# CORPORATE ACCOUNTABILITY IN A GLOBALIZED ECONOMY

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**ABSTRACT**

In the twenty-first century, the relationship between corporations and society has significantly changed because of globalisation. The rise of multinational corporations (MNCs), internationalisation of production and supply chains, and an increase in financialisation of the global economy has broadened the influence and ability of business actors. Globalisation has improved efficiency, stimulated innovation, and created opportunities to make wealth; while at the same time has revealed the necessity to demand corporate accountability. The unfolding of events from disgraces like Enron, WorldCom, and Satyam, to disasters like the Rana Plaza factory collapse in Bangladesh, have shown us the destructive powers of corporations when left unchecked[1]. In this article, I want to critically explore corporate accountability in a globalised economy. I will look at theoretical bases of accountability, and international and domestic regulatory frameworks for corporate accountability, and the challenges of accountability for conduct across jurisdictions. I will also investigate the corporation's role in human rights, environmental protection, taxation and supply chains. I will conclude with the pursuit of a shared model of binding international norms with an emphasis on robust domestic enforcement and civil society participation that is essential for justice, fairness, and sustainability in an increasingly globalised world.

[1] John Ruggie, Just Business: Multinational Corporations and Human Rights (W W Norton 2013).

## INTRODUCTION

"Globalisation," often defined as the way in which economies, societies, and cultures have become increasingly connected, describes a world where the power of corporations has largely become global rather than national. Today there are multinational corporations with institutional power that can sometimes rival GDPs of small nation-states. The activities of these corporations impact the lives of millions of people across continents. However, while the emergence of global markets undoubtedly presents numerous economic opportunities, it raises significant questions of accountability. Who should we hold accountable for the conduct of corporations? How do we hold corporations accountable when their operations extend beyond a single legal system? To what extent would we expect corporations to be socially responsible while they are profit-making?

The question of corporate accountability In a globalised economy is not merely hypothetical. The catastrophic results of corporate misbehaviour revealed by specific events like the Deepwater Horizon oil spill (2010), the Volkswagen emissions scandal (2015), and the Rana Plaza building collapse (2013)[2], reveal both the slogging dilemmas of balancing corporate profit maximisation and responsibility, while also emphasising moral and ethical dilemmas created by the rise of shareholder capitalism that narrows the purpose of a corporation exclusively to maximising returns; often at the expense of both worker rights, environmental sustainability, and public trust.

The problem Is especially acute in developing economies. Countries in the Global South commonly accept foreign direct investment and MNC presence as a form of growth opportunity. However, weak regulatory environments, insufficient enforcement mechanisms, and power imbalances between states and corporations often promote labour abuses, tax avoidance and disruption to the environment. As such, globalisation has sped up a "race to the bottom", where corporations have exploited gaps in regulation, and states have attempted to woo corporations through incentives. With that in mind, this paper aims to evaluate corporate responsibility in the globalised market. It initially unpacks the concept of accountability and distinguishes its unique theoretical framework from that of corporate governance. It examines the rise of MNCs, significant corporate scandals, international and domestic legal frameworks

[2] Surya Deva, 'Corporate Human Rights Violations: The Interface between International Law and Domestic Law' (2012) 19(2) Indian Journal of International Law 21.

attempting to regulate corporate responsibility. It will consider accountability from a human rights, environmental, tax and supply chain perspectives. The paper will explore the obstacles in enforcing accountability before it ends with a proposed way forward that includes international norms, domestic legal standards, and stakeholder action.

## THEORETICAL FRAMEWORK OF CORPORATE ACCOUNTABILITY

The concept of "corporate accountability" has been represented in different ways in both academic and practitioner discourses. At its most basic level, corporate accountability refers to a requirement to account for (explain and justify) corporate actions, decisions and effects to different stakeholders – that includes shareholders, employees, consumers, regulators, suppliers, and the broader community. While corporate governance primarily refers to the internal processes of a company for decision-making, accountability constitutes an external demand or expectation of the company's relationship with society. Governance focuses on structures, policies and procedures to achieve a company objectives and mitigate risks, while accountability embodies an external, normative, or evaluative requirement for the corporation to explain, account for, justify or assess its conduct in relation to societal, ethical and legal expectations. Accountability continues to act as the connector between corporate actions and societal trust, representing a moral and social dimension beyond pure profit-making.

In the past, the idea of corporate accountability was more closely aligned with the shareholder view of the firm model based on agency theory. Agency theory suggests managers act as agents for shareholders who are primarily concerned with maximizing their wealth. In this view, sometimes referred to as the shareholder primacy model, accountability was focused on financial performance, dividends, and returns on investment. It was tacitly assumed that as long as managers operated in the interests of shareholders and managed the company profitably, they had fulfilled their duties to society. This narrow definition of duty turned out not to be sufficient for many of society's wider expectations. The series of well-known corporate scandals, such as Enron (2001) and WorldCom (2002), along the global financial crisis of 2008, revealed the deficiencies of a shareholder-centric perspective[3]. A failure to manage companies responsibly, of which fraudulent reporting was a key example, accompanied by a clear absence of any ethic-based considerations revealed the need for moving beyond simply economic

[3] Sarbanes-Oxley Act 2002 (US).

performance within a longer-term corporate understanding of accountability.

New frames of references coalesced as a result, most notably, stakeholder theory and legitimacy theory, the two main approaches describing shifts in (perceived) corporate accountability. Stakeholder theory maintains that corporations have obligations to stakeholders not only to shareholders but also to other stakeholders who may be affected by corporate behaviours (e.g., employees, consumers, suppliers of services and/or products, communities, and the natural environment). In this perspective, long-term sustainable corporate success can only occur in the context of a number of stakeholders thriving, and that if the corporation fails to recognise and honour its obligations to stakeholders, it risks damage to its reputation, legal action and loss of operations. Legitimacy theory argues that corporations obtain their right to do business from society, and that a purposeful accountability requires adherence to societal norms, values and expectations that ensure that corporate behaviours are socially unjustifiable, such that corporate organisations must maintain their legitimacy over time. In summary, these frameworks highlight that corporate accountability reflects a multi-faceted potential which integrates economic, social, ethical and environmental aspects.

The development of corporate accountability is closely associated with the emergence of corporate social responsibility (CSR). While CSR was originally framed as a voluntary charitable giving, CSR is increasingly being codified into legal requirements in many jurisdictions, moving from a 'discretionary' activity to an obligatory requirement. The Indian Companies Act 2013 is an example where certain companies – i.e, companies that meet minimum thresholds of turnover, net worth or profitability – are required to undertake CSR activities[4]. Indeed Section 135 requires those companies to spend a minimum percentage of their profits on social impact initiatives – thus legislating for accountability. At an international level there are codifying initiatives such as the United Nations Guiding Principles on Business and Human Rights (UNGPs, 2011) which make it clear that corporations have a responsibility to respect human rights and avoid harm, even in the absence of such obligations under domestic law[5]. These frameworks indicate a transition from 'voluntary' accountability – accountability driven by reputation – to 'accountability' that is enforceable through the legal and regulatory framework and is informed by global obligations.

[4] Companies Act 2013 (India), s 135.
[5] United Nations, Guiding Principles on Business and Human Rights (2011).

Additionally, corporate accountability cannot be limited to shareholder interests or circuit jurisdictions in a global economy. Where multinational corporations function transboundary, their activities can be subject to many different expectations arising from different regulatory, cultural, and societal expectations. Thus accountability represents a global issue that necessitates the alignment of various standards, an agreement on the same values through worldwide collaboration, and an oversight of broadly accepted standards for the principles of ethical behaviour, social responsibility and environmental management. A holistic approach to corporate accountability addresses the interplay of economic, social and environmental dimensions in how corporate entities engage in meaningful positive contributions to society while maintaining trust, legitimacy and sustainability in a complex and interrelated world.

## GLOBALISATION AND THE RISE OF MULTINATIONAL CORPORATIONS

Thus accountability represents a global issue that necessitates the alignment of various standards, an agreement on the same values through worldwide collaboration, and an oversight of broadly accepted standards for the principles of ethical behaviour, social responsibility and environmental management. A holistic approach to corporate accountability addresses the interplay of economic, social and environmental dimensions in how corporate entities engage in meaningful positive contributions to society while maintaining trust, legitimacy and sustainability in a complex and interrelated world. Uninterrupted utilization of supply chains adds efficiency, produces economic growth, and delivers important new creativity in products and services, but, use of supply chains also complicates corporate responsibility on a global scale, particularly with respect to MNCs.

To reduce production costs or gain competitive advantage, many MNCs have outsourced production to developing post-colonial countries that offer little or no protections for workers, due to insufficient or weak regulatory oversight, or environmental protections. This leads to poor working conditions and workers being compensated at lower wage rates than they otherwise would. Although these are egregious examples, the sad truth is it is an improvement in the lives of the low-income working populations. The Rana Plaza accident that killed more than 1,100 garment workers in Bangladesh is an example of the human cost of global supply chain production without accountability[6]. In a similar vein, the Bhopal Gas Tragedy (1984) and other similar industrial accidents show the value of corporate accountability and safety

[6] Rana Plaza Compensation Arrangement, International Labour Organization.

regulations in both a legal and moral framework to protect workers and the communities they operate in regardless of where they are geographically located[7].

Accountability failures are not specific to emerging economies. Corporate failures in advanced economies similarly demonstrate systemic risks. The Enron example (2001), highlighted extensive financial fraud involving the manipulation of accounting, resulting in billions of dollars in investor losses, undermining trust in corporate governance systems. The emissions scandal that acquired wide attention in relation to Volkswagen (2015), similarly highlighted intentional wrongdoing, implicated detrimental environmental and public health impacts, and the possibility of corporate behavior yielding broader implications[8]. These examples suggest that corporations, unless subjected to mechanisms of accountability, will continue to engage in unjust acts against stakeholders, the natural environment, and society, regardless of where the corporation operates or the presence or absence of an effective legal system.

The emergence of digital firms (notably, some of the largest corporations like Google, Amazon, and Facebook) adds another conceptual layer to the issues of global accountability in a global world since digital firms operate in cyberspace with an extraordinary amount of control, disproportionate amounts of personal data, and almost no obligations to borders on various levels. The issues with global corporations are serious issues, some of which may be provocative concerning data privacy or anti-competitive conduct or competition on a level playing field or taxation or whether new technologies are being used ethically, all inestigated with multinational technology companies. The normal regulatory mechanisms of corporations are constrained by jurisdictional rules that are wholly incapable to develop the regulatory mechanisms of digital commerce which is only considered global commerce, as well as accountability of corporations are about implementing accountability to national regulatory regimes, and if the regimes exist or are good to bring accountability to corporations on the level of complexity in globalisation. Ultimately, it is very much about agreement at a global level, as well as by international actors, as they are also seeking new governance structures to regulate issues with corporations in cyberspace.

To summarize, how far does globalisation restructure corporations to add to their already unprecedented economic power? MNCs and digital corporations create growth and new

[7] Upendra Baxi and Amita Dhanda, Valiant Victims and Lethal Litigation: The Bhopal Case (N M Tripathi 1990).
[8] European Parliament, 'Volkswagen Emissions Scandal and Its Impact on EU Policy' (2016).

innovations, but accountability issues arise with respect to labour rights, environmental protection, economic integrity and data governance. Meeting the overarching accountability expectations of corporations in the global marketplace involves multiple methods and approaches; these will include legal enforcement, ethical expectations, participatory methods, and global agreements. This multi-pronged approach is required to ensure corporations act responsibly and continue to be trusted in our interconnected global economy.

## INTERNATIONAL LEGAL FRAMEWORKS FOR CORPORATE ACCOUNTABILITY

To address the growing issue of corporate misbehaviour, a diverse range of international initiatives have been established to promote accountability and responsible corporate behaviour. Perhaps the most well-known and most widely adopted of the initiatives, is the United Nations Global Compact (UNGC), which was launched in 2000 and calls upon corporations to adopt operational and strategic business practices based on ten universally accepted principles related to human rights, labour, the environment and anti-corruption[9]. The companies that adopt the ten principles are committed to considering ethical behaviour as a key element of their overall business strategy, and to report on their progress and respond to stakeholder feedback. The UNGC has been embraced by over 12,000 companies globally, but as up until now it is completely voluntary, there are no formal mechanisms for enforcement of the commitments made by companies to adhere to the principles. Detractors are often quick to point out that by being voluntary, and often just a requirement for reputational compliance, rather than substantive compliance to create reform, limits the potential impact of the UNGC.

The UN Guiding Principles on Business and Human Rights (UNGPs) offer a more nuanced framework than the UNGC. Adopted in 2011, the UNGPs are also referred to as the "Ruggie Principles", because they are based on three pillars: the state duty to protect human rights, the responsibility of business to respect human rights, and the right of victims to remedy for business-related human rights abuses. The UNGPs make clear that corporations have a responsibility to take proactive steps to identify, prevent, mitigate and remedy adverse human rights impacts arising from their activities, including in their supply chains. While the UNGPs are not legally binding, they have laid down a significant foundation for national legislation, regulatory guidance and corporate behaviour across the globe. The UK, France and Germany

[9] United Nations, The Global Compact: Corporate Sustainability in the World Economy (UN 2000).

have all enacted legislation British upholding child labour laws, and have required private businesses to conduct due diligence that is consistent with the UNGPs, that is to say, a soft law that provides binding forms of domestic accountability by various domestic actors.

Other international instruments exist that bolster the UNGPs work, for instance; The OECD Guidelines for Multinational Enterprises, which span across social, economic, environmental, and health issues, provides recommendations on responsible business practice including standards on: employment relations, environmental stewardship, combating bribery, and consumer interests, to name a few[10]. The OECD Guidelines are not binding laws, however they do follow a model of accountability for MNCs and those which the law also considers have corporate responsibility obligations while monitoring is conducted through National Contact Points (NCP's), which also include grievance processes for those impacted by a corporate decision. The ILO has multiple conventions and recommendations regarding the protection of workers rights, including, freedom of association, eliminating forced labour, and non-discrimination, to name a few[11]. Many of its conventions and recommendations consider corporate accountability issues in the global supply chain.

In the past few years, we have begun to see a emergence of environmental accountability largely through international climate and sustainability initiatives. For instance, the countries that are parties to the Paris Climate Agreement, are obligated to put into place a plan to minimize their countries' greenhouse gas emissions[12], in a way that encourages corporate response and, ultimately, with incentives to support sustainability. Additionally, there are tools available, for example the Equator Principles, which are used by banks and other financial institutions to analyze the environmental and social risks[13] of any project they would like to finance, thus, being a useful tool in a process of responsible investment and risk avoidance, through global development projects. In any case, the international legal framework for corporate responsibility is still quite fractured, and disappointingly primitive at this current stage. Of the various instruments, primarily, they are all sourced to "soft law" principles, rather

[10] OECD, OECD Guidelines for Multinational Enterprises (2011).
[11] International Labour Organization, Fundamental Conventions (ILO, 2023) https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm accessed 1 September 2025.
[12] United Nations, Paris Agreement (UN Treaty Collection, 2015) https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27 accessed 1 September 2025.
[13] Equator Principles Association, The Equator Principles (4th edn, July 2020) https://equator-principles.com/ accessed 1 September 2025.

than binding principles. When enforcement occurs, this is very weak, to the point corporations can minimally or symbolically comply (and it doesn't mean anything). These limitations have created a gap and thus a demand for a binding treaty on business and human rights as to state the obligations and enforcement mechanisms that exist in every country. Attempts to explore a treaty have begun, however, the timeline to complete this work is difficult to predict.

In summary, while there have been international catalysts that have created the normative structure in regard to corporate accountability—particularly on issues of human rights, labour and the environment—that only operate voluntarily and with minimal enforcement, and not all countries apply the instruments uniformly. Compliance continues to be a significant problem for the accountabilities to arise out of the many treaties. In order for there to be a global approach that is meaningful, there needs to be binding obligations, effective monitoring, and a commitment by states, corporations, and civil society to put ethical principles into action.

## DOMESTIC REGULATIONS AND CORPORATE ACCOUNTABILITY

National legal frameworks are a key component of corporate accountability, design through regulation and oversight, compliance and redress. One of the key reforms for corporate governance and social responsibility in India, was Companies Act 2013[14]. One of the key components of the Act was the introduction of Corporate Social Responsibility (CSR) in Section 135, requiring corporations meeting certain thresholds of net worth, turnover or profit, to contribute a percentage of profits to social impact initiatives in areas such as education, health care and environmental sustainability. The Act also required independent directors to strengthen objectivity in overseeing the decision making a related party transaction and strategic decisions. In addition to requiring independent directors, the Act enhanced penalties for fraud and misrepresentation, a reform in India's vision for a regulatory framework that called for corporate behaviour that upholds ethical standards and focus on traditional stakeholder groups - also known Targets.

Along with the statutory reforms, the Securities and Exchange Board of India (SEBI)

[14] Ministry of Corporate Affairs (India), Companies Act 2013 (MCA, 2013) https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/companies-act-2013.html accessed 1 September 2025.

established the Business Responsibility and Sustainability Reporting (BRSR) framework[15] which mandates top listed companies to report performance on the Environmental, Social, and Governance (ESG) areas. Topics such as climate change and mitigation, labor practices, diversity, and corporate ethics are clearly included. By establishing BRSR disclosure of ESG performance SEBI clearly was attempting to move reporting beyond financial performance and for corporate accountability, legal accountability and social impact. The BRSR reporting framework integrated into corporate performance reporting encourages a more comprehensive accountability framework that shifts away from a focus on a single stakeholder - shareholders. Using the ESG disclosures will be a key incentive for transparency via increased investor confidence and continued scrutiny by the public.

Comparative perspectives also provide insight as to how domestic law assists in providing clarity around corporate accountability. The Companies Act 2006 in the UK, which imposes a principle of 'enlightened shareholder value[16]', obliges directors to balance shareholder value, and stakeholder interests, including employees, communities, and the environment. In the US, the Sarbanes-Oxley Act (2002), enacted as a result of major corporate scandals, such as Enron and WorldCom[17], bolstered financial accountability to the public through disclosure, auditing, and internal control requirements, but also through criminal penalties for fraudulent conduct. France's Duty of Vigilance Law (2017) enhances obligations at home, by requiring large companies to develop and implement due diligence plans that assess and address human rights or environmental and social risks in global supply chains with civil liability for noncompliance[18].

Despite these developments, domestic legal frameworks will fail to address global accountability given that multinational corporations may evade governance by using international jurisdictional loopholes to avoid paying tax by shifting profits offshore to tax havens or creating corporate structures to eliminate liability. For example, several technology companies have raised concerns regarding base erosion and profit shifting (BEPS), which

[15] Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting (BRSR) (SEBI, 2021) https://www.sebi.gov.in/sebi_data/commondocs/may-2021/BRSR_circular.pdf accessed 1 September 2025.
[16] Companies Act 2006 (UK) https://www.legislation.gov.uk/ukpga/2006/46/contents accessed 1 September 2025.
[17] Sarbanes-Oxley Act 2002 (US) https://www.govinfo.gov/content/pkg/PLAW-107publ204/pdf/PLAW-107publ204.pdf accessed 1 September 2025.
[18] Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre (France) https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000034290626 accessed 15 September 2025.

prevents the state from collecting tax revenue and is inconsistent with fair and just economic governance[19]. Although some measures may hold corporations accountable for labour, environmental, and human rights obligations and impacts operating across borders, compliance with varying regulatory standards in multiple jurisdictions complicates this accountability process. While domestic reform is important, international cooperation, harmonised standards, and multilateral oversight of transnational corporations will enhance accountability in the global context.

In conclusion, domestic legal systems are vital for establishing standards, obligations, and enforcement mechanisms that underpin corporate accountability. India's Companies Act 2013 and SEBI's BRSR, alongside international models such as the UK Companies Act, Sarbanes-Oxley, and France's Duty of Vigilance Law, demonstrate a growing integration of ethical, social, and environmental considerations into governance. Yet, the transnational operations of multinational corporations necessitate complementary global frameworks to address gaps, prevent regulatory arbitrage, and ensure robust accountability across borders.

## CORPORATE ACCOUNTABILITY IN KEY GLOBAL ISSUES

Corporate accountability now includes more than the financial accounting of long-term shareholders. Corporate accountability also increasingly encompasses global issues such as human rights, environmental sustainability, tax avoidance, and supply chain responsibility. Corporations have an enormous impact on society and the environment, and their actions can affect stakeholders around the world in significant ways. One of the most pressing areas of accountability is human rights; more specifically, human rights in global supply chains. Some industries still engage in forced labour, child labour, unsafe working environments, and discrimination, mainly in developing economies. In this regard, the United Nations Guiding Principles on Business and Human Rights (UNGPs, 2011) highlighted corporate responsibility to respect human rights. Corporations need to identify, prevent and mitigate adverse human rights impacts. There is a rising awareness of human rights obligations, but with respect to business practices, compliance is usually only partial or tokenistic. There are notable examples of forced labour in some global electronics and apparel supply chains. Therefore, there is a need for diligent human rights due diligence and implementation mechanisms.

[19] OECD, Base Erosion and Profit Shifting (BEPS) Project (OECD, 2023) https://www.oecd.org/tax/beps/ accessed 1 September 2025.

Given the rapid acceleration in climate change, biodiversity loss, and depletion of the world's resources, environmental responsibility is currently also in the spotlight. Corporations are major users of energy and significant emitters of greenhouse gases with potentially significant implications for climate and ecosystems. Corporations are facing greater accountability for environmental harm outside of their home jurisdiction. Current litigation against Royal Dutch Shell in the Dutch courts for oil spills and environmental degradation in the Niger Delta illustrates that victims and civil society likewise have the means to bring claims in connection with corporations' environmental impacts outside of their home jurisdiction[20]. Agreements like the Paris Climate agreement, but also voluntary frameworks like the Science Based Targets initiative are increasingly promoting corporations' accountability to take environmental action, but enforcement tends to ultimately rest on regulatory overlap among countries and the pressure of stakeholders[21].

Tax accountability is yet another new and important form of corporate accountability, which has particular relevance in a globalized world. Multinational corporations are capable of engaging in aggressive tax planning and tax strategies to avoid paying taxes in high tax jurisdictions and shift profits to low tax jurisdictions, which means states lose tax revenues necessary to fund public goods and services. The OECD's Base Erosion and Profit Shifting (BEPS) project, plus a newfound interest in a particular form of corporate tax revolt as a global minimum tax, creates momentum to constrain many of these actions in the spirit of fairness and transparency in international taxation. This will likely matter in the case of digital corporations that generally participate in revenue-generating activities while not having a physical presence in the jurisdiction they are generating revenue from, that are causing ambiguous, if not myths, and whose legal principles and rationales are yet to be developed - if ever - to address any number of regional issues over cross-jurisdictional revenue generation.

The last logical point of any significance or concern around global corporate governance is continuing to have accountability to their supply chain. A corporation's responsibility to outsource production to a developing country becomes increasingly operators - circa the of accountability around labour exploitation, health and safety in the working environment, and

[20] Milieudefensie v Royal Dutch Shell (District Court of The Hague, 26 May 2021) ECLI:NL:RBDHA:2021:5337 https://uitspraken.rechtspraak.nl/#!/details?id=ECLI:NL:RBDHA:2021:5337 accessed 1 September 2025.
[21] Science Based Targets initiative, About Us (SBTi, 2023) https://sciencebasedtargets.org/ accessed 1 September 2025.

transparency. Legislation such as the Germany's Supply Chain Due Diligence Act (2021), creates an affirmative duty of care for organisations to proactively monitor their supply chains and take demonstrable action to remedy human rights or environmental issues, which is providing a clear communications strategy that shows they comprehend that they hold responsibility for the entire life cycle of their global value chain and output[22]. Consequently, corporate accountability in the contemporary globalised economy requires multi-faceted approaches that take into account human rights, environmental accountability, tax accountability and supply chain accountability. As corporations continue to operate across borders and sectors, the necessary frameworks to ensure corporations continue to exercise power responsibly and sustainably require a strong legal framework, international cooperation and continued vigilance from stakeholders.

## CHALLENGES IN ENFORCING CORPORATE ACCOUNTABILITY

Despite some success around corporate accountability, there remain significant impediments that keep existing frameworks from being maximally effective. One such challenge is regulatory arbitrage. In an effort to preserve or enhance profits, corporations are often able to move operations, or reorganize their supply chains to geographies where there are less stringent laws or regulations, which creates circumstances whereby they comply with the letter, but not the spirit of the law[23]. The globalization of supply chains raises challenges to enforcement, as victims of corporate malfeasance may have difficulties obtaining enforcement action against their corporate wrongdoers if the conduct has occurred in a foreign jurisdiction. Gaps in jurisdiction, disconnection of national regulations, and lack of a faci a cooperative international enforcement regime prevent affected stakeholders from achieving remedy in circumstances where, in the absence of such barriers, these served as contributory, or direct action.

A second challenge to accountability is corporate lobbying, and political influence; even where there's otherwise sound regulatory reform, a corporation may be able to weaken any proposed legislation through political, or lobbying influence[24]. Corporations regularly raise concerns that enhanced accountability may reduce competitiveness (or potentialability for investment) given

[22] Lieferkettensorgfaltspflichtengesetz (Supply Chain Due Diligence Act) 2021 (Germany) https://www.gesetze-im-internet.de/lksg/ accessed 1 September 2025.
[23] John Braithwaite, Regulatory Capitalism: How it Works, Ideas for Making it Work Better (Edward Elgar 2008).
[24] David Ciepley, 'Beyond Public and Private: Toward a Political Theory of the Corporation' (2013) 107(1) American Political Science Review 139 https://doi.org/10.1017/S0003055412000536 accessed 15 September 2025.

and use that potential to challenge passage or scope of enhanced accountability measures. This complicates the passage and/or limits the scope of potential enforcement. The continued use of voluntary frameworks, such as the UN Global Compact or sustainable ESG reporting, is possibly the most worrisome as they allow corporations to "check a box," whether they change internal corporate behavior or not, and claim adherence[25]. Adding to this compound problem, the absence of an international binding treaty for corporate accountability complicated already difficult problems about accountability's structure to enforce it. Corporate accountability can be difficult for the international community to establish norms to provide accountability because of varying scope, stringency, enforcement, and regulation. Solving these problems will require an intentional coordinated legal framework, and enforcement and/or regulation.

## THE WAY FORWARD: TOWARDS STRONGER CORPORATE ACCOUNTABILITY

The future of corporate accountability in the context of a globalised economy requires coordinated, action-oriented approaches that account for the legal, institutional and cultural dimensions of corporate power[26]. The first principle should be the strengthening of the international frameworks. The UN Global Compact and UN Guiding Principles on Business and Human Rights (UNGPs) have provided an important foundation for international discussions on these issues, although their opt-in nature means that enforcement is limited. Such a treaty would create a standardised regime of laws, oversight, accountability and remedies for victims of non-compliance by corporations. At the domestic level, the law should be amended to reflect standards specified in global processes. Mandatory due diligence obligations, as illustrated with France's Duty of Vigilance Law (2017) or Germany's Supply Chain Due Diligence Act (2021) could be adopted and standardised across jurisdictions[27]. These forms of laws could be mandatory reporting frameworks, possibly coupled with penalties if corporations fail to comply with the laws during their operations and supply chains. Many corporations misuse their social contracts to harm people and the environment, while enriching themselves. Reporting processes to track and document this is the first step to encouraging

[25] United Nations, The Ten Principles of the UN Global Compact (UNGC, 2000) https://www.unglobalcompact.org/what-is-gc/mission/principles accessed 15 September 2025.
[26] Larry Catá Backer, 'Multinational Corporations, Transnational Law: The United Nation's Norms on the Responsibilities of Transnational Corporations as a Harbinger of Corporate Responsibility in International Law' (2006) 37(2) Columbia Human Rights Law Review 287 https://scholarship.law.psu.edu/faculty_scholarship/281 accessed 1 September 2025.
[27] European Coalition for Corporate Justice, French Duty of Vigilance Law (ECCJ, 2017) https://corporatejustice.org/publications/the-french-duty-of-vigilance-law/ accessed 1 September 2025.

transparency, to compel corporations to take human rights issues, environmental and social risks seriously in their organisations and technologies.

Equally important, civil society, NGOs and shareholders have a role to play in strengthening accountability systems throughout the world. Advocacy, public campaigns and strategic litigation have been effective ways of stimulating change in corporate behaviours[28]. In addition, the rise of Environmental, Social and Governance (ESG) investing and shareholders as activists directly link responsible corporate practices enforceably to financial performance and reputational risk management over a sustainable time frame[29]. To conclude our reply, we should mention that there also needs to be an ontological shift in organizational culture as well. Specifically, organizations will need to change from a model of shareholder primacy to stakeholder capitalism, where long-term sustainability, ethical behaviour and social accountability are preferred over short-term profits. Moving the focus from shareholders to stakeholder will require a commitment from organizational leadership, education of employees[30], and the composition of policies that favour systematic accountability in the strategy and operational cultures of all businesses operating in all regions of the world.

## CONCLUSION

From an ethical standpoint, there are moral and pragmatic factors that call for promoting corporate accountability in the global economy. Cross-border trade, the globalization of companies, and digital commerce have simultaneously increased the extent and scope of corporate influence[31], and therefore, the potential for risk from corporate actions. The undeniable consequences of human rights violations, environmental degradation, tax evasion and exploitation of workers producing goods for the global economy have been brought out in the open; unregulated corporate power and the implications of that power have been responsible for inhumane and harmful outcomes[32]. Emerging instruments at the international

[28] Miryam Eddine and Peter Muchlinski, 'NGOs, Corporate Self-Regulation and the Business and Human Rights Debate' (2018) 39 Liverpool Law Review 275 https://doi.org/10.1007/s10991-018-9218-0 accessed 15 September 2025.
[29] Principles for Responsible Investment, What is ESG Investing? (PRI, 2024) https://www.unpri.org/pri/what-is-responsible-investment accessed 1 September 2025.
[30] R Edward Freeman, Strategic Management: A Stakeholder Approach (Cambridge University Press 2010).
[31] Saskia Sassen, Territory, Authority, Rights: From Medieval to Global Assemblages (Princeton University Press 2006) https://press.princeton.edu/books/paperback/9780691149785/territory-authority-rights accessed 1 September 2025
[32] Philip Alston, Labour Rights as Human Rights (Oxford University Press 2005) https://global.oup.com/academic/product/labour-rights-as-human-rights-9780199281060 accessed 1 September 2025.

level (e.g., UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines, climate treaties, etc.)[33] have evolved and there have also been relevant domestic developments (India's Companies Act in 2013, France's Duty of Vigilance Law, Germany's Supply Chain Due Diligence Act). Despite that, there are notable gaps and shortcomings. For example, jurisdictional issues, regulatory arbitrage, and the weak enforcement of more the espousals of the signalling value of compliance based voluntary regime, all undermine the value of soft law in the context of the public sector[34]. The promise of corporate accountability requires due diligence that includes a binding legal framework with these global norms, learnings from the domestic context, and civil society actors like NGOs, and investors[35].

A suite of binding global treaties on business and human rights, due diligence obligations for businesses that include required reporting[36], mandatory reporting on the sustainability impacting their operations, rights enhanced shareholder activism, and enforceability are key elements needed for an effective corporate accountability framework in keeping with the principles of business and human rights. At the same time, corporations should also appreciate that accountability is not only a legal obligation or a reputational expectation[37]; it also represents an important strategic course to achieve legitimacy, trust and long term sustainability. Probable criticism aside , a globalized economic system cannot be socially, economically or environmentally sustainable if corporations are not held to account. Social justice in the global economy hinges on the extent to which corporations--like individuals--accept accountability for their impact on society, communities, and the environment. By establishing accountability as part of the corporate strategy, cultural development, and corporate governance, corporations contribute to social justice and invest in comprehensive prosperity by creating a more equitable, resilient, and sustainable global economy that aligns with profit with purpose and creates value in the twenty-first century.

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