Analysis of Development Trends of ESG Implementation and CEO Accountability within Corporate Governance Systems of Emerging Markets

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Abstract. ESG has transitioned from being a discretionary activity in affluent countries, to being a fundamental need in the global financial industry. However, emerging markets have distinct restrictions including the institutional foundation, the stakeholder structure and the compliance to international norms and their practical approaches are different from industrialised markets. This article studies the institutional context of emerging economies and the impact of ESG integration on executive accountability. The paper finds that ESG is shifting from a compliance disclosure to an integrated governance practice. The scope of executive accountability is evolving from formal compliance to substantive governance. This is illustrated by the extension of directors' duty of care to ESG-related issues, the tying of compensation to sustainable performance, the institutionalisation of stakeholder participation, and the systematic upgrading of professional capabilities. Executive responsibility is constrained externally, e.g. by the differentiation of ESG ratings, the transfer of green financing and the extraterritoriality of cross-border regulation. Based on this, the paper concludes that ESG executive accountability will tend to be more specific legal obligations, multi-dimensional evaluation indicators and wide professional competencies. The paper suggests that the enterprise in the emerging market should pay attention to the local institutional conditions while conforming to the international standards, establish the senior executive performance framework commensurate with their own development, and balance the sustainable development goals and governance efficiency. The theoretical approach of this research provides a perspective to understand the process of change, but the specific implications in different institutional contexts need to be empirically tested.

Keywords: Emerging markets, Corporate governance, ESG implementation, Senior executive performance, Duty of care, Institutional evolution.

1. Introduction

The first time ESG was introduced was in the 2004 study "Who Cares Wins" by the United Nations Global Compact Organization, which was the first organization to include into the capital market analysis framework the environment, society and governance. During the last twenty years ESG has steadily become a key priority in global corporate governance. Data from the United Nations Sustainable Stock Exchange Initiative indicates that more than 120 stock exchanges around the world had issued ESG disclosure rules as of the beginning of 2026. Emerging-market exchanges make up about 40% of the total. The international consensus on the actual practice of implementing ESG by emerging market firms is not only a transplantation at the institutional level. Three restrictions need to be addressed, including legal system integration, market mechanism cultivation and governance culture transformation. There are many hurdles to the ESG process of developing market firms: lack of uniform disclosure rules, poor database, absence of third-party verification, and the conflict between short-run profit and long-run sustainability imperatives. Ultimately these difficulties are the responsibility of the executive team and they need to do their job [1].

The previous studies of ESG practices in emerging markets have been mainly focused on the effect of ESG indicators on investment value and the compliance of ESG disclosure. Few have questioned the precise implications of how ESG entrenched in the governance framework modifies the obligations of executives. Executives are the core of strategic decision-making and resource allocation. Their boundary of responsibilities, performance evaluation techniques and standards have a direct impact on whether ESG can be turned into corporate behaviour from policy text. To consider

this issue in terms of governance framework we need to ask: What changes in legal limits and performance evaluation and development obligations of executives will occur when ESG moves from an external initiative to an internal governance requirement? Different corporate governance arrangements will also have what regulatory impacts these modifications. This article seeks to start with the institutional prerequisites of ESG implementation in emerging markets, analyse the evolution logic and transformation path of executive responsibility in this process, and appraise the future direction from the perspective of institutional evolution. It provides a realistic, reference analytical framework for developing market firms to strengthen governance structure and increase executive accountability measures.

2. Institutional Environment and Structural Constraints for the Implementation of ESG in Emerging Markets

The structural variations in the institutional foundation and structural constraints on which the implementation of ESG in emerging economies depends are not only degrees of difference from those in developed countries, but also structural differences. Most emerging market countries have the civil law or a hybrid legal heritage. Unlike the common law system, the written legal system does not include the detailed fiduciary responsibility standards developed by case law. The rules of the written legal system on the duty of care and loyalty of directors are generally more principle-oriented. In practice, this implies that when ESG risks do lead to losses for a company, the institutional mechanisms available to individuals affected are not easily available - there are few instances of effective accountability for directors failing to fully evaluate ESG factors. At the regulatory level, major emerging market economies such as China, India, Brazil and South Africa have set up ESG disclosure frameworks led by securities regulatory authorities, but the intensity of implementation, the cost of violation and the investor relief mechanisms are still under improvement. Taking China as an example, the 2021 revised "Measures for the Administration of Information Disclosure of Listed Companies" raised the requirements for environmental and social responsibility information disclosure, but there is still much room for improvement in substantive review, punishment for violations and other aspects [2].

The degree of capital market development is also a binding constraint. The percentage of institutional investors in emerging economies is minimal, and the structure dominated by retail investors makes it difficult to pass on the concept of long term value investment. Therefore, the direct limiting effect of ESG performance on enterprises through the capital cost channel is much lower than in developed economies — even a firm with low ESG scores will have relatively minor implications on its financing channels and capital costs [3]. At the same time, leading international ESG rating organizations' coverage and evaluation adaptability to emerging economies is severely insufficient. This is a point addressed again and again by the International Corporate Governance Network: For instance, the coverage of emerging markets by institutions such as MSCI and Sustainalytics is far lower compared to developed economies. The logic behind the scores, however, is more troubling. There is no unanimity on how to account for the role of state-owned businesses, minority shareholder protection and links with local populations in emerging markets. Many businesses argue that the rating results do not reflect their actual ESG governance position. The constraints show that the ESG governance of businesses in emerging markets cannot be duplicated from that of established nations, and it is necessary to explore development paths suitable to the local context on the premise of recognising the difference.

3. Deep Reconfiguration of Corporate Governance Structure through ESG Integration

Still, despite these institutional constraints, ESG concepts are integrated in various ways within the corporate governance system in practice. This embedding process is not just introducing new

obstacles, but also involves a dramatic change in functional positioning, professional capabilities and operational processes. The modification of the composition of the board is the first level change of the ability logic. The traditional method was to dedicate the professional talents of the board to financial auditing, industrial experience and strategic decision-making. The board in ESG governance must have the judgement powers in areas like environmental risk management, social impact assessment and compliance governance [4]. This gap in capability has driven numerous corporations in emerging countries to add ESG assessment indicators in how directors are nominated. The number of listed companies having independent ESG or sustainable development committees in China's A-share market rose approximately three times from 2022 to 2025.

The second level of change is an expansion of the functions of the committees that have been constituted. The audit committee started to play the role of verifying ESG information and assessing internal controls; the compensation committee included non-financial performance indicators in the executive remuneration plan; the nomination committee took into account experience in sustainable development governance when nominating directors. ESG is "embedded" in the governance framework with the three committees taking expanded obligations at the same time, moving from being a "add-on". In 2019, the Hong Kong Stock Exchange introduced (and modified) ESG reporting criteria that articulate the board's explicit obligation to provide a statement on the regulatory obligations on ESG issues, which essentially frames ESG governance within the board's legal obligations.

The third level change is about the governance restructure of the decision information flow. The implementation of ESG requires companies to establish a management system for non-financial information, including carbon emission figures, environmental compliance records, and supplier chain social responsibility performance. These data have different logics of creation, criteria of verification and channels of reporting from conventional financial information. The choice of emission variables and the establishment of accounting boundaries in carbon emission accounting are more subjective judgements involved in [5]. The challenge of multi-level gathering is needed to address the need for supply chain social compliance information. Such qualities have substantially enlarged the scope of information reported by management to the board with hazards of information distortion and selective disclosure. The enterprise information management in emerging countries is quite unequal, and the third-party verification market development is not yet mature. The problem of information asymmetry in the domain of ESG is arguably more pronounced than in the field of finance and places more demands on the board's information verification capabilities and internal questioning culture.

4. Evolution of the Connotation of Executive Responsibility: From Formal Compliance to Governance Embedding

The restructure of the board has altered the idea of the executive accountability with the inclusion of ESG. The effect of ESG on executives' obligations depends on various stages of the ESG development. At the beginning of ESG development, the role of executives was mainly to assure the accuracy and timeliness of information disclosure, the essence of which was to meet the form criteria of regulatory bodies. At this time, the executives were mostly responsible for assessing reports and approving papers. Their substantive decision-making participation was limited and the driving effect on the business level was not obvious. With the transition of ESG from passive compliance to active value creation, the accountability of executives was extended to the strategic level: participation in setting ESG goals, supervision of achieving key performance indicators and ensuring that the investment of resources is consistent with strategic commitments [6]. The transition is the condensed essence of the move away from peripheral concerns to fundamental requirements in law of ESG.

This rise in the legal world is concentrated in the ESG extension of the meaning of director fiduciary duties. In traditional company law, the duty of care and devotion of the directors served the maximisation of the interests of the shareholders [7]. Environmental externalities, social implications

and long-term sustainability were considered by the board of directors' choices within the ESG framework. The fiduciary obligation was no longer tied to short term financial returns but required directors to take reasonable steps to analyse the impact of non-financial factors on the long term value of the organization. This expansion is already apparent and has varying degrees of legal recognition in different legal jurisdictions. The Indian Companies Act (2013 revision) explicitly states that the board of directors is responsible for the corporate social responsibility policy, the South African King IV report has introduced the "apply or explain" governance principle, and China's revised Company Law (2023) requires that when conducting business activities, the company shall fully consider the interests of stakeholders such as employees and consumers and environmental protection.

The reform of executive remuneration structures is a practical window to explore the evolution of the connotation of responsibility. The global market and China's capital market have shown a tendency of including ESG indicators into the CEO performance review. The largest state-owned enterprises in the A-share market have established evaluation systems including green development and technical innovation metrics. In 2023, ESG was included in the state-owned enterprise listed company assessment and evaluation system by the State-owned Assets Supervision and Administration Commission of the State Council, marking the transformation from an independent choice of an entity to a systemic duty. The changes in the remuneration structure show that the criteria for judging the accountability of the CEO are changing from a solely financial performance scale to a multi-dimensional approach that considers not only financial returns, but also non-financial worth. This transition is moving from the unique practices of top firms to the standardised practices of the average firm.

5. Multiple Drivers for ESG Rating Differentiation, Green Finance Transmission, and Cross-Border Regulatory Spillover Effects

The process of change in executive accountability is driven not just by internal processes of the governance system but also by external evaluation systems and market pressures. The difference in ESG ratings is mainly caused by the methodological differences of rating agencies and the inconsistent quality of corporate data disclosure [8]. Rating agencies have a tendency to weight certain risks differently in emerging markets and companies don't have same disclosure regulations for the same facts. These factors combine to generate huge disparities in scores. The distinction creates double demands for executives. The downgrade may affect the company's ability to raise money and its valuation on the international capital markets. Moreover, the inconsistency of rating criteria makes it impossible for the executives to apply external ratings directly as a reference for internal management. Some organisations also try to communicate actively, e.g. through performance briefings to explain their ESG practices to rating agencies and investors in an effort to bridge the information gap between external evaluation and actual performance.

Green finance is expanding—and it's changing the incentives behind corporate decisions. The green credit market in China is rising, and the size of green bonds and ESG-themed funds are growing simultaneously [9]. Funds, financing costs and investor preferences are aligned. Those with high pollution and high energy consumption are under strain of funding while those that meet green requirements can take advantage of credit convenience. The change leads to a more direct economic impact of ESG performance through financial channels and shifts the executives' answers to ESG concerns from value advocacy at the long-term strategic level to practical considerations at the current level of capital cost. It affects the basis for decision making radically.

The extraterritorial effect of cross-border regulatory measures is also expanding the extent of executives' obligations. Both the EU's CSRD and CSDDD include extraterritorial applicability clauses that target companies in the global supply chain linked to the EU market. So the manufacturing and resource firms in emerging countries are immediately constraint by the compliance requirements and their production and business operations are constraint. Failure to comply with the appropriate regulations could lead to restricted market access or concerns about

possible legal action. Even with a fairly lax local regulatory environment, the pressures from outside, through international commerce and investment, will enhance the standards of duty for compliance for CEOs. Some export-oriented companies have set up unified ESG compliance systems at the group level, with the executive team in charge of compliance management across jurisdictions.

6. Changes in the Communication Pattern with Stakeholders and the Reconfiguration of Executive Performance Practices

The implementation of the ESG governance framework is impacting the interaction patterns of developing market enterprises and their stakeholders. Under the previous paradigm, CEOs interacted mainly with shareholders and regulatory agencies, the subject of communication was financial performance and compliance issues, and communication routes were annual report disclosures and shareholders' meetings. The scope of the stakeholder has been expanded by the ESG framework. Employees, communities, suppliers, non-governmental organisations, media and even the general public are beginning to see the ESG performance of corporations. That's a major thing in emerging markets. The relative weakness of governmental governance systems and public service supply tends to lead to higher expectations from different stakeholders for enterprises in respect of environmental management, labour rights protection and community link preservation than in developed markets [10].

This change imposes new demands on executive performance. Executives need to build systems for identifying and involving stakeholders, and for considering demands of different groups in knowledge base of decision making. Reports from the China Listed Companies Association show that many A+H-share companies have established regular communication mechanisms with interested parties and gathered feedback through symposiums, satisfaction surveys, community visits etc. Such processes are still mostly directed at collecting information, but the mere fact of their institutionalisation demonstrates that the position of stakeholders in corporate governance is shifting. Meanwhile, executives should balance the demands of different groups with the long-term strategy of the organization, and avoid hurting the overall worth of the enterprise or the rights and interests of other stakeholders when reacting to the short-term demands of a particular group [11]. This is more of a balancing act than a conventional model would require.

The rise of social media and digital communication has made stakeholder communication more difficult. In emerging economies, news of environmental breaches, labour or community difficulties can spread quickly and widely. A small quarrel can become a national public opinion crisis in a matter of hours. Thus, several companies have created a specific sustainability communication position in the executive division. There are special staff to coordinate the internal and external communication, so that the feedback of all parties may be successfully sent to the board of directors, and to avoid the inconsistency of information generated by different external contacts. This new role is reshaping the makeup of the executive team—the relevance of communication skills, crisis management skills and cross-cultural understanding in ESG governance has grown significantly. Selection and training of executives in developing market organisations will focus mostly on these kinds of improvements.

7. Conclusion

The article discusses the implementation of ESG in emerging markets, in terms of institutional framework, governance structure, executive accountability, external influences and stakeholders. Emerging market enterprises are transitioning from compliance disclosure to governance embedding in the integration of ESG into their governance. The process is non-linear and institutional foundations matter in this regard. the legal systems, regulatory models, development levels of capital markets and stakeholders' patterns are different in different countries, which determine the real path of ESG implementation and the direction and rate of adjustment of executive's obligations.

The route varies from nation to country, but three broad evolutionary themes can be observed in the ESG tasks of CEOs in emerging economies, namely, tighter legal constraints, more quantitative assessment indicators and a shift toward team collaboration in the implementation of performance. Countries such as China, India and Brazil are introducing ESG disclosure regulations into securities law and company law frameworks, and CEOs who fail to comply face increased legal risk. In the short term, the mandatory due diligence of the French model is unlikely to be widely endorsed. In contrast, the practice of enforcing ESG commitments by judicial and administrative fines has set a trend. The weight of indicators such as carbon emission intensity and percentage of renewable energy in performance assessment is increasingly being magnified and the temptation of "managing for measurement" must be resisted. ESG concerns are complicated and outside the scope of an individual executive's capacity. The matrix structure of CEO coordination, division of business lines and dedicated teams help will become the mainstream gradually.

Look at the emerging market. They have differences internally. China's government is leading the pace of growth, with green finance policies boosted by the "dual carbon" targets, while India and South Africa have followed different routes, spurred by legislative changes. Institutions' performance needs to be monitored over a longer term, but the direction of evolution is clear: ESG duties move from peripheral of governance structure to core and from optional option to necessary mandate. The effectiveness of the shift depends on the synergy of legal, market and enterprise capabilities. This paper provides a fundamental analytical framework, but the arrangement and impact of executive responsibilities in different circumstances still require empirical research for validation.

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