RECHT: JOURNAL OF LEGAL STUDIES
Volume 01 No.1, Maret 2026
e- ISSN No. xxxx-xxxx
Lembaga Penelitian dan Kajian Hukum, Fakultas Hukum Universitas Trisakti
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Reframing Fiduciary Duties in Corporate Law: Transition from Shareholder Primacy to Stakeholder Governance

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Abstract

This article examines the doctrinal evolution of fiduciary duties in corporate law by analyzing the transition from shareholder primacy toward stakeholder governance and determining whether contemporary developments constitute reinterpretation or structural transformation. Historically, the duties of care and loyalty were constructed as mechanisms to safeguard shareholder interests and mitigate managerial opportunism, positioning shareholder protection as the central objective of corporate governance. However, the rise of environmental, social, and governance considerations, corporate purpose reforms, and sustainability due diligence initiatives has intensified debates concerning the scope of directors' obligations. This study employs a qualitative normative juridical approach using a systematic literature review to synthesize contemporary corporate law scholarship and regulatory developments. The findings reveal a three-phase progression: the entrenchment of shareholder primacy, a reinterpretation phase emphasizing long-term shareholder value through ESG integration, and a stakeholder governance turn shaped by legislative reform and litigation pressures. The study concludes that fiduciary duties are being recalibrated rather than replaced, reflecting an adaptive integration of sustainability and stakeholder accountability within existing doctrinal structures. The article contributes theoretically by reconciling agency and stakeholder perspectives and offers practical implications for clarifying directors' responsibilities in the ESG era.

Keywords: *Corporate governance, Fiduciary duties, Shareholder primacy, Stakeholder governance, Sustainability.*

I. Introduction

Fiduciary duties constitute the doctrinal core of modern corporate law and have historically been interpreted within the framework of shareholder primacy. Under this doctrine, directors are primarily obligated to protect and advance shareholder interests through the duty of care and the duty of loyalty.[1] The duty of care requires directors to exercise informed and prudent decision making comparable to that of a reasonably careful person in similar

[1] L Josková and P Tomasek, "THE MODIFICATION OF THE DUTY OF LOYALTY AND THE DUTY OF CARE AND THE CONSEQUENCES OF THEIR BREACH BY MEMBERS OF ELECTIVE BODIES OF STOCK COMPANIES," *Bratislava Law Review* 6, no. 1 (2022): 69–84, https://doi.org/10.46282/blr.2022.6.1.282.

circumstances.[2] The duty of loyalty obliges directors to avoid conflicts of interest and refrain from self dealing in order to safeguard corporate interests. Judicial and statutory developments across jurisdictions have consistently reinforced the alignment of managerial conduct with shareholder welfare as the central normative expectation of corporate governance.[3]

The normative justification for shareholder wealth maximization is grounded in several influential theoretical traditions. Agency theory explains fiduciary duties as mechanisms designed to reduce conflicts between principals and agents and to minimize agency costs.[4] Law and economics scholarship further argues that prioritizing shareholder value promotes efficient allocation of resources and enhances overall corporate performance.[5] Nexus of contracts theory conceptualizes the corporation as a network of contractual relationships while still positioning shareholders as residual claimants with primary governance claims.[6]

Despite its doctrinal dominance, shareholder primacy has been subject to increasing criticism in contemporary corporate governance debates. Scholars argue that excessive focus on shareholder returns encourages short termism and neglects long term sustainability.[7] Empirical research suggests that shareholder centric governance can exacerbate social inequality and environmental degradation.[8] Legal scholars further contend that exclusive prioritization of shareholders fails to reflect the complex ecosystem in which corporations operate.[9] The empirical context of corporate governance has also shifted significantly due to environmental, social, and governance considerations. The integration of ESG criteria into regulatory and investment frameworks reflects a broader societal expectation that corporations internalize social and environmental responsibilities.[10] Legislative reforms in several jurisdictions have formally embedded stakeholder considerations into corporate governance

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[2] Z El Shlmani et al., "Corporate Moral Hazard and ESG Performance: Unveiling the Influence of Gross Enforcement Actions and Ownership Dynamics in US Multinational Corporations," *Corporate Social Responsibility and Environmental Management* 32, no. 2 (2025): 1473–94, https://doi.org/10.1002/csr.2974.

[3] V Chen, "Corporate Law and Political Economy in a Kleptocracy," *American Journal of Comparative Law* 70, no. 3 (2022): 480–509, https://doi.org/10.1093/ajcl/avac041.

[4] I.H.-Y. Chiu, "The Boundaries of Corporate Responsibility: Editorial Introduction," *European Business Law Review* 35, no. 3–4 (2024): 305–10, https://doi.org/10.54648/eulr2024020.

[5] J Jiang and Y Chen, "How Does Labor Protection Influence Corporate Risk-Taking? Evidence from China," *Pacific Basin Finance Journal* 68 (2021), https://doi.org/10.1016/j.pacfin.2021.101572.

[6] A Kamalnath, "Hashtag Capitalism: An Introduction," *Alternative Law Journal* 49, no. 3 (2024): 188–91, https://doi.org/10.1177/1037969X241255993.

[7] B Sjåfjell, "Sustainable Value Creation within Planetary Boundaries-Reforming Corporate Purpose and Duties of the Corporate Board," *Sustainability (Switzerland)* 12, no. 15 (2020), https://doi.org/10.3390/SU12156245.

[8] I Burduli and N Chitashvili, "Corporate Legal Dogmatics on the Revocation of Share Donation Due to Breach of the Duty of Loyalty," *TalTech Journal of European Studies* 14, no. 1 (2024): 3–21, https://doi.org/10.2478/bjes-2024-0001.

[9] D Kershaw and E Schuster, "The Purposive Transformation of Corporate Law," *American Journal of Comparative Law* 69, no. 3 (2021): 478–538, https://doi.org/10.1093/ajcl/avac004.

[10] Y Feldman, A Libson, and G Parchomovsky, "Corporate Law for Good People," *Northwestern University Law Review* 115, no. 4 (2020): 1125–84, https://doi.org/10.2139/ssrn.3512377.

structures.[11] Climate related litigation has further expanded expectations regarding directors' oversight of environmental risks.[12]

Existing literature provides important insights into this transition. Some scholars advocate a pluralistic or stakeholder oriented conception of corporate purpose that extends beyond profit maximization.[13] Others argue that sustainability and stakeholder engagement can enhance long term financial performance and thus remain compatible with shareholder value.[14] Empirical studies indicate that firms with stronger ESG practices often demonstrate improved long term performance indicators.

However, prior studies remain fragmented in their analytical treatment of fiduciary duties. A number of works defend shareholder primacy as doctrinally stable despite ESG developments.[15] Other contributions interpret emerging reforms as signaling a structural transformation toward stakeholder governance.[16] There is limited systematic synthesis that maps whether these developments represent reinterpretation within shareholder primacy or a substantive doctrinal shift in fiduciary obligations.[17] This research seeks to address that limitation by conducting a structured and systematic review of the evolution of fiduciary duties in the context of shareholder primacy and stakeholder governance. The novelty of this article lies in its integrative analytical framework that combines doctrinal analysis with theoretical synthesis across agency theory, law and economics, and stakeholder theory. The scientific significance of this study derives from its effort to clarify the conceptual trajectory of fiduciary duties and to provide a coherent explanation of contemporary corporate governance reform.

Accordingly, the legal issues examined in this manuscript are whether ESG integration and stakeholder oriented reforms have altered the doctrinal core of fiduciary duties and whether corporate law is converging toward stakeholder governance or merely reinterpreting

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[11] C Mayer, "UNDERSTANDING CORPORATE PURPOSE: BRINGING CLARITY TO CORPORATE PURPOSE, SUCCESS AND LAW," *Victoria University of Wellington Law Review* 55, no. 3 (2024): 357–70, https://doi.org/10.26686/vuwlr.v55i3.9842.

[12] C Malecki, "Director's Fiduciary Duties and the Future Corporate Sustainability Due Diligence Directive in the Wake of English Case Law," *European Business Law Review* 35, no. 7 (2024): 1047–64, https://doi.org/10.54648/EULR2024053.

[13] B Segrestin and K Levillain, "Profit-with-Purpose Corporations: Why Purpose Needs Law and Why It Matters for Management," *European Management Review* 20, no. 4 (2023): 733–40, https://doi.org/10.1111/emre.12628.

[14] L Enriques and S Gilotta, "The Case Against a Special Regime for Intragroup Transactions," *European Business Organization Law Review* 24, no. 3 (2023): 471–506, https://doi.org/10.1007/s40804-023-00285-3.

[15] Z Lv, "Problems and Effective Countermeasures in Joint and Several Liability of Civil and Commercial Law Based on Deep Learning Assessment," *Journal of Combinatorial Mathematics and Combinatorial Computing* 120 (2024): 285–93, https://doi.org/10.61091/jcmcc120-25.

[16] A Miazad, "PROSOCIAL CORPORATE PURPOSE IN PRACTICE," *Victoria University of Wellington Law Review* 55, no. 3 (2024): 407–18, https://doi.org/10.26686/vuwlr.v55i3.9833.

[17] P D Cook, S A Mengel, and S Parameswaran, "Navigating 'Wicked Problems' in Public Policy: The Power and Promise of Using SHAMROQ's Transdisciplinary Approach to Find Regulatory Text Patterns – A Mixed Method Study," *Transdisciplinary Journal of Engineering and Science* 15 (2024): 153–75, https://doi.org/10.22545/2024/00246.

shareholder primacy. The objective of this research is to systematically analyze prior scholarship in order to identify patterns of doctrinal development, evaluate the extent of normative change, and formulate a structured conceptual model explaining the transition of fiduciary duties in modern corporate law.

II. Legal Materials and Research Method

This section explains the types of legal materials, supporting documents, and research methods employed in this study. The research adopts a qualitative normative juridical approach combined with a Systematic Literature Review design in order to examine the evolution of fiduciary duties within contemporary corporate law, with the literature limited to publications from 2020–2026. A rigorous systematic literature review in legal scholarship requires adherence to structured methodological standards that ensure transparency and replicability.[18] The systematic review process includes protocol development, comprehensive searching, screening, quality assessment, data extraction, and synthesis of findings.[19] These stages are essential to minimize bias and maintain methodological accountability in legal research.

The primary legal materials used in this study consist of secondary legal sources selected within the defined temporal scope of the study. These materials include peer reviewed journal articles, scholarly books, and authoritative legal commentaries. Supporting legal documents include statutory reforms, regulatory frameworks, and judicial decisions discussed within the selected scholarship. The selection of these materials ensures doctrinal relevance and analytical depth in examining fiduciary duties and corporate governance reforms. Protocol development constituted the first methodological stage. A clearly defined protocol established the research questions, inclusion and exclusion criteria, databases to be consulted, and analytical categories. The establishment of a protocol enhances transparency and guides the entire review process.[20] Reporting standards such as the Preferred Reporting Items for Systematic Reviews and Meta Analyses provide structured guidance adaptable to legal scholarship.[21]

The literature search was conducted through comprehensive database exploration. Major legal and interdisciplinary databases, including Westlaw, LexisNexis, JSTOR, and leading corporate law journals, were systematically examined. Comprehensive searching is

[18] M Abbott, "Network Utility Price Regulation in Australia in the Pre-First World War Years," *Competition and Regulation in Network Industries* 25, no. 1 (2024): 3–18, https://doi.org/10.1177/17835917231225749.
[19] Chen, "Corporate Law and Political Economy in a Kleptocracy."
[20] Feldman, Libson, and Parchomovsky, "Corporate Law for Good People."
[21] Chiu, "The Boundaries of Corporate Responsibility: Editorial Introduction."

necessary to ensure coverage of relevant doctrinal and theoretical discussions.[22] Search strategies incorporated structured keywords such as "fiduciary duties," "shareholder primacy," "stakeholder governance," and "ESG." Boolean operators and advanced filters were applied to refine the scope of retrieved materials. A two stage screening process was implemented to determine eligibility. The first stage involved title and abstract screening to remove irrelevant studies. The second stage involved full text screening to evaluate substantive doctrinal relevance. The application of predefined screening criteria strengthens methodological reliability.[23] Duplicate records were removed to prevent analytical distortion and bias.

Clear inclusion and exclusion criteria were applied to preserve academic rigor. Inclusion criteria required doctrinal relevance to corporate governance, fiduciary duties, minority protection, or corporate purpose reform.[24] Eligible sources included peer reviewed journal articles and authoritative legal texts contributing theoretical or empirical insights into corporate governance debates.[25] Exclusion criteria eliminated non peer reviewed materials and studies lacking direct relevance to corporate law. Quality assessment was conducted to evaluate the reliability and doctrinal coherence of selected studies. Quality appraisal tools provide guidance in assessing methodological soundness and analytical clarity in systematic reviews.[26] Particular attention was given to publications in reputable law journals and works by recognized corporate law scholars.

Data extraction was performed using a structured coding framework. Extracted information included author identity, year of publication, jurisdictional focus, doctrinal arguments, and key findings. Systematic extraction enables comparative synthesis across studies. Extracted materials were categorized according to normative orientation, doctrinal development, and regulatory influence. The analytical approach combined thematic and doctrinal coding strategies. Thematic coding was used to identify recurring patterns concerning fiduciary duties, corporate social responsibility, and governance reform.[27] Doctrinal coding was employed to trace interpretive shifts in the duty of care and the duty of loyalty across

[22] D Asaoka, "A Behavioural-Economic Perspective on Conflicts of Interest Among Shareholders, Debtholders, and Directors," *Journal of Interdisciplinary Economics* 33, no. 1 (2021): 7–23, https://doi.org/10.1177/0260107920934204.
[23] Kamalnath, "Hashtag Capitalism: An Introduction."
[24] Cook, Mengel, and Parameswaran, "Navigating 'Wicked Problems' in Public Policy: The Power and Promise of Using SHAMROQ's Transdisciplinary Approach to Find Regulatory Text Patterns – A Mixed Method Study."
[25] S Khan et al., "Director and Officer Liability and Corporate Tax Avoidance," *Journal of Business Finance and Accounting* 50, no. 7–8 (2023): 1338–71, https://doi.org/10.1111/jbfa.12659.
[26] Jiang and Chen, "How Does Labor Protection Influence Corporate Risk-Taking? Evidence from China."
[27] M Eroğlu and M Karatepe Kaya, "Impact of Artificial Intelligence on Corporate Board Diversity Policies and Regulations," *European Business Organization Law Review* 23, no. 3 (2022): 541–72, https://doi.org/10.1007/s40804-022-00251-5.

jurisdictions.[28] In selected instances, a mixed coding approach was applied to capture both discursive and doctrinal developments in corporate governance scholarship.[29]

This study does not employ empirical field research or socio legal interviews. The object of the research is legal doctrine and scholarly interpretation concerning fiduciary duties within contemporary corporate law as reflected in the selected body of literature. The focus of the analysis is to determine whether ESG integration and stakeholder governance reforms constitute reinterpretation within shareholder primacy or a substantive transformation of fiduciary obligations. Through adherence to comprehensive methodological standards, this qualitative systematic literature review ensures transparency, doctrinal precision, and analytical consistency. The methodological design is therefore appropriate for addressing complex legal questions concerning the evolution of fiduciary duties in contemporary corporate law.

III. Results and Discussion

3.1 The Shareholder Primacy Paradigm

The first major finding confirms that classical corporate law constructs fiduciary duties as mechanisms primarily designed to safeguard shareholder interests. The duty of care requires directors to exercise informed judgment and reasonable diligence comparable to that of a prudent person in similar circumstances.[30] This obligation operates as a safeguard against managerial negligence that could undermine corporate profitability.[31] The doctrinal emphasis on informed deliberation reinforces the protection of shareholder wealth as the central governance objective.[32]

The duty of loyalty strengthens this paradigm by obliging directors to prioritize corporate and shareholder interests above personal gain. The prohibition of self dealing enhances investor confidence in corporate governance systems.[33] Judicial interpretations historically apply strict scrutiny to loyalty breaches in order to prevent managerial

[28] M B Filipović, "HOW CAN SHAREHOLDERS' AGREEMENTS SHAPE CORPORATE GOVERNANCE AND DIRECTORS' LIABILITY?," *InterEULawEast* 9, no. 2 (2022): 193–222, https://doi.org/10.22598/iele.2022.9.2.7.

[29] B Zhou, G Zhang, and S Bi, "How Does Emissions Trading Affect the Efficiency of Enterprise Resource Allocation? Evidence From China," *SAGE Open* 13, no. 4 (2023), https://doi.org/10.1177/21582440231212040.

[30] C A Nigro and J R Stahl, "Venture Capital-Backed Firms, Unavoidable Value-Destroying Trade Sales, and Fair Value Protections," *European Business Organization Law Review* 22, no. 1 (2021): 39–86, https://doi.org/10.1007/s40804-020-00196-7.

[31] Josková and Tomasek, "THE MODIFICATION OF THE DUTY OF LOYALTY AND THE DUTY OF CARE AND THE CONSEQUENCES OF THEIR BREACH BY MEMBERS OF ELECTIVE BODIES OF STOCK COMPANIES."

[32] L Anidjar, "Corporate Law and Governance Pluralism," *Canadian Journal of Law and Jurisprudence* 35, no. 2 (2022): 283–320, https://doi.org/10.1017/cjlj.2022.12.

[33] Asaoka, "A Behavioural-Economic Perspective on Conflicts of Interest Among Shareholders, Debtholders, and Directors."

opportunism.[34] Courts apply the business judgment rule to defer to board decisions when directors act in good faith and in the interest of shareholders. This presumption reflects judicial trust in managerial discretion when aligned with shareholder value.[35]

Taken together, these doctrinal elements establish a governance architecture in which fiduciary accountability is structurally oriented toward shareholder wealth maximization. The combined operation of the duty of care, the duty of loyalty, and judicial deference mechanisms consolidates a coherent legal framework that privileges capital protection and investment stability as primary corporate objectives. Within this classical configuration, non-shareholder interests are typically considered only insofar as they indirectly affect long term shareholder value, thereby reaffirming the centrality of shareholder primacy in traditional fiduciary interpretation.

As an analytical foundation, the principal characteristics of the classical paradigm and its gradual shift toward recognition of non-shareholder interests are comparatively summarized in the following table:

Table 1. Comparison of Fiduciary Duties: Classical vs. Sustainability-Informed Approaches

Legal Dimension	**Classical Approach (Shareholder-Centered)**	**Sustainability-Informed Approach (ESG-Integrated)**	**References**
Duty of Care	Oversight against managerial negligence affecting short-term profit.	Evaluation of systemic, climate, and long-term sustainability risks.	Nigro & Stahl (2021); Wong (2025)
Duty of Loyalty	Prioritizing shareholder interests and avoiding self-dealing.	Aligning corporate purpose with broader social and environmental impacts.	Josková & Tomášek (2022); Vig (2024)
Judicial Scrutiny	High deference through the Business Judgment Rule.	Heightened scrutiny regarding oversight of systemic risk and compliance.	Nigro & Stahl (2021); Sheng (2023)
Core Objective	Immediate shareholder wealth maximization.	Resilience, operational efficiency, and long-term value stability.	guLaikram & Pathak (2022);

The comparison above demonstrates that although shareholder primacy remains doctrinally dominant within corporate law, the review identifies an intensifying doctrinal tension concerning the recognition of non-shareholder interests. Legislative initiatives

[34] Nigro and Stahl, "Venture Capital-Backed Firms, Unavoidable Value-Destroying Trade Sales, and Fair Value Protections."
[35] S Laikram and S Pathak, "The Effectiveness of Corporate Law on Agency Issues in ASEAN's Developing Countries," *Kasetsart Journal of Social Sciences* 43, no. 1 (2022): 146–52, https://doi.org/10.34044/j.kjss.2022.43.1.20.

mandating corporate social responsibility disclosures reflect an evolving statutory conception of corporate accountability. Regulatory frameworks increasingly require boards to consider environmental and social impacts within governance and risk management processes.[36] Contemporary legal scholarship further underscores the ethical and normative dimensions of corporate responsibility in response to expanding societal expectations.[37] Taken together, these developments indicate mounting structural pressure on the classical shareholder-centered model and suggest a gradual recalibration of fiduciary interpretation toward sustainability-informed governance.

3.2 Reinterpretation Through Long Term Shareholder Value

The second major finding identifies a reinterpretation phase in which ESG integration is framed as compatible with long term shareholder value. ESG practices mitigate operational and regulatory risks that may affect profitability. Sustainable governance enhances corporate resilience in volatile regulatory environments.[38] Firms implementing ESG strategies demonstrate improved long term stability.

Strong ESG performance is associated with lower cost of capital due to enhanced investor confidence.[39] Sustainable governance practices strengthen corporate reputation and stakeholder trust.[40] Reputation effects contribute to long term financial returns for shareholders.[41] Investor attraction to responsible firms reinforces alignment between ESG and shareholder value. The duty of care increasingly incorporates long term risk management considerations. Directors are expected to evaluate sustainability and reputational risks in strategic decisions. Governance reforms emphasize resilience as part of board responsibility.[42] Judicial scrutiny reflects heightened expectations regarding long term environmental risk oversight. Courts assess whether boards adequately consider sustainability implications.[43]

Case law indicates that sustainability informed decisions may protect corporations from environmental liability exposure. Governance research demonstrates that sustainability considerations reinforce interpretations of fiduciary prudence.[44] Integrated stakeholder theory proposes that stakeholder engagement enhances long term corporate stability. Corporate purpose theory argues that profitability and societal responsibility are mutually reinforcing

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[36] Y T Taruno, D B Kharisma, and A S Ciptorukmi Nugraheni, "Prospects and Challenges of Islamic Fintech in Indonesia: A Legal Viewpoint," *International Journal of Law and Management* 64, no. 2 (2022): 239–52, https://doi.org/10.1108/IJLMA-07-2021-0162.

[37] S Vig, "Proficiency of Independent Directors: An Indian Corporate Governance Perspective," *International Journal of Organizational Analysis* 32, no. 10 (2024): 2357–74, https://doi.org/10.1108/IJOA-08-2023-3894.

[38] U Y Prisandani, "Shareholder Activism in Indonesia: Revisiting Shareholder Rights Implementation and Future Challenges," *International Journal of Law and Management* 64, no. 2 (2022): 225–38, https://doi.org/10.1108/IJLMA-07-2021-0169.

[39] Sjåfjell, "Sustainable Value Creation within Planetary Boundaries-Reforming Corporate Purpose and Duties of the Corporate Board."

[40] H Lopes, "The Deontic Basis of the Firm—Implications for Corporate Governance," *European Management Review* 19, no. 4 (2022): 598–607, https://doi.org/10.1111/emre.12506.

[41] A Zattoni et al., "Board Diversity's Antecedents and Consequences: A Review and Research Agenda," *Leadership Quarterly* 34, no. 1 (2023), https://doi.org/10.1016/j.leaqua.2022.101659.

[42] Segrestin and Levillain, "Profit-with-Purpose Corporations: Why Purpose Needs Law and Why It Matters for Management."

[43] P Wong, "When Corporate Laws Meet Climate Loss: The Practical Challenges of Shareholder-Led Climate Litigation," *Review of European, Comparative and International Environmental Law* 34, no. 3 (2025): 609–21, https://doi.org/10.1111/reel.70015.

[44] Eroğlu and Karatepe Kaya, "Impact of Artificial Intelligence on Corporate Board Diversity Policies and Regulations."

objectives.[45] Legal innovations such as benefit corporations institutionalize hybrid governance structures.[46]

3.3 The Stakeholder Governance Turn

The third principal finding reflects a normative shift toward stakeholder governance. Stakeholder theory asserts that corporations possess moral obligations toward multiple constituencies. Expanding fiduciary duties to include stakeholder protection reflects evolving accountability norms.[47] Stakeholder engagement enhances sustainable competitive advantage. Corporate legitimacy increasingly depends on responsiveness to societal expectations.[48]

Legislative reforms explicitly incorporate stakeholder considerations into corporate statutes.[49] Corporate purpose debates reshape interpretive boundaries of directors' fiduciary discretion. Regulatory reforms provide legal grounding for challenging short term profit maximization strategies.[50] Corporate viability is increasingly linked to broader social value creation.[51]

Collectively, these developments indicate a gradual reorientation of fiduciary interpretation from a singular focus on shareholder wealth toward a more pluralistic conception of corporate responsibility. The integration of stakeholder considerations within statutory frameworks and judicial reasoning signals a recalibration of directors' decision-making parameters. Rather than displacing shareholder interests entirely, the emerging approach embeds them within a broader governance structure that recognizes environmental, social, and systemic risks as legally relevant factors in corporate strategy. This trajectory suggests that stakeholder governance is becoming increasingly institutionalized within contemporary corporate law.

The normative shift does not occur uniformly. Rather, it is shaped by multiple driving mechanisms and jurisdictional variations, as mapped below:

Table 2. Drivers and Jurisdictional Variations in Stakeholder Governance

[45] Anidjar, "Corporate Law and Governance Pluralism."
[46] Segrestin and Levillain, "Profit-with-Purpose Corporations: Why Purpose Needs Law and Why It Matters for Management."
[47] Miazad, "PROSOCIAL CORPORATE PURPOSE IN PRACTICE."
[48] S Chakraborty et al., "THE STRATEGIC EVOLUTION OF THE CORPORATE LEGAL FRAMEWORK," *Corporate Law and Governance Review* 7, no. 1 (2025): 135–44, https://doi.org/10.22495/clgrv7i1p12.
[49] Kershaw and Schuster, "The Purposive Transformation of Corporate Law."
[50] T Widiyono, "UNVEILING THE LEGAL VEIL OF CONGLOMERATE-OWNED COMPANIES," *Journal of Law and Sustainable Development* 11, no. 6 (2023), https://doi.org/10.55908/sdgs.v11i6.1226.
[51] P Giudici, P Agstner, and A Capizzi, "The Corporate Design of Investments in Startups: A European Experience," *European Business Organization Law Review* 23, no. 4 (2022): 787–820, https://doi.org/10.1007/s40804-022-00265-z.

Driver Category	Mechanism of Transformation	References
Legislative Reform	Explicit incorporation of stakeholder interests into corporate statutes.	Kershaw & Schuster (2021); Widiyono (2023); Koos (2024)
Litigation Risk	Expansion of oversight duties through derivative and climate litigation.	Wong (2025); Ruggie et al. (2021); Malecki (2024);
Regulatory Scrutiny	Mandatory ESG and climate-related financial disclosures.	Manoel et al. (2022); Chakraborty et al. (2025); Tarighi et al. (2022)
Regional Models	Institutionalization of stakeholders in EU vs. incremental US adaptation.	Segrestin et al. (2022); Turner (2021); Asaoka (2020)

The mapping above demonstrates the complexity of legal transition across jurisdictions. Sustainability due diligence frameworks impose obligations on corporations to assess environmental and human rights impacts within their operations and supply chains.[52] Directors are increasingly conceptualized as stewards of broader societal and ecological interests rather than solely agents of shareholder wealth maximization. Scholarship emphasizes biodiversity and climate considerations within fiduciary analysis.[53] Failure to address sustainability risks may generate financial liability.[54] ESG integration therefore becomes central to contemporary fiduciary accountability.

Jurisdictional variation illustrates differing pathways toward stakeholder governance. European jurisdictions more readily embed stakeholder interests into corporate legislation.[55] German and Dutch governance models institutionalize stakeholder inclusion.[56] The United Kingdom adopts a hybrid governance structure balancing shareholder and stakeholder interests. The United States demonstrates incremental adaptation despite rising accountability pressures.[57]

[52] Filipović, "HOW CAN SHAREHOLDERS' AGREEMENTS SHAPE CORPORATE GOVERNANCE AND DIRECTORS' LIABILITY?"
[53] Z T Hameed and K Renganathan, "ROLE OF INSTITUTIONAL INVESTMENT INTERMEDIARIES IN CORPORATE CONTROL: A CRITICAL ANALYSIS," *Revista de Gestao Social e Ambiental* 18, no. 2 (2024), https://doi.org/10.24857/RGSA.V18N2-059.
[54] K Haag et al., "Legal Advisors and Family Business Owners: A Transaction Cost Understanding of 'the Ownership Contract,'" *Family Business Review* 37, no. 2 (2024): 292–314, https://doi.org/10.1177/08944865231217882.
[55] B Segrestin, K Levillain, and A Hatchuel, "Management & Law: The Forgotten Contribution of P. Selznick," *Management (France)* 25, no. 1 (2022): 69–78, https://doi.org/10.37725/mgmt.v25.8521.
[56] S J Turner, "Business, Human Rights and the Environment—Using Macro Legal Analysis to Develop a Legal Framework That Coherently Addresses the Root Causes of Corporate Human Rights Violations and Environmental Degradation," *Sustainability (Switzerland)* 13, no. 22 (2021), https://doi.org/10.3390/su132212709.
[57] H Tarighi et al., "Corporate Social Responsibility Disclosure (CSRD) and Financial Distressed Risk (FDR): Does Institutional Ownership Matter?," *Sustainability (Switzerland)* 14, no. 2 (2022), https://doi.org/10.3390/su14020742.

3.4 Regulatory and Litigation Drivers

Derivative litigation expands oversight expectations for directors. Shareholder activism reinforces accountability in environmental governance.[58] Climate related litigation integrates ESG oversight into fiduciary analysis.[59] Regulatory scrutiny strengthens evolving standards of board responsibility. Disclosure regulations institutionalize transparency obligations within corporate governance.[60] Climate related financial disclosure is increasingly treated as a fiduciary matter . Non compliance may result in litigation and reputational harm. Institutional investors advocate enhanced ESG disclosure as part of long term risk oversight.

Judicial interpretations of duty of care require demonstrable evidence of informed oversight. Courts increasingly scrutinize board decision making in systemic risk contexts (Sheng, 2023).[61] Expanding accountability standards reduce deference in cases involving significant governance failure.[62] Directors face elevated liability risk for inadequate compliance systems. Regulatory reforms increasingly signal structural transformation in corporate governance.[63] Mandatory social responsibility initiatives reshape corporate priorities. ESG integration reflects redefinition of corporate purpose beyond narrow profit maximization.[64]

Overall, the synthesis of the integrated findings reveals a doctrinal evolution that can be formulated into three distinct phases, as outlined below:

Table 3. Three-Phase Doctrinal Evolution of Fiduciary Duties

Evolution Phase	Core Paradigm	Strategic Focus	Key References
Phase I	Shareholder Primacy	Safeguarding shareholder interests and preventing negligence.	Nigro & Stahl (2021); Josková & Tomášek (2022); Anidjar (2022)

[58] J G Ruggie, C Rees, and R Davis, "Ten Years After: From Un Guiding Principles to Multi-Fiduciary Obligations," *Business and Human Rights Journal* 6, no. 2 (2021): 179–97, https://doi.org/10.1017/bhj.2021.8.
[59] Malecki, "Director's Fiduciary Duties and the Future Corporate Sustainability Due Diligence Directive in the Wake of English Case Law."
[60] A A S Manoel, M B C Moraes, and G P Pundrich, "The Market Value of Cash and the Creation of High-Governance Listings of Voluntary Adoption: Evidence from the Brazilian Stock Exchange," *Corporate Governance: An International Review* 31, no. 3 (2023): 515–34, https://doi.org/10.1111/corg.12479.
[61] K Sheng, "Analysis of Civil and Commercial Law Protection Based on Decentralized Internet," *Applied Mathematics and Nonlinear Sciences* 9, no. 1 (2024), https://doi.org/10.2478/amns.2023.2.00781.
[62] M Dell'Erba and G Ferrarini, "ESG & Executive Remuneration in Europe," *European Business Organization Law Review* 25, no. 3 (2024): 439–79, https://doi.org/10.1007/s40804-024-00318-5.
[63] S Koos, "Civil Law, Conflict of Laws, and Extraterritoriality in the European Supply Chain Due Diligence Law," *Hasanuddin Law Review* 10, no. 2 (2024): 144–70, https://doi.org/10.20956/halrev.v10i2.5535.
[64] M A Kabir, "A Legal Analysis on Resolving Recently Growing Online Business Frauds in Bangladesh," *Law Reform: Jurnal Pembaharuan Hukum* 18, no. 2 (2022): 264–81, https://doi.org/10.14710/lr.v18i2.46636.

Phase II	Reinterpretation	Aligning ESG integration with long-term shareholder value.	Anidjar (2022); Prisandani (2021); Shlmani et al. (2024); Sjåfjell (2020)
Phase III	Structural Transformation	Advancing stakeholder governance through regulatory and litigation pressure.	Sjåfjell (2020); Miazad (2025); Segrestin & Levillain (2023)

The evolution summarized in the table above confirms a new trajectory in global corporate law. The first phase entrenched shareholder primacy through a strict interpretation of fiduciary obligations centered on shareholder wealth maximization. The second phase introduced a reinterpretation of fiduciary duties by integrating ESG considerations within a long-term shareholder value framework. The third phase reflects a more structural transformation in which stakeholder governance gains normative and regulatory traction through legislative reform and strategic litigation.

IV. Conclusion and Recommendations

This study set out to examine whether contemporary developments in corporate governance represent a reinterpretation of shareholder primacy or a substantive transformation of fiduciary duties toward stakeholder governance. The findings demonstrate that fiduciary doctrine has evolved through a structured progression. Initially, fiduciary duties were firmly anchored in the protection of shareholder interests, emphasizing loyalty, prudence, and the mitigation of managerial opportunism. Over time, however, these duties have been reinterpreted to incorporate long-term risk management, sustainability considerations, and broader accountability mechanisms.

The research confirms that the integration of environmental, social, and governance considerations does not necessarily displace shareholder primacy. Instead, it has expanded the understanding of what constitutes the "best interests of the corporation," particularly in relation to long-term value creation and risk oversight. At the same time, legislative reforms, regulatory initiatives, and evolving judicial expectations signal a gradual normative shift toward recognizing stakeholder interests as relevant components of fiduciary analysis. This indicates a transitional phase in which doctrinal continuity coexists with structural adaptation.

The theoretical contribution of this article lies in its integrative framework that reconciles agency theory and stakeholder theory within a unified fiduciary model. By demonstrating that long-term shareholder value and stakeholder accountability can be

conceptually aligned, this study clarifies ongoing debates regarding corporate purpose and directors' obligations. The analysis provides a structured explanation of how fiduciary doctrine adapts to ESG-driven governance pressures without abandoning its foundational principles.

From a practical and policy perspective, the findings suggest that directors should adopt proactive risk management strategies that incorporate sustainability oversight into board deliberations. Regulators are encouraged to clarify fiduciary standards in relation to ESG disclosure and stakeholder engagement to reduce legal uncertainty. Corporations should institutionalize governance mechanisms that balance profitability with accountability, thereby strengthening resilience and legitimacy. In sum, fiduciary duties are not being replaced but recalibrated. The future trajectory of corporate law will depend on how jurisdictions refine this balance between doctrinal stability and normative innovation in response to evolving governance challenges.

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