

From CSR to ESG: Evolving Frameworks for Ethical Governance and Environmental Accountability in Multinational Enterprises

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Mohamed H. Abdelazim 

College of Business Administration, University of Sharjah, UAE

E-mail : mabdelazim@sharjah.ac.ae

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Abstract

This paper investigates the shift from Corporate Social Responsibility (CSR) to ESG (environmental, social, and governance) frameworks with a focus on their importance in the ethical oversight and environmental responsibility of international corporations. With global investors becoming more sensitive to systemic environmental and governance issues, traditional CSR models have relied upon are obsolete in favor of more integrated and measurable ESG standards. This paper analyzes the evolution corporate governance should undergo to shift from compliance and reputation wash to include safe systems, eco-dependences, human rights obligations, and true sustainability. It also emphasizes the gap on credible governance metrics and the dangers of greenwashing when ESG is superficially applied. This study transforms ‘E’ and ‘G’ of ESG from mere operational imperatives into strategic investment requirements arguing that ESG can be used as a transformative framework aimed at long-term resilience, trust among stakeholders, and ethical leadership. The study highlights that real structural accountability combined with real-time environmental accountability for multinational corporations along with symbolic to systemic change defines meaningful integration of ESG principles.

Keywords: ESG (Environmental, Social, Governance), Corporate Social Responsibility (CSR), Ethical Governance, Environmental Accountability, Multinational Enterprises, Greenwashing

1. Introduction

There is growing recognition of the interdependence of environmental and governance challenges internationally. Investors realize that poor governance practices can lead to wider failures, hindering the ability of the corporate sector to account for key factors like climate change and other environmental risks. These factors are integrally connected with societal inequalities and human rights concerns, which are equally fundamental to long-term risk. Considering the public sector’s limitations in addressing such disparities, these climate and other environmental crises can ultimately threaten corporate society itself. Therefore, the ways the corporate sector positions itself to manage critical environmental issues, which should be verified and measured by credible and clearly defined governance metrics, characterize the next level of real corporate citizenship. The understanding of ESG (environmental, social and governance) inclusion as horizontal policies at the secondary level

constitutes a fundamental characteristic of this next level. The mapping of transactional climate management, nature-related dependencies and impacts, and social issues must therefore be included. Red flags or alarms can be triggered by anomalies in the understanding of corporate governance, which in ESG terms should include transparency of enterprise systems and subsystems and cognizance of limits (Eijsbouts, 2017).

By broadening the consideration of the ‘E’ and the ‘G,’ governance (internally or organizationally) can be translated into inevitability or ESG neutrality; governance conditions and controls as such are nurtured and enforced in parallel with the interpretation of more transactional or explicit environmental issues. This broadening re-evaluation of the ‘E’ component is vital because the mirror image is visible. The degree of effective integration may generally be less than hoped for, but this would be an unjustified condemnation of ESG requirements as such. Looking at the corporate landscape and analyses of outliers or trouble spots, and vice versa at ESG hotspots or insufficiently recognized risks, it is apparent that governance conditions may not be effectively implemented in practice. Translating governance into, for example, compliance with scoring requirements may even amount to window dressing or greenwashing.

2. Understanding Corporate Social Responsibility CSR

In today’s world, Corporate Social Responsibility (CSR) has become a widely discussed issue. In this context, CSR can broadly define how corporations can behave ethically and contribute to the development of the economy and society at large. It invites corporations to take a long-term view, while responsible conduct whom a corporation does business with is equally important as has been recognized by the UN Global Compact Initiative. Yet the proper application of CSR still needs to be realized. Various organizations from academics to governmental institutions need to participate in establishing the CSR framework in common (Bhanu Murthy, 2007)..

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large. CSR has been used in a wide variety of meanings in business and management. Usually, it refers to actions on the part of business that further some social good, but which are also seen as going beyond the immediate economic interest of the firm.

In the broad sense, CSR is about business giving back to society. CSR can broadly define how corporations can behave ethically and contribute to the development of the economy and society at large. The concept of social responsibility is based on changing notions of human welfare and emphasizes a growing concern with the social dimension of business activity that has to do with improving the quality of life in local and national communities (Eijsbouts, 2017). The interdisciplinary nature of the issue brings in a variety of opposing views. Some of them are anti-corporate and anti-globalization whereas others are individually oriented and in favor of globalization. From a realist perspective, businesses are not conventional actors, but collective entities. Others see the matter from a market economy perspective that corporations exist for a profit and thus CSR should not be considered.

2.1. Historical Context of Corporate Social Responsibility

From the early 1960s until the early 1980s, discussions about business ethics focused on the problem of the social responsibility of business. More than twenty major articles, books and prescriptive position papers appeared. By the mid-1980s the topic of business ethics had broadened and deepened appreciably. New attention was given to artificial intelligence, moral reasoning and the nature of moral character. Much of the previous discussion of ethical issues already covered by investigations in morals and political philosophy (concerning issues of public policy, gender and race discrimination, political activity, among others) was assimilated into the new literature on business ethics (Bhanu Murthy, 2007)..

Thus, in discussions of distributive justice and/or welfare economics relevance to both public policy and mutual agreements in business were examined. From the late 1980s until January 1997, practically all major firms wrote Codes of Conduct, reflecting the long effort in private industry and academic business ethics. The stockholder view of the firm in its fully received considerable attention. A dozen exercises in self-regulation, auditing, benchmarking and assessing have also appeared.

In the mid-1990s a dozen major corporations formally developed Codes of Conduct intended as a specific statement about what is acceptable and unacceptable behavior, and the responsibilities of the firm and its employees within the context of mutual consent contracts with its several stakeholders (Eijsbouts, 2017). Figure 1 shows the evolution of business ethics and corporate social responsibility.

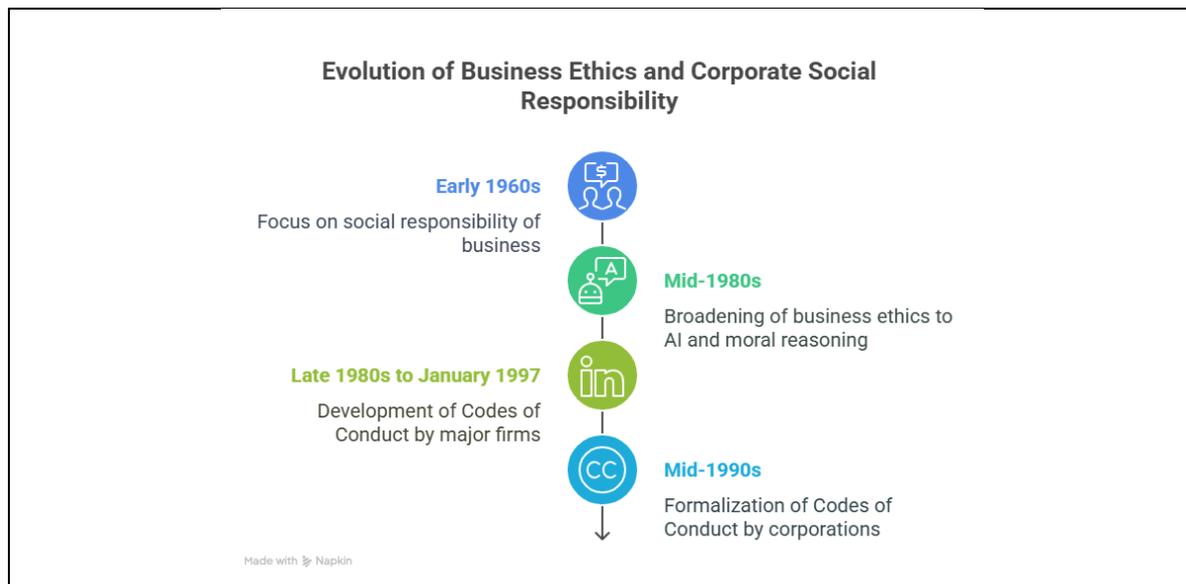


Figure 1: Evolution of Business Ethics and Corporate Social Responsibility

On the fiduciary responsibilities of the firm and its executives, arguments were examined closely with the conclusion that there is no general fiduciary duty on the part of the corporation on consumers, employees or other stakeholders to consider employee welfare, consumer welfare, etc. There was an unprecedented transfer of institutional power from the

nation state to business entities under the rubrics of globalization, deregulation and privatization, but also an adamant recovery of the nation state to take back some powers lost in previously governing the economy and broader social interests in the 1970s and 1980s. (Mahoney, 2023).

2.2. Key Principles of Corporate Social Responsibility

Corporate governance failure at the century's start triggered in-depth debates on governance standards in general, and code of best practices, in particular (Eijsbouts, 2017). The immediate aftermath of the 2008 financial crisis brought legal instruments to the spotlight of code discussions, as became evident with the report of the High-level Expert Group on reforming the structure of the EU banking sector and the Green Paper on the long-term financing of the European economy issued by the European Commission. Increasing evidence of climate change and the subprime crisis fed calls to expand the board agenda of listed firms from the essentially lethargic GPG-practice to include E-attributed issues, giving way to the so-called corporate social responsibility (CSR) debate at the European level. (El Kezazy & Hilmi, 2023).

Two approaches to CSR coexist but are not neatly isolated. The US approach is in line with the original thesis of Milton Friedman. Issues are seen as non-financial, to be addressed as philanthropy if society wishes to see firms get engaged. The European continental approach follows the converse view. Issues are seen as financial, to be addressed within the boardroom, not least under the threat of corporate liability. Clear sets of principles, rules, code-like provisions and recommendations on corporate governance issues co-exist at the supranational levels. National law, listing requirements and indices and domestic codes, designed according to businesslike 'one size fits all' and 'proportionality' principles, tend to implement those standards at the domestic levels. Hard law issues nevertheless remain hotly debated, presenting a 'no-block' situation at the ledger of Europe, including its Parliament and Commission. (Poff, 2023).

Globalization has grown to become one of the Great Ideas of Europe, far wider than fences vanishing. Over decades, bureaucrats and diplomats crafted treaties to govern international trade and finance, relationally a free trade area on a hitherto unseen scale. For globally realized opportunities are diffusion of risk and growth. Societal expectations nevertheless have changed since antiquity, as have the laws governing firm behavior. Well-managed firms seek to create wealth not only for shareholders but also for stakeholders. Corporate managers comply with societal and legal expectations. Those aside, legitimately expected norms, standards and rules of conduct exist, often not explicitly articulated or legally enforced. If that is the case, institutions are crafted, according to the hypothesis of 'institutional entrepreneurship'. (Hess, 2025).

2.3. CSR in Multinational Enterprises

The concept of Corporate Social Responsibility (CSR) emerged in the second half of the 20th century and has now gained a firm place in both the academic discourse and in the practical world. CSR has developed as a broad, interdisciplinary, and pluralistic concept but with a tilt towards a foremost normative and prescriptive nature. At first, CSR mainly referred

to the involvement of business with societal issues in relation to the question whether corporations have responsibilities beyond financial profit-making. It primarily originated from concerns of representatives of society, such as politicians, social scientists, and journalists (Eijsbouts, 2017).

Companies are seen as potentially having a huge impact on people and on society and as profit-maximizing economic actors. Therefore, companies are expected, or held, to be accountable for their actions toward society at large, with or without social expectation of that accountability, and to have responsibilities reflective of that social expectation. A CSR framework for corporate conduct is requested and the development of such a framework about governance, operational conduct, and external action is outlined. As a result, fundamental insights from the General Public Accountancy (GPA) framework could be transferred to and employed in conceptualizing CSR governance in the MPAGM framework. (Singh & Misra, 2021).

3. The Emergence of ESG

More than 20 years ago, the Global Reporting Initiative (GRI) produced the first sustainability reporting guidelines. Since then, various standards and principles have been developed to allow non-financial information to be reported in a consistent and comparable manner. The earliest set of principles on social and environmental accountability—Social Accountability (SA) 8000—was ratified in 1997. Attention to transparency on non-financials has grown dramatically in the past decade. A survey carried out by the Global Initiative for Sustainability Ratings (GISR) in 2014 indicated that there had been more than 130 sustainability rating initiatives globally. The recently released Global Sustainability Reporting Guidelines is the outcome of nearly two years' work involving multiple stakeholders collected through a collaborative process. Among its recommendations were calls for the establishment of a Singapore International Roundtable on “Setting Standards for the Sustainability Report” (Park, Choi, & Jung, 2022).

While existing frameworks are built on a corporate social responsibility (CSR) platform, there is a growing interest in developing ESG standards worldwide. Seen as an alternative to CSR, ESG is not constrained by the blurred and diffuse boundary of CSR. Its formulation has been propelled by debates over broader social responsibilities of capital markets, a growing recognition that non-financial information is critical for investments, and ongoing environmental challenges, ultimately culminating in the growing salience of environmentally responsible, social enterprises, and governance accountable businesses at the global level (Xia et al., 2023).

As with CSR, interest in ESG is growing globally and transnationally. The UN high-level expert group on net-zero commitments by non-state entities notes, “While companies have adopted net-zero commitments at an unprecedented pace, very few have a credible net-zero plan backed by targets, resources, and regulations”—the missing climate governance—the government-led transparency framework mandated by laws will also fill the ESG governance gap. Acknowledging the importance of mandated ESG disclosures, the US, EU

and the UN are keen to regulate non-financials.

3.1. Defining Environmental, Social, and Governance ESG

In the last three decades, there has been an increasing recognition of environmental and social issues that transcend traditional boundaries, both geographically and temporally, leading to a multitude of inquiries regarding corporate governance. These issues include, but are not limited to, climate change, loss of biodiversity, social inequality, child labor practices, and corruption. The urgency of addressing these challenges has been amplified by significant crises, such as the global financial crisis of 2008 and the COVID-19 pandemic, which have stimulated a reassessment of how multinational enterprises (MNEs) are regulated. This has given rise to debates about the concepts of "too big to fail" and "too big to govern," as well as the appropriateness of imposing extraterritorial jurisdiction on these entities. In light of these considerations, various ethical frameworks have begun to crystallize. Notably, a new standard regarding corporate social responsibility (CSR) has emerged, asserting that MNEs have a duty to respect human rights, labor rights, and environmental standards, irrespective of the jurisdiction in which they operate. On a global scale, the CSR paradigm has progressed from an initial phase of voluntary self-regulation represented by business codes in the 1990s to a framework that prioritizes accountability, remediation, and enforcement, as delineated in the UN Guiding Principles on Business and Human Rights (UNGPs) introduced in 2011. (Park, Choi, & Jung, 2022).

More recently, critiques of the CSR paradigm call into question its efficacy. Although legally ambiguous "extraterritorial" frameworks have emerged to govern human rights abuses and the environment across jurisdictions, they do not cohere with the G20-level expectations in the above-referenced instruments. These critiques posit that entire systems of corporate governance are modeled on neoclassical economics. Such ontologies portray firms as economic actors, members of a larger shareholder model where objective-value targets take precedence (Xia, Sun, Cai, & Zeng, 2023). The advice of finance scholars and practitioners to corporate modern states is to "maximize value." In this framing, ethics or some imposition of virtues or norms that disrupt the pursuit of profit, are anathema to shareholders and markets and hence invariably subverted.

More recently, the UN's 2030 Agenda for Sustainable Development and the Paris Agreement have sought to coalesce the disparate strands of ethical governance through a new metric—"sustainability." Although federal and multilateral governmental organizations remain heavily criticized for their roles in sustaining systemic inequalities and environmental degradation, initiatives have proliferated at the international level establishing measurement systems, training centers, advocates, bonds/reward regimes, and ratings/agencies. In this context, firms have turned to "Environmental, Social & Governance"—the metric of sustainability in investment markets—as the language of governance compliance. (Gutiérrez-Ponce, Chamizo-González, & Arimany-Serrat, 2022).

3.2. Differences Between CSR and ESG

Corporate Social Responsibility (CSR) is an important concept for corporations wanting to be more ethically accountable to their stakeholders in both business and governance

decisions (Xia, Sun, Cai, & Zeng, 2023). CSR is a model of self-regulation, one that a corporation would voluntarily adopt and publicly report. While CSR is effective at locally managing immediate concerns, it nonetheless cannot alone guarantee or properly assess the wide-scale accountability of multinational enterprises (MNEs). In a globally connected market of commerce where concerns as well as competitors transcend borders, continued local development of CSR frameworks fosters regulatory arbitrage.

The word environmentally calls to mind matters that are material in nature, inextricably inherent to the land and property that govern it. Once again enter the MNEs who deal with systems that are irrecoverable once destroyed. An ancient verification list for cultural property cared for by states is ‘the delight of mankind’, still provided by the 1954 Hague Convention; thus, MNEs today face the ethical dilemma of whether or not to destroy these properties of the country for profit. Surely such behavior is akin to pitiless slaughter and is thus immoral in intention despite exporting legal profit from the tendered labor. The written justification of ‘the country’s sake’ is more a paper defense conjured by imagined benefit than any truth; thus, sensitive consideration is in demand with regards to ‘local property’. (Shen, Zhang, Zhang, Liu, & Zhao, 2024).

According to Bentham’s principle of utility that what’s ethical is the aggregate pleasure of the masses, it is also questionable inviting revenues to one side while depriving the other in destruction of the very root. Those corporate behaviors would appear greenwash on one hand to tender ethical publicities; ironically to refuse assessments for sustainability of the governance. Founded on the support of environmental ethics, green’ as well as ‘subtlety’ are necessary qualities for judging respective actions despite continuing generations of economic rule without.

4. Risk Management

Risk management has become a universal priority thanks to the climate crisis and the shame from the reinvention of governance and business following criminal behavior between financial entities and companies. Non-financial performance is equally as vital as hard numbers and profits. This background inspired investors and consumers to want more disclosures of Governance, Environmental, and social pressures. The company sector has been pressured to reveal both financial and non-financial performance by governments, non-governmental organizations, and, most recently, consumers and investors (Xia, Sun, Cai, & Zeng, 2023). Multinational enterprises had a few years to modify existing habits in disclosure and communication, and in 2015 there is a long-named document called “The Sustainable Development Goals,” a set of 17 targets that will lead a future of peace, equality, and common prosperity for a corporate and societal vision that if not achieved could jeopardize mankind. ESG pressures are intended to guarantee that these challenges would be adequately addressed, hence steering firms toward a fairer and more honorable stake in society.

CSR is a concrete matter and is very productive for reputation management, backed up with volume experimenting and contributions from public relations, marketing, and accounting (R. Lizarzaburu, 2014). On the other hand, ESG could be very vague and contingent and is grounded on a very early current of ethical thought and philosophy. ESG

overlapping CSR in principles is also a risk. Practically, compliance and risk management, in its traditional approach, would be easy to anchor ESG in a different legislation field, respecting distribution and signaling. CSR possession tied to reputation management could be felt as a theft of ownership.

Governance is generally thought to be the properties of Directors and Controllers, but this ownership does not exist as a meaningful measure for most executives. Stakeholders might have a claim to pecuniary and non-pecuniary benefits but not on governance enforcement. Precedents exist in other fields blocked in monopolistic views discreetly running a risk of compliance issues and questionable behavior. Hence governance is, at least up to now, an in-house and corporate matter. Currently tracks about expecting and criticizing large tech companies suggest that the very early notion of ESG MNEs going out of borders and risk motivations might come true, which could turn into sheer warfare (Strange, 2023).

4.1. Identifying ESG Risks

Environmental, Social, and Governance (ESG) reporting is a keystone in sustainable enterprise development, akin to corporate social responsibility (CSR) and ESG as frameworks for ethical governance. The dynamics of ESG have spurred the proliferation of ESG indices and collaborative initiatives across various domains, prompting a need for ESG report analysis models with evolving capabilities. Existing approaches primarily focus on one spectrum of ESG dimensions, lacking the ability to cross-explore individual dimensions with regard to class differences. This study aims to examine the widespread impacts of ESG on enterprises through a model to map the changing landscape of ESG topics within firms in a global market and explore its relationships with firm-specific and macro context (Xia, Sun, Cai, & Zeng, 2023).

A systematic theoretical framework is prepared to fill methodological gaps in analysis with dynamic capabilities. Existing ESG analytic methods share similar scopes, namely, (1) definition of keywords, (2) mapping identification, and (3) summary of contents with their prescriptive or explicatory powers on ESG. Reports are pre-processed and segmented for analysis. The analysis, based on process-word networks, is categorized and compared by enterprise class. Word networks are then integrated to visualize interactions within and across classes and trend comparison of ESG topics. Indicators are computed to quantify the transference rates of words from one class to another, and cross-class distributions across temporal segments are established to reveal market leaders, followers, and laggards. (Gao, Meng, Gu, Liu, & Farrukh, 2021).

Results reveal new findings in the landscape of emergence, continuity, and decline of ESG topics, and their widespread influences on firm flows and selection. This work thus provides an empirical method for multinational enterprises and fledging firms to benchmark competitors' ESG strategic management. This work also discusses the impact of trends within the ESG domain and CSR to better align ESG with sustainable enterprise development and ethical governance.

4.2. Strategies for Mitigating Risks

Risk mitigation approaches take two forms: proactive strategies to anticipate the

emergence of governance and environmental accountability concerns, and a combination of reactive and pro-active strategies to respond to concerns that have emerged. The first set of strategies include: designing suitable boards and developing oversight mechanisms on ESG issues, especially when a company has business operations that are under scrutiny; empowering ESG Committee of the Board or Revamping the Role of Nomination Committee of the Board, where companies have current governance oversight mechanisms but there is room for upgrading; issuing a Sustainability Code of Conduct to articulate governance safeguards for ESG issues and support supplication of sustainability values; publishing a Truthful Sustainability Report to appease activist stakeholders that have a longer-term commitment to the firm; establishing a strong and effective ESG Management team and focusing resources on hiring and nurturing individuals who can spearhead a firm's proactive engagement with stakeholder concerns. Such risk prevent initiatives would eventually constrain the analytic space and pre-empt emergent environmental accountability concerns, whether these concerns arise organically or are stirred by activist stakeholder actions. (Afifa & Santoso, 2022).

The second set of strategies include: establishing oversight mechanisms on ESG issues, especially when governance is about reputation protection and risk avoidance; empowering the ESG Committee of the Board or revamping the Role of the Nomination Committee of the Board, because these governance practices were already in place but there are large gaps that could be readily exploited and deeply regretted; robust awareness and tacit acceptance of dissent, unintended consequences, scandal, and outrage; a reality check to reflect on reputational thresholds; directing institutional efforts and investments for a cornering effect and sustained low vulnerability; issuing sustainability charter; committing substantial resources to an activist shareholder; and reconstituting the board to amplify corporate inertia and arms-length decision and impersonal rigor (Xia, Sun, Cai, & Zeng, 2023).

The risk mitigation frameworks proposed address how firms in the energy sector could mitigate the risks of corporate sustainability accountability and environmental governance advocacy. A handful of firms had successfully preempted safety violations through corporate governance structures and oversight mechanisms regardless of whether a safety issue had taken social headlines. Most firms, however, endorse a failed mode of governance that fails to anticipate safety violations, and when a concerned group of stakeholder emerges and is profiled in the public arena it is often too late to issue a Truthful Safety Report or a Safety Code of Conduct, symptomatic of corporate modes of governance that compensate threat exposure through operational risk management, process refinement and insurance mechanisms. (Manheim, Martin, Bailey, Samin, & Greutzmacher, 2025).

4.3. Integrating ESG into Corporate Risk Management

As the trend of ESG disclosure matures, companies should begin to assess which ESG issues and stakeholders are significant. We propose a systematic two-phase methodology for ESG materiality analysis. Phase 1 is a portfolio approach that can identify abstract ESG issues across industries and regions. With well-defined ESG issues, Phase 2 is more suitably searching for some tailored ESG issues. Companies can conduct them independently or

sequentially based on resource availability. A practical framework is constructed to extend the applicability of this methodology. (Cruz & Matos, 2023)

Dynamic shifts in ESG materiality and disclosure have attracted attention from the media and academia (Xia, Sun, Cai, & Zeng, 2023). These shifts suggest that firms, industries, regions, and stakeholder groups weigh ESG issues differently. From this perspective, materiality analysis is pivotal as the first step of a strategic approach to ESG disclosure. However, current studies mainly focus on providing a tailored ESG disclosure approach based on well-established ESG issues from prior studies. Other studies develop disclosure content measures to analyze firm and market-level ESG transparency changes. Only a few studies provide systematic methodologies for materiality analyses from industry-wide and stakeholder-oriented perspectives.

Dynamic analyses of ESG disclosure reveal topic shifts at different levels. Materiality analysis needs to distill the abstract ESG issues that companies can apply for industry-level or stakeholder-oriented reporting. Therefore, we propose a systematic two-phase approach to identify ESG materiality based on topic modeling. Phase 1 is conducted at the portfolio level to identify abstract ESG issues that can broadly represent disclosure or concern content across industries or regions. It is suitable for companies in industries with limited ESG expertise. After narrow ESG topics or industries are selected, Phase 2 can address the search for tailored ESG issues concerning regional, industry, or format differences. (Yang & Yang, 2022).

5. Corporate Governance

Corporate governance concerns the structures and processes for decision-making, accountability, control, and behavior at the top of the organizations. It encompasses not only the rules and procedures by which corporations are governed, but also the relationships among a company's management and all stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. Good governance is likely to have a positive effect on the company performance indicators, and companies with good governance features also have superior operating performance (Eijsbouts, 2017).

The traditional view of corporate governance is state-centric, concerning the direct control of the firm by processes encompassing boards, shareholders, creditors, and regulation of various types of contracts, including securities law and banks. Due to the internationalization of corporate conduct and civil society's reactions to perceived governance failures, the mainstream view is reshaping. Important additional actors now include the "world' forum of sovereign states," the global stock exchanges and institutional investors, as well as courts and jurisdiction envisaging the responsibility of companies for some cross-border misbehavior.

As interest in corporate governance widened to in company accountability procedures for CSR, the concept began to embrace systems of rules, practices and processes. In the corporate governance debate, particularly in the Anglo-American perspective, stakeholder theory is articulated in a polarized manner. In practice, however, there need not be a dichotomy. Some stakeholders can and should be considered in issues of corporate

governance. This applies, for instance, to matters of trust with respect to local information about developments in the firm's conduct and performance in corporate social responsibility accounting of a kind that would otherwise not be available to shareholders and other investors. Exemption clauses in financial reporting should be one means of ensuring such disclosure. (Stoelhorst & Vishwanathan, 2024).

5.1. Role of the Board in ESG

A variety of stakeholders can provide input on ESG issues, but multinational enterprises (MNEs) must develop appropriate governance systems and structures, particularly at the board level, where accountability to shareholders and wider stakeholder groups is established. Multi-layered approaches are needed, both to identify relevant stakeholders and to facilitate communication with them. The G20/OECD Principles note that corporate governance frameworks should be consistent with applicable international, national, and sectoral frameworks and consider the interests of international standards-setting bodies. MNEs will need to adopt guidance frameworks such as the OECD Guidelines for Multinational Enterprises, ensuring that an appropriate governance framework is in place for tackling the full range of salient ESG issues. They will also need to set up a framework for communicating to stakeholders and reporting on actions taken, while ensuring that the governance arrangements are subject to audit and that vested interests cannot limit exposure to what are regarded as the most serious ESG issues or avoiding reputational fallout arising from failure to implement international standards (Coulson-Thomas, 2018).

Board oversight of ESG depends on a governance framework that sets out the relationship between the board, the management team, shareowners, and wider stakeholder groups. This is often made up of the constitution, company law, sector requirements, and other external rules, for instance, audit or payment systems (and enclosed in it, provisions on stakeholder treatment). The understanding and interpretation of these rules constitute the corporate governance framework and is typically embedded in the culture of the MNE and its adaptation of the home country's frameworks. Initial analyses may be qualitative, examining indeed the degree of adaptation of corporate governance rules, practices, and institutions in foreign countries. To ensure that there is no (or very limited) governance gap, MNEs can take recourse to the parent country's standards or legislation. The latter is much easier to implement, at least in a short timeframe, but might breed resentment among foreign stakeholders (especially where these are more aligned with local practices), hence creating ill that will work against the interests of shareholders. Moreover, board committees that might exist at the MNE level may need to adapt to local traditions and regulations, or new committees may need to be created to meet local requirements. (Câmara, 2022).

5.2. Ethical Leadership and Decision-Making

Leaders influence ethical behavior on both an organizational and personal level. At an organizational level, ethical leaders need to set the tone at the top for employees to comply with ethical guidelines and moral conduct. Personal behavioral ethics and ethics-related tensions surrounding leadership must also be considered, as the personal values of these leaders have the potential to positively or negatively affect decision-making. By adopting a

moral focus and establishing a fair workplace, leaders inspire positive behaviors and discourage negative behaviors. Research has urged the need for scholars to differentiate ethical behavior from social behavior, as social behavior falls short in addressing moral dimensions of decision-making (Tziner & Persoff, 2024).

Ethical decision-making should thus consider how an individual's behavior is perceived by both lower and senior management, as well as the consequences of the violated ethical norms. In addition, the overtly vague guidelines laid out by organizations regarding ethical behaviors need to be studied, as leaders are welcomed to interpret these guidelines based on their own corporate values and personal beliefs. All of these challenges create space for the involvement of individual-environmental interactions that need to be further examined using social-cognitive models of ethical decision-making.

Recent studies have highlighted that organizational ethics programs (OEPs), defined as policy initiatives to reduce unethical conduct in organizations, successfully address behavioral ethics. OEPs often implement communication interventions to promote awareness of the discussion norm that typically inhibits unethical behaviors. In addition, some OEPs mandatorily require the participation of all employees to prevent unethical behaviors that are propagated through employee referral. The implementation of OEPs is often met with either voluntary resistance or scrutiny that challenges ethicality. Further, OEPs may lack evidence of effectiveness regarding changing ethical perceptions and judgments. (Martínez, Skeet, & Sasia, 2021).

5.3. Accountability Mechanisms

Reconciling Lenses on Corporate Accountability Corporate accountability cannot be conceived as a rigid framework that could universally apply to every corporate form in a one-size-fits-all manner. Scholars and practitioners both recognize that corporate accountability needs flexibility in conception and implementation (Yan & Zhang, 2020). This specification renders the development of a one-size-fits-all framework with corresponding formal monitoring and enforcement mechanisms an impossible ideal. However, flexibility should not preclude the development of concrete rules and mechanisms for implementation. In other words, the specificity of context, actors, and norms does not preclude the development of formal monitoring and enforcement mechanisms. Therefore, albeit at a more abstract level, accountability can and should be framed. This framing then allows for specificity of context and implementation (Eijsbouts, 2017).

Corporate accountability should be framed as a triadic relationship among three elements: question, reply, and consequence (or coproduction). This framing serves three purposes: (1) holding actors accountable for the issue at stake requires a better understanding of the fault line of accountability; (2) translating theory into rules for corporate accountability requires effective and feasible division of labor; and (3) as a generic framing this triadic relationship provides enough leeway for specification in terms of context, actors, and norms.

That said, accountability can and should be framed more precisely according to the theoretical specification posited above. This can and should be done by answering four questions: whom to hold accountable, for what issue, through what institution, and with what

consequence? The first question is mainly about normative and legal interpretation: it attempts to specify among the various actors involved in corporate growth and failure, which ones should be legally responsible for corporate accountability. The second question is about specific charge: it tries to delineate the expected outcome that the party holding the corporation accountable deems unsatisfactory and therefore should attract accountability. The third question is about the institution or mechanism that will in its design and practice be responsible for questioning the account-giver, a part of the explanatory chain of accountability. The last question concerns consequences: it explores the implementation of accountability and Law's role in ensuring and prohibiting the escalation of procedures and sanctions. (Issa & Bensalem, 2023).

6. The shift from Corporate Social Responsibility to ESG and its impact on sustainability reporting and stakeholder trust

Over the last two decades, various frameworks have been proposed for integrated performance measures encompassing both non-financial and financial performance. Notable frameworks that have garnered extensive attention include the Integrated Reporting framework, the Natural Capital Protocol, the Sustainability Accounting standard, the Stakeholder Capitalism Metrics, and the DUKAS copy Capital Portfolios. Recent proposals of sustainability disclosures and performance evaluation frameworks include the Task Force for Climate-related Financial Disclosure Standards and the Carbon Disclosure Project standards (Xia, Sun, Cai, & Zeng, 2023). Other prominent global standards include the Economic and Social Council initiative, the International Federation of Accountants, and the UN Global Compact. The widespread emergence of competing frameworks addresses the urgent demand of requesting organizations for better performance measures and reporting practices. However, this explosion of competing frameworks has increasingly caused confusion and discontent among requesting organizations and other corporate stakeholders due to their disconnection and incompatibility in terms of fundamental concepts and principles.

This section outlines the backgrounds and reasons for the emergence of sustainability reporting frameworks, describes their historical evolution, highlights representative frameworks, and analyzes the impacts of the frameworks on stakeholder trust, especially among the requesting organizations. Sustainability governance emerged in the 1970s when few corporations embraced corporate social responsibility (Maliah Sulaiman, 2013). Academic discourse on CSR proliferated rapidly in the 1990s due to heightened corporate scandals, increased activism led by environmental non-governmental organizations, the emergence of the Internet facilitating online activism, and the adoption of voluntary certification schemes alongside the globalization of corporate supply chains. In conjunction with the rising shareholder activism demanding non-financial disclosures, it became apparent that non-financial disclosures were not an end in themselves, but rather tools and means to improve management structures, governance mechanisms, information and performance transparency, and accountability. Such a shift from CSR to corporate sustainability was more than a mere change in label. In the new context, the analytical and evaluation of sustainability governance also shifted from either sole observation of organizations' responses to changing

environmental forces or belief in their CSR communications, to inquiries into questions of ‘how’ organizations embedded sustainability issues into their governance structures and ‘what’ organizations did to put the integration of a good governor into practice. (Wang & Phillips-Fein, 2023).

7. Future Directions

This article articulates the evolution of Corporate Social Responsibility (CSR) to Environmental, Social, and Governance (ESG) as an enhanced holistic framework for ethical corporate governance and environmental accountability of multinational enterprises. The turbulent period in corporate governance following the 2008 Financial Crisis, catalyzed by a slew of corporate scandals, kickstarted a multi-stakeholder debate on corporate failures and deficiencies in the regulatory and oversight mechanisms. Companies became too big to fail, and the moral hazard posed was perhaps the biggest lapse in current corporate governance. As eligibility for systemic immunity grew, the consideration of purpose and accountability limits gave way to the apparent universal imperative of shareholder value maximization. Blinded by greed and short-term profit motives, Directors acted irresponsibly in accordance with flawed incentive structures coerced upon them (Coulson-Thomas, 2018).

The recommendations disclose the need for disciplines beyond mere rules and regulations to limit the discretion of the malefactor. The absence of accountability limits or a gate-keeping safeguard drew the stakeholders’ ire. Vast sums lost by investors, employees, suppliers, and tax authorities gave way to OPED op-eds, mainstream media indignation, social media furors, a whistle-blower rival, and class actions, inter-alia, against the errant companies (Eijsbouts, 2017). In an accidental confluence of corporate mala fide and public anger, the unprecedented gale of mass protests for equitable, sustainable, and fair supply chains hastened the vernalization of a corporate governance paradigm shift in deliberations across business chambers, consulting firms, stock exchanges, civil society groups, etc. Besides ethnicity, gender, income, caste creed, and geography, the new prescriptions encompassed the much broader ambits of climate change, biodiversity, habitat, water, etc.

However, the proliferation of multiple programs, standards, and templates for ESG reporting, disclosure, and evaluation added to the confusion instead of clarity. It also splendidly showcased the inherent contradictions in corporate purpose and the baffling complexity in measure, monitor, and mitigate; consider the perennial tussle between shareholders and stakeholders, or between the cognizable and the intangible, like reputation, regulation, and mutagen. While some corporations send a hundred-page tome on how to squander a hundred dollars abroad, others simply ask the Government to bide with 10000 threats. With unreal bajillion-dollar valuations, global limit beyond reach, ownership diffusing till even founders shrink, 100 episodes of unlimited trials, tribulations, and transformation, it strains credulity to hope for transparent transparency. (Arvidsson & Dumay, 2022).

7.1. The Role of Artificial Intelligence in ESG

Artificial Intelligence (AI) has recently garnered increased interest and concern from various stakeholders regarding its potential negative effects on corporations and the environment (Xu, 2024).

The worries are consistent with a wealth of empirical evidence suggesting that AI is being employed in a manner that is harmful to stakeholders in some well-known cases. Most notably, it has been demonstrated how AI systems harm certain human stakeholders, such as vulnerable consumer groups through price discrimination; local workers in underprivileged cities through the implementation of automated tollbooths, a socioeconomic divide exacerbated by AI black-box systems; and certain stakeholder species through accelerating illegal fishing and logging at the expense of biodiversity. Stakeholders are also worried about how AI affects the environment at large. However, AI has also been hailed as a powerful tool that can be wielded in ways that preserve stakeholder wellbeing and promote conservation. The advantages AI provides corporations include reducing waste and increasing production efficiency in manufacturing. Similarly, it can preserve stakeholders from the loss of personal wellbeing, financial resources, or safety. (Du & Xie, 2021)

AI is behind technological advancement and business growth in several industries ranging from secured banking to autonomous vehicles. Such employment of AI is anticipatorily benign since more people working in the aforementioned lines of businesses translates to broader wealth distribution and higher social productivity. Properly utilized, AI can also assist in fighting climate change and protecting biodiversity. This duality of AI raises pressing questions regarding how best to reap its benefits while forestalling its drawbacks. The myriad pragmatic solutions to such issues often hinge on nascent stakeholder theory frameworks and thus quickly become esoteric. As a first start, gaining a comprehensive understanding of AI's ethical impacts on stakeholders would empower stakeholders to negotiate better utility contracts with AI corporations and wield clearer guidelines for auditing AI. Such an understanding would promote the foundation for ethically employing AI in business applications such as energy efficiency, financial forecasting, and carbon tracking. (Deshpande & Sharp, 2022).

8. Conclusion

The ethical governance and environmental accountability of multinational enterprises (MNEs) come under criticism for the growing scale of human rights and environmental violations in global supply chains. The problems are substantial and systemic in that violation of such soft law is at the root of regulatory capture, pursuance of unaccountable self-interest by corporate actors, violation of rights and laws as a service to corporate clients, aggravation of extreme inequalities in wealth distribution, failure to stabilize essential global systems, disregard for the ontological ambiguity of corporate bodies, lack of external and off-the-shelf means to hold corporate actors accountable for wrongs, and so on. The normative expectations are similarly systemic in that to hold the balance between economic and social goals MNEs cannot focus on self-regulatory actions according to laissez-faire but need to internalize substantive standards, assurance of compliance, oversight by stakeholders across the spectrum of civil society, and accountability for overtures to go public with findings.

Since the early 1990s, with the OECD most prominently in the lead, standards for ethical governance of and environmental accountability by MNEs have evolved from voluntary frameworks with a loose character to ones featuring extensive normative

elaboration, stakeholders in the governance of compliance, and hard institutions for redress including corporate actors' obligations to rectify wrongdoings and systemic powers for global monitoring and enforcement. Several avenues for further research on the current state-of-the-art of ethical governance and environmental accountability of MNEs have been identified. Academic attention for how to improve compliance, monitoring of compliance in global supply chains, performance and impact of policy initiatives following the UNGPs and OECD Guidelines, SCA within the EU and across and beyond Member States, and the conduct and institutional arrangements of EDNA has not kept pace with the historical speed and global depth of unethical conduct of corporate actors (Eijsbouts, 2017).

The paper contributes to a more comprehensive understanding of the current state-of-the-art of ethical governance and environmental accountability by MNEs in global supply chains. It traces and critically discusses the development of predominant CSR and ESG frameworks and explains how in the mid-1990s the UN Global Compact, the OECD Guidelines for the follow-up of Defining the Roles and Responsibilities of the United Nations in the Process of Globalization, the UN Guiding Principles on Business and Human Rights, and the Taskforce on Nature-related Financial Disclosures were adopted in the former context. The CSR frameworks have been described as a potential soft-law regime for the assessment of ethical governance of and environmental accountability by MNEs in global supply chains.

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