

ENVIRONMENTAL RESPONSIBILITY AS A CORE DIMENSION OF CORPORATE SOCIAL RESPONSIBILITY: A CONCEPTUAL FRAMEWORK

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Abstract

Global business organizations face increasing pressures to address sustainability challenges related to climate change, environmental degradation, and depletion of resources. Corporate Social Responsibility (CSR) has evolved from a voluntary/philanthropic practice to a governance-based practice that is integral to business decisions and financial reporting. During this journey, environmental responsibility has become an integral and financially material aspect of corporate social responsibility. This paper proposes a conceptual framework on how environmental responsibility becomes an integral part of corporate social responsibility and is related to ESG reporting, sustainable finance, and global financial governance. Using stakeholder theory, legitimacy theory, institutional theory, and sustainable finance theories, this paper proposes a conceptual framework on how environmental responsibility is not only an ethical requirement but also a risk management tool for business organizations and a determinant of corporate legitimacy. ESG reporting is conceptualized as a corporate governance tool for implementing environmental responsibility, while sustainable finance instruments such as green bonds and ESG-based lending rates become financial rewards for business organizations practicing environmental responsibility. Situating environmental responsibility in global financial governance is also an important aspect of this study, which seeks to highlight the normative and strategic role of environmental responsibility in sustainable business practices. This paper contributes to the literature on corporate social responsibility and sustainability by developing an integrated theoretical framework on how environmental responsibility is related to corporate financial and ethical responsibilities and how it becomes an integral part of corporate governance and global financial governance.

Keywords: *Corporate Social Responsibility; Environmental Responsibility; Sustainable Finance; ESG Reporting; Global Financial Governance; Climate Risk; Sustainability Governance*

Introduction

Environmental issues, which include global warming, environmental degradation, and pressure on resources, have emerged as key issues for businesses operating in a globalised economy. These issues can no longer be viewed as environmental or social issues; they have emerged as issues for businesses, which can have a significant impact on their operations. As governments impose more stringent environmental regulations, investors increasingly demand more transparency, and stakeholders show more environmental sensitivity, businesses face pressure to address these issues strategically. In this regard, corporate social responsibility has also witnessed a major transformation. While earlier it was more linked to voluntary actions and philanthropic behaviours, CSR has increasingly become a more embedded form of governance that impacts businesses. In this regard, CSR is no longer a peripheral element of businesses but rather more closely linked to their decision-making processes and their performance. This reflects a more general recognition that responsible business behaviour, particularly with respect to environmental concerns, is a key factor in maintaining

competitiveness in modern markets.

Among various aspects of CSR, environmental responsibility has gained prominence as one of the important aspects of corporate social responsibility. Environmental risks, including climate-related physical risks and transition risks, have been found to be financially material, thereby impacting firm performance as well as capital availability and investor sentiment. Thus, environmental responsibility is not just viewed as a social or reputational issue but as a key consideration impacting firm value as well as firm sustainability. This is also evident from the increasing trend of environmental, social, and governance (ESG) reporting, which has emerged as one of the important tools through which firms disclose their environmental performance to the capital market. While there is a rising literature on CSR, ESG reporting, and sustainable finance, the tendency is for these concepts to be analysed in isolation from each other. In the literature, there is a lack of attention given to the ways in which environmental responsibility integrates these concepts into a cohesive framework. In particular, there is a lack of conceptual models that place environmental responsibility as the unifying link between CSR principles, financial mechanisms, and global governance norms. This paper tries to fill a gap by creating a framework for understanding environmental responsibility in the context of corporate social responsibility. The study uses ideas from stakeholder theory, legitimacy theory and sustainable finance literature to rethink responsibility. The framework shows how environmental responsibility is influenced by stakeholders and institutions and how it is put into practice through ESG reporting. It is also maintained through finance methods like green bonds and ESG-linked loans. This framework looks at responsibility as part of the bigger picture of global financial governance and shows why it is important for managing big risks, keeping companies valuable in the long term, and maintaining corporate legitimacy.

This study adds to what we know about corporate social responsibility and sustainability by creating a theoretical model that connects ethical responsibility, financial importance and governance. The framework gives us an understanding of how environmental responsibility is not just about doing the right thing, but also a key part of running a sustainable business. It shows that environmental responsibility is important for companies to succeed in the long run.

Literature Review

Corporate social responsibility (CSR) has been a widely discussed phenomenon within academic literature. In this regard, earlier literature on CSR conceptualised it as a philanthropic activity undertaken by businesses to meet social obligations. Carroll's model of CSR, introduced in 1991, conceptualized CSR in terms of economic, legal, ethical, and philanthropic responsibilities. This conceptualization helped to explain the complex nature of CSR. However, with an increase in the complexities of business and stakeholder pressure on businesses to be socially responsible, CSR literature began to focus on its strategic role within business operations. McWilliams, Siegel, and Wright (2006) conceptualize CSR as a strategic investment rather than a cost for businesses. This conceptualisation of CSR states that businesses undertake CSR to create value and to compete with their rivals. This conceptualisation of CSR has gained prominence within CSR literature with an increase in risks and opportunities for businesses due to environmental and social issues. This conceptualisation of CSR assumes greater significance within the larger CSR literature, with an increase in risks and opportunities for businesses due to environmental and social issues. Among these dimensions of CSR, the role of the environment has gained greater attention within CSR literature due to an increase in environmental challenges for businesses. The environmental component of CSR has also been reinforced by the natural resource-based theory of the firm, which views environmental capabilities as a potential source of competitive advantage.

Hart (1995) argues that proactive approaches to managing the environment, such as pollution prevention, could actually improve firm performance and enhance long-term competitiveness. This perspective argues that being good to the environment is not a choice between being good or bad but is actually a necessary component of being good at what one does. This perspective has gained empirical support, suggesting that firms with good environmental performance tend to have better operational efficiency. Stakeholder theory is a critical theoretical framework for understanding the significance and importance of environmental responsibility within the context of CSR. Freeman (1984) argues that businesses have a responsibility to a wide array of stakeholders, ranging from investors to the state and the wider community. This suggests that, as the awareness and salience of environmental issues among stakeholders have grown, so has the importance and significance placed on environmental responsibility. The stakeholder salience model, proposed by Mitchell, Agle, and Wood (1997), suggests that businesses tend to be more responsive to those stakeholders deemed powerful, legitimate, and pressing, all characteristics now increasingly evident among environmental investor groups and the state. In this regard, legitimacy theory also provides useful insights into the role of environmental disclosures in corporate practices. Suchman (1995) noted that organisations need to ensure that their practices and actions are perceived as being legitimate within the broader societal norms and values. Environmental responsibility is used as a tool through which organizations communicate their compliance with societal values. Deegan (2002) also noted that environmental disclosures can be used strategically to influence perceptions, especially in environmentally sensitive industries.

DiMaggio and Powell (1983). Institutional theory helps us understand how companies follow environmental practices and reporting rules. This happens because of pressures from regulators on what is considered normal. Companies copying each other. For example, we see this with the use of ESG reporting frameworks. As ESG standards become the norm through laws, rating agencies and what people expect companies to take care of the environment to be part of the market. The growth of social and governance reporting is a big step towards making companies responsible for the environment. Eccles, Ioannou, and Serafeim (2014) found that companies that report on sustainability are more likely to think about the environment when making decisions. ESG reporting is not about sharing information; it is a way to make sure companies keep their promises to be socially responsible, and it measures how well they do. However, people are still worried about the quality and comparability of the data, so we need rules around ESG reporting to make it work properly. There is a lot of research on social responsibility and sustainable finance. When you look at all the studies, you see that they do not really work together. People usually look at social responsibility, environmental and social governance reporting and sustainable finance on their own. This means we do not really understand how taking care of the environment fits with being ethical, having governance, and making money. We need a model that puts taking care of the environment at the center of social responsibility and shows how it works with the rest of the world's financial system. This study tries to fill this gap by making a framework that combines social responsibility ideas, environmental and social governance and sustainable finance views.

There is a wide variety of research on the subjects of Corporate Social Responsibility (CSR), environmental sustainability, ESG (Environmental, Social and Governance) reporting and sustainable finance in the current literature; however, there are still many significant gaps in this area that inhibit a full understanding of the role of environmental responsibility in today's Corporate Governance Frameworks. First, much of the literature on CSR will continue to classify environmental responsibility as a facet of the larger scope of the social/ethical areas of business, as opposed to Analysing it as an increasingly critical, financially material and systemically relevant aspect of CSR and its significance over time. Numerous studies examine various environmental issues and the importance of environmental practices; however, they

fail to take into account that environmental risk has previously been increasing as a dominant aspect of corporate risk and will become progressively more important in terms of strategic decision making in corporate settings and that the theoretical construct of CSR, the role of environmental responsibility in CSR, remains underrepresented.

Second, research on ESG reporting has primarily focused on two areas that are tapping into the disclosure quality, measurement challenges and the relationship between ESG scores and Financial Performance. Most ESG reporting studies view ESG reporting as a technical or info Parser without considering how it can serve as a Governance mechanism to implement environmental responsibility, and therefore, the connection of CSR commitments, environmental responsibility, and the use of ESG reporting as an integrated governance process remains uncharacteristically unexplored.

Third, the sustainable finance has primarily only evaluated the individual effects of instruments such as green bonds, sustainability linked loans and ESG based investment strategies have had on corporate behaviour/capital allocation; although there is ample Empirical evidence demonstrating their Individual Impact on these areas the individual effects of these financial instruments on corporate environmental responsibility within the context of the overall CSR and governance frameworks have not been adequately addressed; as a result, the interaction between corporate environmental responsibility / financial market incentives has been exhibited through a fragmented nature in the literature.

Fourth, most existing studies do not combine ethics, institutions and finance into one model. CSR research often talks about arguments and stakeholders, while sustainable finance research looks at market systems and financial importance. This lack of combined frameworks slows down theory development Makes it hard to understand how being environmentally responsible links to corporate ethics, governance and global finance systems. Finally, not many studies look at responsibility in the context of global financial rules and regulations. Even though global standards, regulations and investor expectations are increasingly influencing how companies behave environmentally, their role in making responsibility a must rather than just a choice is not discussed enough in CSR studies.

To address these shortcomings, the study develops a conceptual framework in which environmental responsibility is at the core of corporate social responsibility; thus providing a means of uniting stakeholder theory with legitimacy theory, institutional theory, and sustainable finance perspectives into an integrated governance-oriented model that will assist practitioners in bridging ethical responsibility with financial materiality and global governance norms. The model presented in this paper represents an important contribution to the disciplines of CSR, Sustainable Development, and Global Justice by articulating clearly the strategic and systemic significance of environmental responsibility within today's business context.

Research Objectives

1. To create a conceptual framework in which environmental responsibility is the primary aspect of corporate social responsibility, with the incorporation of ethical responsibility, financial materiality and governance aspects.
2. To describe the operationalization of environmental responsibility through the use of ESG reporting and mechanisms of sustainable finance within the framework of global financial governance.

This study is mainly about ideas and theory. It looks at existing research on CSR, responsibility, ESG reporting and sustainable finance. The study uses established theories to suggest a framework that can be used across different industries and places. The study mainly

focuses on responsibility as part of CSR. Social and economic responsibilities are also important. They are not the main focus here. The study looks at corporate-level strategies and governance mechanisms. This includes ESG reporting practices and sustainable finance tools. The study considers responsibility in the context of global financial governance. This is because international standards, regulatory frameworks and capital markets are influencing behaviour more and more. The study provides a foundation for research. Future studies can test the proposed framework using data, industry analysis or country comparisons to validate and refine the relationships outlined here. The study on CSR, responsibility, ESG reporting and sustainable finance offers a unified conceptual framework. CSR and environmental responsibility are areas of focus. The study on ESG reporting and sustainable finance provides a basis for research.

Conceptual Foundations of Corporate Social Responsibility

Corporate social responsibility is a big idea that changes a lot. It is about what people think businesses should do for society. There are ways to define corporate social responsibility, but most people agree that it is about businesses doing things that help people and the environment. They do these things even when they do not have to because it is the thing to do. Corporate social responsibility used to be something that businesses did on the side. Now it is a big part of what they do. It affects the way businesses make plans, govern themselves, and perform. Corporate social responsibility is important for businesses because it shows that they care about people and the environment and that they want to do what is right.

Evolution of CSR

In the past, CSR was often seen as a type of charity or community project that was outside the regular business of a company (see Carroll, 1991). Charitable donations, for example, were often thought of as having little or no connection to how a business made money in its normal operations. In the Carroll model, CSR included both philanthropic and ethical responsibilities (6), whereas economic or legal responsibilities are seen as obligations to produce revenue for shareholders and comply with laws. Normally, businesses have no control over these aspects of their business and, therefore, they do not constitute core parts of a business's strategy. As globalization has increased and stakeholders have become more aware of the actions of companies worldwide, there has been an increased emphasis on the strategic aspects of CSR. For example, McWilliams and Wright (2006) argue that CSR should be viewed as a type of investment that will provide a return to the company through its responsible behaviour. This is a significant change from previous perspectives of CSR because it is now seen to be an integral part of a company's overall strategy rather than as an extra cost or moral obligation. Recent studies show that companies are now making Corporate Social Responsibility a part of how they're governed. Corporate Social Responsibility is getting linked to managing risks and planning for the long term. This way of thinking about Corporate Social Responsibility shows that people understand social and environmental issues can really impact how well a company does and if it survives. Corporate Social Responsibility is now closely tied to being sustainable and doing business in a way. This is making it hard to tell the difference between doing what is right and doing what is good for business. Corporate Social Responsibility is really important for companies now.

Dimensions of CSR

Despite there being a wide range of CSR approaches, CSR is conventionally defined as including three principal areas of responsibility, often characterized as economic, social, and environmental by Elkington's Triple Bottom Line (1997). This perspective describes the multi-dimensional nature of CSR and emphasizes that organizations must balance their financial success against the social equity and environmental protection they each provide. Originally,

the Triple Bottom Line was intended to encourage organizations to achieve comparable success across the three areas of CSR. Recently, however, it appears that there has been a diminishing emphasis on achieving the same level of success in these three areas of CSR. The three areas of corporate social responsibility (CSR) are environmental stewardship, which has become more relevant in recent years is environmental stewardship. Environmental issues—including climate change, the loss of biodiversity, and the depletion of natural resources—represent systemic risks to many organizations and industries, in contrast to social issues. While some organizations are directly impacted, e.g., by facing operational interruptions, regulatory issues, supply chain interruptions, and having limited access to financial capital, as a result of environmental issues; because of environmental stewardship becoming the major driver of corporate social responsibility, environmental stewardship is no longer one of several dimensions of corporate social responsibility. This change does not mean that social and economic responsibilities are no longer relevant; rather, it shows that there is a growing foundation of support for environmental responsibility that is also expanding its influence on the other CSR dimensions. For instance, the environmental performance of an organisation has a direct effect on the health and happiness of employees, the strength of relationships with communities, and the overall economic viability. Thus, when viewed in this manner, environmental responsibility is increasingly becoming the platform from which CSR operates, as well as helping to define how organizations make strategic and governance decisions.

CSR as a Governance-Embedded Strategy

Increased emphasis on environmental stewardship has driven the redefinition of CSR as a governance-oriented concept. With the focus shifting from just the results and external communications associated with CSR programmes, increasingly more attention is directed to the internal processes, accountability systems, and decision-making processes associated with CSR. CSR continues to be managed at the board level, as recently evidenced by its incorporation into enterprise risk management processes and the connection to executive compensation programs. Similarly, the rise of ESG frameworks has created a strong link between CSR and governance by converting the more general CSR concepts into measurable indices that both the investment community and regulatory bodies can apply. Through their relationship with capital markets and regulatory bodies, environmental responsibility—due to its financial materiality and importance for creating long-term value—has been recognised the importance of environmental responsibility within ESG criteria. Therefore, CSR cannot be considered independent from governance and financial issues but instead serves as a strategic framework for how firms succeed in managing the expectations of society, the pressures of regulations, and the risks created by market conditions. In this context, Corporate Social Responsibility (CSR) serves as a bridge between being ethical and making sense. Environmental responsibility is an example of this dual role. It addresses what society cares about. At the time, it reduces risk and helps growth that lasts. Understanding CSR in this way helps position responsibility at its core. This is what we propose in our study.

Environmental Responsibility as a Core Dimension of Corporate Social Responsibility

Environmental responsibility is one of the most critical aspects of Corporate Social Responsibility (CSR) today. CSR has long been regarded as a multi-dimensional concept consisting of three main dimensions: Economic, Social, and Environmental; however, the growing importance of the Environmental Dimension is becoming a separate and distinct component of CSR from a strategy and governance standpoint due to the realization that Environmental Issues represent systematic risks to an organization's operations, financial performance, and ultimately their long-term viability.

Conceptualizing Environmental Responsibility

Corporate environmental responsibility is how much companies recognize, manage and reduce their impact on the environment. A wide range of activities fall under this umbrella, from preventing pollution to using natural resources efficiently, to mitigating and adapting to climate change and complying with environmental regulations, etc. Environmental responsibility is also about making strategic choices; for example, relating to supply chains, investment decisions, innovation, etc. Therefore, it is more than just acting/reactively complying with regulations; it also shows that companies are making a commitment to stewarding the environment proactively. Unlike past approaches in which environmental stewardship was often viewed as optional or merely something that enhanced the company's reputation, today there is a trend toward incorporating environmental stewardship as a critical component of the company's corporate strategy. Companies are now expected to identify environmental risks ahead of time and to incorporate sustainability into their business models. This new way of thinking about environmental stewardship marks a shift away from viewing this as supplementary to the overall CSR agenda towards regarding it as core to the organization's purpose.

Environmental Responsibility and Financial Materiality

Central to the increased prominence of environmental stewardship as part of corporate social responsibility (CSR) is the growing financial materiality of environmental responsibility. There are environmental risks, such as physical climate-related risks, transition risks arising from regulatory changes, and liability risks related to environmental harm, that could have an observable impact on a company's bottom line. Such risks can disrupt a company's operations, raise costs, impact the value of company assets, and affect the ability of a company to obtain capital. As a result, the growing recognition of environmental responsibility as a dimension of risk management and financial performance, rather than simply a matter of ethical obligation, has led to a shift in how environmental responsibility is viewed. One of the key catalysts for this shift has been the incorporation of environmental considerations into the investment analysis process and into the corporate governance of public companies. More and more investors and financial institutions rate companies based on their environmental risk/revenue exposure and their ability to manage environmental risk. Consequently, the capacity of a company to demonstrate its commitment to environmental responsibility becomes a signal to investors of the company's ability to withstand potential environmental disruptions, to possess strategic foresight, and to deliver long-lasting value. The financial relevance of environmental responsibility differentiates it from other areas of CSR and raises its standing within CSR frameworks

Environmental Responsibility as a Strategic and Governance Priority

Environmental responsibility is really important. It is connected to how companies are run. These days, companies are talking about issues when they make big decisions. The people in charge are responsible for making sure the company is doing what it should for the environment, and they have to be honest about it. This is because companies know they have to be committed to taking care of the environment, and they need to have a plan to do it. They also have to make sure what they are doing for the environment fits with what they want to achieve as a company. Corporate environmental responsibility is vital to the necessity for corporations to demonstrate themselves as legitimate actors in the eyes of society, regulators, and investors, as these entities continue to scrutinise firms. By demonstrating a commitment to environmentally responsible behaviour, firms can better align themselves with the norms of regulation and society—reducing reputational risk and improving stakeholder trust—and as such, the function of seeking corporate legitimacy is an important part of what has made corporate environmental responsibility fundamental to Corporate Social Responsibility (CSR)

rather than the previous view of being an optional or symbolic activity.

Repositioning Environmental Responsibility within CSR

Taken together, these developments/changes lend themselves to supporting the view that environmental responsibility is central to CSR. Environmental responsibility addresses global, systemic, and financially significant issues that are distinct from social or philanthropic initiatives, which can vary by situation. Environmental responsibility impacts compliance with regulations, the relationship with investors and the overall strategic decision-making process and as a result, will shape the way CSR is implemented and evaluated in practice. Environmental responsibility does not place less emphasis on social and economic responsibilities; rather, environmental performance increasingly provides the basis for achieving broader CSR outcomes such as social well-being and economic sustainability. Environmental responsibility is a fundamental basis upon which governance mechanisms (e.g., ESG reporting and sustainable finance) are built and serves as an integrative link between ethical obligations and institutional and financial realities. This new way of thinking provides the basis for the conceptual framework developed in this paper, which describes the relationship amongst CSR principles, governance structures and financial incentives, on an international level, through the lens of environmental responsibility.

Theoretical Framework

To really get how companies can be responsible for the environment, we need to look at this from a lot of angles. Each of these angles helps us understand why companies decide to be more environmentally friendly, how they actually do it and how they make sure it keeps happening through the way they govern themselves and handle money. We are going to bring a few important ideas. What stakeholders think, how companies try to seem legitimate, how institutions work and how finance can be sustainable. To create a strong base for the ideas we are working with in this study. Environmental responsibility is a part of what we are talking about when we talk about corporate social responsibility.

Stakeholder Theory

According to Stakeholder Theory, a business does not have to think about how their activities have affected only the shareholders, but rather, they need to consider the wide range of stakeholders (as well as their boundaries) that are involved and can be affected by the company's actions. Stakeholders can include investors, employees, regulators, customers, the community, and civil society organisations. Therefore, Stakeholder Theory states that as environmental responsibility is increasing due to the increasing demands of the different types of stakeholders that require firms to lessen the negative impact on the environment and positively contribute to sustainability, Mitchell et al.'s (1997) model of stakeholder salience shows that businesses will place priority on addressing issues brought to the business by the stakeholders that are viewed as having power over the company, are legitimate, and have a short time frame in which to be addressed. In regard to environmental responsibility, investors concerned about ESG performance, regulatory agencies enforcing environmental regulations, and consumers who purchase products based on a company's environmental performance are examples of salient stakeholders. As such, businesses that proactively respond to stakeholders who have influence over them will gain a competitive advantage and mitigate their potential risk due to stakeholder dissatisfaction. Therefore, Stakeholder Theory explains why firms engage in environmentally responsible behaviour and incorporate this behaviour into CSR strategy.

Legitimacy Theory

The theory of legitimacy explains what the social or ethical aspects of corporate behaviour are

with respect to environmental issues. This means that companies will try to ensure that their actions will be seen to be acceptable to society in terms of the norms and values of that society. Therefore, organizations can use their commitment to being environmentally responsible as a way to maintain or regain their legitimacy before regulators, communities and the general public. According to Suchman (1995), legitimacy is not something that is "frozen" in time but must be built and maintained as a result of repeated observable actions over time. Environmental disclosures and ESG reporting are examples of how companies demonstrate that they are behaving in accordance with their society's expectations about environmental issues and that they are dealing with environmental concerns in a transparent and responsible manner. Hence, legitimacy theory explains why companies are willing to invest in environmental responsibility and disclosure as a way to build credibility and trust with their stakeholders.

Institutional Theory

The main focus of the theory is how the behaviour of a company is influenced by the rules and the way people usually do things. Companies often do things as other companies because of what people around them think, what is normally done in their industry and what the government says they have to do. This is called isomorphism, which was talked about by DiMaggio and Powell in 1983. When we talk about taking care of the environment, companies can feel pressure from the government to follow laws and report on what they are doing. They can also feel pressure from what's normally done in their industry and what other companies are doing. Some companies even copy what other companies are doing because they think it is a good idea. Institutional theory helps us understand how companies start to do things in a way that involves taking care of the environment. It helps us see how companies make sure they are doing things and how they make sure everyone is doing things in a consistent way, which is important for institutional theory and for companies to be responsible.

Sustainable Finance Perspective

Within the realm of sustainable finance, an important perspective relates to the importance of financial markets and financial instruments in encouraging and facilitating corporate environmental responsibility. The investment community and lenders are increasingly conscious of how corporations perform with respect to the criteria and practices of environmental, social, and governance ("ESG"). Investors now see a direct relationship between a corporate firm's environmental practices and its access to capital and the cost of financing. Financial instruments such as green bonds, sustainability-linked loans, and funds that have an ESG focus offer companies financial reasons to be responsible stewards of the environment. By providing financial benefits to companies with stated environmental commitments, these types of financial instruments support companies' long-term creation of value. The sustainable finance perspective adds a market-driven reinforcement of environmental responsibility to what are called governance mechanisms addressed in ESG reporting. Companies that demonstrate superior performance in terms of environmental criteria will experience superior financial terms associated with financing, lower risk premiums, and greater investor confidence. Thus, the sustainable finance perspective illustrates that the ethical commitments to environmental responsibility and financial materiality can, and often do, exist as complementary values.

Integrating the Theoretical Perspectives

The paper looks at responsibility as a key part of Corporate Social Responsibility. It does this by considering the views of people affected by a company, what society thinks is acceptable, the rules companies follow and how money is involved in making sure companies act in a way towards the environment. The idea that companies care about what people think of them explains why they want to do things that are good for the environment. The idea that

companies need to be seen as legitimate explains how they keep doing these things to make sure people keep approving of them. The rules that companies follow explain how being good to the environment becomes a part of how they do business. The way money is used explains how companies can keep doing these good things over time. All these different views together give us a picture of why companies should care about the environment. They show us how being good to the environment is connected to doing the thing making good decisions and using money in a responsible way. Environmental responsibility is a part of Corporate Social Responsibility.

ESG Reporting and Sustainable Finance Mechanisms

As environmental responsibility has become a central concern within corporate social responsibility (CSR), firms require effective mechanisms to operationalize and reinforce their commitments. Two critical mechanisms—ESG reporting and sustainable finance instruments—serve as both governance tools and market-based incentives, bridging ethical responsibility, strategic decision-making, and financial materiality.

ESG Reporting as a Governance Tool

By using ESG (Environmental, Social, and Governance) reporting, companies now have a way to convey their environmental commitments through established, objective, clarified benchmarks that report their performance against established standards on issues such as greenhouse gas emissions, resource efficiency, waste management and climate risk strategies. By frameworks for their corporate governance, ESG reporting enables companies to create the institutionalization of their corporation's environmental commitment. In short, systems, processes, measures and accountability must be created to ensure that environmental initiatives are substantive and integrated into a company's decision-making process, rather than just being symbolic. Also, ESG reporting serves a business strategy for all companies, allowing stakeholders -- like investors, regulators, and communities -- to evaluate the firm's level of both commitment and performance as well as reinforcing the legitimacy of the firm through transparency. Lastly, ESG reporting gives measured data and information on the ethical commitments and actions of a firm. By creating carbon reduction goals and reporting on the company's goal of energy-completed renewable projects, firms demonstrate to their shareholders and stakeholders their progress and provide the necessary information to be evaluated externally. This relationship to legitimacy theory illustrates how the supporting data for ESG reporting/Promise (legitimacy through the evaluation of the Promise by acceptance of the activity) functions to continue the society's perception of support, but it also relates to institutional theory through the establishment of standardized frameworks for ESG reporting that create uniform reporting by the various industries.

Sustainable Finance Mechanisms

While companies report on their social and governance or ESG efforts, sustainable finance helps make them more eco-friendly by offering financial benefits. Financial tools like bonds and loans tied to sustainability and investments based on ESG indexes directly link a company's environmental performance to its ability to get funding and the interest rates it pays. Companies with environmental track records often enjoy lower funding costs, more investor trust and higher market value. Green bonds, for instance, fund projects that benefit the environment and require companies to meet eco-friendly goals. Loans tied to sustainability adjust interest rates based on a company's ESG performance, providing financial incentives for environmental care. These financial tools make environmental responsibility a part of decisions, connecting eco-friendly commitments to clear economic results. From a finance viewpoint, these tools ensure that environmental responsibility is not just a nice-to-have but a financially supported goal, promoting long-term strategic alignment with eco-friendly

practices. These mechanisms make sure companies priorities responsibility backed by financial benefits. This approach helps companies focus on eco- actions that have measurable economic outcomes.

Integration of ESG Reporting and Sustainable Finance

Environmental responsibility is really important to companies. When you combine ESG reporting and sustainable finance, you get a way to make sure companies are being responsible. ESG reporting helps keep companies accountable and transparent, so we can see how well they are doing. Sustainable finance gives companies reasons to keep getting better. These two things work together to make sure companies are responsible and that this responsibility is part of how they're run and how they work with money. This way, companies can make sure they are doing what they say they will do and that they are managing things well and making money. This approach also helps people trust companies more. Investors, regulators and regular people want to see proof that companies are being responsible. When companies use ESG reporting and sustainable finance together, they can show people what they are doing. Also make their companies stronger in the long run. This way of doing things is supported by what experts say about how companies should work with the people around them and how they should be responsible with money. It shows how companies can actually be responsible and make that part of their plan. Environmental responsibility is a part of this, and companies can make it happen.

Linking to the Conceptual Framework

The development of a conceptual framework that positions the responsibility for protecting the environment as a central aspect of CSR (Corporate Social Responsibility) can be seen as an evolution from the preceding dialogue about ESG (Environmental, social and Governance) reporting and sustainable finance. The application and incentives provided for environmental responsibility (the operationalization and incentivization) create the critical interrelationship (or linkages) between ethical commitments, governance mechanisms and ultimately, financial performance. Using these findings as a basis, the next section is devoted to presenting a conceptual framework for understanding the significance of environmental responsibility as it relates to corporate governance and the global financial system today, through the integration of theory, empirical research and practical applications.

Proposed Conceptual Framework

The proposed conceptual framework will demonstrate that environmental responsibility is at the center of the CSR construct; that there is a link between ethical obligations, governance mechanisms and financial incentives (at least) as it relates to the development and motivation of environmental responsibility in contemporary corporate environments; and the complementary nature of ESG reporting and sustainable finance tools as they influence the incorporation of environmental responsibility into corporate governance and the global financial system.

Core Premise

The idea of the framework is that taking care of the environment is now a necessary part of Corporate Social Responsibility. It is not something that companies can choose to do or not do. The environment is a part of how companies make money and how they are governed. The environment affects what companies do, how they manage risks, how they deal with people who have a stake in the company and how they create value in the run. By making the environment a central part of Corporate Social Responsibility, the framework understands that other parts of Corporate Social Responsibility, like economic issues, are often influenced by environmental issues. This is especially true when companies are dealing with risks and

pressure from people who have a stake in the company.

Theoretical Underpinnings

Four foundational perspectives that are connected to the framework of theory for corporate environmental behaviours are:

1. *Stakeholder Theory*: Explains the drivers of environmental responsibility, highlighting how stakeholders, such as investors and regulators, as well as the general public, have an impact on corporate environmental behaviours.
2. *Legitimacy Theory*: Explains why a corporation must demonstrate environmental responsibility if it is to maintain legitimacy amongst its stakeholders and maintain a reliable reputation.
3. *Institutional Theory*: Explains how regulatory, normative, and mimetic pressures embed environmental responsibility into organisational structures and industry standards.
4. *Sustainable Finance Perspective*: This perspective looks at how organizations develop institutional structures for fulfilling their environmental responsibilities and how the industry as a whole establishes standards for environmentally responsible behaviours, and incorporates both regulatory and mimetic pressures into its structure.

The integration of these four theoretical perspectives provides evidence for the multidimensionality of a company's environmental responsibility, including ethical, governance and financial dimensions.

Operationalisation through ESG Reporting

Environmental responsibility becomes real through ESG reports. These reports help companies measure how they are doing with the environment, keep an eye on it, and tell everyone about it. This means that the people inside the company and those outside, like investors, can see how well the company is doing. The ESG report is a tool that makes sure the company is honest and responsible with its plans and that these plans fit with what the company wants to achieve.

Reinforcement through Sustainable Finance

Sustainable finance gives companies a reason to care about the environment. Things like bonds, special loans for sustainability and investment plans that consider ESG factors all link how well a company does with the environment to how much money it can get and how much it has to pay to borrow. This means that companies have to be good to the environment if they want to get money and keep their investors happy. It all works together to make sure that what companies say about the environment and what they actually do are the same and that it all makes sense for their business.

Integration with Global Financial Governance

The framework places environmental responsibility in a larger context of global governance. The normative environment for environmental responsibility is greatly affected by international standards, regulations for sustainability, and positions of global investors, which makes environmental responsibility an increasingly non-negotiable expectation in our world today. The incorporation of ESG reporting and sustainable finance into Corporate Social Responsibility (CSR) strategies by firms helps align them with global governance norms and decreases risk, increases legitimacy, and builds long-term firm value.

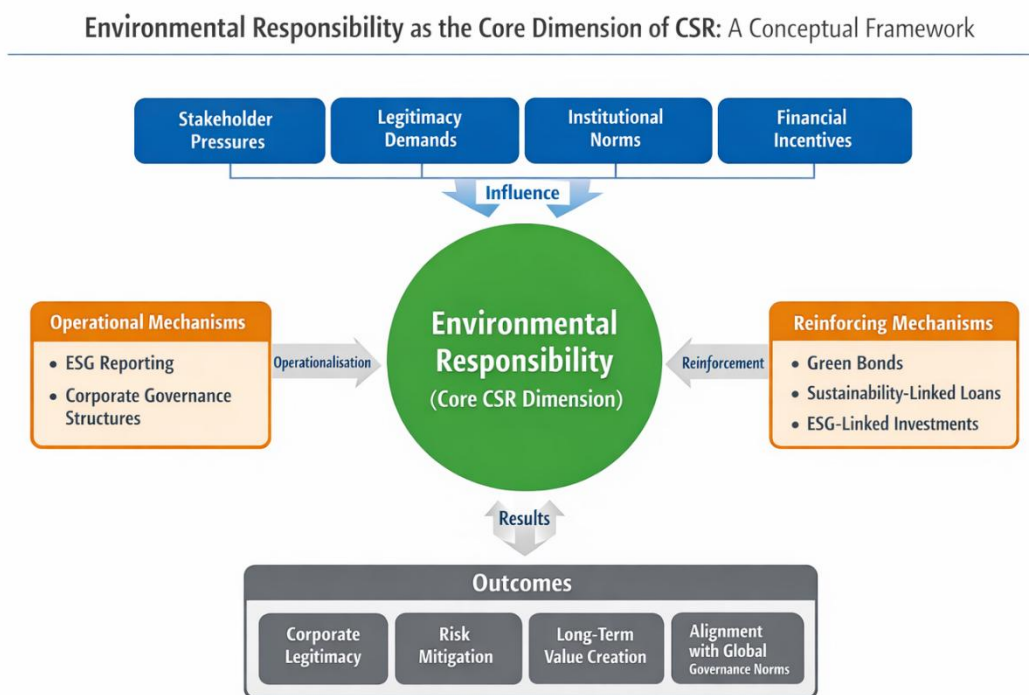
Conceptual Flow

The framework can be summarized as follows:

1. *Drivers*: for companies to be environmentally responsible, come from people who have a stake in the company demands to be seen as legitimate, what is normally done in the industry and financial rewards. All these things motivate companies to be environmentally responsible.
2. *Operational Mechanisms*: The company puts responsibility into its daily operations, which is done through reporting on environmental and social issues. This makes sure that the company is transparent and people know what is going on.
3. *Reinforcing Mechanisms*: Some rewards come from using sustainable finance instruments. These rewards encourage companies to stick to their goals.
4. *Outcomes*: The results of all this are that companies are seen as legitimate, they avoid risks, create value over time, and they do what is expected of them by global governments.

Through all these steps, environmental responsibility is the thing that connects what companies say they do for society, how they are governed and how they make money. This way of looking at things makes it clear that being environmentally responsible is something companies should do because it is the thing to do and it is good for business.

Fig. 1: Environmental Responsibility as the Core Dimension of CSR: Conceptual Flow



Source: Researcher Compilation

The figure presents environmental responsibility as a key element of corporate social responsibility (CSR), with three sets of theoretical drivers providing the foundation for an organization's operational & reinforcing mechanisms to demonstrate the outcomes of operationalizing environmental responsibility.

- *Core (Centre)*: Core Environment Responsibility is the main focus of this model. It is positioned at the core of the diagram to signify the strategic, moral and financial material proximity to an organization's overall success.
- *Drivers (Top)*: Stakeholders will push companies to address environmental responsibility through stakeholder pressure, legitimacy, and institutional norms, as well as financial incentives.

- *Operational Mechanisms (Left)*: Environmental Responsibility is translated into tangible action through ESG reporting and governance structures, which facilitate the measurement of companies' progress towards achieving environmental responsibility.
- *Reinforcing Mechanisms (Right)*: Financial incentives for organisations to continue their commitment to environmental responsibility are provided through the use of "green bonds", "sustainability-linked loans", and "ESG-linked investments."
- **Outcomes (Bottom)**: Enhanced legitimacy, reduced risk, long-term sustainable value creation and the achievement of global governance standards are examples of the outcomes arising from the operationalization of environmental responsibility.

Interpretation

The framework shows a process. It is integrated. Drivers make companies more environmentally responsible. This responsibility is then put into action through governance and ESG reporting. Financial tools support these practices. They create a loop that leads to results. This diagram combines theory and practice. It shows how ethics, governance and financial incentives come together. They create value for companies.

Discussion and Implications

The proposed framework makes environmental responsibility a key part of social responsibility. It connects what companies should do and how they are. How do they make money? This section talks about what this framework means for people who study business for companies and for people who make policies. It shows why this framework is important for businesses today. Environmental responsibility is a part of corporate social responsibility, and this framework is relevant to what is happening in business now.

Theoretical Implications

From a theoretical standpoint, the framework makes several contributions:

1. *Redefining Environmental Responsibility*: The existing research on corporate social responsibility (CSR) does not put enough emphasis on environmental responsibility compared with social and/or economic factors, even though it is becoming increasingly essential to the success of business operations. In contrast, the framework establishes that environmental responsibility is now a key aspect of CSR with material relevance to an organization's governance as well as financial performance. Integrating multiple perspectives from stakeholder theory, legitimacy theory, institutional theory and sustainable finance theory provides an understanding of how these elements interact to realize environmental responsibility.
2. *Integrative Perspectives*: By connecting separate areas of research with multiple theories, the framework provides an integration of various research areas. The framework brings together ethical obligations, stakeholder pressures, corporate and institutional expectations and financing issues to help define and implement environmental responsibility. The unification of these separate research areas creates one clear way to define and understand environmental responsibility and its place in CSR.
3. *Governance perspective on CSR*: The governance element of CSR is demonstrated through the introduction of environmental responsibility as a structured organisational practice rather than just an ethical one; that is, environmental responsibility occurs in the context of an organization's decision-making, accountability, reporting, and strategic planning processes. This approach advances CSR research through the demonstration of connections among ethics, strategy, and accountability mechanisms.

Managerial Implications

For managers, the framework gives us some really useful insights:

1. *Strategic Integration*: It should not be something we do on the side. When we think about the environment as we make decisions about how to run the business, work with suppliers and invest money, corporate managers can avoid problems and make the company stronger in the long run. The framework is about environmental responsibility. It helps corporate managers do a better job.
2. *Operationalizing Environmental Responsibility*: ESG reporting gives managers a way to keep track of how well we are doing with environmental issues, measure our progress and tell people about it. When we have a system for reporting, it helps us be accountable to each other. It makes the people outside the company trust us more. This means we can make sure what we do inside the company matches what people expect from us outside the company. The framework and ESG reporting are important for corporate managers to understand responsibility.
3. *Leveraging Financial Mechanisms*: Sustainable finance goals like green bonds and sustainability-linked loans provide an incentive for managers to reach their environmental targets by giving them favorable financing terms as well as reinforcing the company's commitment to environmental stewardship.
4. *Stakeholder Engagement*: There are many different types of stakeholders (investors, regulators, customers and civil society) that impact environmental strategies, and therefore the manager should consider who those stakeholders are when determining which stakeholder expectations to priorities to demonstrate legitimacy, mitigate reputational risk and ensure alignment between corporate values and societal values.

Policy and Regulatory Implications

The framework also provides insights to policymakers and regulators:

1. *Encouraging Standardization*: By providing standardized ESG reporting guidelines, regulatory frameworks can compare, ensure reliability and transparency among companies. The standardisation of ESG reporting leverages more robust governance functions with respect to environmental responsibility of the firm, and allows for the evaluation of a firm's sustainability by market participants.
2. *Incentivizing Sustainable Finance*: By giving incentives through taxes, providing guarantees and the use of regulatory recognition of investment in sustainable ways, the government will be able to promote the sale and use of sustainable financial products. When sustainability-based investments are recognised by the government as 'good' investments, then they will more closely correlate with environmental outcomes and therefore promote a culture of corporate social responsibility.
3. *Global Governance Alignment*: Environmental responsibility is increasingly defined by global standards and expectations of the global investment community. Therefore, regulators and policymakers must align their national regulations with global standards in order to ensure equal environmental standards for companies that operate in multiple countries.

Contribution to Practice and Research

The framework provides both actionable guidance and a basis for future research. For managers, the framework identifies practical mechanisms (via ESG reporting and sustainable finance) to put into practice and uphold environmental responsibility. For researchers, the framework offers a single model connecting ethics, governance, and financial incentives and

allows for empirical tests of theory outside of the same (industry, region and/or institutional system) boundaries in which they were developed. By positioning environmental responsibility within CSR, governance and financial systems, the framework demonstrates the two-fold nature of environmental responsibility as an ethical duty and a strategic tool for managing risk, creating legitimacy and generating long-term value.

Conclusion

The study devised an infrastructure that identifies the environmentally-focused portion of the CSR (Corporate Social Responsibility) Structure. The environment has developed as both ethical and strategic aspects of business practice across various theoretical lenses (e.g. stakeholder theory, legitimacy theory, institutional theory, and sustainable finance) in relation to CSR theory. As a result, the Environment has become one of the core dimensions of CSR and functions as an ethical obligation, at the same time is a financial and governance aspect of the business. The combination of the mechanisms necessary for operating the CSR framework (i.e., the operationalization of Environmental Responsibility) was achieved through the use of ESG reporting and Sustainable Finance. ESG reporting enables accountability, including the ability to align corporate goals with stakeholder expectations, while Sustainable Finance provides a financial incentive for achieving compliance with ESG objectives. As such, the combination of these mechanisms weaves Environmental Responsibility into Corporate Governance as well as into the global financial system, enabling legitimacy, reducing risk and providing long term value to the corporation. The contribution of the present study to the research body on CSR and Sustainability is the repositioning of Environmental Responsibility from an auxiliary dimension of CSR to a core pillar of CSR. The findings of this study also address the fragmentation of previous studies (e.g., ethics and governance vs finance) and provide a unified and cohesive body of theoretical/empirical work that applies to the current practice in the global marketplace and provides a reference tool for managers and public policy makers and Financial Services practitioners implementing, monitoring and incentivizing Environmental Responsibility into the current Day to day Operating Consciousness of their organizations.

Future Research Directions

The framework we developed provides a good foundational conceptual framework; however, there are several opportunities for research moving forward:

1. *Empirical Validation*: Empirical testing of the framework in future studies using numbers (quantitative, significant) OR non-numbers (qualitative) across different industries and countries, as well as looking to see what role environmental responsibility plays in performance.
2. *Sector-Specific Analysis*: Sector-specific analysis of the model, whereby different sectors exist that have different types of environmental footprints from one another (i.e., manufacturing vs. technology vs. energy) to identify drivers, operational mechanisms and financial incentives specific to those sectors.
3. *Longitudinal Studies*: To explore how environmental responsibility has evolved over time (historically) as a result of changing regulations, stakeholder pressures and changing market conditions over time.
4. *Integration with Social and Economic CSR Dimensions*: To explore (in separate studies) the interaction between environmental responsibility and social/economic dimensions of CSR — including how / whether the combination leads to synergies (positive outcomes) or trade-offs (negative or neutral outcomes).

5. *Global Governance Implications*: Global governance mechanisms that can influence corporate environmental responsibility, such as the role of international regulation, cross-border investor expectations and global sustainability initiatives.

By examining the aforementioned areas, future studies will advance the research contributions of this work in order to generate meaningful insights both for academic and professional communities, while further demonstrating the importance of environmental responsibility as an essential component of CSR today.

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