Journal of Social Sciences and Management Studies ISSN: 2957-8795
https://doi.org/10.56556/jssms.v3i2.1528

REVIEW ARTICLE

Corporate Environmental Governance for Sustainable Development: Management Strategies, Policy Drivers, and Emerging Research Frontiers

Asif Raihan

Institute of Climate Change, Universiti Kebangsaan Malaysia, Bangi 43600, Selangor, Malaysia

Corresponding Author: Asif Raihan. Email: asifraihan666@gmail.com
Received: 08 July, 2023, Accepted: 15 May, 2024, Published: 30 June, 2024

Abstract

Corporate environmental governance has become increasingly important for addressing environmental challenges and advancing sustainable development. This review critically examines the theoretical foundations, management strategies, policy drivers, implementation challenges, and emerging research directions shaping corporate environmental governance. It synthesizes key perspectives from stakeholder, institutional, legitimacy, agency, and resource-based theories to explain how governance structures influence corporate environmental decision-making and sustainability performance. Particular attention is given to board oversight, environmental management systems, eco-innovation, cleaner production, circular economy practices, sustainable supply chains, and environmental, social, and governance (ESG) integration. The review also explores the influence of international sustainability frameworks, environmental regulations, disclosure standards, and institutional pressures on corporate accountability and environmental performance. Despite growing adoption of sustainability-oriented practices, significant barriers remain, including financial and technological constraints, organizational resistance, regulatory fragmentation, and greenwashing risks. Emerging priorities include artificial intelligence-enabled environmental monitoring, climate-risk governance, biodiversity protection, nature-positive business strategies, environmental justice, and integrated sustainability measurement. The review proposes an integrated perspective linking corporate governance, management practices, institutional frameworks, and sustainable development outcomes. It concludes by identifying research priorities and managerial implications for strengthening transparent, accountable, and effective corporate environmental governance.

Keywords: Corporate environmental governance; Sustainable development; Environmental management; ESG

1. Introduction

Environmental sustainability has become a central concern in contemporary corporate management as businesses increasingly influence natural resource consumption, greenhouse gas emissions, pollution generation, ecosystem degradation, and patterns of economic development. Industrial production, energy consumption, transportation, construction, agriculture, and global supply chains contribute substantially to environmental pressures, making corporations important actors in addressing global sustainability challenges. Consequently, corporate responsibility is increasingly understood not only in terms of financial performance

and regulatory compliance but also through the environmental and social consequences of organizational decisions (Bansal and Roth, 2000; Hart, 1995; Eccles et al., 2014). The concept of sustainable development emphasizes meeting present needs without compromising the ability of future generations to meet their own needs (WCED, 1987). The United Nations Sustainable Development Goals (SDGs) further establish an integrated international framework addressing environmental protection, economic prosperity, and social well-being (United Nations, 2015). Within this framework, businesses have important responsibilities in advancing responsible production and consumption, climate action, clean energy, sustainable industrial development, and ecosystem conservation. Corporate environmental governance therefore represents an important mechanism for translating broader sustainability objectives into organizational policies, investment decisions, operational practices, and measurable environmental outcomes.

Corporate environmental governance can be understood as the structures, processes, responsibilities, and accountability mechanisms through which organizations oversee environmental risks, opportunities, impacts, and sustainability-related decisions. It extends conventional corporate governance by incorporating environmental considerations into board oversight, executive responsibilities, organizational strategy, risk management, stakeholder engagement, and performance evaluation. Effective governance requires environmental issues to be considered throughout the corporate decision-making process rather than being delegated exclusively to environmental compliance departments. Several theoretical perspectives help explain why organizations adopt environmental governance practices and how these practices influence corporate behavior. Stakeholder theory emphasizes the importance of responding to the expectations of investors, employees, customers, regulators, suppliers, and local communities (Freeman, 1984). Institutional theory explains how regulatory requirements, professional norms, and competitive pressures influence organizational environmental practices (DiMaggio and Powell, 1983). Legitimacy theory highlights the importance of maintaining social acceptance through organizational behavior and environmental disclosure (Suchman, 1995), while the resource-based view identifies environmental capabilities and innovation as potential sources of competitive advantage (Hart, 1995).

Empirical research increasingly supports the relevance of corporate governance arrangements for environmental performance. A multilevel review by Karn et al. (2023) identifies the importance of governance actors' motivations, expertise, and power in shaping corporate environmental sustainability. Similarly, Velte (2023), reviewing 124 European empirical studies, identifies board gender diversity and sustainability committees among the organizational characteristics associated with environmental performance and reporting. Evidence from Japanese companies also indicates that board independence, diversity, and environmental management committees are associated with improved environmental performance (Abedin et al., 2023). Despite these developments, the relationship between corporate environmental governance and sustainable development remains complex. The adoption of sustainability policies, environmental certifications, and reporting mechanisms does not automatically guarantee substantial improvements in environmental performance. Organizations may demonstrate extensive disclosure while maintaining environmentally damaging production practices, creating a gap between sustainability commitments and operational outcomes. Research on the relationship between environmental performance and disclosure has identified inconsistencies between reported environmental information and actual performance (Doan and Sassen, 2020). Furthermore, differences in institutional capacity, regulatory enforcement, organizational resources, industrial characteristics, and stakeholder expectations create substantial variation in the effectiveness of environmental governance across countries and sectors. Small and medium-sized enterprises may experience financial and technical constraints that limit their ability to implement sophisticated environmental management systems, whereas

multinational corporations face complex challenges involving geographically dispersed operations and supply chains.

Against this background, this review critically examines the conceptual foundations, corporate management strategies, regulatory frameworks, organizational enablers, implementation barriers, and emerging research priorities associated with corporate environmental governance. It emphasizes the need to move beyond symbolic sustainability commitments toward integrated governance approaches that generate measurable environmental improvements and contribute to sustainable development.

2. Conceptual foundations of corporate environmental governance and sustainable development

Corporate environmental governance represents an extension of conventional corporate governance that integrates environmental responsibilities into organizational oversight, strategic planning, operational management, and accountability systems. Traditional corporate governance primarily focuses on the relationships among shareholders, boards of directors, executives, and other stakeholders. However, contemporary sustainability challenges require governance arrangements to consider the environmental consequences of corporate activities, including resource consumption, emissions, waste generation, ecosystem impacts, and climate-related risks. Corporate environmental governance is closely associated with the broader concept of corporate sustainability, which incorporates environmental, social, and economic considerations into organizational decision-making. Eccles et al. (2014) demonstrate that companies with more developed sustainability policies tend to exhibit distinct organizational processes, including stronger board-level sustainability responsibilities, stakeholder engagement, and nonfinancial measurement practices. Their findings suggest that sustainability integration can influence both organizational structures and long-term business performance.

Several theoretical perspectives provide complementary explanations of these relationships. Stakeholder theory suggests that organizations must consider the interests of groups affected by corporate activities, including employees, customers, suppliers, communities, investors, and environmental organizations (Freeman, 1984). From this perspective, environmental governance becomes an important mechanism for maintaining stakeholder relationships, responding to environmental expectations, and strengthening corporate accountability. Institutional theory explains environmental governance through coercive, normative, and mimetic pressures. Coercive pressures arise from environmental legislation, regulatory requirements, and government enforcement. Normative pressures emerge from professional standards, industry associations, and societal expectations, while mimetic pressures encourage organizations to adopt practices already implemented by successful competitors. Delmas and Toffel (2004) demonstrate how institutional and stakeholder pressures influence organizational environmental management practices.

Legitimacy theory provides another important explanation for corporate environmental behavior. Organizations depend on societal acceptance and may therefore adopt environmental policies and reporting practices to demonstrate conformity with prevailing social expectations (Suchman, 1995). Nevertheless, legitimacy-oriented strategies can become problematic when organizations prioritize the appearance of environmental responsibility over substantive improvements.

Agency theory highlights the potential conflicts between corporate managers and shareholders or other principals. Environmental investments frequently involve long-term benefits and immediate financial costs, potentially discouraging managers whose performance is assessed through short-term financial indicators. Appropriate board oversight, executive incentives, environmental targets, and transparent reporting can help align managerial decisions with longer-term sustainability objectives. The resource-based view provides a

complementary perspective by considering environmental capabilities as strategic organizational resources. Hart (1995) argues that pollution prevention, product stewardship, and sustainable development capabilities can create opportunities for competitive advantage. Environmental innovation, resource efficiency, and organizational learning can consequently improve both environmental performance and business resilience. Table 1 summarizes the principal theoretical perspectives and their contributions to understanding corporate environmental governance.

Table 1. Major theoretical perspectives and conceptual foundations of corporate environmental governance

Theoretical perspective	Main concept	Relevance to environmental governance	Key reference
Stakeholder theory	Corporate accountability to multiple stakeholder groups	Encourages environmental responsibility, transparency, and stakeholder engagement	Freeman (1984)
Institutional theory	Organizational responses to regulatory, normative, and competitive pressures	Explains environmental policy adoption and compliance behavior	DiMaggio and Powell (1983); Delmas and Toffel (2004)
Legitimacy theory	Maintaining organizational legitimacy and social acceptance	Explains environmental disclosure, reputation management, and greenwashing risks	Suchman (1995)
Agency theory	Alignment of managerial and stakeholder interests	Supports board oversight, accountability, and sustainability-linked incentives	Jensen and Meckling (1976)
Resource-based view	Competitive advantage through organizational resources and capabilities	Explains environmental innovation, pollution prevention, and sustainable resource management	Hart (1995)
Dynamic capabilities perspective	Organizational capacity to adapt and reconfigure resources	Explains adaptation to environmental change, climate risks, and sustainability transitions	Teece et al. (1997)

The relationship between these theoretical perspectives and corporate sustainability can be understood through an integrated governance framework. Regulatory and stakeholder pressures influence organizational governance structures, while board oversight, management commitment, environmental capabilities, and organizational resources determine the extent to which these pressures translate into operational practices. These practices subsequently influence environmental performance, corporate resilience, and broader sustainable development outcomes. Figure 1 presents this integrated conceptual relationship, connecting institutional and stakeholder drivers with corporate governance arrangements, environmental management strategies, and sustainability outcomes. The framework highlights that corporate environmental governance is not an isolated administrative function. Rather, it operates through interconnected institutional, organizational, and operational mechanisms. Its effectiveness depends on the capacity of organizations to translate external expectations into measurable management practices and verified environmental improvements.

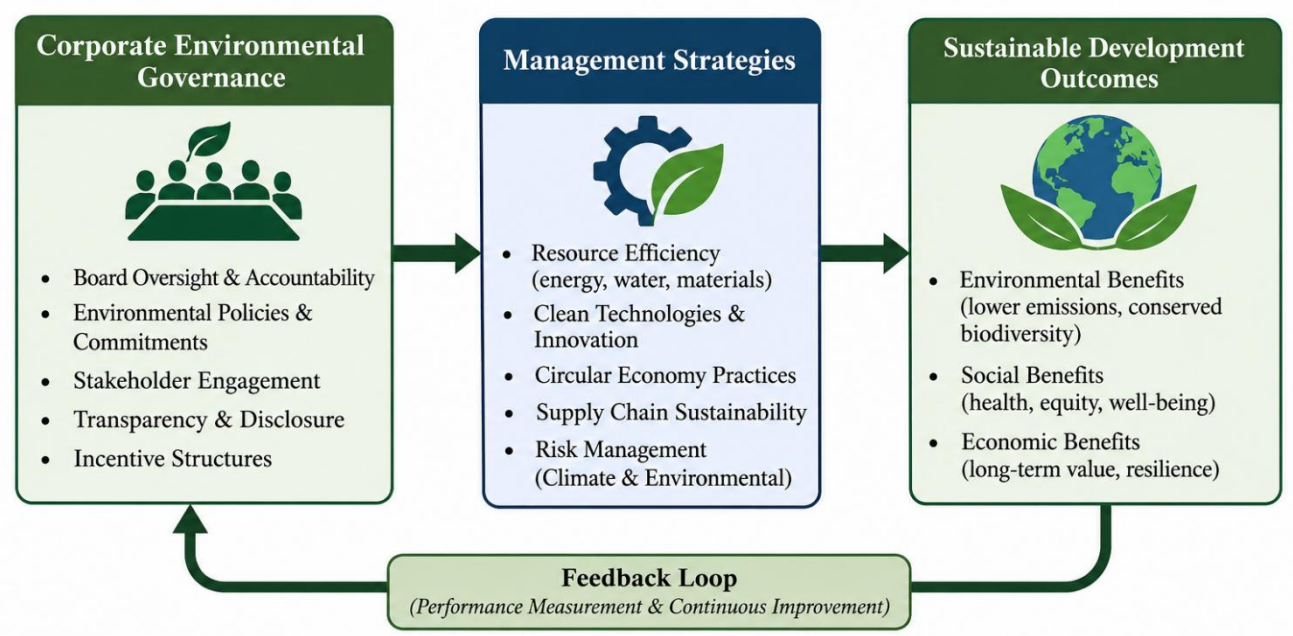


Figure 1. Integrated conceptual framework linking corporate environmental governance, management strategies, and sustainable development outcomes

3. Corporate environmental management strategies and governance practices

Corporate environmental management strategies represent the practical mechanisms through which organizations translate environmental governance commitments into operational improvements. These strategies involve integrating environmental considerations into production processes, investment decisions, product development, supply-chain management, resource utilization, and corporate performance evaluation. Their effectiveness depends on the integration of strategic leadership, environmental expertise, organizational resources, employee participation, and performance-monitoring systems.

3.1. Board-level environmental oversight and corporate accountability

The board of directors plays a central role in establishing corporate environmental priorities, supervising environmental risks, and ensuring that management decisions reflect long-term sustainability objectives. Environmental oversight can be incorporated into existing board responsibilities or assigned to specialized sustainability or environmental committees. Such arrangements help clarify responsibility for environmental performance, strengthen accountability, and improve the integration of environmental issues into corporate strategy. Relevant governance mechanisms include board independence, environmental expertise, diversity, sustainability committees, executive accountability, and sustainability-linked remuneration. These mechanisms can influence the extent to which environmental considerations receive attention in corporate decision-making. Evidence from Japanese companies indicates that board independence, board diversity, and environmental management committees are positively associated with environmental performance (Abedin et al., 2023). Velte (2023) similarly identifies board diversity and sustainability committees as important determinants in the European literature.

However, formal governance structures do not necessarily guarantee environmental improvements. A sustainability committee may exist without possessing sufficient authority, technical expertise, financial resources, or access to reliable environmental information. Effective board oversight therefore requires clearly defined responsibilities, regular environmental performance reviews, credible reporting, and accountability for the implementation of agreed targets.

3.2. Environmental management systems and regulatory compliance

Environmental management systems (EMSs) provide structured approaches for identifying environmental aspects, assessing impacts, managing operational risks, establishing objectives, monitoring performance, and implementing corrective actions. The ISO 14001 standard is one of the most widely recognized frameworks for establishing an EMS. Its approach emphasizes systematic environmental management, legal compliance, performance monitoring, and continual improvement. Environmental management systems can help organizations reduce waste, improve resource efficiency, identify environmental risks, and integrate environmental responsibilities into routine management processes. However, certification should not be interpreted as direct evidence of superior environmental performance. Its effectiveness depends on whether organizations implement meaningful operational changes rather than treating certification as an administrative or reputational achievement.

A meta-analysis by Erauskin-Tolosa et al. (2020), synthesizing 53 studies involving approximately 182,926 organizations, found an overall positive relationship between voluntary environmental certification, including ISO 14001 and EMAS, and corporate environmental performance. The effects were stronger where certification was associated with environmental innovation and more mature management practices. This evidence supports the value of EMS implementation while highlighting the importance of substantive organizational commitment. Environmental management systems should therefore be integrated with corporate investment planning, operational controls, environmental auditing, employee training, and strategic performance evaluation.

3.3. Eco-innovation and cleaner production

Eco-innovation involves developing or adopting products, technologies, processes, and organizational practices that reduce environmental impacts while maintaining or improving economic value. It includes cleaner production, energy-efficient technologies, low-carbon manufacturing, renewable energy integration, pollution prevention, and environmentally improved product design. The relationship between environmental regulation and innovation is particularly important. Porter and van der Linde (1995) argue that appropriately designed environmental regulations can encourage technological innovation and resource productivity, potentially offsetting some compliance costs. This perspective challenges the assumption that environmental protection necessarily conflicts with corporate competitiveness.

Cleaner production focuses on preventing pollution at its source rather than relying exclusively on end-of-pipe treatment. Organizations can implement process optimization, material substitution, energy conservation, water recycling, waste minimization, and improved production technologies. Such interventions may reduce operational costs while limiting environmental pressures. Nevertheless, eco-innovation requires investment, technical knowledge, institutional support, and appropriate market incentives. Firms operating in highly regulated or technologically advanced industries may possess greater incentives and capabilities for environmental innovation than smaller enterprises with limited financial resources. Consequently, governance

mechanisms should connect environmental objectives with research and development, capital allocation, and organizational learning.

3.4. Circular economy and sustainable resource management

Circular economy strategies represent an important transition from conventional linear production and consumption models toward systems that minimize resource extraction, waste generation, and material losses. These strategies emphasize reducing material inputs, extending product lifetimes, reusing products, repairing equipment, remanufacturing components, and recycling materials.

From a corporate environmental governance perspective, circular economy practices require coordination across product design, procurement, manufacturing, distribution, consumption, and end-of-life management. Governance mechanisms should establish measurable resource-efficiency targets and ensure that circularity considerations are incorporated into corporate investment and operational decisions. Kirchherr et al. (2017) demonstrate that circular economy definitions commonly emphasize reducing, reusing, and recycling, although interpretations vary across academic and policy contexts. Geissdoerfer et al. (2017) further identify important conceptual relationships between circular economy and sustainability while emphasizing that circularity does not automatically guarantee broader sustainability benefits.

Circular strategies can contribute to reduced material consumption, lower waste generation, improved resource productivity, and potentially lower emissions. However, rebound effects, energy-intensive recycling, transportation requirements, and inadequate product recovery systems can limit their environmental benefits. Corporate governance should therefore evaluate circular economy interventions using life-cycle perspectives rather than relying exclusively on recycling rates or material recovery indicators.

3.5. Sustainable supply-chain management

Corporate environmental responsibilities increasingly extend beyond organizational boundaries because environmental impacts occur throughout global supply chains. Raw-material extraction, component manufacturing, transportation, packaging, product use, and disposal can generate substantial environmental pressures that are not captured by assessments limited to direct corporate operations. Sustainable supply-chain management incorporates environmental considerations into supplier selection, procurement, logistics, production coordination, product design, and supplier evaluation. Organizations can implement environmental supplier standards, lifecycle assessment, responsible sourcing, emissions monitoring, waste reduction, and supplier capacity-building programs.

Seuring and Müller (2008) identify environmental and social considerations as important dimensions of sustainable supply-chain management, particularly in response to stakeholder requirements and supply-chain risks. Carter and Rogers (2008) similarly develop a framework linking sustainability with supply-chain management through environmental, social, and economic dimensions.

A particularly important governance challenge concerns Scope 3 greenhouse gas emissions, which arise across value chains and may represent a substantial proportion of an organization's total climate footprint. Effective management therefore requires collaboration with suppliers, customers, logistics providers, and other value-chain participants. Nevertheless, supply-chain environmental governance is complicated by inconsistent reporting systems, limited supplier data, weak enforcement, and differences in environmental standards across countries. Multinational corporations should therefore move beyond supplier codes of conduct toward risk-based monitoring, independent verification, and collaborative environmental improvement.

3.6. ESG integration and sustainability reporting

Environmental, social, and governance (ESG) integration provides a broader framework for incorporating sustainability considerations into corporate strategy, risk management, investment decisions, and organizational reporting. The environmental dimension includes climate change, energy consumption, pollution, water use, waste, resource efficiency, and biodiversity. Social and governance dimensions address related responsibilities involving employees, communities, business ethics, transparency, and corporate accountability. Sustainability reporting allows organizations to communicate their environmental policies, objectives, risks, management practices, and performance to investors and other stakeholders. Reporting frameworks can improve the consistency and comparability of sustainability information, particularly when disclosures are supported by reliable indicators and independent assurance.

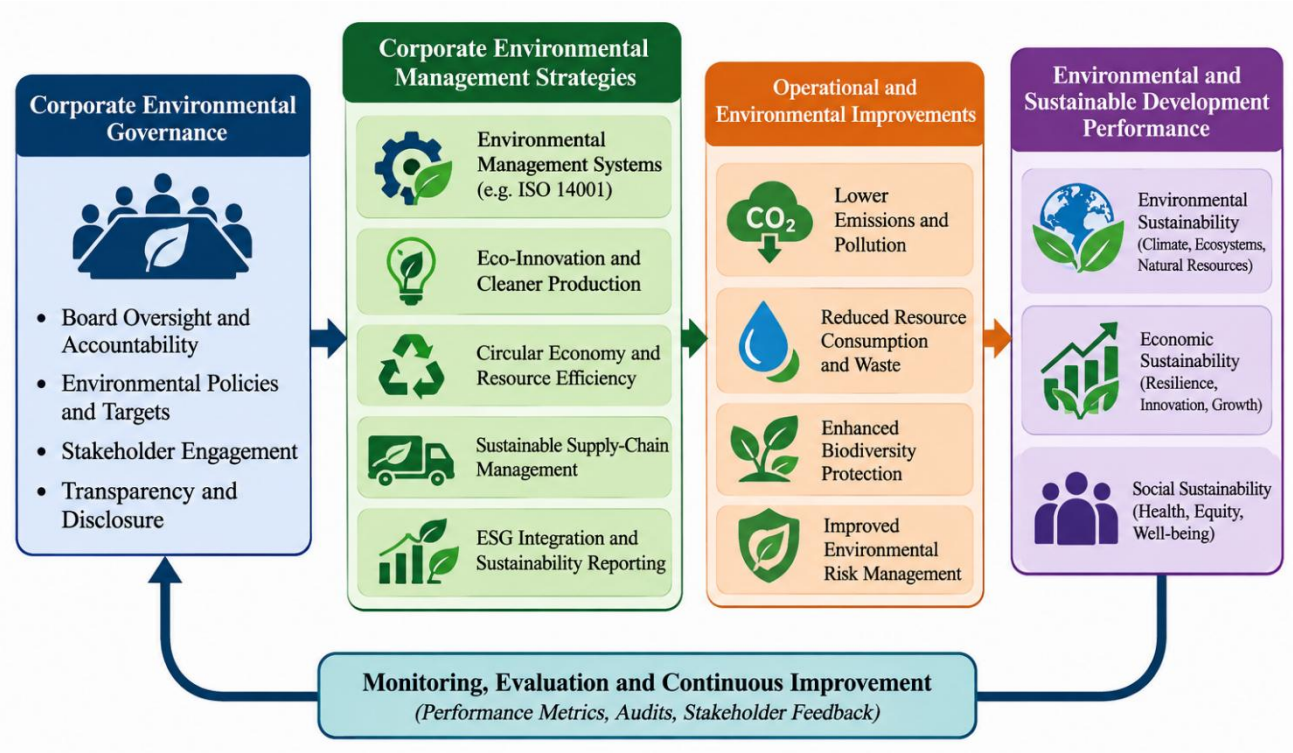


Figure 2. Pathways linking corporate environmental management strategies to environmental and sustainable development performance

However, sustainability reporting has important limitations. Companies may selectively disclose positive environmental information, emphasize policies rather than outcomes, or communicate ambitious targets without providing credible implementation evidence. Aluchna et al. (2024) identify diverse corporate governance mechanisms influencing environmental reporting, while the broader empirical literature indicates that disclosure and actual environmental performance do not always move together. Accordingly, ESG integration should not be treated as a substitute for environmental management. Its contribution depends on the quality of underlying data, the materiality of selected indicators, the credibility of reporting, and the extent to which disclosed commitments are connected to measurable operational outcomes. Figure 2 illustrates how corporate environmental management strategies can influence environmental performance and sustainable development through interconnected governance, operational, and monitoring mechanisms.

The framework emphasizes that environmental management strategies are mutually reinforcing rather than independent interventions. For example, eco-innovation may improve the effectiveness of circular production systems, while supply-chain management can extend resource-efficiency improvements beyond organizational boundaries. However, these pathways require credible governance arrangements and performance verification to ensure that environmental commitments translate into measurable improvements.

4. Policy frameworks, regulatory mechanisms, and institutional drivers

Corporate environmental governance operates within a broader institutional environment shaped by international agreements, national legislation, voluntary standards, financial regulations, and stakeholder expectations. These frameworks influence corporate responsibilities by establishing environmental requirements, reporting obligations, investment incentives, and accountability mechanisms. Their effectiveness depends on regulatory clarity, institutional capacity, enforcement, and the ability of organizations to translate policy expectations into operational practices.

4.1. International sustainable development and climate policy frameworks

The United Nations 2030 Agenda and its 17 SDGs provide an important international framework for integrating environmental protection, economic development, and social well-being. Several goals have direct implications for corporate environmental governance, particularly SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water), and SDG 15 (Life on Land). The Paris Agreement provides an international framework for addressing climate change through national climate commitments, mitigation actions, adaptation strategies, and transparency arrangements (UNFCCC, 2015). Although its primary obligations are directed toward participating countries, national climate policies and sectoral regulations increasingly influence corporate emissions management, energy investment, climate-risk assessment, and transition planning.

Corporate governance is particularly important for aligning business strategies with long-term decarbonization objectives. Organizations need to consider physical climate risks, transition risks, regulatory developments, technological changes, and market transformations when making investment and operational decisions.

4.2. Environmental regulations and institutional pressures

National environmental regulations establish legal requirements concerning air emissions, wastewater discharge, hazardous materials, waste disposal, land use, and industrial pollution. Regulatory instruments include emission standards, environmental permits, environmental impact assessment requirements, pollution taxes, carbon pricing, performance standards, and extended producer responsibility schemes.

These instruments influence corporate behavior through direct compliance obligations and financial incentives. Command-and-control regulations establish minimum environmental requirements, whereas market-based mechanisms can encourage organizations to reduce pollution through economic incentives and cost-effective technological improvements. Institutional pressures also influence corporate environmental governance beyond formal legal requirements. Delmas and Toffel (2004) demonstrate that stakeholder and institutional pressures can shape the adoption of environmental management practices. Organizations may voluntarily exceed regulatory requirements when environmental responsibility improves market positioning, stakeholder trust, or access to investment.

However, institutional pressures are not equally influential across all organizations. Regulatory enforcement, government capacity, industry characteristics, organizational size, and stakeholder participation can produce considerable differences in environmental management behavior. Weak enforcement may encourage minimum compliance, whereas consistent and credible regulatory frameworks can support more substantive environmental improvements.

4.3. Sustainability disclosure and corporate reporting frameworks

Corporate sustainability reporting has evolved from voluntary environmental disclosure toward increasingly standardized and, in some jurisdictions, mandatory reporting arrangements. Important frameworks include the Global Reporting Initiative (GRI), the International Sustainability Standards Board (ISSB) standards, the European Sustainability Reporting Standards (ESRS), and climate-related disclosure recommendations developed by the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD framework organizes climate-related disclosure around four principal areas: governance, strategy, risk management, and metrics and targets. Although the TCFD completed its work and disbanded in 2023, its recommendations continue to inform corporate climate disclosure and have been incorporated into the development of international sustainability reporting standards.

The ISSB issued IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures, in 2023. These standards aim to provide investors with decision-useful information about sustainability-related risks and opportunities affecting enterprise prospects. The European Union's Corporate Sustainability Reporting Directive (CSRD) and ESRS establish another important regulatory approach. The ESRS includes disclosure requirements addressing climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy, workforce issues, value-chain impacts, and business conduct.

These frameworks can improve transparency and comparability, but differences in reporting boundaries, materiality approaches, assurance requirements, and implementation timelines remain important challenges. Organizations operating across multiple jurisdictions may also face overlapping reporting obligations.

4.4. Voluntary standards and environmental governance initiatives

Voluntary standards complement regulatory requirements by providing structured approaches to environmental management, sustainability assessment, and organizational accountability. ISO 14001 supports the establishment of environmental management systems, while ISO 26000 provides guidance on social responsibility. Other relevant initiatives include the Science Based Targets initiative (SBTi), the Carbon Disclosure Project (CDP), the United Nations Global Compact, and the Taskforce on Nature-related Financial Disclosures (TNFD).

The TNFD recommendations provide a framework for organizations to identify, assess, manage, and disclose nature-related dependencies, impacts, risks, and opportunities. This is particularly important because corporate environmental governance increasingly needs to address biodiversity loss, ecosystem degradation, water stress, and natural-resource dependencies alongside climate change. However, voluntary standards have limitations because adoption and implementation may differ substantially across organizations. Certification or participation in an initiative should not be considered sufficient evidence of environmental effectiveness. Their contribution depends on implementation quality, independent assessment, stakeholder scrutiny, and the transparency of reported outcomes.

Table 2. Corporate environmental governance strategies, policy instruments, and implementation challenges

Governance strategy or instrument	Main purpose	Examples	Principal implementation challenges
Board-level environmental oversight	Integrate environmental priorities into corporate decisions	Sustainability committees, board accountability, executive incentives	Limited expertise, weak authority, short-term financial priorities
Environmental management systems	Systematically manage environmental impacts	ISO 14001, EMAS, environmental audits	Certification-oriented implementation, costs, limited operational integration
Environmental regulation	Establish mandatory environmental requirements	Emission standards, environmental permits, carbon pricing	Enforcement gaps, regulatory fragmentation
Environmental innovation	Reduce environmental impacts through technological and process improvements	Cleaner production, renewable energy, low-carbon technologies	Investment costs, technological uncertainty
Circular economy strategies	Reduce material consumption and waste	Reuse, repair, remanufacturing, recycling	Infrastructure limitations, rebound effects, weak reverse logistics
Sustainable supply-chain governance	Manage environmental impacts throughout value chains	Supplier audits, responsible procurement, Scope 3 accounting	Data limitations, supplier capacity, jurisdictional differences
ESG and sustainability reporting	Improve environmental transparency and accountability	GRI, IFRS S1/S2, ESRS, CDP	Inconsistent metrics, assurance costs, selective disclosure
Nature-related governance	Manage biodiversity and ecosystem dependencies and impacts	TNFD, biodiversity assessments, nature-positive strategies	Measurement uncertainty, ecosystem complexity, limited baseline data

Table 2 compares important corporate environmental governance strategies and associated policy instruments. The table illustrates that corporate environmental governance requires a combination of mandatory and voluntary mechanisms. Regulations establish minimum responsibilities, while management standards, reporting frameworks, and corporate strategies support implementation and performance improvement. Their effectiveness is greatest when these instruments are integrated rather than implemented as isolated compliance activities.

5. Implementation barriers, organizational enablers, and sustainability outcomes

Despite increasing recognition of corporate environmental governance, its implementation remains uneven across sectors, countries, and organizational contexts. Environmental management initiatives often encounter financial, technological, institutional, managerial, and informational constraints. Understanding these barriers

is important for identifying the organizational conditions under which environmental governance can generate meaningful sustainable development outcomes.

5.1. Financial, technological, and organizational barriers

Financial constraints are among the most frequently identified challenges affecting corporate environmental management. Investments in renewable energy, pollution-control technologies, environmental monitoring, cleaner production, and resource-efficient infrastructure may involve substantial initial expenditure. These investments can be particularly difficult for small and medium-sized enterprises that face limited access to finance and technical expertise.

Technological barriers include inadequate environmental monitoring systems, limited access to cleaner production technologies, insufficient research and development capacity, and difficulties integrating environmental data into existing management systems. In some industries, environmentally preferable alternatives may not yet be commercially or technically viable at the required scale. rganizational barriers also influence implementation. Limited managerial commitment, fragmented departmental responsibilities, inadequate employee training, and resistance to organizational change can prevent sustainability policies from becoming operational practices. Environmental departments may have insufficient influence over procurement, finance, production, and investment decisions, resulting in weak integration across organizational functions.

Delmas and Toffel (2008) demonstrate that organizational responses to environmental pressures are influenced by the relative influence of internal departments and the external stakeholders with which they interact. This suggests that environmental governance effectiveness depends not only on external regulatory pressure but also on internal organizational structures and decision-making authority.

5.2. Regulatory fragmentation and institutional constraints

Regulatory fragmentation creates additional difficulties for organizations operating across multiple countries and jurisdictions. Differences in environmental legislation, reporting standards, emissions requirements, environmental enforcement, and institutional capacity can increase compliance costs and complicate corporate environmental management. Developing economies may face particular challenges associated with limited regulatory resources, insufficient environmental monitoring infrastructure, weak enforcement, and competing development priorities. These conditions can create gaps between environmental policy commitments and actual corporate performance.

Furthermore, inconsistent definitions and measurement approaches can limit comparisons across companies and sectors. For example, organizations may use different emissions boundaries, biodiversity indicators, water accounting methods, or environmental materiality assessments. Such inconsistencies complicate performance evaluation and reduce the usefulness of sustainability disclosures.

Institutional development, regulatory coordination, technical assistance, and financial incentives are therefore important for improving environmental governance, particularly among enterprises operating in resource-constrained environments.

5.3. Greenwashing and the disclosure–performance gap

Greenwashing represents one of the most significant threats to credible corporate environmental governance. It refers broadly to misleading or exaggerated representations of environmental responsibility, including selective

disclosure, unsupported environmental claims, and the presentation of limited improvements as evidence of broader sustainability performance. Greenwashing can emerge when organizations face strong stakeholder expectations but lack sufficient incentives or capabilities to achieve substantive environmental improvements. Under these circumstances, firms may prioritize sustainability communication, environmental branding, or selective reporting rather than implementing meaningful changes in production systems and resource management. Doan and Sassen (2020) examined the relationships between environmental performance and disclosure. The meta-analysis by the authors identified a weak and negative overall association between disclosure and environmental performance across 62 studies and 56,387 observations. This finding indicates that greater disclosure cannot automatically be interpreted as better environmental performance.

Addressing greenwashing requires standardized reporting, transparent environmental indicators, independent assurance, consistent measurement boundaries, and meaningful accountability for corporate environmental claims. Organizations should report not only achievements but also environmental failures, missed targets, uncertainties, and corrective actions.

5.4. Organizational enablers of effective environmental governance

Several organizational characteristics can facilitate the implementation of corporate environmental governance. Strong leadership commitment is particularly important because environmental priorities require support from senior management and integration into corporate decision-making. Boards and executives should establish clear environmental responsibilities, provide appropriate resources, and connect sustainability targets with organizational performance evaluation. Environmental knowledge and expertise are also essential. Organizations need personnel capable of evaluating environmental impacts, assessing climate-related risks, implementing environmental management systems, and interpreting sustainability reporting requirements. Employee training and cross-functional collaboration can help incorporate environmental responsibilities into routine organizational practices.

Stakeholder engagement represents another important enabler. Investors, customers, employees, suppliers, regulators, and local communities can provide information about environmental risks, expectations, and improvement opportunities. Effective engagement can also improve organizational legitimacy and identify potential conflicts between corporate operations and community or ecosystem interests. Organizational learning and innovation capabilities further strengthen environmental governance. Firms that invest in environmental research, cleaner technologies, and continuous improvement may be better positioned to respond to changing regulations and market expectations. Eccles et al. (2014) provide empirical support for the importance of sustainability-oriented organizational processes, including stakeholder engagement and formal board responsibilities.

5.5. Environmental, economic, and social sustainability outcomes

Corporate environmental governance can generate multiple environmental benefits, including reduced greenhouse gas emissions, improved energy efficiency, lower water consumption, pollution prevention, waste reduction, and improved resource productivity. These outcomes are particularly important in sectors characterized by high energy consumption, intensive resource extraction, and substantial pollution generation.

Economic benefits may emerge through lower operational costs, improved resource efficiency, innovation, reduced regulatory exposure, and stronger organizational resilience. Porter and van der Linde (1995) argue that environmental regulation can stimulate innovation and productivity improvements when it encourages

organizations to reconsider resource use and production technologies. Similarly, Eccles et al. (2014) identify differences in long-term organizational processes and performance between companies with stronger and weaker sustainability orientations.

Nevertheless, the relationship between environmental responsibility and financial performance is not universally positive. Results may vary depending on industrial characteristics, investment requirements, time horizons, institutional conditions, and the indicators used to measure performance. Velte (2023), for example, finds that positive financial consequences of environmental performance and reporting are more evident for accounting-based measures than for market-based indicators. Social outcomes are also relevant because environmental management can influence occupational health, community well-being, environmental justice, employment opportunities, and access to natural resources. However, environmental improvements should not be assumed to produce automatic social benefits. Corporate sustainability strategies require explicit consideration of labor conditions, community participation, distributional effects, and the protection of vulnerable populations. Table 3 synthesizes the major organizational enablers, implementation barriers, and potential sustainability outcomes associated with corporate environmental governance.

Table 3. Organizational enablers, implementation barriers, and sustainability outcomes of corporate environmental governance

Dimension	Major enablers	Major barriers	Potential sustainability outcomes
Leadership and governance	Board commitment, environmental expertise, clear accountability	Weak oversight, limited managerial commitment	Improved environmental decision-making and accountability
Financial capacity	Sustainability investment, green finance, resource allocation	High initial costs, limited access to capital	Energy savings, resource efficiency, improved resilience
Technology and innovation	Cleaner technologies, digital monitoring, research and development	Technological uncertainty, inadequate infrastructure	Lower emissions, reduced pollution, improved production efficiency
Organizational culture	Employee participation, environmental training, sustainability awareness	Resistance to change, fragmented responsibilities	Improved implementation and environmental performance
Regulatory and institutional support	Effective legislation, enforcement, incentives, policy coordination	Regulatory fragmentation, weak enforcement	Improved compliance and environmental protection
Stakeholder engagement	Investor dialogue, community participation, supplier collaboration	Conflicting interests, limited transparency	Greater trust, supply-chain accountability, social benefits
Measurement and disclosure	Standardized indicators, audits, independent assurance	Data limitations, inconsistent metrics, greenwashing	Credible reporting and improved performance evaluation

Table 3 demonstrates that successful corporate environmental governance requires the interaction of internal organizational capabilities and external institutional support. Leadership, financial resources, environmental expertise, and reliable measurement systems are particularly important for overcoming implementation barriers.

Importantly, environmental governance effectiveness should be evaluated through actual environmental outcomes rather than the mere existence of sustainability committees, certifications, policies, or reports. Organizations should establish measurable performance indicators and evaluate progress against clearly defined baselines and time-bound objectives.

6. Emerging research trends and future directions

Corporate environmental governance is evolving in response to climate change, biodiversity loss, technological developments, changing regulatory expectations, and increasing demands for corporate accountability. Although existing research has examined environmental management systems, sustainability reporting, board oversight, and regulatory compliance, several emerging areas require further investigation. Future research should move toward integrated approaches that connect governance structures with measurable environmental outcomes, organizational resilience, and sustainable development.

6.1. Artificial intelligence and digital environmental governance

Artificial intelligence (AI), machine learning, remote sensing, the Internet of Things (IoT), blockchain, and advanced data analytics are creating new opportunities for environmental monitoring and corporate accountability. These technologies can support real-time emissions monitoring, energy optimization, waste management, environmental risk assessment, supply-chain tracking, and predictive maintenance.

AI-based analytical systems can help organizations identify patterns in energy consumption, detect operational inefficiencies, predict pollution events, and evaluate environmental risks. IoT sensors can provide continuous information on industrial emissions, water quality, energy consumption, and waste generation. Blockchain-based systems may improve the traceability of environmental information across complex supply chains.

Nevertheless, digital environmental governance presents important challenges involving data quality, algorithmic transparency, cybersecurity, technological costs, and the environmental footprint of digital infrastructure. AI-generated sustainability information also requires human oversight and independent validation to prevent misleading conclusions. Future studies should examine whether digital technologies produce measurable improvements in environmental performance rather than simply increasing the volume of available sustainability information.

6.2. Climate-risk governance and corporate decarbonization

Climate change is increasingly recognized as a strategic corporate risk involving physical impacts and economic transition processes. Physical risks include extreme temperatures, flooding, droughts, wildfires, and disruptions to infrastructure and supply chains. Transition risks arise from changing environmental regulations, technological developments, carbon pricing, investor expectations, and shifts in market demand.

Corporate climate governance requires the integration of climate considerations into board oversight, risk management, capital allocation, business strategy, and performance evaluation. Organizations increasingly need to develop credible decarbonization pathways, establish emissions-reduction targets, evaluate climate scenarios, and monitor progress across their operations and value chains.

Future research should examine the effectiveness of board-level climate oversight, the credibility of corporate net-zero commitments, the integration of Scope 1, Scope 2, and Scope 3 emissions into strategic decisions, and the relationship between climate-transition planning and actual emissions reductions. Another important

research priority involves understanding the conditions under which climate disclosure requirements influence organizational behavior. Reporting standards can improve information availability, but their effectiveness depends on whether disclosures influence investment decisions, operational changes, and managerial accountability.

6.3. Biodiversity, nature-positive business, and natural capital governance

Corporate environmental governance has traditionally focused heavily on climate change, pollution control, and resource efficiency. However, biodiversity loss and ecosystem degradation require broader approaches that consider corporate dependencies and impacts on natural systems. Businesses depend on ecosystem services such as water availability, soil fertility, pollination, coastal protection, and natural-resource provision. Corporate activities can also contribute to habitat fragmentation, deforestation, overexploitation of natural resources, and ecosystem pollution. The TNFD framework provides a structured approach for identifying and disclosing nature-related dependencies, impacts, risks, and opportunities. Its recommendations encourage organizations to consider the relationships between business activities and natural systems.

Future research should investigate how companies can integrate biodiversity considerations into corporate risk management, investment decisions, procurement policies, land-use planning, and supply-chain governance. More attention is also needed to develop credible biodiversity indicators and distinguish genuine ecological improvements from activities that merely generate positive sustainability narratives.

6.4. Integrated ESG governance and corporate accountability

ESG governance is becoming increasingly important as environmental and social issues become more closely connected to corporate risk management, financial decision-making, and stakeholder accountability. However, ESG remains a broad and sometimes inconsistently measured concept, creating difficulties for cross-company comparisons and empirical evaluation. Future research should investigate how environmental indicators can be integrated with financial and operational performance metrics. Greater attention should also be given to the relationship between board composition, sustainability expertise, executive incentives, external assurance, and measurable environmental improvements.

An important research direction concerns the development of governance models that distinguish between procedural sustainability commitments and substantive environmental outcomes. This requires evaluating not only whether firms establish environmental policies but also whether they reduce emissions, improve resource efficiency, prevent pollution, and protect ecosystems. Research should also examine the role of independent assurance, regulatory enforcement, and stakeholder scrutiny in reducing greenwashing and strengthening corporate accountability.

6.5. Environmental justice, stakeholder participation, and inclusive sustainability

Corporate environmental governance should increasingly incorporate environmental justice and the distributional consequences of business activities. Industrial development, infrastructure projects, resource extraction, and pollution-generating activities may disproportionately affect vulnerable communities. Stakeholder participation can improve environmental decision-making by incorporating local knowledge, community concerns, and social expectations into corporate strategies. However, engagement should involve meaningful participation rather than merely communicating decisions after they have been made.

Future studies should examine how corporate governance mechanisms address environmental inequalities, community exposure to pollution, occupational health, indigenous and local community rights, and the distribution of benefits and costs associated with sustainability transitions. This research direction is particularly important in developing economies, where rapid industrialization, resource dependence, institutional capacity, and environmental vulnerability may create complex relationships between corporate development and social well-being.

6.6. Integrated environmental performance measurement and verification

A further research priority concerns the development of reliable indicators for evaluating corporate environmental governance effectiveness. Existing studies frequently rely on ESG scores, sustainability disclosures, environmental certifications, and self-reported performance indicators. However, differences in measurement methodologies can generate inconsistent findings and limit the comparability of results. Future research should combine corporate governance indicators with independently verifiable environmental data, including greenhouse gas emissions, energy intensity, water consumption, waste generation, pollution loads, and biodiversity-related indicators (Figure 3).

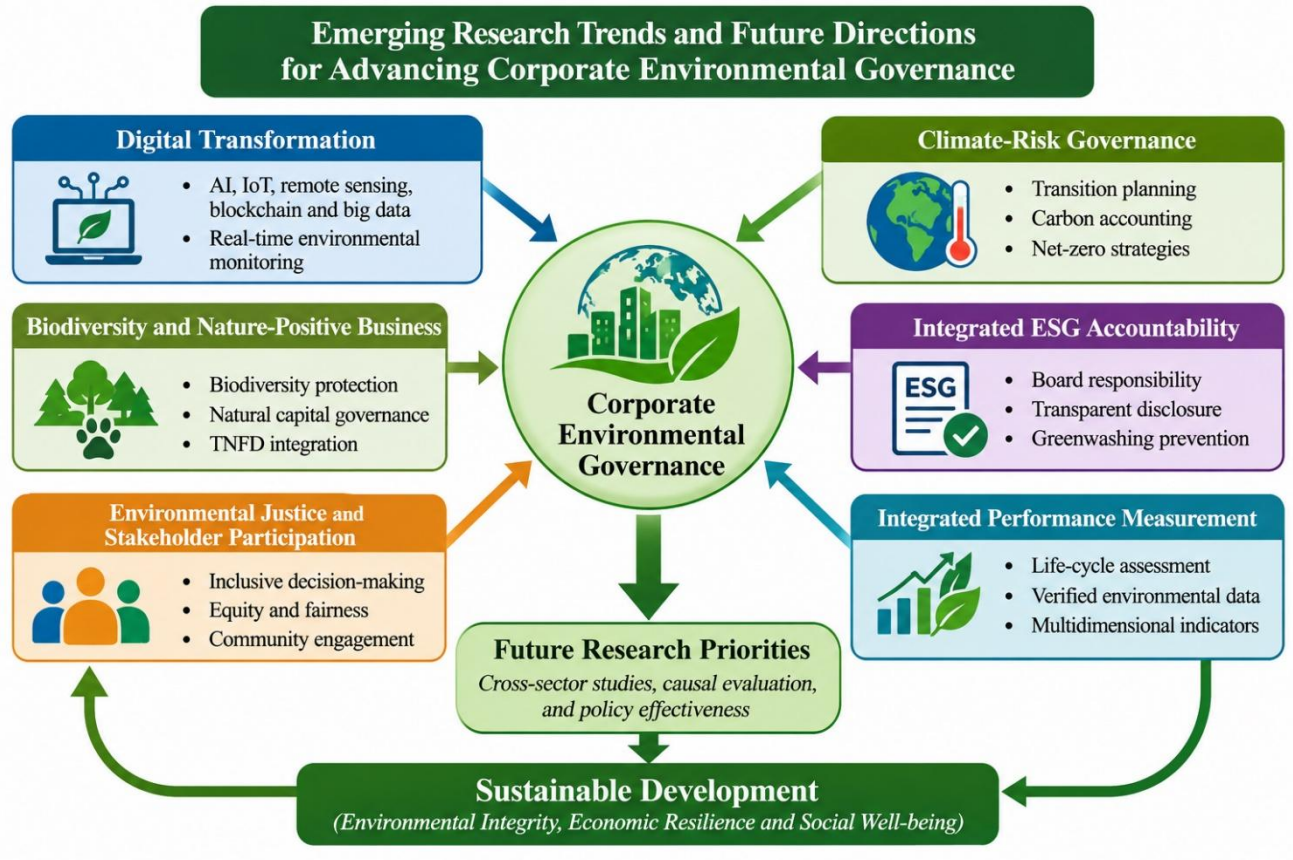


Figure 3. Emerging research trends and future directions for advancing corporate environmental governance

Life-cycle assessment can help identify environmental impacts across products and value chains, while material-flow analysis can evaluate resource consumption and material efficiency. Independent environmental auditing and assurance can further improve the credibility of corporate reporting. Researchers should also

investigate how environmental performance indicators can be adapted to sector-specific conditions and different institutional environments. Such approaches would help distinguish genuine environmental improvements from reporting-oriented or symbolic sustainability practices.

Figure 3 presents an integrated research roadmap highlighting the emerging technological, institutional, environmental, and social dimensions of corporate environmental governance. The proposed roadmap highlights the need for interdisciplinary research integrating corporate governance, environmental science, sustainability accounting, technology, public policy, and social sciences. Greater methodological rigor, longitudinal analysis, cross-country comparisons, and independently verified environmental indicators will be important for determining which governance mechanisms generate the most substantial and durable sustainability benefits.

7. Conclusions and managerial implications

Corporate environmental governance is an increasingly important mechanism for integrating environmental responsibilities into corporate strategy, organizational management, and sustainable development. This review demonstrates that effective environmental governance extends beyond regulatory compliance and sustainability reporting to include board-level oversight, environmental management systems, eco-innovation, circular economy strategies, sustainable supply-chain management, and transparent performance evaluation. The theoretical literature indicates that stakeholder expectations, institutional pressures, organizational legitimacy, managerial accountability, and environmental capabilities jointly influence corporate environmental behavior. Empirical evidence further suggests that sustainability-oriented governance structures and environmental management practices can support improved environmental performance, although their effectiveness varies across organizational and institutional contexts.

Nevertheless, important challenges remain. Financial and technological constraints, regulatory fragmentation, limited environmental expertise, inconsistent measurement approaches, and greenwashing can weaken the relationship between corporate sustainability commitments and actual environmental outcomes. Consequently, environmental governance effectiveness should be evaluated using measurable and independently verifiable indicators rather than relying exclusively on the existence of policies, certifications, or sustainability reports.

From a managerial perspective, organizations should strengthen board-level environmental oversight, integrate sustainability targets into executive accountability, invest in cleaner production and environmental innovation, and extend environmental management throughout supply chains. They should also adopt transparent reporting practices supported by reliable data, independent assurance, and continuous performance evaluation.

Policymakers can contribute by strengthening environmental regulations, harmonizing sustainability disclosure requirements, improving institutional enforcement, and providing financial and technical support for environmental innovation. Greater coordination between governments, businesses, investors, research institutions, and civil society is also necessary to advance corporate environmental responsibility. Overall, corporate environmental governance should evolve from a predominantly compliance-oriented activity toward a strategic, accountable, and outcome-oriented management approach. Integrating technological innovation, climate governance, biodiversity protection, stakeholder participation, and credible environmental measurement offers important opportunities to strengthen corporate contributions to sustainable development.

Declaration

Acknowledgment: Not applicable.

Funding: This research received no funding.

Conflict of interest: The author declares no conflict of interest.

Ethics approval/declaration: Not applicable.

Consent to participate: Not applicable.

Consent for publication: Not applicable.

Data availability: Data sharing is not applicable to this article as no new data were created or analyzed in this study.

Authors' contribution: Asif Raihan conceived the review topic, conducted the literature search and analysis, drafted the manuscript, and approved the final version for publication.

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