EMAS: Jurnal Ekonomi, Manajemen dan Bisnis
Volume 7 Nomor 6, Juni (2026): 743-748
E-ISSN 2774-3020
DOI: https://doi.org/10.36733/emas.v7i6.14453

REGULATORY AND ACCOUNTABILITY PRESSURES IN CSR AND ESG REPORTING: A REVIEW OF THE TRANSITION FROM VOLUNTARY TO MANDATED DISCLOSURE

Cheryl Gem D. Abraham[1], Anik Yuesti[2], Joel Arante Alve[3*]

Master in Business Administration, University of Negros Occidental – Recoletos, Negros Occidental, Philippines
Unversitas Mahasaraswati Denpasar, Bali, Indonesia
University of Negros Occidental – Recoletos, Negros Occidental, Philippines
*correspondence: joelalvoar@gmail.com

ABSTRACT

The global landscape of corporate social responsibility (CSR) and environmental, social, and governance (ESG) reporting has undergone a significant transformation, shifting from predominantly voluntary disclosures toward increasingly mandatory regulatory regimes. This literature review examines the regulatory and accountability pressures driving this transition and analyzes their implications for corporate transparency, disclosure quality, and stakeholder trust. Drawing on prior empirical and conceptual studies, the review synthesizes evidence on how mandatory reporting frameworks influence firm behavior, reporting comparability, and accountability mechanisms. A firm level practice illustration is included to contextualize how organizations respond to evolving regulatory expectations. The review finds that while mandatory ESG reporting enhances transparency and comparability, challenges persist regarding enforcement consistency, reporting burdens, and potential unintended market reactions. The study contributes to the literature by integrating regulatory, accountability, and firm-level perspectives, offering insights for policymakers, researchers, and practitioners navigating the evolving ESG reporting environment.

Keywords: CSR reporting, ESG disclosure, mandatory reporting, accountability, regulation

© 2026 The Author(s). Published by EMAS. Licensed under CC BY-SA 4.0.

1. INTRODUCTION

Corporate social responsibility and ESG reporting have become central mechanisms through which firms communicate their social and environmental impacts to stakeholders. Traditionally, CSR disclosures were largely voluntary, allowing firms considerable discretion in determining the scope, content, and depth of reported information (Christensen et al., 2021). While voluntary reporting enabled innovation and flexibility, it also resulted in fragmented disclosures, limited comparability, and heightened risks of symbolic reporting or greenwashing.

In response, regulators worldwide have intensified efforts to institutionalize sustainability reporting through mandatory disclosure requirements. Regulatory initiatives such as the European Union's Corporate Sustainability Reporting Directive (CSRD) exemplify this shift toward standardized, enforceable ESG reporting frameworks designed to improve transparency, accountability, and decision useful information for investors and other stakeholders (Merliyana, 2025). This regulatory turn reflects growing recognition that environmental and social risks pose material financial implications and should therefore be subject to the same rigor as financial disclosures.

Despite the expanding body of literature on ESG reporting, significant gaps remain. Existing studies often examine voluntary and mandatory regimes separately, with limited synthesis of how firms transition between these systems and how regulatory pressures reshape accountability practices at the organizational level (Christensen et al., 2021). Moreover, relatively little attention has been paid to how firm-level practices interact with evolving regulatory demands, particularly in terms of data verification,

supply-chain responsibility, and disclosure credibility.

This study addresses these gaps by systematically reviewing literature on regulatory and accountability pressures in CSR and ESG reporting and by integrating insights from firm-level practices. The review contributes by (1) clarifying how mandatory disclosure regimes alter corporate reporting incentives, (2) synthesizing evidence on disclosure quality and stakeholder responses, and (3) highlighting practical implications for firms navigating increasingly regulated sustainability reporting environments.

2. REVIEW OF RELATED LITERATURE

From Voluntary CSR to Mandatory ESG Disclosure

Early CSR reporting emerged primarily as a voluntary practice driven by reputational concerns and normative pressures rather than formal regulation. Firms selectively disclosed positive social and environmental initiatives to signal legitimacy and social responsibility (Christensen et al., 2021). However, the absence of standardized metrics and enforcement mechanisms undermined the reliability and comparability of such disclosures.

Scholars argue that mandatory ESG reporting frameworks address these limitations by reducing managerial discretion and enhancing information consistency across firms and industries (Christensen et al., 2021). Mandatory regimes shift CSR reporting from a symbolic activity toward a more substantive accountability mechanism embedded within corporate governance structures.

Regulatory Pressures and Global Reporting Trends

Regulatory pressure has emerged as a dominant driver of ESG reporting adoption. Governments and supranational bodies increasingly require firms to disclose material sustainability risks, greenhouse gas emissions, and social impacts (Merliyana, 2025). These regulatory initiatives represent coercive institutional pressures that compel firms to formalize ESG data collection and integrate sustainability considerations into strategic and financial decision-making.

Empirical evidence suggests that firms operating in jurisdictions with mandatory sustainability reporting exhibit higher disclosure intensity and broader coverage of ESG indicators compared to those under voluntary regimes (Ali et al., 2025). This trend reflects regulators' growing emphasis on transparency, verifiable impact, and supply-chain accountability.

Disclosure Quality and Assurance

Mandatory reporting has been associated with improvements in disclosure quality, particularly in terms of completeness, consistency, and use of standardized frameworks (Sustainability, 2025). Firms subject to regulatory scrutiny are more likely to adopt external assurance mechanisms, even when assurance is not explicitly mandated, in order to enhance the credibility of reported information (Oxford Handbook of CSR, 2025).

However, the literature also cautions that compliance-driven reporting may incentivize a "check the-box" approach, where firms focus on meeting minimum regulatory requirements rather than pursuing substantive sustainability performance improvements (Journal of Business Economics, 2022).

Stakeholder and Investor Responses

Mandatory ESG disclosures influence stakeholder perceptions and investment decisions, but not always uniformly. While standardized disclosures improve comparability and reduce information asymmetry, they may also amplify negative market reactions when firms disclose poor ESG performance or fail to meet regulatory benchmarks (Marques Roque, 2024). This finding underscores the dual role of regulation as both an accountability mechanism and a reputational risk amplifier.

Challenges in Implementation

Despite the benefits associated with mandatory ESG reporting frameworks, companies continue to face significant implementation challenges that constrain the full realization of transparency and accountability goals. A persistent obstacle stems from the lack of standardized global reporting frameworks, which leads to inconsistencies in methodology and complicates comparability across firms and industries (Delegkos et al., 2025). This lack of harmonization means that organizations must often report under multiple frameworks—such as GRI, SASB, TCFD, and emerging regulatory standards—forcing them to allocate extra internal resources to satisfy diverse stakeholder expectations (Delegkos et al., 2025; sustainability-directory.com, 2025). In turn, this contributes to higher reporting costs and greater operational complexity, particularly for small and medium-sized enterprises that may lack dedicated sustainability reporting teams or systems (sustainability-directory.com, 2025).

Further, data availability and quality continue to impede effective ESG reporting. Many organizations struggle to collect accurate and reliable ESG data, especially where disclosures require extended value-chain information (IJCRT, 2024). Inadequate data management systems, coupled with varying definitions of material ESG factors and non-standardized data collection processes, exacerbate these challenges, leading to potential errors and incomplete reporting (IJCRT, 2024). Researchers also emphasize that insufficient internal expertise and managerial capacity to interpret complex ESG frameworks hinder full compliance, as specialized skills in sustainability measurement and reporting are still evolving within many firms (SpringerOpen, 2025). Moreover, enforcement heterogeneity across jurisdictions weakens the effectiveness of mandatory reporting mandates, as regulatory oversight and penalties for non-compliance vary significantly, undermining stakeholder confidence in reported information (sustainability-directory.com, 2025).

As a result of these challenges—ranging from overlapping standards and data quality issues to limited enforcement and resource constraints—firms without prior experience in voluntary CSR reporting face greater difficulty transitioning to regulated ESG disclosures, often resulting in superficial or inconsistent reporting outcomes (SpringerOpen, 2025). This has implications for both the utility of ESG disclosures for investors and the perceived credibility of corporate sustainability commitments, reinforcing the need for improved global harmonization, clearer guidance, and enhanced internal reporting capabilities.

3. RESEARCH METHODS

This study adopts a qualitative narrative literature review approach. The research does not involve primary data collection, surveys, interviews, or statistical analysis. Instead, it systematically reviews and synthesizes existing academic literature, policy documents, and authoritative reports related to the transition from voluntary to mandatory CSR and ESG reporting.

Sources were selected from peer-reviewed journals, academic books, and institutional publications focusing on regulatory developments, accountability mechanisms, and corporate disclosure practices. The review emphasizes recent studies to capture contemporary regulatory trends and evolving expectations in CSR and ESG reporting.

Given the nature of this paper as a mini research assignment for an MBA course, the objective is not to generate new empirical evidence but to critically analyze existing knowledge, identify patterns, and highlight gaps in the literature related to regulatory and accountability pressures in sustainability reporting.

4. RESULTS AND DISCUSSION

Implementation Challenges and Unilever Case

One of the most prominent challenges in implementing mandatory ESG reporting is the integration of diverse regulatory requirements into corporate reporting systems. Unilever's Annual Report and Accounts 2024 explicitly illustrates how mandatory reporting standards have begun to shape sustainability disclosures. The company reports a "consolidated sustainability statement in compliance with the

European Sustainability Reporting Standards (ESRS)" for the first time, a requirement that integrates both mandatory and voluntary ESG disclosures previously presented in standalone reports (Unilever, 2024). This example reflects how global firms are reconfiguring reporting frameworks to satisfy evolving regulatory expectations, a key challenge noted in the literature (e.g., inconsistent standards and high reporting costs).

Unilever acknowledges that improving underlying data, reporting systems, and monitoring continues to be a priority, signaling the complexity of collecting and verifying consistent sustainability performance data across its global operations (Unilever, 2025). This aligns with academic arguments that firms often struggle with data reliability and quality when shifting from voluntary sustainability claims to rigorous mandated reporting regimes (Delegkos et al., 2025; IJCRT, 2024).

Regulatory frameworks such as the European Sustainability Reporting Standards (ESRS) and the Task Force on Climate-Related Financial Disclosures (TCFD) have heightened expectations for transparent reporting on material sustainability issues, including climate change, resource use, and social impacts (Unilever, 2024). The Annual Report shows that Unilever now provides detailed non financial performance information and scenario analyses across these categories, illustrating the firm's efforts to comply with multifaceted reporting mandates while capturing impacts material to stakeholders.

Philippine Context

In the Philippines, Unilever's sustainability priorities are echoed through its local sustainability goals and stakeholder engagement. Unilever Philippines' sustainability webpage emphasizes a commitment to "drive…ambitious sustainability agendas" that integrate climate, nature, plastics, and livelihoods into business performance, acknowledging that economic and environmental challenges require transformative approaches to deliver impact by integrating sustainability into core operations (Unilever Philippines, n.d.). This evolution reflects broader pressures in the ASEAN context for firms to align local reporting practices with global ESG standards and stakeholder expectations, despite varying national regulatory environments.

Together, these examples from Unilever show that while mandatory ESG reporting frameworks can enhance transparency and accountability, firms face operational challenges related to data integration, standard harmonization, and value-chain complexity — consistent with the literature.

Synthesis

The reviewed literature reveals four consistent findings. First, mandatory ESG reporting enhances transparency and comparability across firms, thereby strengthening stakeholder confidence (Sustainability, 2025). Second, regulatory pressure encourages firms to improve disclosure quality and adopt assurance practices, signaling greater accountability (Oxford Handbook of CSR, 2025). Third, investor responses to mandatory disclosures are mixed, with potential negative reactions when firms disclose weak ESG performance (Marques Roque, 2024). Finally, organizational readiness—shaped by prior voluntary reporting experience—significantly influences the effectiveness of mandatory reporting adoption (Journal of Business Economics, 2022).

Firm-level practices further illustrate these dynamics. In practice, companies subject to mandatory ESG regulations often integrate sustainability metrics into financial reporting systems, enhancing internal accountability. However, aligning multiple reporting standards and regulatory expectations remains a significant operational challenge.

These findings highlight the dual role of regulation as both an accountability mechanism and a source of organizational pressure, reinforcing the need for balanced and well-designed sustainability reporting policies.

5. CONCLUSION

Conclusion

This mini research paper reviewed literature on the regulatory and accountability pressures shaping CSR and ESG reporting and found that the global shift toward mandatory disclosure frameworks seeks to address the limitations of voluntary CSR practices, particularly inconsistencies, limited comparability, and weak accountability. The literature indicates that mandatory ESG reporting enhances transparency and credibility, supporting stakeholder trust, including in ASEAN and Philippine contexts where regulators increasingly encourage standardized sustainability disclosures. However, evidence also suggests that regulation alone is insufficient without effective enforcement, regulatory coordination, and organizational readiness. Firm-level experiences, such as those of multinational companies operating in the Philippines, demonstrate that prior experience in voluntary sustainability reporting and strong internal governance systems are critical for meaningful compliance. Overall, mandatory ESG reporting represents an important regulatory development, but its effectiveness depends on complementary institutional capacity and corporate commitment, particularly in emerging economies.

Limitations

This study has several limitations. First, it is based solely on secondary sources and does not include primary empirical data. Second, the scope of the review is constrained by time and academic requirements typical of an MBA coursework assignment. Third, the study does not focus on a single industry or country in depth, which limits the generalizability of firm-level conclusions. Despite these limitations, the study provides a concise and structured synthesis of current debates on mandatory CSR and ESG reporting and offers a foundation for future empirical research.

Implications for Future Research

Future research should empirically examine how mandatory ESG reporting affects long-term corporate performance, risk management, and stakeholder trust across jurisdictions. Policymakers should pursue harmonization of ESG standards to reduce reporting burdens while maintaining accountability. Firms, meanwhile, should view mandatory disclosure not merely as compliance, but as an opportunity to embed sustainability into strategic governance.

REFERENCES

Ali, A., Abdullah, M., & Rahman, S. (2025). The evolution of ESG and sustainability reporting: A review of standards, challenges, and impacts on corporate transparency. *Journal of Economics, Business, and Commerce, 10*(2), 45–62.

Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: Economic analysis and literature review. *Review of Accounting Studies, 26*, 1176–1248. https://doi.org/10.1007/s11144-021-00205-9

Delegkos, A.-E., Skordoulis, M., & Kalantonis, P. (2025). Business strategies and corporate reporting for sustainability: A comparative study of materiality, stakeholder engagement, and ESG performance in Europe. *Sustainability, 17*(19), Article 8814. https://doi.org/10.3390/su17198814

International Journal of Creative Research Thoughts. (2024). *Compliance and enforcement challenges in ESG reporting* (June 2024). https://ijcrt.org

Journal of Business Economics. (2022). *CSR standards and sustainability reporting quality*.

Marques Roque, A. F. (2024). ESG in the sustainability report and the impact on investors' choices: A literature review. *Journal of Accounting and Auditing: Research & Practice, 24*, 112–130.

Merliyana, R. D. (2025). The role of governance and regulation in shaping ESG disclosure quality. *Summa: Journal of Accounting and Tax, 3*(1), 23–39.

Oxford Handbook of Corporate Social Responsibility. (2025). *The consequences of mandatory corporate sustainability reporting*. Oxford University Press.

SpringerOpen. (2025). Exploring the drivers of ESG disclosure in an emerging market context. *Future Business Journal, 11*, Article 30. https://doi.org/10.1186/s43093-025-00530-w

Sustainability, 17(12), 5336. (2025). Systematic review of the effects of mandatory corporate sustainability reporting. *Sustainability, 17*(12), 5336. https://doi.org/10.3390/su17125336

Sustainability Directory. (2025). *Challenges of mandatory ESG reporting*. https://esg.sustainabilitydirectory.com

Unilever. (2024). *Unilever Annual Report and Accounts 2024*. Unilever. https://www.unilever.com/investors/annual-report-and-accounts/

Unilever. (2025). *Unilever sees signs of progress towards sustainability goals* [News release]. Unilever Philippines. https://www.unilever.com.ph/news/2025/unilever-sees-early-signs-of-progress-on-sustainability-goals/

Unilever. (n.d.). *Sustainability*. Unilever Philippines. https://www.unilever.com.ph/sustainability/