

Beyond ESG: Reconstructing Corporate Pseudo-Social Responsibility Governance for Just Transition

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Abstract

This paper critiques the proliferation of corporate pseudo-social responsibility enabled by fragmented ESG frameworks. We identify three manifestations-green hypocrisy, labor rights hypocrisy, and structural hypocrisy-driven by institutional voids in the PORE model. Proposing a paradigm shift toward Just Transition, the study constructs a just sustainability framework integrating environmental justice, institutional theory, and stakeholder rights. This framework repositions corporations as transition risk managers, capacity-building platforms, and institutional entrepreneurs. We further design a multi-level governance system combining regulatory reinforcement, organizational integrity cultivation, and assessment paradigm innovation. The research contributes a critical pathway to transcend ESG's limitations and achieve ecologically grounded, socially equitable corporate sustainability.

Keywords

Corporate Pseudo-social Responsibility; ESG Limitations; Just Transition; PORE Model.

1. Introduction

The Environmental, Social and Governance (ESG) framework has become the dominant paradigm for corporate sustainability practices, but its fragmentation and indicator-based tendency fails to address the growing systemic challenges. A large number of corporations have taken advantage of the loopholes in ESG disclosure mechanisms to engage in pseudo-social responsibility behaviours such as "greenwashing" and social showmanship, i.e., activities that ostensibly fulfil social responsibility but are essentially geared towards profit maximisation. As the global climate crisis intensifies and social inequality widens, the limitations of traditional ESG frameworks are becoming more and more apparent: on the one hand, the fragmented nature of the indicators makes it difficult to address the complexity of interconnected issues, such as climate change, labour rights and community well-being; on the other hand, the lack of a systematic approach to change leads to a superficial improvement rather than a fundamental transformation of corporate sustainability practices. Against this backdrop, the concept of "just transition" has emerged as a new sustainability paradigm, which stresses the importance of balancing the three dimensions of environmental protection, economic development, and social well-being in the process of transitioning to a low-carbon economy, protecting the rights and interests of affected workers and communities, and ensuring that the benefits of the transition are shared[1-4].

The phenomenon of corporate pseudo-social responsibility is becoming more prevalent in the ESG boom. By definition, CSR pseudo-social responsibility refers to "behaviours that appear to promise the public or act as if they are fulfilling their social responsibilities, but are essentially aimed at profit maximisation". This phenomenon not only undermines the long-term competitiveness of companies, but also erodes the foundation of social trust and prevents the realisation of a truly sustainable transition. 2022, the Principles for Responsible Investment

(PRI) report Investing for a Just Transition makes it clear that a just transition has become an unavoidable issue for companies and investors in China, especially in the context of the "dual-carbon" goal and the "common wealth" goal. "goals and the national strategy of common wealth. The purpose of this paper is to construct a theoretical framework of corporate sustainability that integrates the perspective of just transition, and to systematically analyse the generation mechanism and governance path of corporate pseudo-social responsibility. By integrating environmental justice, institutional theory and stakeholder theory, it explores the practical path of corporate sustainability beyond the traditional ESG paradigm, providing theoretical support and practical guidance for just transformation[5-8].

2. Research on the Phenomenon of Corporate Pseudo-Social Responsibility

2.1. Typological Analysis of Pseudo-Social Responsibility

Corporate pseudo-social responsibility is not a homogeneous phenomenon, but presents a complex spectrum of multidimensionality and strategicity. Based on its manifestations and intrinsic motivations, it can be classified into the following types:

Greenwashing hypocrisy is the most common form of environmental responsibility alienation. Companies hide high pollution substance by selectively disclosing part of their environmental data, e.g., fossil energy companies advertise marginal new energy investments while continuing to invest 90% of their capital expenditures in traditional oil and gas operations. This type of behaviour takes advantage of the incompleteness of carbon emissions data in the ESG environmental dimension and loopholes in the verification mechanism to create an environmental illusion. Typical examples include some automotive companies claiming to have "carbon neutral targets", but continuing to expand their fuel vehicle production capacity, with their actual emissions reduction intensity far below the industry average.

The hypocrisy of labour rights is reflected in the performative practices of enterprises in the social dimension. On the one hand, some platform companies promote their "rider care program", but on the other hand, they continue to compress delivery time through algorithmic optimisation, which externalises the risk of labour relations. This kind of behaviour leads to the "high recognition - low welfare" paradox: surveys show that 76% of employees in pseudo-socially responsible companies perceive a lack of organisational justice, which in turn induces counter-productive behaviours. This hypocrisy is essentially a deviation from the principle of "decent work" in the social dimension.

In the governance dimension, structural hypocrisy is more subtle and institutionalised. Enterprises build the appearance of "responsible governance" by setting up CSR committees and publishing sustainability reports, but fail to incorporate ESG indicators into their executive incentive systems, resulting in the separation of governance structures from actual decision-making. Xiao Hongjun et al. found that this kind of "separation of words and deeds" reduces social responsibility to a marketing tool and lacks substantive value reconstruction[9-12].

2.2. Breeding Mechanism of Pseudo-responsibility

The breeding of pseudo-social responsibility stems from systematic mechanism deficiencies, and the PORE model (Pressure-Opportunity-Rexcuse-Exposure) proposed by Xiao Hongjun et al. provides a framework for analysis:

In the pressure dimension, the direct linkage between ESG ratings and the capital market creates the incentive of "responsibility arbitrage". The pursuit of short-term ESG scores by investors leads to a preference for low-cost symbolic practices over substantive change. A study of listed companies found that for every one standard deviation increase in ESG rating pressure, the incidence of pseudo-social responsibility increased by 23 per cent.

The opportunity structure, on the other hand, stems from the ambiguity and manipulability of ESG standards themselves. Current mainstream ESG frameworks such as TCFD (Task Force on Climate-related Financial Disclosure) focus on climate risk disclosure, but ignore social justice issues in transition, such as resettlement of workers in high-carbon industries and transformation of community economies. This gap in the system creates space for "responsible cherry-picking", where companies can disclose only favourable indicators and avoid sensitive issues.

The excuse mechanism is reflected in ethical excuses, with companies often rationalising pseudo-responsible behaviour with phrases such as "industry practice" and "shareholders' interests are paramount". This kind of ethical self-exemption is particularly common in regions with weak institutional environments, such as in the manufacturing sector, where some companies attribute supply chain labour issues to "difficulties in supplier management".

The lack of exposure points to a lack of regulation and social oversight. While exposure to CSR fraud can lead to capital market penalties, the current fragmentation of accountability mechanisms leaves most behaviour unrecognised. Research suggests that only 12% of greenwash is subject to regulatory penalties, resulting in significant social cost spillovers.

2.3. Governance Dilemma of ESG Framework

The traditional ESG framework faces a triple dilemma in governance of pseudo-social responsibility: fragmentation of indicators, instrumental rationality bias, and power asymmetry. The discrete assessment of the three dimensions of ESG makes it difficult to capture the systematic correlation between environmental injustice and social exclusion. For example, a new energy company that was awarded an "A" grade on the environmental dimension triggered a social controversy because it violated the rights of the indigenous community during resource extraction. Meanwhile, the quantitative orientation of ESG induces companies to chase measurable and easy-to-achieve superficial goals (e.g., charitable donations) while neglecting structural reforms (e.g., supply chain justice).

Deeper still, mainstream ESG frameworks have not challenged the neoliberal economic paradigm and still view social and environmental issues as tools for financial performance. This instrumental rationality orientation is in fundamental conflict with the value rationality (e.g., equal rights, eco-justice) required for a just transition. When ESG is downgraded to a risk management tool, companies are only required to minimise social and environmental risk exposure rather than create positive impacts, which directly leads to the breeding of pseudo-social responsibility.

3. Theoretical Reconstruction of Just Transformation

3.1. Core Principles of Just Transformation

The theory of Just Transformation stems from the fusion of the environmental justice movement and sustainable development theory, and aims to go beyond the fragmented logic of ESG to build an integrated framework of the Trinity (environmentally sustainable, economically viable, and socially inclusive). Its core principles include:

The principle of systemic justice requires that social equity be placed at the centre of the transformation. According to the Paris Agreement, a just transition must "protect affected workers and communities and ensure that the benefits of the transition are shared." This means that companies need to assess the differential impacts of the transition on vulnerable groups, such as workers in high-carbon industries, resource-dependent communities, and low-income groups, and develop targeted safeguards. In contrast to the social dimension of traditional ESG, a just transition views equity as a prerequisite rather than a complementary element, as Julian Agyeman emphasises that "no justice is sustainable".

Multidimensional nestedness is reflected in the embeddedness of environmental-economic-social systems. A just transition rejects the "silo" division of ESG, and requires the identification of a dialectical unity of the three: for example, a new energy transition reduces carbon emissions (environmental dimension) and creates green jobs (social dimension), but may lead to competition for minerals (governance dimension). Enterprises need to establish a cross impact assessment mechanism to avoid single dimension optimisation leading to an overall imbalance.

Process participatory emphasises empowering marginalised groups. Unlike the elite-driven model of ESG, a just transition requires inclusive decision-making mechanisms to ensure the participation of labour, communities, indigenous peoples, etc. The PRI report suggests that companies should set up "transition consultative committees" to empower affected groups to make decisions on the choice of technology routes and the design of retraining programs.

3.2. Theoretical Integration

Based on the above principles, this paper proposes a theoretical framework for "just sustainability" that integrates three major theoretical resources:

Environmental justice theory provides a dual perspective of distributive justice and recognition justice. The former calls for a fair sharing of environmental costs and benefits, e.g., the risk of unemployment due to transition should not be borne by workers alone; the latter emphasises respect for multicultural values, e.g., recognising the special connection of Aboriginal people to the land. This addresses the fundamental flaw of traditional ESG that ignores power inequality.

Institutional theory reveals a reconfiguration of legitimacy mechanisms. New institutionalism states that organisational behaviour is constrained by the legitimacy of the institutional environment. By reshaping the institutional logic of "corporate sustainability," the justice transition incorporates social justice into the definition of legitimacy, thus delegitimising pseudo-social responsibility. For example, China's "common wealth" policy has made benefit sharing a new source of corporate legitimacy.

Stakeholder theory has been upgraded to a community of rights paradigm. The traditional model emphasises the balance of interests, but ignores power asymmetries. A just transition requires firms to recognise the rights of non-shareholder groups such as employees and communities as subjects (rather than passive beneficiaries), as in the case of the German steel unions' co-decision-making power in negotiations on decarbonisation programmes for steel mills

3.3. Paradigm Shift in the Role of Business

In the context of sustainability with justice, the role of business needs to shift from 'duty-bearer' to 'justice collaborator' in a three-fold reconfiguration of its position:

Transformational risk management: Go beyond financial risk to assess the potential threats to multidimensional rights. For example, when an energy company closes a coal power plant, it needs to simulate the knock-on impacts on local finances, employment, and energy prices, rather than just calculating asset impairment losses.

Capacity building platforms: Businesses act as resource hubs to empower vulnerable groups to adapt to the transition. For example, Siemens has set up a "Green Energy Skills Centre" in a South African mine to train miners to become photovoltaic technicians, thus internalising the replacement cost of human capital.

Institutional entrepreneurial actors: proactively participating in the development of rules for a just transition. For example, Denmark's Ørsted Group promotes the "Alliance for Just Transition", advocating the global wind power industry to adopt the Community Benefit Standard and reshape the industry norms.

4. Governance for Just Transition

4.1. Institutional Synergy

The governance of pseudo-social responsibility requires the synergy of policy, market and social mechanisms, and the establishment of a "pressure-empowerment-exposure" trinity of governance ecology:

At the policy and regulatory level, we need to strengthen substantive disclosure requirements and differentiated incentives. Based on the PRI's suggested framework for fair transition disclosure, companies should be forced to report on: 1) the impact assessment of the transition on specific groups (e.g., high-carbon jobs, vulnerable communities); 2) measures to mitigate the negative impacts and budget allocations; and 3) the effectiveness of the stakeholder engagement mechanism. At the same time, internalise social value creation by implementing 'fairness premium subsidies', such as tax credits for companies employing unemployed transition workers.

Innovative financial instruments are at the centre of market-driven mechanisms. The issuance of "just transition bonds" requires funds to be earmarked for justice goals such as retraining and community renewal; and the development of social impact-weighted capital allocations, such as the Norwegian Sovereign Fund's incorporation of "decent work creation" into investment decisions. These tools correct the unidirectional profit-seeking nature of capital and direct resources towards authentic and responsible practices.

Social monitoring networks rely on digital empowerment and cross-border collaboration. The establishment of a blockchain-enabled supply chain traceability platform enables real-time verification of environmental and social impacts, and support for labour NGOs to develop 'just transformation indices', such as the Global Labour Coalition's ratings of transformations in the automotive industry, compels companies to improve their worker resettlement programmes.

4.2. Organisational Capabilities: Just Leadership and Ethical Organisations

Just leadership is a core driver. Drawing on LMX theory, leaders need to build high-quality exchange relationships that enhance the legitimacy of transformation through procedural justice. Research confirms that when managers demonstrate distributive justice and interactional justice, employee resistance to change drops by 41%. Just leader attributes include systems thinking (understanding socio-ecological interconnectedness), ethical courage (resisting pressures for pseudo-responsibility), and cross-boundary empathy (recognising the situation of vulnerable groups).

Ethical organisations require that moral identity be embedded in the organisational DNA. Enterprises need to: 1) set up a "Just Transformation Committee" with budgetary veto power; 2) incorporate social justice indicators into executive compensation, such as setting a weighting of no less than 30% for "community well-being improvement"; 3) set up a mechanism to block moral excuses, such as an ethics hotline for anonymous reporting of pseudo-responsible behaviours by employees; and 4) set up an ethics hotline for employees to report pseudo-responsible behaviours to the public. (c) Establishing an ethical pushback mechanism, such as an ethical hotline for employees to anonymously report pseudo-responsible behaviour. Research has shown that the incidence of pseudo-responsible behaviour is reduced by 67% in organisations with a high ethical identity, even when they are under pressure to perform.

4.3. Retroactive Governance

Pressure transformation: replacing short-term ESG performanceism with long-term value orientation. For example, France has implemented the "mission-driven enterprise" certification, which requires companies to include social objectives in their constitutions and grants

stakeholders the right to file class action lawsuits, so as to inhibit liability arbitrage from the system.

Opportunity compression: Developing holistic ESG standards. Integrate ISO26000 and the Transformative Justice Framework to build a unified ESGJ reporting standard that requires disclosure of trade-offs between indicators, such as the impact of a certain emission reduction technology on employment.

Excuse Elimination: Enhanced Ethics Education and Historical Accountability. Business school curricula incorporate a critical view of responsibility to deconstruct the myth of "shareholder supremacy"; establish a database of historical emissions from the industry to account for the cumulative social and ecological debt and eliminate the basis for moral excuses.

4.4. Reinventing the Assessment Paradigm: From ESG Scores to Resilience Audits

A just transition requires a fundamental change in the assessment paradigm - from a static ESG score to a dynamic "Transition Resilience Audit". This audit system includes:

- **Eco-resilience:** assessing the compatibility of technology pathways with planetary boundaries, such as whether carbon emissions are allocated in accordance with a fair carbon budget.
- **Social Resilience:** Measuring the impact of community empowerment, such as the rate of skills migration of vulnerable groups during the transition.
- **Governance resilience:** examines the depth of engagement of multiple actors, e.g. the share of voice of labour representatives in the boardroom

Unlike the aggregation of ESG indicators, resilience audits emphasise systemic adaptation, i.e. a company's ability to maintain its core functions in the face of climate shocks and social upheaval. The audit results are visualised in a "resilience matrix", which reveals multi-dimensional performance and its interconnections, eliminating the possibility of selective embellishment.

5. Conclusion and Outlook

The theoretical framework of just transition constructed in this paper reveals the structural root causes of corporate pseudo-social responsibility under the ESG paradigm and proposes a systematic governance path. The contributions of the study are: theoretically, it integrates environmental justice, institutional theory and stakeholder theory, and puts forward the conceptual framework of "just sustainability", which transcends the fragmented logic of ESG; practically, it designs a synergistic governance system of "system-organisation-assessment", which provides a feasible solution to the dilemma of pseudo-responsibility. In practice, we design a synergistic governance system of "system, organisation and evaluation" to provide a feasible solution to the pseudo-responsibility problem.

The study finds that corporate pseudo-social responsibility is essentially a symbiosis of institutional deficiencies and organisational ethical deficiencies. The traditional ESG framework fails to effectively address pseudo-responsibility because it ignores social power inequality, segregates the environment-society nexus, and reinforces instrumental rationality. Just Transformation, on the other hand, reconstructs the corporate sustainability paradigm through the principles of systemic justice, multidimensional nestedness, and process participation. Under the framework of Just Transformation, enterprises need to go beyond the role of "responsibility bearer" and become risk managers, capacity building platforms, and institutional entrepreneurial actors.

The study suggests that companies should: conduct due diligence on just transition to identify hotspots of justice risks in their operations and value chains; embed social dialogue mechanisms into strategic decisions, such as establishing labour-community-business

tripartite consultative committees; and promote justice-oriented innovations, such as developing technological routes that combine low-carbon and high-employment.

True sustainability requires us to go beyond the technological governance myths of ESG and return to the essence of sustainability - the construction of a just relationship between human beings and nature, and between human beings. Only by placing social justice at the centre of transformation can companies escape the shadow of pseudo-social responsibility and become true guardians of the planet's ecology and human well-being.

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