



THE FUTURE OF ETHICS ISSUES IN BUSINESS 2026

**Frameworks, Frontiers, and the
Responsibilities of Tomorrow's Leaders**

Managerial Ethics & Stakeholder Management

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What We Will Cover Today

Agenda

- A. The Veil of Ignorance as an Ethical Lens
- B. ESG: Ethics Meets Strategy
- C. The Evolving Compliance Landscape
- D. AI Ethics in Business
- E. Deontological Ethics and the Categorical Imperative
- F. Synthesis, Takeaways, and Discussion

John Rawls and the Theory of Justice

- John Rawls (1921–2002), Harvard political philosopher
- Published A Theory of Justice (1971)
- Central question: What principles would rational people choose to govern society if they did not know their own position within it?
- Introduced the "Original Position" and the "Veil of Ignorance"

Key Concept

The Veil of Ignorance

Imagine designing society's rules without knowing your place in it – rich or poor, healthy or sick, CEO or worker

Applying the Veil of Ignorance to Business Decision-Making

The Key Question

If you didn't know whether you were a shareholder, employee, customer, or community member, what business policies would you choose?

The Veil Encourages

Fair wages, safe workplaces, honest marketing, environmental stewardship

The Veil Challenges

Pure profit maximization at the expense of vulnerable stakeholders

Connects to Stakeholder Theory

All affected parties deserve moral consideration — not just shareholders

A Lens for Analysis

How the Veil of Ignorance applies to each section ahead

ESG

Would you support environmental and social protections if you didn't know your position?

Compliance

Would you want robust enforcement if you could be the victim of fraud?

AI

Would you accept algorithmic bias if you didn't know your race, gender, or age?

Deontology

The Veil complements Kant's principle of treating people as ends, not means

Defining ESG

- Environmental, Social, and Governance

Environmental

Climate risk, emissions, resource use, pollution, biodiversity

Social

Labor practices, human rights, diversity & inclusion, community impact

Governance

Board structure, executive compensation, transparency, anti-corruption

Why ESG Is Ethically Sound

Fairness (Rawlsian)

ESG protects those who bear the costs of business but have little voice

Stakeholder Theory

Companies have moral obligations beyond shareholders

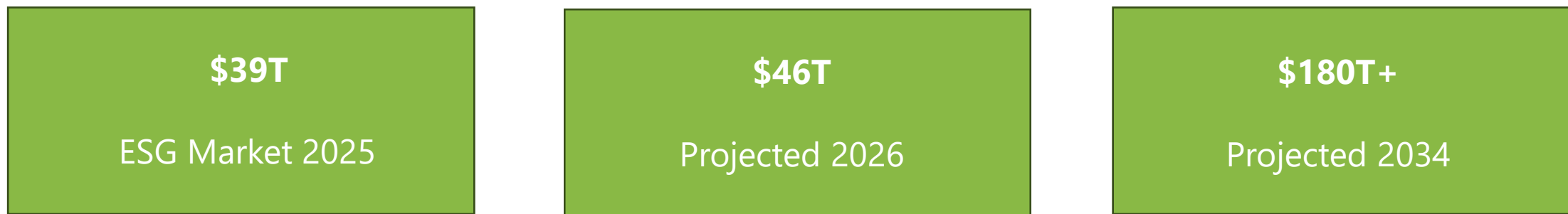
Social Responsibility

Businesses operate with a social license; ESG is how they honor it

Intergenerational Justice

Environmental stewardship protects those who cannot advocate for themselves

Why ESG Is Good for Business



- Risk Mitigation: Fewer regulatory penalties, lawsuits, and reputational crises
- Investor Pressure: ESG data remains central to risk assessment and capital allocation
- Brand Value: Consumers prefer companies with social/environmental commitments
- Long-Term Performance: ESG shaped by enterprise value, operational resilience, competitiveness

ESG in 2026: A Fragmented Regulatory Landscape

European Union

Simplifying through Sustainability Omnibus; CSRD thresholds raised (1,000+ employees, €450M turnover)

United States

Anti-ESG sentiment at federal level; rollbacks of climate, environment, DEI policies

Efforts run the gamut at the State and Local levels, creating a regulatory minefield for business

Global

Dozens of countries progressing Int'l Sustainability Standards Board-aligned frameworks (Singapore, Australia, Mexico)

Companies must navigate conflicting norms across jurisdictions

ESG Data as Management Data

- ESG data moving from year-end compliance to real-time strategic inputs
- Boards and Exchanges asking sharper questions about material sustainability risks and ROI
- Technology becoming foundational: automated data collection, validation, multi-framework alignment

42%

Of companies disclosed
adaption/resilience plans
(S&P Global 2025)

The Rise of ESG Litigation

- Litigation becoming more sophisticated; targeting directors, investors, advisers
- Greenwashing scrutiny intensified — regulators challenging "net-zero" and "carbon neutral" claims
- BHP held liable in UK for Fundão dam collapse — 600,000+ claimants
- Increased enforcement and fines expected in 2026

Landmark Case

BHP Parent Companies

UK court held parent companies liable for social/environmental harm in Brazil — precedent for global ESG accountability.

ESG and the Veil of Ignorance

Behind the veil....

You might live near a polluting factory



You'd support environmental protections

You might be a minority shareholder



You'd demand transparent governance

You might be a supply chain worker



You'd insist on fair labor practices

ESG is the institutional expression of Rawlsian fairness in the corporate context

Understanding Corporate Compliance

Adherence to laws, regulations, industry standards, and internal policies

Key Areas

- Anti-corruption (US FCPA, UK Bribery Act)
- Anti-money laundering (AML)
- Data privacy
- Securities regulation
- Export controls

Compliance is more than rule-following — it reflects organizational ethical commitments

Compliance in 2025–2026: An Era of Disruption

- Trump administration brought regulatory turmoil, DEI enforcement rollbacks
- EU expanding obligations through CSDDD, Deforestation Regulation, AI Act
- UK, France, Switzerland formed new anti-bribery task force
- Companies face fragmented enforcement requiring multi-jurisdictional programs

When Compliance Fails: Case Studies

Company	Failure	Penalty
TD Bank (2024)	AML failures; \$670M+ in dirty money	\$3.1 billion
Boeing (2024)	Safety culture erosion; crashes, parts failures	\$243.6 million
RTX/Raytheon (2024)	Bribery, false pricing, military secrets leaked	\$1.2 billion
Nestlé (2025)	CEO dismissed for Code of Conduct violation	Reputational

Compliance Culture vs. Check-the-Box Compliance

Check-the-Box

Minimum requirements met, no genuine ethical commitment. Rules are followed but values are absent.

Research shows AI delegation can increase dishonest behavior — culture must evolve

Ethical Culture

Values-driven, speak-up culture, tone from the top. Costco held firm: DEI "enhances our culture and well-being."

Elements of an Ethical Compliance Program

1. Leadership commitment and tone from the top
2. Written standards, policies, and Code of Conduct
3. Training, education, and AI literacy
4. Confidential reporting mechanisms (hotlines, speak-up platforms)
5. Monitoring, auditing, and continuous improvement
6. Consistent enforcement and accountability
7. Integration of compliance into business strategy

Compliance and the Veil of Ignorance

- Behind the veil, you'd want robust compliance programs — you might be the fraud victim
- You'd want whistleblower protections — you might discover wrongdoing
- Compliance ensures the rules of the game are fair for all
- Ethical compliance = institutional infrastructure of justice in business

AI Is Transforming Business

And Raising New Ethical Questions

- Hiring • Lending • Insurance
- Healthcare • Criminal Justice
- Marketing • Supply Chain

2X

Projected increase in global data center power demand 2024–2030

43%

of existing data centers in regions of high water stress

Key Ethical Risks of AI in Business

1	Bias & Discrimination AI systems can produce prejudiced results; gender classification error rates 34% higher for darker-skinned women
2	Transparency Often impossible to determine why AI made a particular decision
3	Accountability Who is responsible when AI harms — developer, deployer, or algorithm?
4	Data Privacy Vast data collection raises surveillance and consent concerns
5	Worker Displacement Automation threatens jobs; AI may increase dishonest behavior

When AI Discriminates: Real-World Cases

Case	Year	Issue	Outcome
EEOC v. iTutorGroup	2023	Auto-rejected applicants over 55/women over 60	\$365,000 settlement
Mobley v. Workday	2025	Discrimination via AI screening (race, age, disability)	Collective action certified
Amazon AI Recruiter	Internal	Discriminated against women	System abandoned
ACLU v. HireVue/Intuit	2025	AI interviews inaccessible to deaf applicants	Complaint filed

The EU AI Act: World's First Comprehensive AI Regulation

- Entered into force August 1, 2024; most provisions apply August 2, 2026
- Risk-based approach: Unacceptable, High-Risk, Limited-Risk, Minimal-Risk
- Prohibited practices (effective Feb 2025): social scoring, manipulative AI, biometric ID
- High-risk: strict risk management, bias testing, documentation, human oversight
- Penalties up to €35 million or 7% of global annual turnover
- Broad extraterritorial scope

Implementation Timeline

- **Aug 2024**
Entered into force
- **Feb 2025**
Prohibited practices
- **Aug 2025**
Governance rules
- **Aug 2026**
Full Application

U.S. Approaches to AI Regulation

- No comprehensive federal AI legislation equivalent to the EU AI Act
- Trump administration deprioritized disparate-impact enforcement
- State-level action: Colorado, Illinois, NYC require notice + bias audits for AI hiring
- California: prohibits healthcare coverage denials made solely by AI
- Federal anti-discrimination laws still provide private rights of action

Patchwork approach: Despite federal rollbacks, private litigants retain ability to bring disparate impact claims

How Businesses Should Approach AI Ethics

01 AI Inventory & Risk Classification

Map all AI systems and classify by risk level

02 Bias Auditing & Monitoring

Implement ongoing testing for discriminatory outcomes

03 Transparency & Explainability

Ensure decisions can be understood and challenged

04 Human Oversight & Accountability

Establish clear responsibility structures

05 AI literacy for All Employees

EU AI Act Article 4 requirement

06 Human Rights & Environmental Due Diligence

Embed into AI strategy

AI and the Veil of Ignorance

You might be in any demographic

**You might be denied a loan/job
by opaque algorithm**

**You might be harmed by a
machine's decision**

You wouldn't accept discriminatory AI

You'd demand transparency

You'd insist on accountability

The Veil is a powerful test for whether any AI deployment is ethically justified

Deontological Ethics

Duty, rules, and the Categorical Imperative

- Deontology (Greek deon = "duty") = ethics based on rules and obligations, not outcomes
- Immanuel Kant (1724–1804): central figure
- Categorical Imperative: "Act only according to that maxim by which you can will it to become a universal law"
- "Treat humanity always as an end and never merely as a means"
- Actions are right or wrong in themselves, regardless of consequences

Contrasting Ethical Frameworks

Dimension	Deontology (Kant)	Consequentialism
Focus	The action itself	The outcome of the action
Key Question	Is the action inherently right/wrong?	Does the action produce the greatest good?
Strengths	Clear moral rules; protects individual rights	Flexible; maximizes overall welfare
Weaknesses	Can be rigid; may ignore context	Can justify harm to minorities
Business Example	Refuses sweatshop labor regardless of savings	Accepts some pollution if benefits outweigh harm

Deontological Thinking in Practice

Whistleblowing	Duty to report wrongdoing regardless of personal cost (Nestlé's Speak Up platform)
Data Use	Treat user data as belonging to autonomous individuals, not raw material
Labor Practices	Child labor/exploitation treats workers as mere means
AI Decisions	Biased AI treats affected individuals as means to efficiency
Greenwashing	False sustainability claims instrumentalize consumer trust

Rawls and Kant: Complementary Frameworks

- Rawls was deeply influenced by Kant — the Original Position is Kantian
- Both insist on moral equality of persons
- Both reject treating individuals as mere instruments
- Together: Kant gives absolute duties; Rawls gives procedure for fair institutions
- For future leaders: Kant = personal moral compass; Rawls = fair organizational design

Ethical Frameworks: A Toolkit for Business Leaders

Rawls (Veil of Ignorance)

Design fair systems — "would I accept this if I didn't know my position?"

Deontology (Kant)

Set absolute moral limits — "can this be universalized? Am I treating people as ends?"

Stakeholder Theory

Consider all affected parties, not just shareholders

Applied Together

Inform ESG strategy, compliance culture, AI governance

What You Can Do: Ethical Leadership in Practice

- Advocate for genuine ESG integration, not marketing
- Build compliance cultures, not checklists
- Demand transparency, accountability, and training in AI
- Apply the "Veil of Ignorance Test" before decisions affecting others
- Cultivate moral courage — be willing to speak up
- Shape the future through quality data, credible disclosures, integrated strategy

Discussion & Reflection

1. If designing corporate AI governance from behind the Veil of Ignorance, what would you include?
2. Should companies continue ESG programs when governments roll back requirements?
3. Is there ever a case where consequentialist reasoning should override deontological principles?
4. How should compliance officers balance conflicting ESG requirements across jurisdictions?
5. What responsibility do leaders have for AI systems deployed by vendors?

Thank You

Questions, Comments, and Further Reading

Rawls, J. (1971). A Theory of Justice. Harvard University Press.

Kant, I. (1785). Groundwork of the Metaphysics of Morals.

EU AI Act: Regulation (EU) 2024/1689

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Freshfields, "7 ESG Trends to Watch in 2026"

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