment is still complicated, especially regarding such global economies that are marked by the constant inequality and unequal resource distribution. According to the evidence of global economic studies,

income and wealth inequalities are only increasing in most parts of the world, which is a structural issue that cannot be addressed by individual corporate sustainability actions (Chancel et al., 2022).

With these trends, there has arisen a constant debate on whether ESG can actually be a wholesome and sound indicator of corporate responsibility. Although ESG frameworks have become influential concepts in financial markets and corporate governance activities, there are questions about the conceptual underpinnings of ESG frameworks, as well as, the reliability of their measurement and ethical considerations. Thus, this paper sets out to review ESG as a model of corporate responsibility by considering its possible advantages, main constraints, and the ethical assumptions behind it. The study, through this analysis, aims to add to the further comprehension of the role ESG plays in the development of the modern discussions on sustainable business practices and corporate responsibility.

2. Evolution of ESG and Its Role in Corporate Responsibility

2.1 Historical Development of ESG

The ESG is a concept that was developed out of the previous activities of socially responsible investing (SRI), which included ethical and moral issues and financial gains. The early SRI practices had a major theme of exclusion on the investment in businesses that we could not trust like tobacco, weaponry, or casino (dos Santos et al., 2025). These ethical investment practices eventually developed into more comprehensive models that evaluated corporate conduct to the environmental protection standards, social responsibility and the governance principles. This shift was a sign of the increasing awareness that corporate sustainability and ethical behavior might have an impact on financial performance over time. Accordingly, ESG became an organized method, which incorporates sustainability issues into the analysis of investments and corporate governance (Delmas & Burbano, 2011).

2.2 ESG in Contemporary Business Practices

In modern business practices, ESG has increasingly gained relevance in both corporations, institutional investors, and other global organizations as a tool of assessing sustainable corporate action. The business organizations are increasingly incorporating the ESG principles into their business operations in an attempt to enhance transparency and accountability to stakeholders. Simultaneously, regulatory bodies/ financial markets have advocated ESG reporting models that have enhanced standardised disclosure of information related to sustainability. Nevertheless, along with its increasing popularity, ESG evaluation systems have received criticism, namely, inconsistencies in the measurement, and its inability to reflect the real corporate malpractices outside of the official measurements. The discussed concerns demonstrate the importance of approaching ESG indicators with caution

when measuring corporate responsibility (Fiaschi et al., 2020).

2.3 ESG as a Tool for Sustainable Business Strategy

ESG has also emerging as a strategic instrument that allows firms to harmonize the business processes with sustainability goals and business value creation in the long term. Through integrating ESG in corporate planning and in managing risks, organizations would be able to resolve environmental issues, social demands, and governance risks in a more efficient way (de Hoyos

Guevara and Dib, 2022). The integrated reporting frameworks promote companies to report both financial and sustainability information, which show how responsible actions will lead to long-term performance. However, the increased focus on the topic of ESG reporting has also created an issue of greenwashing where companies can overstate or cherry pick sustainability successes to enhance their reputation. These issues point out the possibilities and constraints which come with the ESG-based corporate strategies (Eccles and Krzus, 2010).



Figure 1. Evolution of ESG and Its Role in Corporate Responsibility

Figure 1 shows how Environmental, Social, and Governance (ESG) evolved since the dawn of socially responsible investing and how it has been applied in the modern business environment and as a strategy to sustainability. It notes the shift in the incorporation of ESG within corporations, toward sustainability, risk, integrated reporting and newly emerged issues of greenwashing.

3. Benefits of ESG in Corporate Governance and Business Performance

3.1 Financial Performance and Long-Term Value Creation

ESG activities have been closely connected with the increase of financial performance and corporate value over time. Companies that educate ESG principles tend to grow better governance structures, environmental accountable management, and socially sustainable processes that may have some positive effects in fiscal stability. Empirical studies on thousands of studies have shown a positive relationship between ESG performance and corporate financial performance, which is largely positive, indicating that sustainability-oriented firms can have improved profitability and long-term performances

on the market (Friede et al., 2015). Despite the fact that the traditional economic thinking focuses on maximal profit as the major aim of business, there are increasing signs that the consideration of ESG can facilitate the creation of sustainable values in the long run (Friedman, 1970).

3.2 Risk Management and Corporate Resilience

The other significant benefit of the ESG adoption is that it can assist in risk determination and corporate resilience. The ESG frameworks enable the organizations to track environmental exposure, governance loopholes, and societal issues, which may jeopardize the continuity of business. Early awareness of these risks enables companies to come up with solutions, which will reduce any legal, regulatory or reputational losses that could come up. Research indicates that responsible corporate conduct can be a kind of reputational insurance, which can ensure the companies reduce the adverse effects in the times of crisis and secure the value of shareholders in the situations when some unforeseen forces appear (Godfrey et al., 2009). ESG integration can be used to improve organizational resilience in a growing uncertain regulatory and

environmental surrounding through proactive sustainability and governance reforms.

3.3 Reputation, Market Access, and Stakeholder Trust

The use of ESG can also enhance corporate reputation and relations with stakeholders. The stakeholder theory reiterates that companies should take into account the interests of various parties such as employees, communities, investors, and regulators as opposed to just concentrating on the interests of shareholders (Freeman and Reed, 1983). ESG initiatives help the companies to show that they are responsible to these

various stakeholders by responding to environmental concerns, social responsibilities, and transparency in governance (Table 1). Consequently, firms that are well managed in their ESG can become more investor-confident and find it easier to access capital markets. Moreover, a high-quality ESG integration will increase brand value and trust among the population, which will result in sustainable corporate development and more robust relationships between stakeholders in the long term (Gao et al., 2024).

Table 1. Summary of ESG Benefits in Corporate Governance and Business Performance

Subsection	Key Point	Reference
Financial Performance	ESG improves financial performance.	Friede et al. (2015)
Financial Performance	Profit vs ESG debate.	Friedman (1970)
Risk Management	ESG supports risk management.	Godfrey et al. (2009)
Reputation & Stakeholders	ESG strengthens stakeholder trust.	Freeman & Reed (1983)
Reputation & Stakeholders	ESG enhances investor confidence.	Gao et al. (2024)

4. Measurement Challenges and Limitations of ESG

4.1 Divergence in ESG Ratings and Methodologies

The lack of consistency in the ratings agencies and methods of measurement is one of the key obstacles in measuring ESG performance. Various ESG rating agencies have different data sources, weighting systems, and evaluation criteria, and this may result in vastly different ratings of a specific company (IFRS Foundation, 2021). Lack of universally recognized standards complicates attempts by investors and stakeholders to make the correct interpretation of ESG scores. Despite the efforts of the international initiatives to implement more uniform reporting systems and disclosure standards, the differences in the methods of measurement are still a troubling issue. These discrepancies can decrease the quality of ESG rating and make investment decisions difficult, depending on sustainability performance indicators (GRI, 2021).

4.2 Symbolic Compliance and Greenwashing

The other weakness of ESG frameworks is that businesses may find themselves using sustainability disclosures as a means of improving the reputation, and not to change the organization. Companies can make sound ESG statements in reports and the reality of the operational practices is identical. This is commonly termed as symbolic compliance whereby the organizations publicly accept policies or sustainability programs without recording any significant results to the environment or social results. Studies of high empirical quality have demonstrated that there are often a lot of gaps in terms of discrepancies between policy on corporate responsibility and its actual implications. This kind of disconnection between articulated promises and reality undermines the integrity of ESG frameworks as plausible predictors of corporate responsibility and is a concern on the issue of greenwashing (Graafland and Smid, 2019).

4.3 Green Fatigue and Stakeholder Skepticism

The growth of the ESG reporting and sustainability communication has also created skepticism among the stakeholders. With businesses issuing comprehensive sustainability reports and showcasing their ESG success efforts, some stakeholders doubt these efforts are more of a show of sincerity or a tactic to manage their reputation (Hamzah et al., 2026). This increased lack of trust can be referred to as green fatigue, as it is about the trustworthiness and openness of what corporates claim to be their sustainability. The sustainability initiatives with an emphasis on authenticity, transparency, and accountability in the context of corporate governance are highlighted in the ethical discussions. ESG reporting can lose credibility without any significant verification and regular upholding, as well as undermine the confidence of stakeholders on the corporate sustainability promises.

4.4 Structural Constraints of ESG within Capitalist Systems

In addition to the measurement and reporting issues, ESG systems also have structural constraints in larger economic systems. Shareholders-oriented models of corporate governance are now extremely strong in most market economies and put more emphasis on profit maximization and financial returns. In these systems, there is the likelihood that sustainability efforts will be limited by the need to sustain profitability and competitiveness in the short term. Theorists who study neoliberal economic forms claim that market-driven forms of governance tend to restrict the capacity of the voluntary corporate action to function to mitigate inequalities in society and the economy, which lie deeper. Therefore, the ESG can enhance transparency and corporate practice but can hardly address systemic issues inherent in modern capitalist economies (Harvey, 2005).

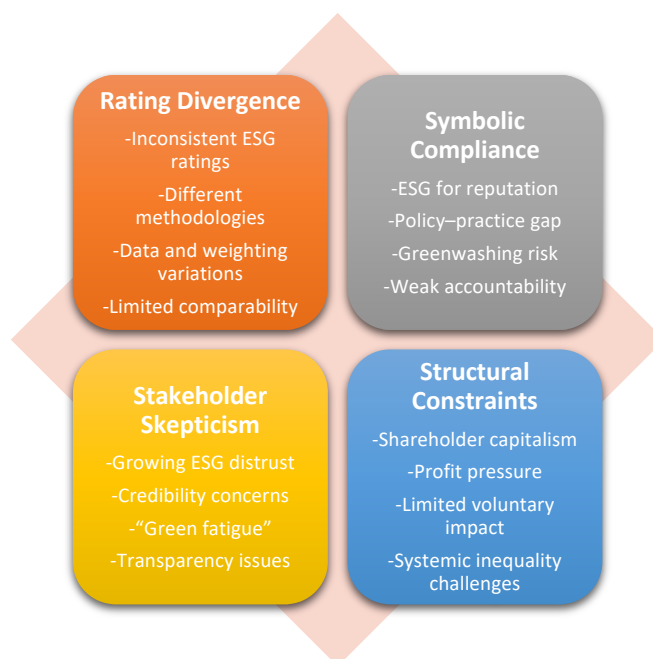


Figure 2. Measurement Challenges and Limitations of ESG Evaluation

Figure 2 recaps the most important limitations to ESG evaluation. It outlines four key problems, namely: inconsistency in ESG scores, symbolic compliance and greenwashing behaviors, an increasing lack of trust in sustainability assertions by stakeholders, and institutional limits in shareholder-centered economic frameworks. Combined, these reasons undermine the reliability, credibility and effectiveness of ESG as a whole performance of corporate responsibility.

5. Ethical Foundations of Corporate Responsibility in the ESG Framework

5.1 Kantian Ethics and Corporate Moral Duty

Kant ethics underlines the concept of moral duty and the will of actions instead of their consequences. In this sense, acting in a way that is consistent with the general moral principles and respecting other individuals as ends on their own is an ethical behavior. Using the Kantian ethical reasoning style of corporate responsibility, the reason why organizations ought to strive to be sustainable and ethically governed is not because it is strategically and reputatively sound, rather, it is because it is morally right to do so to society and the environment. The modern ESG reporting frameworks are further trying to institutionalize these duties by promoting transparency and accountability in the sustainability reporting. The frameworks emphasize the significance of moral obligations in the business behavior that is not linked to solely financial aspects (IFRS Foundation, 2023).

5.2 Utilitarian Perspectives on ESG Outcomes

Utilitarian theory of ethics is a theory that determines right or wrong actions by their outcome on the welfare of the whole society and good. Under the ESG approach, utilitarianism justifies corporate practices that add value to environmental conservation, social well-being, as

well as responsible governance. By emitting less and less, improving labor conditions, or increasing transparency in governance, a company can create benefits which may expand past the shareholders to larger communities and ecosystems. The world sustainability reports note that the role of corporations in combating environmental problems on a large scale (climate change) is important (IPCC, 2023). Nevertheless, outcome-based evaluation could be ineffective because it might fail to acknowledge the motivations and ethical intentions of corporate activities, which can make it difficult to use moral judgment to evaluate ESG initiatives.

5.3 Shareholder Primacy and Friedman’s Perspective

Another theory that collides with the debate of ESG is the traditional theory of shareholder primacy that states that the main role of corporations is to maximize shareholder value. This view has shaped the way corporate governance has been practiced over the decades, and still forms the main point of debate on whether ESG initiatives can go hand in hand with business models oriented towards profits. Researchers have explored the compatibility or incompatibility of stakeholder-based interests in the corporate strategy and value maximization principles. Although there is a thought that ESG practices can lead to creation of long term value, other thoughts argue that too much focus on social goals would weaken corporate focus on financial performance. These arguments bring to the fore the underlying tensions between shareholder-centered and stakeholder-oriented models (Jensen, 2002).

5.4 Justice and Institutional Ethics: Rawls and MacIntyre

Alongside the individual corporate actions, the ethical discourse is now taking more and more note of the

contribution of institutions to the formation of responsible economic systems. Those frameworks that would be called justice hold that fairness and equality should rely not just on voluntary corporate efforts but also on efficient regulatory frameworks and social institutions (Jankalová and Jankal, 2017). Corporate responsibility approaches thus emphasize on governance systems that promote accountability, transparency and ethical practices within the markets. It is generally

believed that institutional structures, such as changing systems of sustainability reporting and governance standards that are required to enhance responsible business practices (Table 2). According to these institutional lenses, corporate responsibility can only be assessed in the context of larger-scale ethical frameworks than using ESG indicators (Kandpal et al., 2024).

Table 2. Ethical Foundations of Corporate Responsibility in the ESG Framework

Subsection	Ethical Perspective	Key Insight	Supporting Reference
Kantian Ethics	Moral duty	ESG reflects corporate ethical obligations.	IFRS Foundation (2023)
Utilitarian Perspective	Outcome-based ethics	ESG promotes collective social welfare.	IPCC (2023)
Shareholder Primacy	Profit maximization	Tension between ESG and shareholder value.	Jensen (2002)
Institutional Justice	Institutional ethics	Governance structures shape responsible conduct.	Jankalová & Jankal (2017); Kandpal et al. (2024)

6. Governance, Regulation, and Institutional Responsibility

6.1 The Role of Regulatory Frameworks in ESG Implementation

The increased significance of ESG has stimulated the creation of a new regulatory framework that aims to enhance transparency and accountability in the business sustainability practices. There is a growing trend in the encouragement of disclosure standards by governments and other international organizations that mandate companies to disclose environmental, social and governance risks. Another reason that drives these frameworks is that it is recognized that sustainability problems, especially climate-related dangers, can profoundly impact attracting financial requirements and choices in the long term. The concern of institutional investors on climate risks and sustainability disclosures have been rising with a push towards more regulation and disclosure. Consequently, regulatory frameworks are the key to corporate responsibility and enhancing the attractiveness of ESG reporting systems (Krueger et al., 2020).

6.2 Corporate Governance and Ethical Leadership

The concept of corporate governance and leadership practices is very essential in the operationalization of ESG principles in organizations. Good governance systems enhance transparency, accountability and good decision making such that any sustainability promise becomes part of the corporate strategy (Kant, 1993). Ethical leadership is especially significant in shaping organizations to a responsible practice that integrates

financial goals with those of the population at large. Ethically, ethical leadership is a manifestation of the idea that an organization must operate based on its duties and responsibilities other than focusing on goals, which are purely instrumental. Moral duty philosophies also support the need to act on the basis of principles of morality that take into consideration the interests of larger society which can guide the policy of sustainability-minded companies (MacIntyre, 1981).

6.3 Institutional Responsibility in Promoting Sustainable Business

Ensuring sustainable business involves cooperation between business entities, governments and regulators (Mayer, 2021). The institutional settings affect the reaction of organizations to the demands of sustainability and reforms in governance. Economic systems with competing institutional logics can influence corporate action as companies strike a balance between market and social requirements. Here, the institutional settings assist in leading the responsible corporate behaviour by setting standards, rules, and governance norms. Researchers have also highlighted the need to redefine corporate purpose in such a manner that an organization does not just serve the interests of shareholders and investors, but also extend its services to the overall societal welfare. Institutional mechanisms and governance reforms are thus imperative to the development and promotion of responsible and sustainable business practices (Marquis and Lounsbury, 2007).

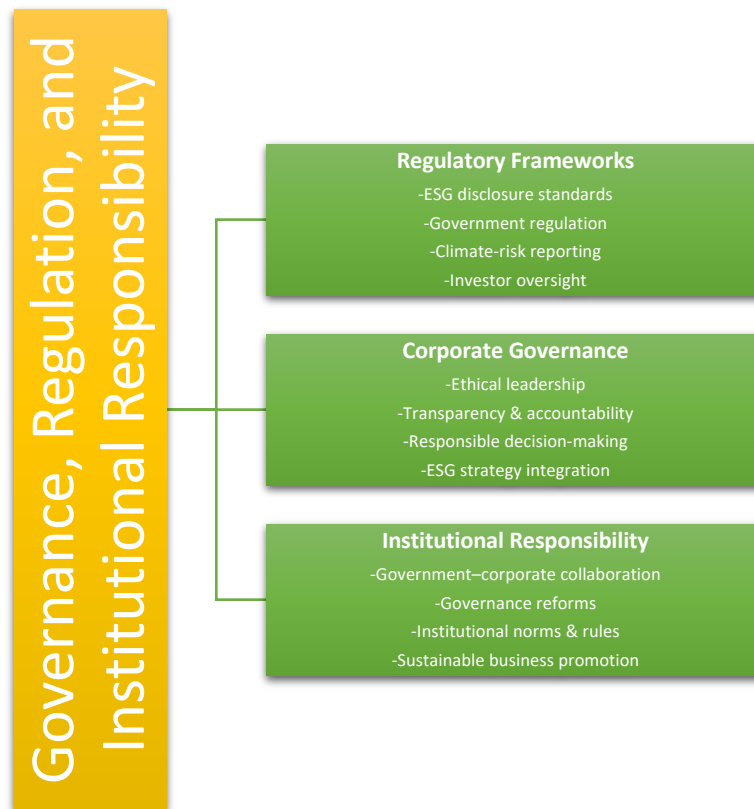


Figure 3. Governance, Regulation, and Institutional Responsibility in ESG Implementation

Figure 3 demonstrates the governance framework facilitating the use of ESG. It brings out three important elements: regulatory frameworks where the disclosure standards and oversight are set, corporate governance where ethical leadership and accountability are the focus, and institutional responsibility whereby governments and organizational collaboration are involved. These mechanisms render greater strength to transparency, regulatory compliance and sustainable corporate practices.

7. ESG and the United Nations Sustainable Development Goals (SDGs)

7.1 Alignment Between ESG Practices and Global Sustainability Objectives

ESG programs are rapidly being considered as ways in which companies can become part of global sustainability programs such as the United Nations Sustainable Development Goals (SDGs). Corporates can enhance sustainability by ensuring the process of environmental protection, social responsibility, and transparency of governance are embedded into the corporate operations and ensure economic performance (Raworth, 2017). Empirical studies reveal that ESG adoption can also have a positive effect in driving firm performance due to responsible management practices and the long-term strategic planning. In this aspect, ESG frameworks offer businesses with the tools that make the business practices integrate with the global sustainability priorities as well as environmental and social issues (Nguyen et al., 2022).

7.2 Limitations of ESG in Achieving Structural Sustainability Goals

Although there is an increasing alignment between ESG programs and sustainability objectives, there are still major constraints in the implementation of corporate pledges into a meaningful change to the society. Critics also believe that ESG reporting can be rather symbolic, not substantive environmental or social change (Montgomery et al., 2024). Specifically, the continuation of greenwashing has cast doubts concerning the plausibility of sustainability claims by corporations. Greenwashing literature reviews indicate that companies are likely to selectively report good environmental news and cover up bad activities so as to create false images about sustainability performance. These practices indicate the disparity between corporate sustainability reporting and the reality on the ground in environmental or social performance.

7.3 Toward Integrated Governance for Sustainable Development

To have sustainable development being realized in a meaningful way, it is necessary to have stronger institutional frameworks that go beyond voluntary corporate programs. There should be good governance mechanisms that can make ESG practices reflect on the wider societal objectives and regulatory requirements. Law and compliance systems are becoming significant in ensuring that the corporate sustainability promises are converted into quantifiable delivery (Rawls, 1971).

Meanwhile, the view of justice focuses on the idea that sustainable development requires reasonable institutional solutions and well-established economic systems (Table 3). The inclusion of ESG into larger segments of governance structures can thus contribute to

the equitable and sustainable economic growth, as well as foster cooperation between corporations, governments, and international agencies (Pollman, 2019).

Table 3. ESG and the United Nations Sustainable Development Goals (SDGs)

Subsection	Key Focus	Key Insight	Supporting Reference
Alignment with SDGs	ESG and sustainability goals	ESG supports global sustainability objectives.	Raworth (2017)
ESG and Firm Performance	Strategic sustainability	ESG promotes responsible corporate practices.	Nguyen et al. (2022)
Limitations of ESG	Greenwashing risks	ESG reporting may lack real impact.	Montgomery et al. (2024)
Integrated Governance	Institutional frameworks	Governance is vital for sustainable development.	Rawls (1971)
Compliance and Accountability	Legal oversight	Regulation strengthens ESG accountability.	Pollman (2019)

8. Future Directions for ESG and Corporate Responsibility

8.1 Improving ESG Measurement and Standardization

The next stage in the ESG implementation will rely heavily on the enhancement of measurement systems and a higher level of standardization among rating agencies. The existing ESG measures are likely to be inconsistent because of the differences in methodologies, data collection, disclosure that may confuse the investors and stakeholders (UN Global Compact, 2004). Enhancing the standardized reporting frameworks and enhancing clarity in the disclosures on sustainability can allow reduction in the rating divergence and increase comparability across firms. Nevertheless, research also indicates that even in formal reporting systems selective implementation of disclosure processes can still occur, which underscores the need to have more robust verification systems. These issues will be critical to develop more stable ESG assessment systems (Roszkowska-Menkes et al., 2024).

8.2 Strengthening Regulatory and Institutional Frameworks

ESG initiatives are becoming more effective with the creation of regulatory and institutional structures. Regulation institutions and government policies are very important in ensuring that sustainability commitments are converted into believable corporate behaviors. Introduction of increased legal requirements on ESG disclosure can improve accountability and stop topical sustainability reporting. Concurrently, the systems of global economic governance should be able to help in tackling wider structural issues that condition the behaviour of corporations. Researchers believe that modern capitalist regimes may impose forces that can limit the success of voluntary sustainability efforts such that regulatory controls and institutional change become necessary in encouraging corporate responsibility (Streeck, 2014).

8.3 Integrating Ethical Considerations into Corporate Governance

The approaches to ESG in the future should also entail more profound ethical elements into corporate governance systems. The ethical decision making would have organizations putting into consideration the social implications of their actions as opposed to its financial implications. The credibility of the corporate sustainability initiatives can be reinforced by leadership models on responsibility, fairness, and long-term well-being of the society. The common good is a topic of ethical debate that implies that corporations must engage or be involved in contributing to the interests of the society as a whole and not just in the need to gain competitive advantage. The need to incorporate ethical thinking in ESG governance can thus be used to assist organizations to outgrow closed financial materiality and promote the concept of a more socially responsible corporate leadership (Sandel, 2020).

8.4 Aligning ESG with Broader Sustainability Goals

The other important trend in ESG in the future would be reinforcing its connection to other global sustainability agendas like the United Nations Sustainable Development Goals (SDGs) (World Bank, 2023). Corporations are progressively becoming relevant in tackling global environmental and social problems such as poverty reduction, mitigation of climate change as well as inclusive economic growth. Nevertheless, researchers point out that the involvement of the private-sector should go beyond the business as usual strategies and revert to strategies that are transformative and enable sustainable development. It is possible to increase the collaboration among governments, corporations, and international institutions to make sure that ESG initiatives can play a positive role in long-term sustainability and mutual prosperity (Scheyvens et al., 2016).

9. Conclusion

The concept of ESG has gained significance as a tool of assessing the corporate responsibility in modern business. As highlighted in this review, ESG has played a significant role in the development of corporate governance in an attempt to make organizations integrate environmental protection, social responsibility, and ethical governance in their strategic decision making. The trend of corporates, investors, and regulatory bodies adopting ESG frameworks is a sign that more and more people are appreciating the fact that the success of companies in the long term is not only pegged on financial performance but also on responsible approaches to dealing with environmental and social issues. The scope of benefits potential of ESG practices has been demonstrated in the areas of financial stability, risk management, corporate reputation, and stakeholder engagement making it even clearer that it is applicable in the context of contemporary corporate governance systems. Moreover, in shareholder-oriented economic systems, structural barriers could constrain the ability of voluntary corporate projects to tack the systemic social and environmental inequalities. There is also ethical analysis that holds that the corporate responsibility should be evaluated in the context of extended moral and institutional views. Therefore, even though ESG frameworks offer useful principles of enhancing transparency and sustainability practices, they are an imperfect tool of corporate responsibility assessment. Enhancement of governance systems, regulations and effective leadership will be necessary hence in terms of ensuring that ESG adds value to sustainable and equitable economic growth.

References

- Amel-Zadeh, A. & Serafeim, G. (2018). 'Why and how investors use ESG information: evidence from a global survey', *Financial Analysts Journal*, 74(3), pp. 87–103. <https://doi.org/10.2469/faj.v74.n3.2>
- Arsenopoulou, M., Nerantzidis, M., Lazarides, T. G. & Tsifora, E. (2025). 'The impact of ESG practices on firms' production efficiency: a nonparametric frontier analysis', *Society and Business Review*, 20(4), pp. 721–741. <https://doi.org/10.1108/SBR-07-2024-0250>
- Banerjee, S. B. (2008). 'Corporate social responsibility: the good, the bad and the ugly', *Critical Sociology*, 34(1), pp. 51–79. <https://doi.org/10.1177/0896920507084623>
- Bentham, J. (1996). *An introduction to the principles of morals and legislation*. Clarendon Press. (Original work published 1789)
- Berg, F., Kölbl, J. F. and Rigobon, R. (2022). 'Aggregate confusion: the divergence of ESG ratings', *Review of Finance*, 26(6), pp. 1315–1344. <https://doi.org/10.1093/rof/rfac033>
- Chancel, L., Piketty, T., Saez, E., & Zucman, G. (2022). *World inequality report 2022*. World Inequality Lab. <https://wir2022.wid.world/>
- de Hoyos Guevara, A. J., & Dib, V. C. (2022). ESG principles, challenges and opportunities. *Journal on Innovation and Sustainability RISUS*, 13(4), 18–31.
- Delmas, M. A. and Burbano, V. C. (2011). 'The drivers of greenwashing', *California Management Review*, 54(1), pp. 64–87. <https://doi.org/10.1525/cmr.2011.54.1.64>
- dos Santos, A. C., Ravedutti, M. M., Marinello, R. M., Moraes, G. F., Moraes, R. N., & Denes-Santos, D. (2025). Is ESG the new corporate social responsibility? A comprehensive literature review. *Revista de Gestão Social e Ambiental*, 19(3), 1-26.
- Eccles, R. G., & Krzus, M. P. (2010). *One report: Integrated reporting for a sustainable strategy*. Wiley.
- Fiaschi, D., Giuliani, E., Nieri, F. & Salvati, N. (2020). 'How bad is your company? Measuring corporate wrongdoing beyond the magic of ESG metrics', *Business Horizons*, 63(3), pp. 287–299. <https://doi.org/10.1016/j.bushor.2019.09.00>
- Freeman, R. E., & Reed, D. L. (1983). Stockholders and stakeholders: A new perspective on corporate governance. *California Management Review*, 25(3), 88–106. <https://doi.org/10.2307/41165018>
- Friede, G., Busch, T. & Bassen, A. (2015). 'ESG and financial performance: aggregated evidence from more than 2000 empirical studies'. *Journal of Sustainable Finance & Investment*, 5(4), pp.210–233. <https://doi.org/10.1080/20430795.2015.1118917>
- Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*.
- Gao, H., Tan, S. T. & Nellikunnel, S. (2024). Navigating the complexities of ESG integration: challenges, opportunities and path to sustainable corporate development. *Journal of Business and Social Sciences*. <https://iuojs.intimal.edu.my/index.php/jobss/article/view/639>
- Godfrey, P. C., Merrill, C. B. & Hansen, J. M. (2009). 'The relationship between corporate social responsibility and shareholder value: an empirical test of the risk management hypothesis', *Strategic Management Journal*, 30(4), pp. 425–445. <https://doi.org/10.1002/smj.750>
- Gazi, M. A. I., Al Masud, A., Emon, M., Ibrahim, M., & bin S Senathirajah, A. R. (2025). The triadic relationship between green HRM, innovation, and pro-environmental behaviour: a study of their interactions and impacts on employee productivity and organizational sustainability. *Environmental Research Communications*, 7(1), 015016. DOI 10.1088/2515-7620/ada676
- Graafland, J., & Smid, H. (2019). Decoupling among CSR policies, programs, and impacts: An empirical study. *Business & Society*, 58(2), 231–267. <https://doi.org/10.1177/0007650316675440>

19. GRI. (2021). GRI universal standards 2021. Global Reporting Initiative. <https://www.globalreporting.org/standards/>
20. Hamzah, Z. L., Sulaiman, N. A., & Ismail, M. M. (2026). Ethical Dimensions, Corporate Social Responsibility, Environment, Social, Governance and Sustainability. In *Concepts of Corporate Governance and Public Governance: Building Identity, Brand, Image and Reputation in the Digital Era* (pp. 199-221). Singapore: Springer Nature Singapore.
21. Harvey, D. (2005). A brief history of neoliberalism. Oxford University Press.
22. IFRS Foundation. (2021). IFRS Foundation announces International Sustainability Standards Board at COP26. IFRS Foundation. <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb/>
23. IFRS Foundation. (2023). IFRS S1 general requirements for disclosure of sustainability-related financial information and IFRS S2 climate-related disclosures. IFRS Foundation. <https://www.ifrs.org/issued-standards/ifrs-sustainability-disclosure-standards/>
24. IPCC. (2023). Climate change 2023: Synthesis report. Contribution of working groups I, II and III to the sixth assessment report of the Intergovernmental Panel on Climate Change. Intergovernmental Panel on Climate Change. <https://doi.org/10.59327/IPCC/AR6-9789291691647>
25. Jankalová, M., & Jankal, R. (2017). The assessment of corporate social responsibility: approaches analysis. *Entrepreneurship and Sustainability Issues*, 4(4), 441-459.
26. Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12(2), 235–256. <https://doi.org/10.2307/3857812>
27. Kandpal, V., Jaswal, A., Santibanez Gonzalez, E. D., & Agarwal, N. (2024). Corporate social responsibility (CSR) and ESG reporting: Redefining business in the twenty-first century. In *Sustainable energy transition: Circular economy and sustainable financing for environmental, social and governance (ESG) practices* (pp. 239-272). Cham: Springer Nature Switzerland.
28. Kant, I. (1993). Grounding for the metaphysics of morals (J. W. Ellington, Trans.). Hackett. (Original work published 1785)
29. Krueger, P., Sautner, Z. & Starks, L. T. (2020). 'The importance of climate risks for institutional investors', *Review of Financial Studies*, 33(3), pp. 1067–1111. <https://doi.org/10.1093/rfs/hhz137>
30. MacIntyre, A. (1981). After virtue: A study in moral theory. University of Notre Dame Press.
31. Marquis, C., & Lounsbury, M. (2007). Vive la résistance: Competing logics and the consolidation of U.S. community banking. *Academy of Management Journal*, 50(4), 799–820. <https://doi.org/10.5465/amj.2007.26279172>
32. Mayer, C. (2021). The future of the corporation and the economics of purpose. *Journal of Management Studies*, 58(3), 887–901. <https://doi.org/10.1111/joms.12660>
33. Montgomery, A. W., Lyon, T. P. & Barg, J. (2024). 'No end in sight? A greenwash review and research agenda', *Organization and Environment*, 37(2), pp. 245–273. <https://doi.org/10.1177/10860266231168905>
34. Nguyen, D.T., Hoang, T. G. & Tran, H. G. (2022). 'Help or hurt? The impact of ESG on firm performance in S&P 500 non-financial firms', *Australasian Accounting, Business and Finance Journal*, 16(2), pp. 91–102. <https://doi.org/10.14453/aabfj.v16i2.7>
35. Pollman, E. (2019). Corporate social responsibility, ESG, and compliance. *Forthcoming, Cambridge Handbook of Compliance* (D. Daniel Sokol & Benjamin van Rooij eds.), *Loyola Law School, Los Angeles Legal Studies Research Paper*, (2019-35).
36. Rawls, J. (1971). A theory of justice. Harvard University Press.
37. Raworth, K. (2017). Doughnut economics: Seven ways to think like a 21st-century economist. Chelsea Green Publishing.
38. Roszkowska-Menkes, M., Aluchna, M. & Kamiński, B. (2024). 'True transparency or mere decoupling? The study of selective disclosure in sustainability reporting', *Critical Perspectives on Accounting*, 98, p. 102700. doi: 10.1016/j.cpa.2023.102700
39. Sandel, M. J. (2020). The tyranny of merit: What's become of the common good? Farrar, Straus and Giroux.
40. Scheyvens, R., Banks, G., & Hughes, E. (2016). The private sector and the SDGs: The need to move beyond 'business as usual.' *Sustainable Development*, 24(6), 371–382. <https://doi.org/10.1002/sd.1623>
41. Streeck, W. (2014). Buying time: The delayed crisis of democratic capitalism. Verso.
42. UN Global Compact. (2004). Who cares wins: Connecting financial markets to a changing world. United Nations Global Compact. <https://www.unglobalcompact.org/library/145>
43. World Bank. (2023). Poverty and shared prosperity 2022: Correcting course. World Bank. <https://doi.org/10.1596/978-1-4648-1893-6>