


Chapter 13

Law, Regulation, and the Evolution of Corporate Governance: Driving Sustainability

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ABSTRACT

This chapter examines how corporate governance is changing to promote sustainable development as a result of legal and regulatory advancements. Governance frameworks that were before almost entirely centered on shareholder earnings are increasingly being redesigned to incorporate social and environmental responsibility. The chapter emphasizes the increasing focus on transparency, Environmental, Social and Governance (ESG) integration, and stakeholder inclusion by examining changing regulations, international frameworks, and market-based efforts. It also looks at new developments like climate-related disclosures, board-level sustainability oversight, and legal reactions to greenwashing. Global ESG standards should be harmonized, and corporate legal frameworks should incorporate sustainability, according to the findings. The chapter makes the case for a move toward long-term, purpose-driven business structures by establishing sustainability as the primary pillar of governance. This change is a reflection of a wider realization that effective governance is critical to both corporate success and the welfare of the world.

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INTRODUCTION

The discussion of corporate responsibility has changed significantly in the last few years. Businesses are no longer only focused on making money; they are now seen as vital players in the global movement toward sustainability. This change is reflected in the emergence of Environmental, Social, and Governance (ESG) frameworks. ESG has developed into a defining prism through which investors, regulators, and society at large assess company conduct; it is no more just a collection of voluntary efforts (Eccles et al., 2020). ESG has taken center stage in conversations that were previously seen as incidental to mainstream company strategy, from boardroom decisions on social equity to climate-conscious investment portfolios. This change hasn't occurred overnight. Governments and international organizations have been forced to reconsider how companies operate in society as a result of growing ecological catastrophes, social inequality, and pervasive governance shortcomings. In this context, sustainability is seen as an essential component of risk management and long-term value creation rather than as a charitable extra. In this transition, corporate governance—the structure that determines how businesses are run and managed—has become a potent instrument (Grewal & Serafeim, 2020). In particular, the governance element of ESG serves as the internal catalyst that guarantees social and environmental obligations are not marginalized but rather systematically incorporated into corporate activities. It is more important than ever for businesses to support sustainable development. The role of private enterprise in promoting systemic change is highlighted by the Sustainable Development Goals (SDGs) of the United Nations, especially SDG 12 (responsible consumption and production) and SDG 13 (climate action) (UN, 2015). Stakeholders and regulatory agencies' expectations have changed in tandem with businesses' efforts to fit with these objectives. Investors are interested in how future-proof a company is. More and more regulators are inquiring about how businesses are reducing their exposure to climate risk. Customers are looking for responsibility. As a result, a lot of businesses are reassessing governance structures to make sustainability a primary issue rather than a box to be checked for compliance. A larger philosophical shift from shareholder primacy to stakeholder inclusion is reflected in this realignment (Pandey, 2026). A wider sense of purpose that encompasses social justice, environmental stewardship, and ethical accountability is influencing corporate governance (Bebchuk & Tallarita, 2020). This development is more than just symbolic; it has operational and legal ramifications that affect disclosure laws, board compositions, and strategy planning. As a result, incorporating sustainability into corporate governance is becoming both legally and strategically necessary and is no longer optional.

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