

Legal Frameworks for Corporate Environmental Responsibility: A Study of International Regulatory Architecture

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Abstract

Corporate environmental responsibility has moved from a voluntary, reputation-driven practice to an increasingly binding legal obligation embedded in international regulatory architecture. This paper examines the principal international legal frameworks that govern corporate conduct towards the environment, including United Nations instruments such as the Paris Agreement and the Global Biodiversity Framework, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the International Sustainability Standards Board's IFRS S1 and S2 disclosure standards, and the European Union's Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive, which function as de facto global benchmarks due to their extraterritorial reach. The paper further analyses the growing role of domestic courts in enforcing corporate climate and environmental obligations, using the 2021 *Milieudefensie v. Royal Dutch Shell* judgment as an illustrative case. It argues that while the global architecture has shifted decisively from soft-law encouragement to hard-law obligation, it remains fragmented across jurisdictions, unevenly enforceable, and vulnerable to greenwashing where verification mechanisms are weak. The paper concludes by proposing measures towards a more coherent and enforceable international framework, including harmonised disclosure baselines, mandatory third-party assurance, and stronger mechanisms for extending accountability across corporate supply chains.

Keywords: Corporate Environmental Responsibility, International Environmental Law, ESG Regulation, Corporate Sustainability Due Diligence, Climate Litigation, Sustainability Disclosure

1. Introduction

The environmental conduct of corporations has traditionally been governed by a patchwork of domestic pollution-control statutes, leaving transnational enterprises free to exploit regulatory gaps between jurisdictions. Over the past two decades, however, a distinct body of international legal and quasi-legal instruments has emerged to hold corporations directly accountable for their environmental footprint, irrespective of where their operations, supply chains, or subsidiaries are located. This shift reflects a broader recognition that environmental harm caused by large multinational enterprises rarely respects national boundaries, and that voluntary corporate social responsibility initiatives, while valuable, have proven insufficient to drive the scale of change required to meet global climate and biodiversity targets. This paper undertakes a doctrinal analysis of the principal international frameworks that now shape corporate environmental responsibility (CER). It examines instruments of differing legal character: treaty-

based obligations that indirectly bind corporations through state implementation, OECD guidelines that remain formally voluntary but carry significant reputational and procedural weight, disclosure standards issued by international standard-setting bodies that are increasingly incorporated into binding domestic law, and regional legislation from the European Union whose extraterritorial reach effectively sets a global compliance floor for any enterprise wishing to access that market. The paper also considers the emerging role of domestic judiciaries in translating international climate commitments into enforceable corporate obligations.

The central argument advanced is that international corporate environmental regulation has undergone a paradigm shift from voluntary ethical commitment towards mandatory, auditable legal obligation, but that this transition remains incomplete, fragmented, and unevenly enforced across jurisdictions with differing capacities and political will.

2. From Voluntary Ethics to Legal Obligation: The Evolution of Corporate Environmental Responsibility

Corporate environmental responsibility as a concept can be understood as comprising two interlinked obligations: the responsible exploitation and use of natural resources, and the management of pollutant discharge within environmental tolerance limits. For much of the twentieth century, these obligations were addressed almost exclusively through domestic regulatory instruments such as environmental impact assessment requirements, pollution licensing regimes, and tort liability for environmental damage. International engagement with corporate conduct was largely confined to non-binding declarations.

The turning point came with the growing recognition, following instruments such as the 2011 United Nations Guiding Principles on Business and Human Rights, that states alone could not adequately regulate the environmental and human rights conduct of multinational enterprises operating across borders. This recognition catalysed a wave of instruments that sought to impose direct expectations, and later direct obligations, on corporations themselves rather than solely on the states in which they operate. The result, as this paper demonstrates, is a layered international architecture in which high-level political commitments, technical disclosure standards, and binding regional legislation now operate together, each reinforcing the others' authority.

3. International Legal and Regulatory Frameworks

3.1 United Nations Instruments: The Paris Agreement and the Global Biodiversity Framework

The Paris Agreement (2015) does not impose direct obligations on corporations, operating instead through Nationally Determined Contributions submitted by states. Its influence on corporate conduct has nonetheless been profound and increasingly direct: it has become the reference point against which climate litigants, financial regulators, and disclosure standard-setters measure whether corporate emissions-reduction targets are adequate, a dynamic made explicit in domestic court judgments discussed in Part 4. The Kunming-Montreal Global Biodiversity Framework, agreed in late 2022, extended this logic to biodiversity. It calls on large companies and financial institutions to assess and disclose their dependencies and impacts on biodiversity by 2030, a commitment that has since been operationalised through the Taskforce on Nature-related Financial Disclosures, which companies are now piloting to report nature-related risk.

3.2 The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

First issued in 1976 and most recently revised in 2023, the OECD Guidelines remain formally non-binding

recommendations addressed by adhering governments to multinational enterprises. Their significance lies in their institutional architecture: adhering states, now numbering over fifty including major non-OECD economies, are required to establish National Contact Points that receive and mediate complaints against enterprises alleged to have breached the Guidelines, including its environmental chapter.

The 2023 revision is particularly significant for environmental accountability. It clarified the scope of enterprise due diligence to extend downstream through supply chains, introduced explicit expectations that enterprises align their conduct with internationally agreed climate and biodiversity targets, and added new due-diligence expectations relating to technology and data use. This revision demonstrates a broader trend: even instruments that remain technically voluntary are being drafted with increasing specificity and enforceability-adjacent mechanisms, narrowing the practical distance between soft law and hard law.

3.3 The European Union's Regulatory Architecture as a Global Benchmark

No single jurisdiction has done more to convert corporate environmental responsibility from aspiration into binding law than the European Union, and its instruments merit particular attention precisely because their extraterritorial reach makes them de facto international standards for any enterprise seeking access to the EU market.

The Corporate Sustainability Reporting Directive requires qualifying companies, including many non-EU companies with significant EU operations, to report against the European Sustainability Reporting Standards using a double-materiality approach that considers both the financial risk sustainability issues pose to the company and the company's impact on people and the environment. Reporting is subject to mandatory third-party assurance, moving sustainability disclosure toward the same rigour long applied to financial statements.

The Corporate Sustainability Due Diligence Directive complements this reporting obligation with a substantive duty: it requires in-scope companies to conduct human rights and environmental due diligence across their value chains, identifying, preventing, and mitigating adverse environmental impacts not only in their own operations but among their suppliers, with phased implementation beginning in 2027. Alongside these, the EU Carbon Border Adjustment Mechanism imposes a carbon-cost levy on imports of high-carbon goods such as steel, aluminium, cement, and fertiliser, extending EU carbon pricing logic to foreign producers who have no direct relationship with EU environmental law but who wish to sell into the EU market.

Together, the CSRD, CSDDD, and CBAM illustrate a distinctive regulatory strategy: rather than attempting to regulate foreign corporate conduct directly, extraterritorial market-access conditions are used to project domestic environmental standards onto the global supply chains of any enterprise trading with the bloc.

3.4 The International Sustainability Standards Board: A Global Disclosure Baseline

Established to create a single global language for sustainability-related financial disclosure, the International Sustainability Standards Board issued IFRS S1 and IFRS S2 in June 2023. IFRS S2, which builds directly on the architecture of the earlier Task Force on Climate-related Financial Disclosures, requires disclosure of transition and physical climate risks, climate-related opportunities, and emissions metrics and targets across a company's value chain.

By mid-2026, the IFRS Foundation reported that dozens of jurisdictions, spanning Australia, the United Kingdom, Brazil, Türkiye, and others, had adopted, were using, or were finalising integration of the ISSB standards into domestic law, with the International Organization of Securities Commissions formally endorsing their adoption. This rapid, near-universal uptake illustrates how a technical standard-setting

body, operating outside any single state's legislative process, can nonetheless generate a de facto global legal baseline once national securities regulators incorporate its output into mandatory listing and reporting rules.

3.5 Technical and Managerial Standards: ISO 14001

Complementing the disclosure-focused instruments above, the International Organization for Standardization's ISO 14001 environmental management standard, used by more than 670,000 organisations worldwide and updated in its 2026 edition, provides a structured, auditable methodology through which corporations translate high-level legal obligations into operational environmental management systems. While certification remains voluntary, it is frequently referenced in public procurement rules and supply-chain contracts, giving it indirect legal force.

4. Judicial Enforcement of Corporate Environmental Responsibility

Perhaps the most consequential recent development in this field has been the emergence of domestic courts as fora for enforcing international climate commitments directly against corporations. In the landmark 2021 decision in *Milieudefensie v. Royal Dutch Shell*, a Dutch court ordered Shell to reduce its group-wide carbon dioxide emissions by 45 per cent by 2030 relative to 2019 levels, a reduction obligation extending to Scope 3 emissions arising from the use of the company's products by third parties. The court grounded this obligation in an unwritten standard of care under Dutch civil law, interpreted in light of the Paris Agreement's temperature goals and the broader international consensus on the scientific necessity of rapid decarbonisation.

This judgment is significant for two doctrinal reasons. First, it demonstrates that international climate instruments which do not themselves bind corporations can nonetheless be given indirect legal effect through domestic tort and civil liability doctrines, effectively closing part of the gap between state-level treaty commitments and corporate conduct. Second, by extending liability to Scope 3 emissions, the ruling signalled judicial willingness to hold companies responsible for the downstream environmental consequences of their products, a position with far-reaching implications for oil, gas, and heavy industry. Since 2021, climate litigation grounded in similar reasoning has proliferated across multiple jurisdictions, reinforcing the trend towards judicial rather than purely legislative enforcement of corporate climate obligations.

5. Challenges and Gaps in the Global Framework

Despite this evident hardening of international expectations into legal obligation, significant challenges remain. First, the global framework remains deeply fragmented: the EU's mandatory, assurance-backed regime coexists with jurisdictions, including the United States at the federal level, that continue to lack any comprehensive sustainability disclosure mandate, relying instead on a patchwork of state-level rules and voluntary frameworks such as the Global Reporting Initiative. This fragmentation creates compliance complexity for multinational enterprises and permits regulatory arbitrage by companies structuring operations to minimise exposure to the most stringent regimes.

Second, even where disclosure is mandatory, verification remains uneven. The move towards mandatory third-party assurance in instruments such as the CSRD is a positive development, but many jurisdictions still accept self-reported, unverified sustainability claims, creating fertile ground for greenwashing. Regulatory responses such as new legal definitions of terms like 'carbon neutral' and requirements that

environmental claims be substantiated through recognised certification systems represent an emerging but still incomplete response to this problem.

Third, supply-chain due diligence obligations, while conceptually vital given that the majority of a multinational enterprise's environmental footprint often lies outside its direct operations, are exceptionally difficult to enforce in practice, particularly where suppliers are based in jurisdictions with weak environmental governance capacity. The phased, multi-year implementation timelines attached to instruments such as the CSDDD reflect an acknowledgment of this practical difficulty, but also mean that meaningful accountability for supply-chain harms remains, for now, largely aspirational.

Finally, the voluntary character of instruments such as the OECD Guidelines means that even a formal finding of non-compliance by a National Contact Point carries no binding legal consequence, relying instead on reputational pressure. Political headwinds further complicate the picture: legislative efforts in several jurisdictions to narrow or roll back existing ESG and sustainability disclosure obligations illustrate that the current trajectory toward stronger corporate environmental accountability is not irreversible.

6. Towards a Coherent International Framework: Recommendations

Building on the analysis above, this paper proposes four directions for strengthening the international legal architecture governing corporate environmental responsibility. First, interoperability mapping between major disclosure regimes, such as the guidance already published aligning the EU's European Sustainability Reporting Standards with the ISSB's IFRS S1 and S2, should be expanded and formalised into a single recognised equivalence framework, reducing duplicative compliance burdens while preserving substantive rigour.

Second, mandatory third-party assurance of sustainability disclosures should be extended beyond the EU as a global norm, since verification is the single most effective safeguard against greenwashing identified in this analysis. Third, supply-chain due diligence obligations should be paired with capacity-building support for suppliers in developing economies, recognising that punitive enforcement alone is unlikely to be effective where the underlying institutional capacity to comply does not yet exist. Fourth, international bodies such as the OECD should be resourced to give National Contact Point findings greater practical consequence, for instance through mandatory linkage to export credit eligibility or public procurement access, thereby narrowing the gap between voluntary guideline and enforceable obligation.

7. Conclusion

The international legal architecture governing corporate environmental responsibility has undergone a decisive transformation over the past decade, moving from a landscape dominated by voluntary corporate ethics and non-binding declarations to one increasingly structured by mandatory disclosure regimes, substantive due diligence obligations, and judicially enforceable duties of care. The European Union's CSRD and CSDDD, the ISSB's global disclosure baseline, the revised OECD Guidelines, and landmark judicial decisions such as *Milieudefensie v. Shell* collectively demonstrate that corporate environmental conduct is no longer treated as a matter of discretionary ethics but as a matter of law. Nonetheless, this architecture remains fragmented, unevenly enforced, and vulnerable to both greenwashing and political reversal. Achieving a genuinely coherent global framework will require sustained convergence between disclosure standards, meaningful verification mechanisms, and enforcement structures capable of reaching corporate conduct across the full length of increasingly complex global supply chains.

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