

**DOCTORAL (Ph.D.)  
DISSERTATION**

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## **Corporate Sustainability and Responsible Business Conduct**

**(A study focused on the European Regulatory  
Framework)**

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## SUPERVISOR'S RECOMMENDATION

In the 21st century, corporate law has opened new dimensions for regulators worldwide. The novel forms of business activities, the development of electronic administration and globalization require the regulatory framework to adapt to the needs of businesses. Some of the most basic principles of corporate law have gone through serious reinterpretations to ensure an equilibrium between creditor protection, market economy and the right to undertaking. Liability issues, formation procedures, reorganization schemes and structural models are all in the center of discussion. Still, one of the most recognizable shifts in paradigms is the question of the method of regulation. It seemed obvious, for more than a century, that a binding regulatory framework was the only way to keep the fragile balance in the various needs of the market, consumers and of businesses. An erosion of this basic principle is, however, obvious these days. Self-regulation seems to provide for more freedom and flexibility for businesses while, having the necessary cornerstone principles in place in normative law, protection for the most vulnerable interest groups (i.e. consumers, creditors, minority shareholders) can be sustained. Corporate social responsibility, therefore, is a phenomenon that goes well beyond the classic approach to corporate law and aims to function as an overarching concept has the flexibility to embrace law and economics along with undeniable social elements.

The dissertation builds on the presumption the market environment can efficiently force businesses to move toward the concept of corporate social responsibility. Economists have been emphasizing this open approach to the regulation of corporations for decades now and base their assumptions on the fact businesses are eventually forced to take into account the needs of their business partners and of the consumers who wish to purchase products and enjoy services provided by firms that consider social and environmental impact of their activities. The analysis of the complex world of corporate social responsibility, therefore, requires a meticulous approach that can successfully merge legal, social and economic angles. The greatest strength of the dissertation lies in this complex approach that could still place the legal side into the focus of the research. The main objective remains the identification of those legal barriers, cornerstone obligations that could boost the willingness of corporations in this shift of concept and attitude.

The dissertation analyses policy documents, action plans and loose regulatory frameworks related to corporate social responsibility from the EU and the United Nations. The author is not afraid to highlight negative experiences and to criticize regulatory attempts and concepts that may not show progress toward an efficient corporate social responsibility scheme. To prove these criticisms, the dissertation thoroughly demonstrates how corporate social responsibility should be interpreted by going back to its roots, historically, dogmatically and conceptually.

The dissertation relies on an extensive analysis of positions from jurisprudence and economy developing a synthesis of the diverse views still maintaining the pragmatic approach of the author. It is of outmost importance how the author demonstrates the 'stakeholder theory'. This theory is a central element of the research. The conclusions derive from the analysis

and the author never leaves focus ensuring a coherent, pragmatic and critical discussion of the problem.

I sincerely believe the dissertation is a valuable contribution to the academic discussion of corporate social responsibility and, in the same time, it also offers a well-structured insight into the world of CSR that may be useful for policy-makers, lawmakers and businesses alike.

15 November 2023

A handwritten signature in blue ink, appearing to read 'T. Fézer'.

Dr. Tamás Fézer, PhD

supervisor

I, the undersigned, name: Leen Bakerjian (Neptun code: LM274M) hereby declare by signing this declaration that this thesis work, titled: "Corporate Social Responsibility and responsible Business Conduct" is my own work, and I adhered to the provisions of Act LXXVI of 1999 on Copyright in the preparation of the dissertation work and respected the rules laid down by the University.

Budapest, 15, November 2023

Leen Bakerjian

Signature:

*Leen Bakerjian*

## **Acknowledgements**

Following this period of intense learning, not only within the realms of scientific inquiry but also on a deeply personal level, the day we've long awaited has finally arrived. This past four years have left an indelible mark on my life, both intellectually and on a profound personal level. It is with immense gratitude that I take a moment to reflect upon and acknowledge the remarkable individuals whose unwavering support and boundless love have shaped my journey.

Foremost, I extend my heartfelt appreciation to my supervisor, Dr. Tamás Fézer, whose constant support and invaluable guidance have been pivotal to the successful completion of this academic odyssey. It is a privilege to have had the opportunity to work under the mentorship of such an open-minded and erudite professor. Your mentorship provided me with not only the knowledge and skills essential for academic success but also the wisdom to navigate the complexities of research, ultimately helping me discern the right path.

I would also like to express my deep gratitude to my parents, siblings, and friends, whose enduring encouragement and compassionate understanding have been a constant source of strength. I hold a special place in my heart for my father, who, with unwavering determination, encouraged me to embark on this educational journey and attain the higher degree I proudly stand here with today.

Their unwavering support, understanding, and guidance have been the bedrock upon which my academic achievements have been built. The countless sacrifices they have made, and the hours they have spent offering words of wisdom and lending a sympathetic ear, have propelled me forward on this journey. This milestone is as much theirs as it is mine, and for that, I am eternally grateful.

This journey, though personal, has not been a solitary one. It is a collective achievement, a testament to the power of support, mentorship, and love. As I stand on the edge of this new chapter in my life, I am filled with deep gratitude and the knowledge that I carry their support and love with me, a beacon guiding me into the future.

### ***Author's Note***

The danger of extremism and the accompanying terrorism is no longer confined to a specific country or region, but has become a global phenomenon, as extremist cross-border organizations do not exclude a country or region in their terrorist operations; There is no doubt that the complexity and intertwining of the phenomenon of extremism and terrorism has been reflected in one way or another on the nature of the strategies adopted by countries to confront it.

Indeed, there are many experiences in this regard; Some countries pay importance to the security and military aspects, while others focus on the legislative and legal aspect, and other countries integrate the political, economic, social, cultural and educational aspects into their general strategies to combat this phenomenon, and involve all community institutions, starting with the family and passing through educational and media institutions and civil society organizations, and ending with the sector private, in implementing this strategy, and this is what can be called social and moral responsibility, which means integrating the efforts of these institutions with the efforts of the state in confronting the phenomenon of extremism and terrorism.

The emergence of the concept of Corporate Social Responsibility began in the middle of the twentieth century, when the world discovered that global companies with huge profits were manufacturing their products in factories in which simple workers were exploited horribly in dangerous work and in an unsuitable environment for work and the exploitation of children in hard work, which is a violation of human rights and child rights. Also, some companies exploit the environmental resources in a bad way that harms them and threatens the extinction of these resources. In addition to the administrative and financial corruption of a number of companies due to the lack of transparency for employees and consumers, which led to a large wave of criticism. The result of this was a call for the adoption of responsible practices for these companies in America and Europe to reduce these erroneous practices, and a call for the adoption of sustainable programs that promote development and serve society.

The growing interest in important issues such as poverty, improving the standard of living and creating new job opportunities was one of the most important reasons for paying attention to corporate social responsibility programs. These are important issues that have long been the sole responsibility of governments; However, with the increasing interest in sustainable social responsibility and the emphasis on the importance of having an active role for private companies and civil society institutions, and in light of the companies' assertion that the deterioration of the level of social development leads to capital flight and negatively affects investment, interest in this concept has increased. Companies are also under increasing pressure from public benefit associations and society in general to improve their work ethics by demanding more business processes and ethics.

A number of those interested in the field of development have defined corporate social responsibility as a voluntary activity carried out by institutions and companies to work in an economic, social and environmentally sustainable manner that has an organized form within

the company. consumers, employees, and all other members of the public sphere within the society in which it operates. They are also sustainable development programs carried out by companies for the benefit of the community from which they originate, and in which they operate, the aim of which is not only propaganda or improving the company's reputation only, but also improving the standard of living of the community.

There are many definitions of social responsibility among those interested and thinkers, concepts differ according to different points of view in determining the form of this responsibility. The concept of social responsibility differs in reading according to the party that looks at it, the private sector has its own interpretations, societal institutions have their own concepts, and individuals within society also have their own definitions. On the one hand, according to its competence and the nature of its work, and civil society institutions take the nature of charitable and humanitarian work. As for the members of society, they view social responsibility as a national duty, and it is an essential role of citizenship that companies must play. There are those who see it as a reminder to companies of their responsibilities and duties towards the society to which they belong. Others see it as a form of social propriety that is obligatory for companies, and all these opinions go along with the content of this concept.

The growing social and moral responsibility in any society will enhance government efforts in the face of injustice, because it means a high level of awareness among its members and an increase in the awareness of its institutions of the danger of this phenomenon on the one hand, and the need to work to confront it through a comprehensive and integrated strategy on the other hand. Educational institutions come in an advanced position within the comprehensive strategy in confronting extremism and terrorism, not only because they play a major role in immunizing students from a young age against extremist ideology, but also because they cooperate with the rest of the other institutions of society, the family, the media, civil society and the private sector, in the face of extremism and terrorism. and in a way that enhances government efforts in this regard.

The concept of social responsibility has been developed and its performance is no longer confined to one party without the other. Rather, it has become an integrative responsibility between the public and private sectors and civil society institutions. First, concerned with providing the required information for companies, and motivating them to work in the field of community service, by providing the necessary facilities for them to implement their social programs. The private sector has a social responsibility represented in its response to community service institutions to achieve sustainable community development goals and contribute to the stability of communities.

The necessity of deepening, consolidating and consolidating the concept of social responsibility and motivating the business sector to adopt organized programs in community service, and to adopt a national project to serve the community that is implemented by the private sector under the concept of social responsibility.

The evaluation of private sector companies no longer depends on calculating their profitability only. Corporate purpose is defined by Mayer as “producing profitable solutions

for the problems of the people and planet, not profiting from creating problems”<sup>1</sup> Modern concepts have emerged that help create a work environment capable of dealing with the rapid developments in the economic, technological, and administrative aspects around the world, noting the need to expand its activities to include more than production activities. Such as the concerns of society and the environment, and the need to take into account the three dimensions of sustainable development, namely economic growth, social progress and environmental protection.

Corporate social responsibility has become one of the essential factors that affect the performance of establishments, as the relationship between the social environment in which the establishment operates, and the establishment’s impact on the natural environment have become an important part in measuring the performance of this establishment, and its ability to continue to operate effectively, which reflects In particular, the importance of recognizing the urgent and growing need to work to ensure the existence of ecological and healthy economic systems, societal equality and institutional governance.

The increasing awareness of establishments around the world as well as the parties concerned with the importance of responsible social behavior in light of the emergence of various interpretations of social responsibility, according to the globally agreed standard, is to help achieve a general perspective and concept of its principles with the aim of contributing to achieving sustainable development and the welfare of society.

Adopting a vision for the performance of the social responsibility of the public enterprise can have a positive impact on its reputation, its ability to attract workers or members or both, and to maintain the morale of employees in high productivity. It may also affect the opinion of investors and the financial community on the facility’s ability to attract customers or Consumers, members, or users, in addition to the establishment’s relationship with the government, the media, their financiers, the corresponding establishments, consumers and the community in which the establishment operates. The important international standard as a guiding guide that includes the principles of basic social responsibility, as well as the methods of their application within the establishment, pointing out that this specification is applicable in all types of Establishments regardless of their size or location, including governmental and non-governmental ones, as well as commercial establishments, as each facility has an impact on society and the environment.

This specification was developed to assist the establishment in achieving mutual trust between it and the concerned parties by developing its performance related to social responsibility. However, this specification is not applied in government establishments that exercise legislative and judicial powers, provided that the use of the standard specification is voluntary, and it is not It is intended for the purposes of certification, regulatory or contractual use, or removal of tariff barriers imposed on trade, and this specification does not change any legal obligations of the establishment that adopts it. To encourage each

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<sup>1</sup> Mayer, C., 2021. The future of the corporation and the economics of purpose. *Journal of Management Studies*, 58(3), pp.887-901.

facility to become more socially responsible by using these standards, interdependence with relevant parties, compliance with applicable national laws, and respect for the principles of internationally recognized treaties and other official international covenants. These international specifications seek to achieve the integration of responsible social behavior within the existing strategies, systems, practices and institutional processes and to confirm the results and developments of performance.

Studies have proven that companies that offer initiatives and programs in social responsibility can attract the most efficient human elements, as companies' commitment to their responsibility towards the society in which they operate represents an element of attraction in front of distinguished competencies. You can also raise their capacity for innovation and creativity. Companies can also build strong relationships with governments, which helps in resolving problems or legal disputes that companies may encounter in the course of their activities in society. The initiatives implemented by the companies proved that the social role and ethical commitment are also a tool for profitability and increasing sales for companies. Therefore, major international companies are keen to adopt sustainable plans and programs to enhance social responsibility and include it in their long-term strategies, because it is an investment that increases profit and production, improves the performance of its employees, strengthens trust between the company and its employees, enhances their affiliation and loyalty to the company, and leads to reducing conflicts and differences between management on the one hand. On the other hand, employees and communities.

Studies and questionnaires that were applied to a large number of workers in the private sector in one of the largest American companies have shown that nearly two-thirds of employees prefer to participate in some form of charitable work or work to serve the community through the programs offered by the company. As for consumers, nearly 90 percent of the respondents prefer buying products and services from companies that embrace the concept of social responsibility. Therefore, attention to social responsibility has become a basic requirement to improve the social and economic life of individuals and society, through the commitment of institutions to provide the appropriate environment for their employees to improve the company's performance and production performance, and not to waste resources, and to carry out recruitment and training operations, raise human capabilities, and pay attention to women and raise their capabilities and skills to qualify them to participate. in the process of sustainable development and support the neediest groups. Social responsibility programs and compliance with them also help in good management of risks, which are environmental compliance, respect for labor laws and application of standards.

We call on everyone to activate the axes of social initiatives, so that the role of companies in other axes is activated with the same effectiveness and efficiency. It is necessary first to create the infrastructure that the public sector should pave in the form of regulations, regulations and legislation that regulate and facilitate companies to launch their initiatives in a healthy, organized, and transparent environment It encourages and motivates all

companies of all categories to activate their social responsibility programs and harness their efforts and capabilities, even in the weakest ways.

I suggest that the public sector verify the reality and the advertised in order to prevent advertising allegations, and to ensure that a budget is allocated for these initiatives, and to ensure that the companies initiating social responsibility programs take into account in the practices of their economic, commercial and industrial activities in particular, the protection of the environment and the consumer and fair practices with their workers and employees, and that any A breach in these respects diminishes the importance of social initiatives, no matter how useful, and the company demanded transparency and disclosure of what it allocates to social responsibility programs.

Providing information, statistics, licenses and obtaining approvals that may often hinder the implementation of the initiative,

1. Coordination and integration of efforts
2. Preventing repetition, encouraging innovative initiatives, and rewarding them morally,
3. Emphasizing companies on the need to involve community youth in their initiatives and programs to encourage volunteer work.
4. Consolidating and directing the concept of volunteering in community service.

Here, we must differentiate between supporting charitable work and supporting the development goals that civil society organizations seek to achieve. And that companies' role towards social responsibility ensures to a large extent the support of all members of society for their goals and development mission and recognition of their existence and contribute to the success of their goals according to what was planned, and contribute to meeting the needs of society and its necessary life and living requirements. I would like to pay emphasis on the consideration of the financial system that we are currently living under. When profit is the main most important objective in a corporation's mindset, the results can be very harmful as such considerations will cloud all other considerations and affect them adversely.

In conclusion, the piece underscores the global nature of the threat posed by extremism and terrorism, extending beyond geographical boundaries. It highlights the varied approaches adopted by nations to counter this menace, ranging from security and military strategies to legislative and legal measures, as well as integrating political, economic, social, cultural, and educational aspects into comprehensive counterterrorism strategies. This holistic approach emphasizes the concept of social and moral responsibility, encouraging institutions to collaborate in tackling extremism and terrorism effectively.

The narrative then shifts towards Corporate Social Responsibility (CSR) and its historical evolution. The emergence of CSR was prompted by the exploitation of labor, environmental negligence, administrative corruption, and a lack of transparency by global corporations. It led to a call for responsible corporate practices and the development of sustainable programs aimed at promoting societal development. The growing interest in CSR reflects a shift from sole government responsibility for issues like poverty, standard of living, and job

creation, to a more shared responsibility with private companies and civil society institutions.

The definitions and perceptions of social responsibility are discussed, with varying viewpoints from the private sector, societal institutions, and individuals within society. The role of educational institutions in countering extremism and terrorism is highlighted, as they play a vital role in instilling resilience against extremist ideologies in students and collaborate with other institutions in a comprehensive strategy.

The piece underscores that social responsibility is no longer confined to one party but has become an integrative responsibility shared between the public and private sectors and civil society institutions. It calls for a deeper consolidation of the concept and a push for the business sector to adopt organized community service programs. This is seen as pivotal in fostering sustainable community development and enhancing societal stability.

Moreover, the piece acknowledges the changing dynamics in evaluating private sector companies, emphasizing that profitability is no longer the sole criterion. It underscores the need for companies to address social and environmental concerns and to adhere to principles of sustainable development, reflecting the importance of ecological and healthy economic systems and societal equity.

The concluding message centers on the positive impact of social responsibility on attracting top talent, enhancing innovation, and strengthening relationships with governments and the community. It also calls for the creation of an infrastructure that encourages and facilitates companies' social responsibility initiatives. The differentiation between supporting charitable work and supporting broader societal development goals is highlighted.

In summary, the piece advocates for the importance of social responsibility in addressing global challenges, whether in the realm of countering extremism or promoting sustainable development. It underscores the need for an integrated, multi-stakeholder approach to these issues and the potential for responsible corporate practices to contribute positively to society.

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### List of Abbreviations

COVID-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
EEC	The European Commission
EC	The European Commission
EMAS	The Eco-Management and Audit Scheme
EMS Forum	European Multi-Stakeholder Forum
ERT	The European Round Table of Industrialists
EU	European Union
GRI	Global Reporting Initiative
ILO	International Labor Organization
MNE	Multinational Enterprises
NFRD	Non-Financial Reporting Directive
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
SME	Small to Medium Sized Enterprises
SR	Social Responsibility
UN	United Nations
UNGP	United Nation's Guiding Principles
FDI	Foreign Direct Investment
CEE	Central and Eastern European Nations
SSE	United Nations Sustainable Stock Exchange
PRI	Principle for Responsible Investment
UNEP-FI	United Nation's Environment Program Finance Initiative
UNCTAD	United Nation's Conference on Trade and Development
EMAS	European Eco Management and Audit Scheme

## **Abstract**

*The notion of Corporate Social Responsibility (CSR) rose during the discourse. This article clarifies how, while CSR may have been at first a notion regarding the extent of the duty of corporations concerning the environment, it has now developed to be a procedure where the delegates of the corporate community occupy the crucial part, and whose intention is advancing the educational mechanisms amongst business corporations, as opposed to distinguishing the mechanisms of an administrative structured regulatory framework for CSR.*

*The crucial inquiry now is if the purported 'business case' for CSR is sufficient, so we can trust that the powers of the market are sufficient to inspire, support, and boost corporations to conduct their business work in a manner deemed socially and environmentally responsible, far beyond their responsibility to be in compliance with the obligations set by law.*

*This article demonstrates, nonetheless, the fact that this situation relies on specific theories regarding business sectors and the environment of business, which cease to be essentially presumed but rather ought to be shaped by an administrative party provided the creation of an administratively shaped regulatory framework governing CSR.*

*Next, the article exhibits six phases. To begin with, it analyzes the advancement of CSR in the European Union (EU) over a number of years. Following that, it provides a basic assessment of the purported 'business case', considering the developing diversity inside the extended EU. Then, it alternatively discusses what an administrative regulatory framework for CSR resembles, containing several examples of initiatives that have been put to work in this respect by the EU and the United Nations.*

*The article determines that, ever since the letdown of the European Multi-Stakeholder Forum on CSR had taken place, the discussion regarding CSR has rotated in the incorrect direction. This is a result of the wrongful interpretation that the foundation of an administrative regulatory framework for CSR would compromise the competitiveness of European corporations in the market. Also, in view of the naïve and inconsistent opinion that dependence on market mechanisms will serve as a guarantee that business corporations will try to limit the undesirable social and environmental influences accompanying their exercises, even in conditions where they are under no legal obligation to do so.*

*In the next section, an examination of the reactions of a number of stakeholders is reviewed. The focal point of this chapter is to show how a positive initiative can have bad publicity and, in turn, could get negative responses from different stakeholders. In this part, data will be shown that suggests we ought to be worried about the potential for stakeholders to react adversely to CSR practices. New applied work on outlining the space around bad responses to CSR is portrayed. The micro-level phenomena are also discussed, proportionately fully intent on expanding research on the psychology of CSR.*

*In the following chapter, the Stakeholder Theory is examined, which entails that organizations need to give value to all stakeholders. As seen from the past chapter, negative responses from stakeholders are an unwanted complication in the advancement of CSR. Through examining the Stakeholder Theory, we come to the realization, among others, that each organization ought to be reason-driven. This implies that the reason must similarly i)*

decide the direction in which the organization is going – corporate vision, mission, and strategy, and ii) specify corporate obligations. Both stakeholder theory and CSR stress the significance of organization obligation toward networks and society.

We later examine the notion that “CSR is bad for business.” In this chapter, we discuss the meaning of The Business Case for CSR and the fact that it is constructed on the effect of CSR policies at an inner operational level in an organization. An approach that is deemed socially responsible to refining the workplace setting, and in this manner guarantees that the workforce stays productive and committed. The reasoning and uncertainty of this notion are examined, as well as the need for a structured regulatory framework governing CSR activity.

The following section gives the reader several examples of non-obligatory initiatives that were directed towards the objective of application of CSR by corporations. The UN Global Compact, which is built on ten principles, is discussed and analyzed. Following so, the global reporting initiative is also mentioned and examined as well as its effect on the application of CSR, given that this specific initiative was set out to establish a framework by which corporations adhere in their reporting of their environmental and social effects.

The UN’s Guiding Principles on Business and Human rights set a good example of voluntary initiatives that address the issues that require further regulation and administration. Three main pillars of these guiding principles: The first, drafted under the title “State Duty to Protect,” states that governments shall make sure that businesses do not violate any human rights, such as but not limited to, forced labor, discrimination, pollution, etc. Which in turn, means passing laws that prevent human rights violations but also maintaining the implementation of such laws through labor inspections, licensing requirements, investigations, and business guidance.

The second pillar, drafted under the title “Corporate Responsibility to Respect,” indicates that businesses must refrain from violating human rights, wherever and however they operate their businesses. This means that it is not enough for corporations to follow the law where they operate or to audit a few of their suppliers. The third pillar of the United Nations Guiding Principles (UNGP)’s is about what happens when things go wrong and means for remedying such wrongful acts. When a corporation abuses human rights, governments are required to act in compliance with set laws and regulations through court systems or other legitimate processes, allowing the victims to file complaints that are then investigated and settled.

In that chapter, there is a subchapter that discusses Human Rights Due Diligence and another that discusses Human Rights Reporting. However, these voluntary initiatives will remain voluntary with no actual force to oblige corporations to abide by them. Which brings us to our next chapter, which discusses the hardening of voluntary initiatives and turning them into legal instruments that serve as a model for EU legislation.

The Non-Financial Reporting directive is further investigated, considering the flexibility it provides for actors. The requirements of human rights due diligence are additionally examined in the context of hardening these initiatives with the hope that more fundamental responsibilities will be established at the level of the European Union.

*Additionally, it is no secret that corporations tend to adopt deceitful actions to reduce costs and increase profits, among other devious objectives. One of these ways that corporations get by is by taking advantage of the aesthetic nature of our modern life and the likelihood that people will get deceived by a product that claims it is “green” or “light” or “bio.” Of course, some of these terms are used in the correct context when products are indeed in compliance with the standards. However, in most cases, these allegations are flat out false. An example is the dolphin icon that is present on almost every seafood product.*

*This icon resembles the fact that said product is sustainably sourced, aka “dolphin safe,” which means that no dolphins or whales were harmed in the process of catching the fish in the product. Sadly, that is not the truth. Scientists claim there is only one inescapable certainty in the process of commercial fishing which is, incidental bycatch, the lackluster term for marine life, from whales and dolphins to sharks, seabirds, and endangered sea turtles, unintentionally hooked or ensnared in nets.*

*An example of governmental greenwashing is the United Arab Emirates. Posing as the most developed and advanced country in the world, with a huge number of sustainability initiatives, however, a very high percentage of expatriate workers end up starving to death or actually committing suicide. The Indian consulate in Dubai has revealed that at least two Indian expats commit suicide each week as a result of brutal working and living conditions, as well as a minimum wage pay that does not permit these expats to achieve their goals that they left their home countries to achieve.*

*As a result, this chapter examines exactly how green corporations really are and whether it is feasible to trust the packaging on any product you encounter without further investigation. Finally, it would not be complete without the inclusion of Coronavirus 2019. This chapter tackles the implications of the pandemic on CSR and whether the current situation will contribute to more ethical consumerism or not.*

*Further, we express thoughts on what the continuous Coronavirus 2019 pandemic means for CSR and consumer ethics and moralities. Considerations were put on the fact that the pandemic offers extraordinary opportunities for corporations to effectively participate in different CSR initiatives during the emergency, and conceivably create a different new era of CSR practices and improvement.*

*This article then goes on to argue that the governance, CSR, and the communications and environmental practices done in the name of it should all recognize that the corporation is an aesthetic phenomenon. Through logos, trademarks, websites, and product advertisements, CSR practices are being aesthetically projected. In turn, this misleads and influences the consumer about the corporation’s environmental performance and compliance with CSR regulations.*

*As a result, the article argues that the aesthetic nature of a corporation must be taken into consideration when punishing dishonest corporate behavior through governance methods. The illusion a corporation can create in claiming it is “green” can create difficulties for regulations; therefore, tackling the wrongful and misleading statements about a corporation’s products can be more beneficial than focusing on the broader aesthetic of a*

*corporation. Social and environmental activists play a subversive role in the equation which can help with unveiling the green mask. Though history has shown that these narratives can play a limited role in re-establishment, lawful regulation can assist these narratives in forming a more rigid practice when it comes to CSR and greenwashing.*

*Lastly, this article examines the ethical implications of COVID-19 on business and CSR and identifies the opportunities available specifically in the time of the pandemic to advance CSR practices. It posits that the governance, CSR, and the communications and environmental practices done in the name of it should all recognize that the corporation is an aesthetic phenomenon.*

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*History has shown that these narratives can play a limited role in re-establishment, but lawful regulation can assist these narratives in forming a more rigid practice when it comes to CSR and greenwashing. Lastly, this article examines the ethical implications of COVID-19 on business and CSR and identifies the opportunities available specifically in the time of the pandemic to advance CSR practices.*

*This comprehensive article underscores the complex interplay between CSR, aesthetics, regulations, and stakeholder responses in the contemporary corporate landscape, providing a detailed exploration of the evolution of CSR and its multifaceted implications.*

## Historical Overview

Since the beginning of the twentieth century, economic philosophies have developed, coinciding with the growing separation between ownership and management in modern companies. From the outset, classical economic philosophy held that the primary, if not the only, duty of companies was to maximize its profitability without performing any duty to the community. The matter will enable projects to grow, and thus a wider range of goods and services for consumers and will secure better wages for users. The traditional view is companies, as summarized by some economists such as Milton Friedman<sup>2</sup> in the 1970s, the classic view on the concept of social responsibility, as he sees that the responsibility of the company is achieved through paying wages to workers for the work they do, to provide goods and services to consumers in return for the money they pay, and to repay Taxes for governments that provide public services to ports, and the rule of law through the enforcement of contracts and that the company adopts the philosophy of social responsibility, which would reduce its profits and increase the costs of work. Other than this theory, executives have begun to take care of other goals to Profit maximization, such as the fate of consumers, employees, creditors, and local communities. This development was linked to the emergence of at the same time, legislation related to the business environment was developing, so it took governments in industrially advanced countries grant tax exemptions to corporate and charitable donations. The humiliation encouraged companies to allocate a share of the profits to social businesses, taking advantage of these exemptions and incentives materialism.<sup>3</sup> During the fifties and sixties, and with the consecration of the separation in an increasing manner between ownership, management and humiliation. Distinguishing corporate giants, civil rights, consumer protection, and other social movements began to have an impact on corporate behavior, based on monitoring the environmental impacts of large industries and the quality level of products to ensure that they are free of harmful substances. Likewise, the civil rights movements and the militias, such as labor and women's organizations, and the movements of people of color and minorities in the United States and Europe, the humiliation obliged companies to develop their policies in the field of employment, such as the appointment of a minimum number of employees are working women, people of color, and members of minorities, but rather

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<sup>2</sup> Milton Friedman, author of the famous book *Capitalism and freedom*, was the 20th century's most conspicuous promoter of free markets. Born in 1912 to Jewish migrants in New York City, he went to Rutgers University, where he procured his B.A. at twenty years old. He proceeded to procure his M.A. from the University of Chicago in 1933 and his Ph.D. from Columbia University in 1946. In 1951 Friedman got the John Bates Clark Medal respecting market analysts under age forty for extraordinary accomplishment. In 1976 he was granted the Nobel Prize in financial matters for "his accomplishments in the field of utilization examination, money related history and hypothesis, and for his show of the intricacy of adjustment strategy." Before that time, he had filled in as a consultant to President Richard Nixon and was leader of the American Economic Association in 1967.

<sup>3</sup> A.B. Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, *Business Horizons*, July-August 1991. available at: <http://www.cbe.wvu.edu/dunn/rprnts.pyramidofcsr.pdf>

policy averse. Discrimination against the disabled and those with special needs, the control and protection systems against pollution have developed, and the interest in reducing pollution has increased energy wastage. In view of the great humiliating influence that giant companies are now exerting on the economies of advanced societies, and their reach to the various components and aspects of the life of these societies, the need has increased to establish controls and standards to ensure the response of these societies. Corporations in the public interest, management and economics scholars have developed concrete rules for measuring corporate responsibility and social expectations indicate that this role will witness further development in the future. Studies indicate an interest Consumers with ethical corporate behavior. Perhaps one of its most prominent supporters and supporters is the well-known economist, Paul Samuelson<sup>4</sup>, who believes that the concept of social responsibility represents both the economic and social dimensions. also refers to That companies in today's world should not be satisfied with being linked to social responsibility, but should go deep into its depths, and strive towards Creativity in adopting it. The concept of social responsibility has developed, as it is included in the strategies of companies and their daily performance, including It promotes a good understanding of society's varying demands, now and in the future.<sup>5</sup> Among the factors that contributed to the increased interest in the issue of corporate social responsibility, especially in the United States of America, the events of September 11, 2001, which encouraged many large companies to support material and moral for those affected by these events, as well as the financial space of several international companies and the spread of corruption in them. Among the most important reasons which led to increased talk of corporate social responsibility programs, increased interest in poverty-related issues, and a decrease in the standard of living of some groups, and unemployment, which for a new period have been the responsibilities of governments. but with growing Paying attention to social development and emphasizing the importance of establishing partnerships between the government, the public sector, the private sector and civil society, and considering the companies' assertion that the deterioration of the level of social development leads to capital flight and negatively affects local and foreign investment, the interest in this concept has increased. Several studies have indicated that the emergence and growth of the concept of social responsibility came as a result of many challenges, the most important of which were:

1. Globalization<sup>6</sup>: It is one of the most important driving forces for TB, organizations for the concept of social responsibility, as many Multinational Enterprises (MNEs) have

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<sup>4</sup> "Paul Samuelson was a noted academic economist who left a lasting imprint on the field. In 1970, Samuelson was the first American to be awarded the Nobel Memorial Prize in Economics for his outstanding contributions. Upon receiving the award, Samuelson was praised for raising "the level of scientific analysis in economic theory." Available at: <https://www.investopedia.com/terms/p/paul-samuelson.asp>

<sup>5</sup> Tracey Swift & Simon Zadek, Corporate Responsibility and the Competitive Advantage of Nations, The Copenhagen Centre and institute of social and ethical accountability, July 2002,pp13-14.

<sup>6</sup> Definition of Globalization adopted by the author: "the word used to describe the growing interdependence of the world's economies, cultures, and populations, brought

raised the slogan of social responsibility and have become focused in their campaigns that they care about human rights, and that they are committed to providing safe working conditions for workers, forbids child labor, and it is also concerned with environmental issues and the preservation of natural resources.

2. Increasing governmental and popular pressures: through legislation calling for the need to protect consumers, workers and the environment, which may cost the organization huge money if it wants to abide by those legislation, otherwise it may be subject to boycott and exit from the market in general.

3. Disasters and moral scandals: Many international organizations have been exposed to ethical issues, which made them incur huge amounts of money as compensation for victims or losses as a result of defective products.

4. Rapid technological developments: which were accompanied by many challenges for business organizations imposed on them the necessity of commitment to developing products, developing the skills of workers, and the need to pay attention to the changes in consumer tastes and developing the skills of the decision-maker. Especially considering the transformation from an industrial economy to an economy based on information and knowledge, and an increase in interest in human capital to a greater degree than equitable capital.

Thus, we find that with the change in the global work environment, the requirements for success and competition have also changed. It has become imperative for business organizations to redouble their efforts and seek to build deeper strategic relationships with consumers, workers, business partners, environmental advocates, local communities and investors, in order to be able to compete and stay in the market. As building these relationships would serve to form the basis for a new strategy that focuses on community members, and thus business organizations can face the challenges they are facing in our time.

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about by cross-border trade in goods and services, technology, and flows of investment, people, and information." Available at:  
<https://www.piie.com/microsites/globalization/what-is-globalization>

## Introduction

Corporate Social Responsibility (CSR) stands as one of the most consequential and pioneering subjects of the 21st century. This assertion is grounded in the recognition that the challenges faced by the world in this century often find a substantial portion of their solutions within the realm of CSR. Consequently, it is not surprising that CSR has ascended to a position of paramount significance on the global stage, alongside other pressing concerns such as shared governance and regulatory challenges, notably climate change, sustainable development, human rights, poverty alleviation, and socioeconomic well-being, among others.

The sweeping global issues of our time, including climate change, worldwide economic crises, borderless trade, and humanitarian crises, unequivocally underscore the fact that we inhabit an interconnected world with interdependent economies, populations, and ecosystems. In this intricate tapestry of globalization, the actions and decisions of corporations wield profound influence over investors, society, and the collective welfare of our planet. Consequently, the manner in which the world responds to CSR during these nascent years of the 21st century holds the potential to exert a transformative impact on the destiny of future generations.

The narrative surrounding CSR in the 21st century is multifaceted and rich in its dimensions. It unfolds as a tale of the ascendance of a distinct CSR movement, one that has achieved a truly global reach. Beyond this specific narrative, the 21st century bears witness to the convergence of numerous movements within the realm of corporate responsibility and sustainability, drawing inspiration and recalibrating the demographics and activities of movements such as anti-corporate and anti-globalization movements, the human rights movement, the women's rights movement, and the broader domain of social responsibility (SR). It also encompasses various other movements, including the earlier incarnations of the CSR movement itself, each evolving and adapting to the changing paradigms and directions that time and global dynamics have ushered in.

The salience of CSR in the 21st century extends far beyond the boundaries of mere trendiness. It prompts us to question whether CSR is an idea whose time has arrived, a potential challenge to the existing capitalist order, an intrinsic facet of corporate responsibility, or perhaps even a key to humanity's survival in the context of effectively managing the shared global challenges that confront us. As we embark on this journey through the intricate landscape of CSR in the 21st century, we find ourselves in an era of tremendous potential for change and progress, where the choices we make today will reverberate through the corridors of history and shape the course of our shared destiny.

CSR is a multifaceted issue, and its prominence derives from the inherent complexities it embodies. These complexities can be explored through three distinct lenses. Firstly, CSR invites a reflection on the role of businesses within the broader societal framework. It emphasizes that businesses should assume a 'socially responsible' stance, which extends beyond their fiduciary duty solely to shareholders. In this context, businesses are seen as having responsibilities not only to their investors but also to their employees, customers,

and the communities in which they operate, effectively, society at large. This perspective justifies not only the imposition of specific codes of conduct on companies, risking potential legal repercussions for non-compliance but also necessitates structural adjustments within the corporation. These changes are essential to ensure that businesses can effectively fulfill their obligations to all stakeholders (Roth and Fitz, 1978).

Secondly, CSR can be viewed as a paradigm shift in the management of corporate affairs. It signifies a transition from a top-down, hierarchical approach to commitment, where obligations come with the potential for legal consequences, towards a more flexible and responsive model. This new approach relies on the use of soft laws, incentives, and voluntary initiatives. The goal is to guide corporate activities in a manner that maximizes positive societal impacts while minimizing negative effects. In this light, CSR becomes a tool for aligning corporate actions with broader social welfare goals (Engel, 1979).

Thirdly, CSR can serve as an alternative to conventional regulatory approaches. It acts as a signal to entrust certain issues to market mechanisms that might otherwise be subject to regulatory methods, whether through the imposition of strict rules or alternative means. By promoting CSR, we explore the idea of letting market forces address questions that could potentially fall under the purview of government regulation. This approach acknowledges the potential for voluntary corporate initiatives to contribute to the greater good and suggests that businesses, driven by their own interests and values, can operate in a way that benefits society without necessitating explicit regulatory oversight.

In summary, CSR emerges as a dynamic and multifaceted concept that transcends traditional corporate paradigms. It redefines the scope of corporate responsibility and offers alternative pathways for businesses to engage with society and contribute to a more equitable and sustainable future. As the concept of CSR continues to evolve, it underscores the critical importance of balancing profit-driven motives with broader societal interests and responsibilities.

We opine that this ethical dimension is present in the majority of definitions of CSR, although frequently in an implicit way, by expressions, such as "to contribute to a better society and a cleaner environment" (European Commission, 2001), "commitment by businesses to manage their roles in society" (International Chamber of Commerce, 2002), "the management of a company's positive impact on society and the environment" (Business in the Community, n.d.) or simply "doing the right thing even when no-one is looking" (Anonymous, 2006, cited by Thomas and Nowak, 2006, p. 17).

Moving along the sequence of definitions, we are directed to adopt various considerations of the part public authority plays with promoting CSR. As per the original definition of the notion of CSR, it might be executed pursuant to guidelines characterizing lawful commitments by organizations so as to guarantee their responsibility of the consequences and impacts of their exercises, where these exercises produce undesirable outcomes (Chanin, 2005). If CSR is viewed as a technique through which to improve the duty of organizations socially and environmentally past the imposed legal commitments. Public authorities can play a substantial part in generating the fundamental motivations, for

example, in empowering the inclusion of environmental and social conditions in public contracts, or in normalizing particular instruments such as codes of conduct, social reporting and environmental or social labeling. Toward the end of the sequence, the possibility of the 'business case' idea for CSR arises, for what reason should the public authority play any kind of role in such an issue? If the market compensates the accepted procedures and punishes the most noticeably awful? Should not the market have the means to deal with itself? Are legal approaches practically not enforceable? Is it not the role of public authority to establish learning procedures amongst corporations in order to quicken the dispersal of best business practice?

CSR, in the primary significance of the definition, could be actualized by rules and guidelines, whose infringement must be met by consequences. Furthermore, characterizing CSR in this definition concludes that the initiation of a regulatory framework is a must for a methodology based on incentives to be functional, which means extending the obligations of organizations past their essential beneficial motive of earning profit. The proposition of this paper, in any case, that this coexistence of so many possible meanings of the idea of CSR has encouraged its adaptation throughout the EU discussion on its importance, and, that the final product has been the redirection of CSR from its main purpose. The idea ought to be recreated, and once remade, drastically various determinations from its standardizing implications should be made.

One of the directions of the article is to portray how an idea about CSR rose in the discourse of the EU in 2000, and the phases through which it advanced. A view of this advancement concludes that, although CSR may have been at first an idea regarding the extent of business and corporations' responsibility toward a better environment and society, it wound up turning into a procedure that is centered on the agents of the business community, leaving us with the conclusion that politics no longer had a role in such an idea. Consequently, we now ask the question as to whether the supposed 'business case' for CSR is sufficient to an extent where we have faith that the powers of the business will do the trick to urge organizations to act dependably, far beyond their obligation to conform to their lawful commitments. The third segment of the article inspects this 'business case'. It comes to an end result that this case lays on specific assumptions about the market environment, which can't be essentially accepted, but ought to be made legal by an administrative structured regulation for CSR; and it remarks on the circumstance of the EU member states. Their determination may infer that dependence on voluntarism and on market instruments might give positive effects in some areas in the world, however, it would not be able to deliver comparable impacts in this new, progressively various setting. Surely, explicit exercises have been received by the European Community which show the requirement for such a structure: the article assesses progress made in the territories of public agreements, social reporting and codes of conduct. A short conclusion of what has been discussed is offered.

## I. The Carroll Pyramid

Oliver Sheldon<sup>7</sup> went to the fact that the survival and continuity of the organization depends on the fulfillment of the duties entrusted to it to the Community. By 1947, after World War II, the theory of responsibility had developed and it is remarkable that this theory began to develop steadily until the scientist and researcher Carroll<sup>8</sup> came, and developed her own classification, which later became known in the theoretical literature, the Carroll hierarchy of social responsibility. Carroll argues that success in business requires a close relationship between the requirements of industrial and commercial organizations on the one hand, and the requirements and needs of the business on the other. All of society's different business institutions expect from the other a certain role, and each must play its part in order to achieve the interests of both parties.

In our research paper, we will address the dimensions of social responsibility, according to Carroll, and based on the question: What is the importance of Carroll's hierarchy of social responsibility?

Some researchers presented the social responsibility component of organizations in a general framework that covers a range of dimensions, as these elements can be adapted to different measurements according to the nature of the organization's work, its activities and the influence of different stakeholder groups. However, Carroll's contribution came with a qualitative transfer in expanding the concept of social responsibility, she distinguished between four essential dimensions, namely:

- Economic dimension: This dimension of social responsibility means that companies optimize the resources available to it in a rational and systematic manner, in order to eventually produce high quality goods.
- Legal dimension: It is a conscious and voluntary commitment by companies and institutions to a set of rules and the laws governing society, whether this relates to investment, wages, work, or the competitive environment etc.
- Ethical dimension: It is the dimension through which the business organization takes care of various aspects and standards ethical in its various industrial decisions and paths; To avoid compromising the moral and value system to the community in which you work.
- The charitable dimension (philanthropic): this dimension includes all expenses, gifts and charities granted by the institution voluntarily, and without a desire for profit,

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<sup>7</sup> Oliver Sheldon is one of the pioneers in scientific management who introduced us to Organizational Structure, in an attempt to indicate how to articulate the organizational structure of an organization. He believed that organization was simply a process of applying common sense, and common sense is a common mental capacity.

<sup>8</sup> Carroll's four part definition of CSR was originally stated as follows: "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time" (Carroll 1979, 1991).

for serving the community, or for serving a specific charitable cause<sup>9</sup> (Al-Khafaji, Ghalibi, 2008, p. 289).

Carroll has put these dimensions in a hierarchical sequence to illustrate the nature of the interrelationship between these elements on the one hand, and on the other hand, relying on a dimension on another dimension represents a realistic situation.



Figure 1: The Carroll Pyramid, available at: [www.toolshare.com](http://www.toolshare.com)

#### Economic Responsibilities:

It is the basis of corporate social responsibilities, which means working to produce the goods and services that society wants to sell it i.e., companies have to fulfill their basic responsibility and economic units in society. This dimension recognizes the need to rely on the principles of competition and technological development in the framework between the social responsibility of the institution and in a manner that does not harm society and the company. Since the industrial revolution dependent companies. Business as a major economic institution to produce goods and services and satisfy needs in addition to providing

<sup>9</sup> Al-Khafaji Nima Abbas, and Al-Ghalbi Taher Mohsen, (2012). Readings in Contemporary Administrative Thought, Al-Yazuri House. Scientific for publication and distribution, without edition, Amman, Jordan.

job opportunities and a fair wage for workers and obtaining raw materials such as discovering new resources and introducing technological improvements to products, paying taxes to meet public needs, and generating investment capital necessary for economic growth, all these things in conjunction with earning profit For employers or shareholders as a service to investment opportunities. If the company does all these achievements with a commitment to obeying the law, it deserves to be commended, i.e., profit making is the basic rule and it is on which the rest of the matters and other levels of social responsibility are built, where without making profits there will be no companies. But the more important question is to what extent should the increase in business profits be pursued?

It is noted that the principle of profit in the first place must be acceptable, i.e., not to switch to the principle of profit maximization according to the doctrine of proponents of classical economic theory, where it is stated that social responsibility with business is only the use of resources and participation in activities to increase profits, provided an alternative view of thought

The classical economist says that profit harms three main functions: (i) It measures the effectiveness of business activities, (ii) it provides the risk premium necessary for the company to stay in business, and (iii) it secures the corporations future capital. They represent basic responsibilities that organizations must be satisfied with. The production of goods and services of importance and value to society at reasonable cost and good quality, and within these responsibilities the organization achieves returns and sufficient profits.

#### Legal Responsibilities:

Legal responsibility is the second part in the definition of business and refers to positive obligation's negativity placed on companies through the laws and regulations of the society in which they operate. This dimension is based on environmental protection, occupational safety and justice, consumer protection laws in the form of laws that companies are supposed to respect in a way that allows the advancement of society.

Legal duties follow respect for the law and laws regulating workflow are passed because society does not trust businesses always do what is right, however, laws have some shortcomings and a guarantee responsible behavior, and a limited scope cannot give every emergency. Provides an ethical minimum corporate behavior defines what not to do instead of the positive, i.e., what to do and what can stem not willingly for fear of punishment. The expectations of the law are in accordance with the rules of this perspective, and society expects businesses to achieve the mission economic framework within the legal requirements but while the regulations may succeed in forcing companies to response in the case. It is difficult to ensure that they are applied fairly, so laws change the limits of behavior acceptable, but does not know manners. There is a great deal of disagreement in the various points of view about responsibility corporate social direction represents the legal responsibility of business, all points of view accept conditions of adherence to the law and regulations in force in society, the difference actually exists with regard to the nature and scope of this obligation and in relation to the nature of legal obligations.

Some believe that regulation is necessary to achieve social responsibility, and others oppose these claims supporters that the brand in these activities and management of shareholder relations should remain voluntary. Carroll (1991) has noticed that the social levels of the company differ in terms of size and classification, its importance ranges from economic, legal and ethical over time there have been some issues and absolute considerations, and it was not expected that these ethical considerations were easily expressed in the requirements of the law.

These responsibilities are again determined by the government with laws, regulations, and instructions that organizations should not violate these responsibilities, reference can be made to the provision of equal work opportunities for all, without discrimination based on gender, nationality, race, color or other.

#### Ethical Responsibilities:

The ethical dimension is present in the majority of definitions of CSR, although frequently in an implicit way, by expressions like "commitment by businesses to manage their roles in society" (International Chamber of Commerce, 2002), "to contribute to a better society and a cleaner environment" (European Commission, 2001), "the management of a company's positive impact on society and the environment" (Business in the Community, n.d.) or simply "doing the right thing even when no-one is looking" (Anonymous, 2006, cited by Thomas and Nowak, 2006, p. 17)

Although economic responsibility and law embody ethical standards of fairness and justice, ethical responsibilities embrace those activities and practices expected or prohibited by members of society even though they are not concerned with the law. Ethical responsibility embodies those standards, rules and expectations that reflect concern for consumers, employees, shareholders and what is related to society and what is equitable and just while respecting or protecting the rights of stakeholders by identifying and distinguishing ethical dimensions. Carroll (1991) explicitly stated that, in essence, ethical responsibility overcomes the limitations of law for ways to establish ethics that companies can re-establish in the perception of business as ethical.

In the management of business organizations, it is necessary to absorb the value, ethical, behavioral and beliefs aspects in the societies they operate. In fact, these aspects have not yet been affected by binding laws, but they are respected it is important to increase the reputation of the organization in the community.

#### Charitable Responsibility:

Charitable responsibility encompasses a wide array of expenditures and contributions made by a foundation willingly and without any intention of personal gain. These acts are driven by a desire to better the community and support various charitable endeavors. Reflecting on the aforementioned, we can glean two significant insights. First and foremost, it becomes evident that the concept of social responsibility is a dynamic and evolving theory with social, economic, and ethical dimensions. It is a concept that is continually taking shape, adapting

to the ever-changing landscape of the business world and society as a whole. It is not a static concept but rather a fluid one, which necessitates constant reevaluation and adjustment.

Furthermore, it is clear that all efforts made to delineate and define social responsibility ultimately seek a common ground that balances the interests of business organizations and society. This balancing act aims to maximize both profitability and effectiveness while ensuring that the well-being of the community and charitable causes remains a central focus. In essence, it is about finding the equilibrium between corporate success and societal betterment, fostering a symbiotic relationship between businesses and the communities they serve. This intricate interplay highlights the ongoing nature of the quest for a harmonious coexistence between profit-driven enterprises and the broader social good.

As the world continues to evolve, this journey towards achieving a meaningful fusion of profit and societal benefit will remain an ongoing and vital aspect of the business landscape. The foundation of charitable responsibility serves as a testament to the importance of these intertwined goals, acknowledging that businesses have a role to play in contributing positively to their communities and beyond.

## **II. The Advancement of CSR: From Material to Procedure**

The historical antecedents of Corporate Social Responsibility (CSR) are quite evident, but the formal introduction of CSR in the European Union (EU) gained significant momentum after the conclusion of the Lisbon European Council in March 2000. During this event, the EU laid out a pivotal objective to be achieved by the year 2010: the transformation into the most competitive and dynamic knowledge-based economy globally, capable of sustaining robust economic growth, generating more and better job opportunities, and fostering greater social cohesion (European Council, 2000).

In alignment with this visionary goal, the European Council placed a distinct emphasis on cultivating a corporate culture deeply rooted in social responsibility. This entailed the adoption of best practices in lifelong learning, labor organization, equal opportunities, sustainable development, and social inclusion within the corporate sector. The objective was clear: encourage businesses to explore various strategies for implementing objectives that could bridge the gaps between different societal sectors and corporate entities. Subsequently, these businesses were expected to provide reports detailing the practices they had put into action.

The underlying aim was to ensure that the benefits of these practices were accessible to all and to disseminate these exemplary practices throughout the corporate landscape. This endeavor was closely tied to several official procedures initiated by the European Council. Notably, it encompassed the open method of coordination among Member States and a decentralized approach geared toward identifying best practices and transforming them into industry standards that all corporations could adopt and adhere to.

This concerted effort signified a pivotal shift in the European approach to CSR. It indicated a collective push to foster responsible corporate behavior and facilitate the widespread

adoption of practices that could contribute to the overarching goals of the EU. The measures enacted were instrumental in formalizing the role of CSR within the European business landscape, marking a significant milestone in the evolution of corporate social responsibility within the EU.

Nevertheless, the fact that CSR rose in a situation commanded by the dread that the EU would miss out on global competition to many economically established countries such as China and the United States of America was no coincidence. The issue of competitiveness in the EU's economy became reestablished as an issue of criticalness. The notion of best practice was created on long lasting learning, equal opportunities, work organization, sustainable development and social inclusion, these objectives were viewed as a major aspect of a bigger task—that of financial and economic competitiveness and development—to which they were subjected. Essentially, between 2000 and 2001 the agreement was that on the long run, social structure, financial development, and sustainability went together. Ever since the 2005 assessment of the Lisbon strategy, notwithstanding the fact that the three pillars upon which the Lisbon Strategy stands have been upheld, accentuation has been put on monetary development and the formation of work opportunities<sup>10</sup> (European Commission, 2004).

#### A From an Early Consultation to a Primary Policy Proposal

We will start by discussing the Green Paper that's main objective was to promote a European Framework covering CSR<sup>11</sup> (Anonymous, 2001). The Green Paper was introduced by the European Commission in the year 2001 as a method to present an open review on the idea of CSR. This discussion report essentially characterizes CSR as a notion whereby establishments choose to voluntarily contribute to a healthier society and a cleaner environment, going past what they are lawfully obligated to do. It was also underlined that it is in the long-term personal advantage of corporations to become responsible towards the society and the environment and, hence, to implement CSR policies within administrations. It was then communicated by the Commission that it had considered the foundation of 'an overall European framework, aiming at promoting quality and coherence of CSR practices, through developing broad principles, approaches and tools, and promoting best practice and innovative ideas', emphasizing on 'supporting best practice approaches to cost-effective evaluation and independent verification of CSR practices, ensuring thereby their effectiveness and credibility'<sup>12</sup> (Anonymous, 2001). Though CSR is considered willful and voluntary, it was envisioned as somewhat indisputable from, and not to be substituted by,

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<sup>10</sup> European Commission, Secretariat-General, (2004) *Facing the challenge: the Lisbon strategy for growth and employment: report from the High-Level Group chaired by Wim Kok*. Publications Office.

<sup>11</sup> Anon (2001) *Green paper: promoting a European framework for corporate social responsibility*. Luxembourg: Office for Official Publications of the European Communities.

<sup>12</sup> Ibid

the appropriation of a legitimate method of legislation, a functioning activity was pictured for the public authority in the progression of CSR.

Following that, an open conference took place in the year 2001, prompting articulations of a varied scope of reactions. However, the reactions communicated by the market were not specifically reassuring. There was a clear opposition to the idea by The European Round Table of Industrialists (ERT). Drifting in the notion provided in the consultation document of the Commission about normalizing a reporting system for corporations' social performances. They opined that there is little to no logic in acknowledging the beneficial aspects of voluntary approaches that are individually tailored, and to try to fit them into an imposed standardized reporting system. They were of the view that the viability of willful and voluntary methods to deal with CSR is adequately archived. They also opined that remotely forced regulatory methods would not have a similar level of acknowledgment and effect. Normalized and externally forced guidelines will suffocate the imagination and creativity of organization strategies and result in transforming obedience into an exercise with substantially connected costs. Other stakeholders' associations shared the same view, including the British Chamber of Commerce.

In 2002, the Commission introduced its Correspondence regarding CSR titled 'A business contribution to Sustainable Development'<sup>13</sup>. In said correspondence, the Commission supported a requirement for a certain activity to be embraced at the EU level in a way where the expansion for various CSR instruments, (labelling and certification schemes, management standards and reporting) which are hard to compare, is unclear for business, customers, stakeholders, financial specialists and the public in general. This might be a cause of market misinterpretation. Consequently, this gives rise to a job for Community action for encouraging assembly within instruments utilized in light of a need to guarantee the legitimate functionality of the protection of a level playing field in the internal market.<sup>14</sup> With the Commission's opinion that CSR could possibly work successfully on the basis that they are dependent and straightforward on clear and demonstrable measures and standards, suggesting an open approach such as a public policy is essential in order to make such voluntary activities credible. By such, the Commission was expressing the conflicted opinion it has with the businesses' associations position expressed above.

The 2002 correspondence reported a strategy of the Commission in various territories. Taking note of solid proof that environmental and SR bolsters sustainable development and competitiveness, specifically with small to medium-sized enterprises (SMEs). This could be the most efficient and operative way in empowering the application of CSR amongst corporations, highlighting the requirement to indorse information regarding the

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<sup>13</sup> Communication from the European Commission of 2 July 2002 concerning Corporate Social Responsibility: A business contribution to Sustainable Development [[COM \(2002\) 347 final](#) - Not published in the Official Journal].

<sup>14</sup> COM (2002) 347 final, 'Corporate Social Responsibility: A business contribution to Sustainable Development'.

constructive effects of CSR on businesses and society in the European region as well as abroad, specifically in countries that are currently under development. Additionally, it declared its expectation to help exercises comprising training and education among others, intended to raise awareness and shed light on CSR, to an extent where a trusting atmosphere is built within investors and stakeholders. It also perceived the necessity to support the trading of knowledge regarding CSR among organizations, to standardize their situation with their competition in the market and to develop harmony in the instruments of CSR. This harmony would be developed in procedures such as verification or reporting standards. The Commission noticed that such trades could be especially advantageous at a sectoral level, where they can assume a significant job is recognizing basic difficulties and alternatives for activity among participants. Member States also ought to be urged to investigate their performances in this field. The Commission reported that it would direct an evaluation of the practices of CSR in order to evaluate the presentation and the significance that an authority based regulatory framework could bring to the table. The correspondence further noticed the necessity to advance the improvement of the management of CSR, particularly by exercise and education in the arena of business administration. It perceived the requirement to encourage CSR among SMEs. As the absence of resources inside SMEs appears to establish one huge deterrent to advance in this regard, the correspondence noted that a critical burden on SMEs to approve CSR rehearses would probably originate from the clients that are on the larger side, which consequently pushes SMEs to adapt to difficulties by arranging trainings, coaching plans and different activities. The Commission accordingly observed as one of its jobs to encourage such collaboration between huge organizations and SMEs to deal with their environmental duty and their SR, inside the scope forced on them by virtue of EU competition regulatory bodies.

With regards to the most delicate issues of all, that being the improvement of conjunction and clearness of practices, it was noted by the Commission that such practices cannot be compared in terms of scope, plan, usage and applicability to all business sectors. In that respect, there is a need for a certain convergence of perceptions that would increase transparency without the risk of stifling development. The benchmarks of CSR should be built on core values taking into consideration internationally arranged instruments as well as core labor standards and guidelines. This declaration explicitly recognizes the requirement for the additional assembly of tools associated with CSR, and the dangers related with the expansion of willful activities that might wind in forming misperceptions within customers, in turn denying the organizations of their right in getting compensation from the market, with the lack of an unambiguous meaning of the benchmarks to be accomplished. The requirement for more straightforwardness was recognized to exist in various fields. To begin, implicit rules should expand on the International Labor Organization's<sup>15</sup> (ILO) fundamental Conventions and the Organization for Economic

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<sup>15</sup> "The International Labour Organization is a United Nations agency whose mandate is to advance social and economic justice through setting international labor standards. Founded in October 1919 under the League of Nations, it is the first and oldest specialized agency of the UN", available at: <https://www.ilo.org/global/lang--en/index.htm>

Cooperation and Development's (OECD)<sup>16</sup> rules for global endeavors to serve as a standard of reference. Also, these initiatives ought to incorporate fitting systems for evaluating and implementing such mechanisms in order to provide consistency. The Commission in this manner communicated its expectation that the European Multi-Stakeholder Forum (EMS Forum) on CSR would consider the viability and validity of existing codes of conducts.

The Eco-Management and Audit Scheme (EMAS)<sup>17</sup> is an administration tool for organizations and different companies—began operating at the industrial level (Council Regulation 1836/93)<sup>18</sup> and later stretched out to various sectors (Commission Regulation 761/2001)—to assess, report and enhance environmental awareness within them. It is imagined as an instrument that is voluntary and which identifies businesses that enhance their environmental presentation consistently. EMAS enrolled organizations attempt to direct an environmental view about every single ecological part of the association's exercises and approaches set up to cover issues with regards to the environment<sup>19</sup>. Based on this concept, an environmental administration framework directed at accomplishing the organization's environmental program and policy is built. It is noted in the Regulation (EC) No 761/2001<sup>20</sup>. Every state in the EU builds up a framework for authorization of autonomous environmental verifiers as well as the management of their activities, guaranteeing their independence and the satisfaction of their tasks impartially (European Commission, 2001). The framework depends on the affirmation based on target models, confirmed through an autonomous monitoring, so as to urge the two associations to request this guarantee and

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<sup>16</sup> The OECD and the Sustainable Development Goals: Contributing to the Achievement of Universal Goals and Targets, The new Sustainable Development Goals (SDGs) call on all countries – high-income, middle-income and low-income alike – to make tangible improvements the lives of their citizens. The Goals cover social, environmental and economic dimensions.

<sup>17</sup> The European Union issued the Eco-Management and Audit in July 1993 Scheme Regulation, EMAS for short. (EC1836/93). EMAS is an authentic exterior that provides a means of communication for all organizations that want to participate on a voluntary basis in their environmental performance on an ongoing basis. It is, of course, very important to emphasize volunteering, as the application of the EMAS regulation is not mandatory for companies.

<sup>18</sup> 'Council Regulation (EEC) No 1836/93 of 29 June 1993 allowing voluntary participation by companies in the industrial sector in a Community eco-management and audit scheme' (1993) *Official Journal* L 168, 1-18. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:31993R1836>

<sup>19</sup> The Commission Regulation (EC) No 196/2006 of 3 February 2006 (OJ L 32 of 4. 2. 2006) amends Annex I to Regulation (EC) No 761/2001 taking account of the European Standard EN ISO 14001:2004, and repeals Decision 97/265/EC on the Standard EN ISO 14001:1996.

<sup>20</sup> 'Regulation (EC) No 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS)' (2001) *Official Journal* L 114, 1-29. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32001R0761>

for the public to believe in the setting through which the accreditation is publicized. This could be stretched out to the social exhibitions of the organizations.

The requirement for further conjunction was essential in reporting with regards to environmental and social execution, the EMS Forum on CSR was urged to create common rules and standards for reporting, measurement and confirmation. Comparable concerns were articulated regarding environmental and social labeling. Applying general standards for assessing and surveying environmental and social cases of a definitive character would advance the adequacy and reliability of the statements made by the producer about their environmental and social performances. The Commission communicated to the EMS Forum that it expected it to outline rules of labeling supporting ILO conventions and environmental standards. Finally, the commission welcomed the EMS Forum on CSR as a method of assessing social, environmental and moral factors and whether such a method could be used as a common approach in the EU as a whole.

With this objective in mind, we can deduce that the management strategies, ethical guidelines, socially responsible investment practices, and the requirements related to reporting and labeling should be approached with greater simplicity and transparency. The Commission has shifted the responsibility of discerning these arrangements to the EMS Forum on Corporate Social Responsibility (CSR), and undoubtedly, this stands out as one of the most robust proposals articulated in the communication. Expanding on this notion, the need for a more straightforward approach in handling management schemes and codes of conduct is driven by a desire for enhanced clarity and ease of implementation. In a rapidly changing and complex business environment, simplifying these procedures can lead to more effective and accessible means of ensuring ethical and socially responsible behavior within organizations. Moreover, when it comes to socially responsible investments, a more transparent approach can help investors make informed decisions that align with their values and objectives. By providing clearer information and guidelines, investment opportunities that support positive social and environmental impacts become more readily identifiable, fostering a culture of responsible investing.

The concept of reporting and labeling obligations is another area where straightforwardness is crucial. Simplifying these requirements can lead to greater accuracy and consistency in corporate reporting, enabling stakeholders to make more meaningful assessments of a company's social and environmental performance. Furthermore, it can bolster the credibility of organizations in the eyes of the public, as clear and honest reporting reinforces trust. By entrusting the EMS Forum on CSR with the responsibility of distinguishing these arrangements, the Commission has taken a significant step towards a more cohesive and coordinated approach to corporate social responsibility. This not only streamlines the process but also ensures that the expertise and insights of various stakeholders are brought to the table, making the decision-making process more robust and well-informed.

In summary, advocating for greater simplicity and transparency in managing corporate social responsibility, as well as social responsible investments and reporting, signifies a positive shift towards a more ethical and accountable business landscape. It is a recognition that, in order to promote responsible practices and create a more socially conscious and

sustainable world, we must make these processes more accessible, comprehensible, and effective.

## B The European Alliance on CSR

Several years after the final communication of the CSR EMS Forum, the Lisbon Strategy had taken place. A communication on the 22 March 2006 with the idea of establishing a regulatory framework for CSR in Europe. The heart of the communication can be described through the introduction where it is stated that CSR at its core is mainly concerned with voluntary and willful acts that businesses are willing to take in order to be more ethically and morally responsible towards the environment and the society. To that end, if more regulations were to be applied regarding CSR, there is a high risk that businesses will no longer see it as voluntary which would result in counter productivity. Therefore, it has been admitted by the Commission in said communication that the best case of CSR will be best achieved when close work is done with European corporations<sup>21</sup> (European Commission, 2006).

The result of the correspondence was to declare the foundation of the European Alliance on CSR, considered as a platform to promote learning about CSR—a Global Compact, for the voluntary participation of business corporations. The result of the political statement was found to be rather negative. When setting up the European Alliance on CSR, and in spite of empty support being paid to the continuation later on for a multi-stakeholder discourse, the Commission was seen as clearly biased to one category of stakeholders—business—over other stakeholders such as NGOs and Unions. Similarly, CSR was viably introduced being solely motivated by market instruments, without the presence of any requirement for a regulatory framework guaranteeing its sufficient functionality—to be specific to compensate the best procedures and sanction the most noticeably terrible types of behavior<sup>22</sup>. In addition, the practically complete turnover of the Commission somewhere in the range of 2001 and 2006, passed on the feeling that, paying little mind to all the conversation on the 'business case' for CSR, a strain between the advancement of CSR and business seriousness in the EU has occurred. The circumstance of the Commission may be seen as self-restricting: market instruments will progress CSR rehearses; in which case it would not be legitimate to express that it would bring about financial development undermining intensity; or it won't do as such. Also, a while later a job for the public authority should be mulled over in the

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<sup>21</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee - Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility COM/2006/136 final.

<sup>22</sup> the communication states that 'With the new European Strategy for Growth and Jobs and through its initiative on better regulation, the European Commission and EU Member States have committed themselves to set up and strengthen a business-friendly environment in which entrepreneurs and enterprises can flourish and grow' (at p. 12)

advancement of CSR, for the 'values case' for CSR—as was referenced within the CSR EMS Forum.

### C European Multi-Stakeholder Forum

The Commission suggested the foundation of the EMS Forum aiming at advancing straightforwardness of CSR practices, via various viewpoints, namely, the trading of understanding and great practice between on-screen characters at EU level, uniting existing activities inside the EU, and looking to set up normal EU approach and core values, including as a reason for discourse in worldwide for and with third nations, and recognizing and investigating territories where extra activity is required at a European level.

The correspondence of the Commission visualized the EMS Forum as a way to start conversation among various investors, so as to look for agreement regarding a requirement for additional initiatives governing CSR in Europe. Assuming this is the case, what should the nature of such an initiative be? It appears that the expectation was that a sense of commonness would develop, a mutual culture, in spite of the background differences and motives of the participants. The observing element of such a stage was not well thought of. Albeit officially established after the Commission's publication in the 2002 correspondence, the EMS Forum had just been propelled on a 'test' premise, so as to test how reasonable such a method is.

Subsequently, the reactions to the 2001 Green Paper<sup>23</sup> the Commission required the improvement of trade among the partners. From April until June 2002, explicit issues such as CSR reporting, codes of conduct and CSR instruments and guidelines were discussed in three separate round tables. The round tables gave an opportunity to have all members be informed at a comparative level, by different presentations from external experts who summarized current CSR initiatives at the European and global level. Additionally, these round tables were observed as tests to help perceive the worth and interest included by this Forum and the best strategy for directing a Forum at the European level. At the second-round table, many representatives and unions opined that there must be a certain level of communication with the stakeholders themselves and otherwise conclusions could not be drawn. Some perspectives emphasized that the corporate conduct could be put at risk as a result of developing European standardized approaches to deal with CSR, and that the requirements discussed would only frustrate improvement and restrict competitiveness within the European market putting them at a drawback to their opponents in other areas. Sadly, these perspectives succeeded and as a result, a new mandate of the platform was established in 2002 greatly differing from the communication formerly published in July 2002. While many references to improving CSR were reserved, the one significant difference

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<sup>23</sup> COM(2001) 366 final Green Paper Promoting a European framework for Corporate Social Responsibility, available at: [http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001\\_0366en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0366en01.pdf)

in wording disregarded the purpose of 'identifying and exploring areas where additional action is needed at a European level'. To that end, there was no conclusion or consensus.

#### D The 2011 Communication on CSR<sup>24</sup>

Throughout the past years, the business environment has changed drastically. This change has been seen specifically because of the financial and economic crisis that Europe encountered. CSR issues have become considerably more significant for organizations as an incorporated long haul CSR procedure can assist them with getting past the emergency and to stay in the competition. These days, CSR is not being considered as an independent element in business techniques. For some organizations it is now at the core of their business tasks and part of a serious procedure through which organizations can separate themselves from their rivals. By implanting CSR standards inside their center business exercises, organizations are accomplishing extra advantages and upper hand through better administration practice and efficiency savings.

At the global level, new difficulties have emerged. Humanitarian problems along supply chains have moved to the focal point of consideration and have been the center of the conversations among organizations and NGOs. There is an outstanding number of principles and standards that are being evolved globally, such as the ISO 26000 guidance on SR, the UN guiding principles and global compact<sup>25</sup>, etc. In trying to achieve social justice by virtue of promoting sustainability and responsibility, consistency is key and is considered vital for the growth of CSR practices and strategies.

In its communication, the commission adopted a new definition of CSR; "the responsibility of enterprises for their impacts on society" (European Commission, 2011). Although the author can concur on a basic level with this broader phrasing, this new definition establishes a change in perspective in EU strategy on CSR. It is too bad that the voluntary commitment of organizations is obviously not generally considered by the Commission to be a vital component of CSR. In the author's perspective, the new definition does not do the extraordinary willful endeavors and accomplishments that can be seen in corporations' justice. Therefore, I opine that the presence of a voluntary initiative in CSR is crucial in future communications.

In its correspondence the Commission centers around its objective to upgrade the perceivability of CSR and to advance good practices, for instance through a European CSR award or a multi-stakeholder forum that is specific to a certain sector. Despite the fact that the trade area would invite the setting up of sector specific forums, it is essential to keep up with the European Multi-Stakeholder Forum for CSR all things considered. The European

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<sup>24</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS A renewed EU strategy 2011-14 for Corporate Social Responsibility /\* COM/2011/0681 final \*/

<sup>25</sup> The United Nations Global Compact, 26 July 2000.

Multi-Stakeholder Forum for CSR keeps on uniting organizations, partners and strategy creators for a customary stock-taking activity and talks about CSR in a broader manner.

In its communication, the Commission put forward a new action agenda covering the period between 2011-2014 and touching on 8 significant pointers. The first point that was discussed was enhancing the visibility of CSR and dismantling good practices. The Commission communicated that by giving credit to corporations' CSR practices and acknowledging their efforts publicly, the EU would be dismantling good practice and encouraging other corporations to join in on the action and develop their own CSR strategies and policies.

Another action plan communicated by the Commission was improving and tracking levels of trust in business. Concerned about the gap between consumers' perception of corporations and the reality of corporations' behavior, the Commission intends to address the effects of consumer deception through methods such as greenwashing and pinkwashing by applying the Unfair Commercial Practices Directive 2005/29/EC<sup>26</sup>. Also, by initiating an open dialogue between consumers, corporations and stakeholders in general about the role of corporations in society, as well as educating the public about CSR and encouraging common expectations towards CSR. Additionally, the Commission plan to develop a code of conduct regarding business's good practices and co-regulation.

The Commission also expressed their intentions to influence EU policies in many sectors namely, consumption, investment, and public procurement, as a means to encourage market reward to the corporations that do adhere to social sustainability methods. Moreover, in the arena of public procurement, enabling the integration of environmental and social characteristics into the operation of public procurement. Another recommendation was improving corporations' transparency with the consumer by disclosing all their environmental and social information. Publishing CSR or sustainability reports is very beneficial of the corporation, its stakeholders as well as the EU at large. Thereby, the Commission presents a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors.

Furthermore, the Commission intends to support investment into CSR innovation and research as well as into integrating CSR into education through training and research. Also, a peer review mechanism was suggested by the Commission which invites member states to enhance their CSR support and to promote action with that regard. It is noted that the Commission's intentions at this point were to globalize the initiative by better aligning European and global approaches to CSR. Corporations counting to over 1000 employees would be monitored for their commitment to CSR policies and ISO 26000 standards.

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<sup>26</sup> Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive')

### III. Negative Responses

Greenwashing is one reason that have likely brought about a setting where individuals' reactions to CSR claims become progressively wary—and even pessimistic—paying little mind to the organization's real execution on CSR aspects. As such, even benevolent and authentic CSR activities and transactions might be met with doubt on the grounds that inescapable deception has made a legitimately suspicious public. Research should now think about a more extensive scope of discernments, reactions, and responses to CSR or the psychology of CSR. This is an issue of developing and fundamental significance for CSR scientists and professionals who look to empower organizations' credible environmentally and socially responsible practices, and for decision makers who ought to carry on with an interest in CSR.

Until this point in time, we know very little with regards to when and why other—basically significant and seriously unique—authoritative partners, like work searchers and representatives, may react adversely to CSR. Besides, despite unavoidable suspicion about CSR practices among the overall population<sup>27</sup> (DuFault and Kho, 2013), missing in the current distributed writing is an unmistakable understanding, definition, and estimation of individuals' negative responses to CSR claims<sup>28</sup> (Willness and Jones, 2015). This mirrors an absence of examination on the more extensive subject of doubt in the sociologies<sup>29</sup> (Bobko et al. , 2014), and a requirement for estimation improvement work to survey CSR assessments and responses generally<sup>30</sup> (Gond et al. , 2017). As will become apparent in this section, there has similarly been considerably more examination accentuation on the way in which individuals respond to organizations' philanthropic<sup>31</sup> practices and related

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<sup>27</sup> DuFault, A. , and Kho, J. 2013. “Sustainability”: Is it a dirty word? Guardian: Sustainable Business. Available at: <https://www.theguardian.com/sustainable-business/2015/mar/25/sustainability-eco-green-natural-buzzwords-greenwashing>

<sup>28</sup> Willness, C. R. , and Jones, D. A. 2015. Corporate social responsibility can attract job seekers...but can it also repel some of them? In K. Y. T. Yu (chair), Employer images and recruitment: Novel approaches for researchers and practitioners. 75th Annual Meeting of the Academy of Management, Vancouver, BC.

<sup>29</sup> Bobko, P. , Barelka, A. , and Hirshfield, L. 2014. The construct of state-level suspicion: A model and research agenda for automated and information technology (IT) contexts. *Human Factors: The Journal of the Human Factors and Ergonomics Society*, 56, 489–508.

<sup>30</sup> Gond, J. -P. , El Akremi, A. , Swaen, V. , and Babu, N. 2017. The psychological microfoundations of corporate social responsibility: A person-centric systematic review. *Journal of Organizational Behavior*, 38, 225–46.

<sup>31</sup> This term has several definitions, the following is the one adopted by the author: “Philanthropy involves charitable giving to worthy causes on a large scale, but it is much more than just a charitable donation. Philanthropy is an effort an individual or organization undertakes based on an altruistic desire to improve human welfare, and wealthy individuals sometimes establish private foundations to facilitate their philanthropic efforts.” Available at [www.investopia.com](http://www.investopia.com). Whereas, Corporate philanthropy is the act of a

connections, comparative with different components of CSR like involvement in the community.

In this part, data will be shown which suggests that we ought to be worried about the potential for stakeholders to react adversely to CSR practices and correspondences. I portray some new applied work on outlining the space around bad responses to CSR. In this chapter I will discuss "microlevel phenomena"<sup>32</sup> (Morgeson et al. , 2013), proportionate fully intent on expanding research on the psychology of CSR, just as repeating progressing calls to address the hole in the insightful writing concerning miniature level CSR research<sup>33</sup> (Aguinis and Glavas, 2012; Jones et al. , 2017). Specifically, I center around the requirement for research on likely bad responses to CSR from representatives and occupation searchers. There is a lot of work that still needs to be done in the authoritative sciences regarding this arising issue—from hypothesis and estimation advancement to elucidating the components that can clarify when and why CSR might inspire accidental negative responses from partners—what I term "CSR misfire impacts" Thus, in the last part of the section, I offer a few headings for future examination and significant inquiries that should be investigated.

Despite a prospering CSR writing, not many investigations have inspected "misfire impacts" of CSR—that is, the point at which an association's CSR rehearses inspire negative responses from its partners, rather than the planned or expected positive responses. As currently noticed, by far most of the concentrations on CSR (especially at the miniature degree of investigation) have inspected, tried, and featured positive partner reactions to CSR, which apparently thus contributes decidedly to organizations' monetary execution (Jones et al. , 2017). Along these lines, the potential for making shared worth through CSR is grounded<sup>34</sup> (El Akremi et al. , 2018).

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corporation or business promoting the welfare of others, generally through charitable donations of funds or time.

<sup>32</sup> Morgeson, F. P. , Aguinis, H. , Waldman, D. A. , and Siegel, D. S. 2013. Extending corporate social responsibility research to the human resource management and organizational behavior domains: A look to the future. *Personnel Psychology*, 66, 805–24. The term “Phenomenological” (from the word phenomena) is defined by the author Edmund Husserl as “the study of structures of consciousness as experienced from the first-person point of view. The central structure of an experience is its intentionality, its being directed toward something, as it is an experience of or about some object.”

<sup>33</sup> Aguinis, H. , and Glavas, A. 2012. What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*, 38, 932–68; Jones, D. A. , Willness, C. R. , and Glavas, A. 2017. When corporate social responsibility (CSR) meets organizational psychology: New frontiers in micro-CSR research, and fulfilling a quid pro quo through multilevel insights. In A. Glavas, C. R. Willness, and D. A. Jones (eds), *Corporate Social Responsibility and Organizational Psychology: Quid Pro Quo*, 5–18. Lausanne: Frontiers Media.

<sup>34</sup> El Akremi, A. , Gond, J. P. , Swaen, V. , De Roeck, K. , and Igalens, J. 2018. How do employees perceive corporate responsibility? Development and validation of a

Nonetheless, understanding individuals' positive responses to CSR is just essential for the story. In addition, the landscape of CSR has changed essentially since researchers started concentrating on the peculiarity. To be sure, analysts have seen that individuals are presented to a mind-boggling number of green cases day by day, making it hard to isolate reality from fiction<sup>35</sup> (Manrai et al. , 1997). In an investigation of more than 5,000 items in Canada and the US, TerraChoice (2010) observed that the quantity of green items expanded 73% in a solitary year; of those green item asserts, 95% were found to mirror some level of greenwashing. This is making unavoidable states of "green customer disarray," where individuals can don't precisely decipher natural cases about items or administrations<sup>36</sup> (Chen and Chang, 2013).

Associations' cases of seeking after the supposed "triple bottom line"<sup>37</sup> (monetary, social, ecological) might be met with partner doubt, particularly given various intentions that associations have for maintaining such practices, such as tending to public and media examination and further developing partner trust<sup>38</sup> (Aguinis, 2011), or cutthroat tensions and customer demands<sup>39</sup> (Delmas and Burbano, 2011). Public, media, and academic worries with greenwashing have expanded pointedly in light of almost omnipresent cases from organizations that their items and practices are green or environmentally amicable<sup>40</sup> (Lyon and Montgomery, 2015).

Other (non-environmental) types of CSR, like local area contribution and socially situated drives, are dependent upon examination also. Supposed "marketized magnanimity" — the utilization of items, media, and even famous people advancing CSR—is censured for permitting customers to "have it both ways. " That is, it could be empowering shoppers to take part in free enterprise, while feeling for the individuals who may be burdened by it (for example Nickel and Eikenberry, 2009<sup>41</sup>). Nickel and Eikenberry refer to instances of food

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multidimensional corporate stakeholder responsibility scale. *Journal of Management*, 44, 619–57.

<sup>35</sup> Manrai, L. A. , Manrai, A. K. , Lascu, D. N. and Ryans Jr, J. K. , 1997. How green-claim strength and country disposition affect product evaluation and company image. *Psychology & Marketing*, 14(5), pp. 511-537.

<sup>36</sup> Chen, Y. -S. , and Chang, C. -H. 2013. Greenwash and green trust: The mediation effects of green consumer confusion and green perceived risk. *Journal of Business Ethics*, 114, 489–500.

<sup>37</sup> The definition of the triple bottom line is Sustainability framework examining a company's social, environmental, and economic impact ([Kenton, 2019b](#)).

<sup>38</sup> Aguinis, H. 2011. Organizational responsibility: Doing good and doing well. In S. Zedeck (ed. ), *APA Handbook of Industrial and Organizational Psychology*, iii. 855–79.

<sup>39</sup> Delmas, M. A. , and Burbano, V. C. 2011. The drivers of greenwashing. *California Management Review*, 54, 64–5.

<sup>40</sup> Lyon, T. P. , and Montgomery, A. W. 2015. The means and end of greenwash. *Organizations and Environment*, 28, 223–49.

<sup>41</sup> Nickel, P. M. , and Eikenberry, A. M. 2009. A critique of the discourse of marketized philanthropy. *American Behavioral Scientist*, 52, 974–89.

items that apparently join philanthropy or CSR with utilization, including KIND Fruit + Nut bars, Endangered Species chocolate, and Newman's Own plate of mixed greens dressings. The Gap's "Item RED" crusade, which coordinated a piece of the returns from dress deals to an asset to assist with battling AIDS in Africa, is comparably condemned for eventually hurting Africa's capacity to become independent and for basically hiding benefit thought processes in elegant foundation<sup>42</sup> (Phu, 2010). Regardless of a minority voice from an examination that closed the RED lobby is authentic and achieves its CSR objectives<sup>43</sup> (Amazeen, 2011), the program confronted boundless and serious analysis from distrustful public, academic, and media sources that is hard to dissipate<sup>44</sup> (Frazier, 2007; Nickel and Eikenberry, 2009; Phu, 2010).

Deceitful or deluding CSR claims is not restricted to item promotions (printed or visual) yet can likewise exist inside an association's practices and designs. For example, "decoupling"<sup>45</sup> happens when inside organization rehearses are isolated from the outside picture that is introduced to the general population (for example Crilly et al. , 2016, for example, when a firm advances its making of a Sustainability Department, however that division might have no genuine power or assets assigned to it (Lyon and Montgomery, 2015; Meyer and Rowan, 1977). This utilization of void guarantees and approaches—or somewhere in the vicinity called "modest talk"— can be persuading to partners whose interests are associated with those of the firm (for example financial backers, Lyon and Montgomery, 2015, 237), however late examination shows that the duplicity is obvious in the correspondence style and not all partners are tricked<sup>46</sup> (Crilly et al. , 2016). A few scientists have reasoned that "an external partner should look with a distrustful eye at any organization that focuses on a strategy assuming that organization doesn't have a financial inspiration for executing it" (accentuation added; Ramus and Montiel, 2005<sup>47</sup>, 408–9).

Different types of deceitful cases incorporate specific revelation, sketchy certificates or marking, deluding symbolism or stories, and co-selected NGO organizations or supports

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<sup>42</sup> Phu, C. N. 2010. Save Africa: The commodification of (PRODUCT) RED campaign. *Kaleidoscope: A Graduate Journal of Qualitative Communication Research*, 9, Article 7.

<sup>43</sup> Amazeen, M. 2011. Gap (RED): Social responsibility campaign or window dressing? *Journal of Business Ethics*, 99(2), 167–82.

<sup>44</sup> Frazier, M. 2007. Costly RED campaign reaps meager \$18 million. *Advertising Age*, Mar. 5; et al. ; et al. )

<sup>45</sup> The definition of the word decoupling as adopted by the author: "decoupling (defined as divergence) among CSR policies, implementation. of CSR programs, and CSR impacts for various environmental and social. issues. Complete decoupling is a condition of full divergence among. policies, programs, and impacts amounting to purely ceremonial CSR." Available at: <https://journals.sagepub.com/doi/pdf/10.1177/0007650316647951>

<sup>46</sup> Crilly, D. , Hansen, M. , and Zollo, M. 2016. The grammar of decoupling: A cognitive-linguistic perspective on firms' sustainability claims and stakeholders' interpretation. *Academy of Management Journal*, 59, 705–29

<sup>47</sup> Ramus, C. A. , and Montiel, I. 2005. When are corporate environmental policies a form of greenwashing? *Business and Society*, 44, 377–414.

(Lyon and Montgomery, 2015). Researchers have recognized installed CSR rehearses (for example those that are attached to the organization's center mission and tasks) and fringe CSR rehearses (for example those that are not coordinated or are even random, like separated charity; Aguinis and Glavas, 2013; Jones and Rupp, 2018), just as meaningful versus emblematic CSR<sup>48</sup> (David et al. , 2007; Donia and Tetrault Sirsly, 2016).

Accordingly, organizations face an overwhelming new test: beating far reaching criticism and suspicion about CSR rehearses among partners (TerraChoice, 2010) whose negative responses might sabotage a company's legitimization for proceeding to put resources into CSR. Similarly, as certain results of CSR can affect the organization's monetary main concern (for example Orlitzky et al. , 2003<sup>49</sup>), a few examinations have shown that guileful CSR rehearses like greenwashing can really prompt negative association level results, including disservices to monetary execution<sup>50</sup> (Wu and Shen, 2013). More terrible still, negative responses can happen in any event, when an organization isn't taking part in greenwashing or distortion as such (for example Jones et al. , 2016). Tragically, corporate pioneers will find little direction from the insightful writing on the grounds that, notwithstanding expanding CSR research, not many examinations have recorded the "blowback impacts" of CSR. Shockingly little is had some significant awareness of when and why individuals react adversely to an association's CSR practices or correspondences<sup>51</sup> (for example Maignan and Ferrell, 2004; Wanderley et al. , 2008), notwithstanding significant motivation to speculate it happens often.

### Stakeholder skepticism

As currently noted, there is developing proof that partners become more vigilant, and even suspicious of organizations' ecological and social cases, and apparently all things considered given that it might now be harder for them to recognize what is real rather than overstatement, distortion, or even trickery. As far as miniature level CSR research, which is the significant focal point of this section, advertising research is well in front of hierarchical

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<sup>48</sup> David, P. , Bloom, M. , and Hillman, A. J. 2007. Investor activism, managerial responsiveness, and corporate social performance. *Strategic Management Journal*, 28, 91–100; Donia, M. B. L. , and Tetrault Sirsly, C. A. 2016. Determinants and consequences of employee attributions of corporate social responsibility as substantive or symbolic. *European Management Journal*, 34, 232–42

<sup>49</sup> Orlitzky, M. , Schmidt, F. L. , and Rynes, S. L. 2003. Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24, 403–41.

<sup>50</sup> Wu, M. -W. , and Shen, C. -H. 2013. Corporate social responsibility in the banking industry: Motives and financial performance. *Journal of Banking and Finance*, 37, 3529–47.

<sup>51</sup> Maignan, I. , and Ferrell, O. C. 2004. Corporate social responsibility and marketing: An integrative framework. *Journal of the Academy of Marketing Science*, 32; Wanderley, L. S. O. , Lucian, R. , Farache, F. , and de Sousa Filho, J. M. 2008. CSR information disclosure on the web: A context-based approach analysing the influence of country of origin and industry sector. *Journal of Business Ethics*, 82, 369–78.

conduct and human asset the board (HRM) in inspecting CSR blowback impacts. For sure, there is almost no distributed examination to date on regrettable reactions to CSR among partners like work searchers and representatives, notwithstanding the significance of these partner bunches for authoritative results.

#### Consumer skepticism

In the mid-1990s, Stisser (1994)<sup>52</sup> noticed a top in the public's anxiety about the indigenous habitat, "environmental activity" becoming standard, and social development developing around the reason. Stisser (1994, 26) additionally recommended that there is a comparable "reaction" against the environmental fleeting trend, which is driven part of the way by developing dissatisfaction, as more customers report disarray concerning what comprises 'positive or negative' environmental practice. It has likewise been animated by developing public incredulity of promoting environmental advantages to acquire transient deals.

All through the 2000s, the purchaser conducted writing on CSR and incredulity specifically developed considerably, alongside examining arbitrators and middle people of the relationship between CSR in publicizing and results like buy goals and assessments of the organization. Quite a bit of this work has been founded on the attribution hypothesis. For example, in their exemplary review, Forehand and Grier (2003) analyzed whether firm-serving attributions, when conflicting with the company's communicated intentions, brought down buyers' assessments of the firm. In their example of 160 college understudies, when people were gotten some information about a company's intentions in a volunteerism program, the presence of clear advantages to the firm adversely affected assessments of the organization when it professed to have public-serving thought processes yet did not contrary affect assessments of the organization when it recognized its firm-serving thought processes. The creators presumed that negative responses to CSR are part of the way because of seen trickery.

Ellen et al. (2006) also examined the attributions made by consumers about the company's underlying motives for CSR, using a sample of employees at a large university. Self-serving attributed motives were viewed positively when they were perceived as strategic (to gain customers or profits), and negatively when they were perceived as egoistic (to gain positive publicity). Likewise, other-centered attributed motives were regarded positively when they were values-driven (i. e. , indicative of genuine care for the cause), and negatively when they were stakeholder-driven (stakeholders expect such practices). A more recent study examined similar types of attributed motives, but with an online survey about grocery retailers, finding that both egoistic- and stakeholder-driven motives increased consumer skepticism, while values-driven motives decreased skepticism<sup>53</sup> (Skarmas and Leonidou, 2013). The same study found that skepticism about CSR in turn encouraged

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<sup>52</sup> Stisser, P. 1994. A deeper shade of green. *American Demographics*, 16, 24–9.

<sup>53</sup> Skarmas, D. , and Leonidou, C. N. 2013. When consumers doubt, Watch out! The role of CSR skepticism. *Journal of Business Research*, 66, 1831–8.

unfavorable word of mouth, negatively impacted retailer equity, and lowered resistance to negative information about the company.

Different examinations have comparably shown that when shoppers become dubious of an organization's intentions in friendly or environmental drives, it actuates negative attributions<sup>54</sup> (Yoon et al. , 2006) and more noteworthy investigation of the organization's social obligation claims<sup>55</sup> (White and Willness, 2009), prompting negative organization and item (p. 216) assessments. By and large, various investigations have featured the significance of the intentions of consumer's quality to an organization's CSR practices and messages (for example Davis, 1994; Marin et al. , 2015; Nyilasy et al. , 2013; Vlachos et al. , 2009). Studies have additionally tracked down bad responses to green items when shoppers saw that their creation drew assets from item quality<sup>56</sup> (Newman et al. , 2014), and more noteworthy impression of corporate fraud when organizations' CSR claims gone against other data about their practices<sup>57</sup> (Wagner et al. , 2009).

In the realm of CSR, the impact of reputation and the industry in which a company operates on CSR communications is an intricate and vital consideration. A multitude of studies, including those by Bae & Cameron (2006), Bhattacharya & Sen (2004), Lii & Lee (2012), Strahilevitz (2003), and Yoon (2006), have highlighted the substantial role that reputation plays in shaping the effectiveness of CSR communications. It follows, therefore, that CSR motive attributions can also be molded by the reputation of the industry to which a company belongs.

Within an organizational context, reputation is defined as the collective judgments made by observers regarding a corporation. These judgments are formed through assessments of the corporation's financial, social, and environmental impacts over time<sup>58</sup> (Barnett, Jermier, & Lafferty, 2006). Notably, reputation is grounded in an organization's behavior and associations, but it is far from static; it can undergo abrupt transformations in light of new information about the company's past or present actions<sup>59</sup> (Lange, Lee, & Dai, 2011). As such, reputation wields significant influence over a company's relationship with its stakeholders

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<sup>54</sup> Yoon, Y. , Gürhan-Canli, Z. , and Schwarz, N. 2006. The effect of corporate social responsibility activities on companies with bad reputations. *Journal of Consumer Psychology*, 16, 377–90.

<sup>55</sup> White, K. , and Willness, C. R. 2009. Consumer reactions to the decrease-usage message: The role of elaborative processing. *Journal of Consumer Psychology*, 19, 73–87.

<sup>56</sup> Ibid.

<sup>57</sup> Wagner, T. , Lutz, R. J. , and Weitz, B. A. 2009. Corporate hypocrisy: Overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing*, 73, 77–91.

<sup>58</sup> Barnett, M.L., Jermier, J.M. and Lafferty, B.A., 2006. Corporate reputation: The definitional landscape. *Corporate reputation review*, 9, pp.26-38.

<sup>59</sup> Lange, D., Lee, P.M. and Dai, Y., 2011. Organizational reputation: A review. *Journal of management*, 37(1), pp.153-184.

and is regarded as a principal indicator of its legitimacy and credibility<sup>60</sup> (Fombrun & Shanley, 1990; Palazzo & Scherer 2006).

The value of a favorable reputation is well-documented in empirical evidence. Companies with a positive reputation reap numerous benefits, including sustained financial performance, enhanced appeal to job applicants, improved employee performance, increased consumer satisfaction and loyalty. In the contemporary landscape, CSR initiatives have become a pivotal tool for organizations seeking to bolster and safeguard their reputation.

In the realm of CSR and its related activities, reputation assumes a moderating role in shaping the effectiveness of CSR communications. Reputation often serves as a pre-existing schema upon which consumers rely to interpret ambiguous information about a company<sup>61</sup> (Fombrun & Shanley, 1990). Research underscores that a strong reputation can act as a shield against negative reactions towards companies. Particularly concerning CSR, organizations with a positive reputation tend to experience strengthened positive effects from their CSR activities, while those with a less favorable reputation may even encounter a backlash effect from their social initiatives.

To illustrate, Lii and Lee (2012) delved into the moderating influence of reputation on CSR initiatives, consumer-company identification, and brand attitude. Their findings indicated that consumers are more likely to be skeptical of CSR campaigns by companies perceived to have a low reputation, whereas they are less suspicious of the motives of companies with a high reputation. Indeed, CSR communications are undeniably a complex endeavor, particularly for industries with tarnished reputations. Companies operating in controversial industries face scrutiny regarding the sincerity of their CSR engagements<sup>62</sup> (Cai, Jo, & Pan, 2011).

The reputation of an industry is a collective judgment made by stakeholders and the general public, based on assessments of the industry's economic, social, and environmental impacts over time<sup>63</sup> (Winn, MacDonald, & Zietsma, 2008). Notably, actions, whether deliberate or inadvertent, of individual members or outsiders can have repercussions on the entire

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<sup>60</sup> Fombrun, C. and Shanley, M., 1990. What's in a name? Reputation building and corporate strategy. *Academy of management Journal*, 33(2), pp.233-258; Palazzo, G. and Scherer, A.G., 2006. Corporate legitimacy as deliberation: A communicative framework. *Journal of business ethics*, 66, pp.71-88.

<sup>61</sup> Fombrun, C. and Shanley, M., 1990. What's in a name? Reputation building and corporate strategy. *Academy of management Journal*, 33(2), pp.233-258.

<sup>62</sup> Cai, Y., Jo, H. and Pan, C., 2011. Vice or virtue? The impact of corporate social responsibility on executive compensation. *Journal of Business Ethics*, 104, pp.159-173.

<sup>63</sup> Winn, M.I., MacDonald, P. and Zietsma, C., 2008. Managing industry reputation: The dynamic tension between collective and competitive reputation management strategies. *Corporate Reputation Review*, 11, pp.35-55.

industry. This shared reputation is a common resource that influences the performance of all industry members<sup>64</sup> (Barnett & Hoffman, 2008).

When stakeholders lack sufficient information to differentiate among companies, all companies in the industry share a common stakeholder assessment of their character. Therefore, one company's actions can affect the reputation of another, and this phenomenon can work both ways. Positive reactions to a company's actions may have a positive spillover effect on other companies, while negative responses may result in a negative spillover<sup>65</sup> (Goins and Gruca, 2008).

Yet, despite the significance of this interdependence among company reputations and the influence of industry reputation, there has been limited exploration of this interplay in the context of CSR communications. Existing literature suggests that the industry in which a company operates significantly impacts the effectiveness of its CSR communications. Companies in industries with a strong reputation are seen as more credible and succeed in their CSR communications. In contrast, companies operating in industries with controversial reputations may face challenges in overcoming stakeholder skepticism, restoring public trust, and enhancing or repairing their legitimacy. Ultimately, companies in controversial industries tend to benefit less from their CSR initiatives compared to those in neutral industries<sup>66</sup> (Godfrey et al., 2009).

Given the shared reputation within an industry and the well-established influence of reputation on CSR initiatives, this study will examine the moderating role of industry reputation in consumers' motivations for engaging in CSR activities. This investigation aims to shed light on how industry reputation and corporate reputation intertwine to shape consumer perceptions of CSR motives and activities.

#### Employee Skepticism

Even though customer studies might conceivably give some comprehension into how and why individuals may react contrarily, the setting is seemingly unique, and the stakes are higher for workers and occupation searchers compared with buyers. For example, representatives are probably going to have more data about the CSR practices of the organization they work for<sup>67</sup> (McShane and Cunningham, 2012), comparative with its purchasers or other outer partners (albeit a couple of studies have shown that consciousness of CSR can be very low, even among the organization's own representatives; for example,

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<sup>64</sup> Barnett, M.L. and Hoffman, A.J., 2008. Beyond corporate reputation: Managing reputational interdependence. *Corporate Reputation Review*, 11, pp.1-9.

<sup>65</sup> Goins, S. and Gruca, T.S., 2008. Understanding competitive and contagion effects of layoff announcements. *Corporate Reputation Review*, 11, pp.12-34.

<sup>66</sup> Godfrey, P.C., Merrill, C.B. and Hansen, J.M., 2009. The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. *Strategic management journal*, 30(4), pp.425-445.

<sup>67</sup> McShane, L. , and Cunningham, P. 2012. To thine own self be true? Employees' judgments of the authenticity of their organization's corporate social responsibility program. *Journal of Business Ethics*, 108, 81–100.

Bhattacharya et al. , 2008<sup>68</sup>; Zerr and Willness, 2014<sup>69</sup>. Workers are additionally well-suited to put more prominent significance on the validity and picture of their manager's CSR rehearses as a result of the ramifications for their own self-idea and personality<sup>70</sup> (McShane and Cunningham, 2012). Researchers have recommended that representatives are logical exceptionally worried about their association's greenwashing rehearses, and that this could affect trust, responsibility, and efficiency<sup>71</sup> (Lyon and Montgomery, 2015), which can, obviously, have genuine ramifications for authoritative adequacy.

Similarly, work searchers might be especially worried about esteem attack of their future working environment and how they hope to be treated by a likely manager, the two of which might be deduced in view of the association's CSR<sup>72</sup> (Jones et al. , 2014). Negative responses to an association during the pursuit of employment interaction could prompt negative informal exchange or notoriety, which can affect hierarchical engaging quality<sup>73</sup> (Van Hoya and Lievens, 2007), making it tougher to draw in ability. Notwithstanding the potential for considerable damage through misfiring CSR endeavors, very little experimental examination has inspected the peculiarity in OB and HRM.

As of recently, a couple of studies have uncovered the potential for negative responses to CSR, and others have tracked down proof of negative responses, in their more extensive examination of representative or occupation searcher reactions to CSR (for example hardly any investigations to date have unequivocally analyzed negative responses to CSR, however some have uncovered this peculiarity even more by implication). Significantly, the vast majority of these examinations have utilized subjective procedures, which licenses concentration on members to give a more extensive scope of reactions and responses, versus quantitative techniques like overviews or trials, which confine member reactions to what in particular is deduced determined by the analyst.

One subjective review uncovered the significance of worker view of the credibility (honesty, precision, unwavering quality, and validity) of their manager's CSR programs,

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<sup>68</sup> Bhattacharya, C. B. , Sen, S. , and Korschun, D. 2008. Using corporate social responsibility to win the war for talent. *Sloan Management Review*, 49, 37–44.

<sup>69</sup> Zerr, K. R. , and Willness, C. R. 2014. Exploring how employees develop perceptions of their organization's environmental practices. In D. B. Ganegoda and D. A. Jones (co-chairs), *Understanding employee responses to CSR: Explanatory mechanisms and boundary conditions*. Presented at the 28th Annual Meeting of the Society for Industrial and Organizational Psychology, Oahu, HI.

<sup>70</sup> *Ibid.* , 81-100.

<sup>71</sup> *Ibid.* , 223–49.

<sup>72</sup> *Ibid.*

<sup>73</sup> Van Hoya, G. , and Lievens, F. 2007. Social influences on organizational attractiveness: Investigating if and when word-of-mouth matters. *Journal of Applied Social Psychology*, 37, 2024–47.

molded by convictions that the association's CSR is an exact impression of its actual self<sup>74</sup> (McShane and Cunningham, 2012). Although these scientists didn't find negative responses to CSR as such, they observed that workers were separating among real and inauthentic CSR practices and aims, and they guess that view of validity might impact the connection among CSR and representatives' reactions to it.

Vlachos et al. (2013)<sup>75</sup> overviewed inherent (for example authentic longing to help society) versus extraneous (for example looking for benefit for the organization) CSR attributions among 497 workers across three huge assembling firms and found that characteristic CSR intentions were connected with work fulfillment, yet extraneous CSR thought processes were not (despite the fact that they didn't find an adverse consequence fundamentally). Edwards and Kudret (2017)<sup>76</sup> Moreover, they discovered a few invalid impacts between aspects of CSR and representative results, like pride, responsibility, and execution, however they didn't track down adverse consequences.

In their assessment of workers' impression of how organizations discuss CSR with inside partners (for example workers), Brunton et al. (2015)<sup>77</sup> portrayed a few members' reactions to inquiries questions that uncover thwarted expectations and disappointment toward their boss' CSR. For example, one worker commented that they accept the organization they work for is incredibly concerned about their public picture. They are less concerned, in any case, about the value of their staff... This worker stated that they sometimes feel that [company's] CSR is somewhat of a symbolic motion with regards to their staff. <sup>78</sup> (Brunton et al. , 2015, 13). The creators proposed that this was not a detached remark. Their discoveries are piercing, considering that every one of the organizations remembered for their exploration were individuals from the New Zealand Sustainability Council, a necessity of which is to illustrate substantial continuous proof of their act of CSR.

Rodrigo and Arenas (2009)<sup>79</sup> noticed a few comparative opinions in their subjective investigation of employees in Chile, as far as the pressure between employees' view of how they are dealt with versus the organization putting resources into CSR that apparently helps

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<sup>74</sup> McShane, L. , and Cunningham, P. 2012. To thine own self be true? Employees' judgments of the authenticity of their organization's corporate social responsibility program. *Journal of Business Ethics*, 108, 81–100.

<sup>75</sup> Vlachos, P. A. , Panagopoulos, N. G. , and Rapp, A. A. 2013. Feeling good by doing good: Employee CSR-induced attributions, job satisfaction, and the role of charismatic leadership. *Journal of Business Ethics*, 118, 577–88.

<sup>76</sup> Edwards, M. R. , and Kudret, S. 2017. Multi-foci CSR perceptions, procedural justice, and in-role employee performance: The mediating role of commitment and pride. *Human Resource Management Journal*, 27, 169–88

<sup>77</sup> Brunton, M. , Eweje, G. , and Taskin, N. 2015. Communicating corporate social responsibility to internal stakeholders: Walking the walk or just talking the talk? *Business Strategy and the Environment*, 26, 31–48.

<sup>78</sup> *Ibid.* , 13.

<sup>79</sup> Rodrigo, P. , and Arenas, D. 2008. Do employees care about CSR programs? A typology of employees according to their attitudes. *Journal of Business Ethics*, 83, 265–83.

others. One of their members commented (partially): "I can't comprehend the reason why the organization burns through such a lot of cash on these exercises". They portrayed a typology of employees' perspectives toward CSR including submitted (energetic with regards to CSR and worried about civil rights), uninterested (worried about one's own vocation and for the most part not arranged to social worries), and protester (work is a kind of revenue and organizations ought to put resources into laborers rather than CSR programs).

In her exploratory investigation of employee feelings relating to how CSR connects with their everyday occupations, Onkila (2013)<sup>80</sup> saw as both good (68%) and pessimistic (32%) passionate contentions in her examination of 27 meetings in a Finnish firm that had as of late gone through scaling back. Positive feelings that arose while examining the association's CSR included pride, satisfaction, energy, and delight, while pessimistic feelings included skepticism, disappointment, and stress. Curiously, employees likewise communicated their association with CSR as far as the gloomy feelings that they wished to keep away from, like disgrace or shame (for example needing to get positive criticism from clients and friends about the association's CSR record, and a mindfulness that they could encounter humiliation assuming their boss acted untrustworthy).

West et al. (2015)<sup>81</sup> led an employee review in an enormous Canadian retailer that has a background marked by taking part in CSR. They observed that CSR expanded employee trust and diminished doubt just among those employees who were low in a trademark called "social skepticism" (the conviction that organizations or individuals who hold power can't be trusted)- regardless of the organization's positive CSR record. Employees who were higher in friendly pessimism were not contrarily affected by CSR in essence, yet they appeared to see benefit in organization rehearses that helped them straightforwardly, (for example, explicit business related practices), rather than CSR that helps a more extensive scope of stakeholders.

In maybe the main experimental investigation of whether and why a few work searchers may be unaffected, or even adversely impacted, by a potential boss' CSR rehearses, Jones et al. (2016)<sup>82</sup> content-examined open-finished reactions given by concentrate on members concerning why they were (or alternately were not) drawn to likely businesses. The members saw the site pages of two organizations in which there was installed data around one of the organizations' local area or environmental practices (the test control). In general, the outcomes showed that many individuals were to be sure drawn in by the CSR rehearses, because of reasons proving flagging hypothesis systems (for example that the CSR rehearses flagged a positive workspace, which work searchers viewed as alluring). Notwithstanding,

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<sup>80</sup> Onkila, T. 2013. Pride or embarrassment? Employees' emotions and corporate social responsibility. *Corporate Social Responsibility and Environmental Management*, 22(4), 222–36.

<sup>81</sup> West, B. , Hillenbrand, C. , and Money, K. 2015. Building employee relationships through corporate social responsibility: The moderating role of social cynicism and reward for application. *Group and Organization Management*, 40, 295–322.

<sup>82</sup> Ibid.

certain individuals (but a little rate) revealed being unaffected, or even repulsed, by the organization's CSR, because of reasons that recommended sensations of doubt or pessimism toward such practices.

Bridoux et al. (2016)<sup>83</sup> analyzed responses to self-(for example employee) versus other-(for example provider) coordinated CSR in both a buyer and occupation searcher setting utilizing a situation based review. They observed that a few members responded adversely when confronted with the association's CSR tradeoffs-that is, the point at which the association allotted unbalanced assets to a stakeholder bunch other than their own. In any case, stakeholders didn't dependably react in a self-intrigued way. Factors, for example, respondents' other-direction and confidence in the association moderated their negative responses to CSR tradeoffs. The creators likewise discovered a few distinctions in the manner shoppers versus imminent employees react to CSR tradeoffs. They presumed that this was consistent in light of the fact that forthcoming employees' all out private government assistance is significantly more subject to the company's CSR toward employees, than consumer' assistance is on the company's CSR toward clients.

#### Theorizing and Evaluating Negative Responses to CSR

At last, it is individuals' view of CSR that influence their responses to it, rather than real hierarchical practices or practices<sup>84</sup> (Rupp et al. , 2013). Also strikingly, discernments and "reality" don't dependably adjust<sup>85</sup> (Pelozo et al. , 2012). Quite a bit of what is expounded on individuals' responses to CSR for the most part features all things considered "state" or "attribute" level peculiarities. As such,

- (i) Something about the circumstance, association, or specific CSR guarantee is related with pessimistic reactions to CSR, which would be characteristic of a "state" or upgrade that leads individuals to react horribly, or
- (ii) Something about the perceiver, similar to a singular contrast variable, drives certain individuals to react negatively to CSR as a general rule, proposing a "quality"- like reaction that is steady after some time and setting.

Past these overall topics, and even inside them, there is basically no consistency in how builds are portrayed, estimated, or tried. Further clouding an unmistakable comprehension of stakeholder responses to CSR is the way that develops relating to individuals' impression of CSR have been contemplated across a few separated discipline-based writings (for example buyer conduct, hierarchical brain science, HR), and the build space is inadequately perceived. Significant calculated qualifications exist yet are seldom perceived, and particular

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<sup>83</sup> Bridoux, F. , Stofberg, N. , and Den Hartog, D. 2016. Stakeholders' responses to CSR tradeoffs: When other-orientation and trust trump material self-interest. In A. Glavas, C. R. Willness, and D. A. Jones (eds). *Corporate Social Responsibility and Organizational Psychology: Quid Pro Quo*, 40–57.

<sup>84</sup> Ibid.

<sup>85</sup> Pelozo, J. , Loock, M. , Cerruti, J. , and Muyot, M. 2012. Sustainability: How stakeholder perceptions differ from corporate reality. *California Management Review*, 55, 74–98.

developments are here and there treated as compatible. Estimation issues are likewise unavoidable, including low inward textures, restricted legitimacy proof, and indistinct element structures<sup>86</sup> (El Akremi et al. , 2018). Researchers have stressed the requirement for calculated clearness and enhancements in estimation as for CSR assessments and responses in general<sup>87</sup> (Gond et al. , 2017).

In a survey of a few written works (for example OB, HR, and purchaser conduct), Willness and Jones (2014) found a few builds planned to gauge reactions to CSR, including individual contrasts like mentalities toward social obligation of business<sup>88</sup> (Kolodinsky et al. , 2010), and circumstance based develops about a given organization's practices like apparent degree of CSR<sup>89</sup> (Jones et al. , 2014), shoppers' view of corporate social obligation<sup>90</sup> (Oberseder et al. , 2014); perspectives about a CSR practice (Jones, 2010), ascribed thought processes in CSR<sup>91</sup> (Vlachos et al. , 2010), and corporate stakeholder obligation (CStR) scale<sup>92</sup> (El Akremi et al. , 2018). Strikingly, none of these was intended to evaluate negative reactions or responses. There is a CSR wariness measure introduced in advertising writing, yet it conflates suspicion (for example incredulity) with skepticism, intentions, the executive's obligation, and CSR results<sup>93</sup> (Rim and Kim, 2016).

To propel hypothesis and practice by understanding stakeholders' responses to CSR-whether positive or negative-a basic advance forward is to explain the development space by characterizing and portraying connections among adroitly related builds. Toward that end, Willness and Jones have investigated this build space further and proposed something like two definitively various sorts of negative responses to CSR. The principal build that we propose is CSR pessimism, characterized as a steady individual quality of general dissatisfaction or disregard toward CSR across settings. A second related however unmistakable development is suspicion toward CSR claims, which centers around a specific company's particular CSR practice or its generally speaking CSR. Researchers regret that "pessimism" and "wariness" are utilized conversely in the writing despite being thoughtfully

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<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> Kolodinsky, R. W. , Madden, T. M. , Zisk, D. S. , and Henkel, E. T. 2010. Attitudes about corporate social responsibility: Business student predictors. *Journal of Business Ethics*, 91, 167–81.

<sup>89</sup> Ibid.

<sup>90</sup> Oberseder, M. , Schlegelmilch, B. B. , Murphy, P. E. , and Gruber, V. 2014. Consumers' perceptions of corporate social responsibility: Scale development and validation. *Journal of Business Ethics*, 124, 101–15.

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

<sup>93</sup> Rim, H. and Kim, S. , 2016. Dimensions of corporate social responsibility (CSR) skepticism and their impacts on public evaluations toward CSR. *Journal of Public Relations Research*, 28(5-6), pp. 248-267.

unmistakable<sup>94</sup> (Mohr et al. , 1998), and that criticism is a precursor to incredulity<sup>95</sup> (Obermiller and Spangenberg, 1998). As Chylinski and Chu (2010)<sup>96</sup> clarify, "rehashed disappointment (through neglected assumptions) sets up a predominant conviction that the advertising specialist has ulterior self-serving intentions (question), and ongoing uncertainty of the promoting specialist's cases (wariness). In this sense, negativity is an adapting process, where shoppers figure out how to become guarded after seeing that they enjoy being taken advantage of.

We embrace this methodology with regards to CSR and recommend that CSR criticism is a singular distinction develop (for example "quality") and that it is a predecessor of, however reasonably unmistakable from, distrust toward CSR claims (for example "state") (see likewise Mohr et al. , 1998).

#### CSR Pessimism

We state that CSR negativity is like different types of distrust, a summed-up demeanor that is regularly steady across settings. We offer a functioning definition in light of earlier negativity research that CSR criticism is an unavoidable doubt, abhorrence, or lack of concern toward CSR practices and correspondences, paying little mind to which association or specific CSR practice is being noticed. All in all, a person who is high in CSR negativity would feel that associations in everyday life profess to think often more about CSR than they truly do and are inclined to making deluding (or even deceptive) claims about their environmental or social practices. Different specialists have taken a gander at more explicit types of negativity skeptical perspectives toward a specific kind of improvement across circumstances like shopper criticism (for example mental edges used to kill advertising strategies and other influence endeavors<sup>97</sup> (Odou and de Pechpeyrou, 2011), employee or hierarchical negativity (for example toward top administration; Kim et al. , 2009, or toward the hierarchical overall; Dean et al. , 1998; Evans et al. , 2011b), or political pessimism (for example toward government officials who guarantee beyond what they can convey; Van Dalen et al. , 2011).

This related however unmistakable build mirrors individuals' situational responses to a specific organization's CSR practices or claims. Once more, we offer a functioning definition got from the writing on incredulity (for example Foreh and Grier, 2003) to such an extent that incredulity toward CSR claims is described by uncertainty, skepticism, or potentially doubt about an association's thought processes in taking part in CSR-it is inseparably

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<sup>94</sup> Mohr, L. A. , Eroglu, D. , and Ellen, P. S. 1998. The development and testing of a measure of skepticism toward environmental claims in marketers' communications. *Journal of Consumer Affairs*, 32, 30–55.

<sup>95</sup> Obermiller, C. , and Spangenberg, E. R. 1998. Development of a scale to measure consumer skepticism toward advertising, *Journal of Consumer Psychology*, 7, 186–9.

<sup>96</sup> Chylinski, M. , and Chu, A. 2010. Consumer cynicism: Antecedents and consequences. *European Journal of Marketing*, 44, 796–837.

<sup>97</sup> Odou, P. , and de Pechpeyrou, P. 2011. Consumer cynicism: From resistance to anti-consumption in a disenchanting world? *European Journal of Marketing*, 45, 1799–1808.

attached to attributions. Foreh and Grier<sup>98</sup> (2003) perceived that one of the variables that evokes buyer wariness is organizations' "social promoting," yet they are among the main specialists to look at doubt toward CSR specifically (for their situation, employee volunteerism, etc).

To survey whether these are possibly helpful developments for catching individuals' negative responses to CSR, we led an exploratory pilot study (Willness and Jones, 2015). We gathered field information from 360 work searchers who were going to a vocation (p. 221) fair in Western Canada. Respondents finished things that we created to survey CSR negativity (conceptualized as a steady individual contrast variable). They additionally finished appraisals of an association that they distinguished from among their plausible work choices, including proportions of the apparent degree of CSR, and wariness concerning that association's CSR practices or claims. These actions were implanted inside a bigger poll surveying a few other individual contrasts and enrollment results. We tracked down convincing fundamental proof for these particular builds. For example, CSR pessimism was decidedly connected with doubt toward an association's CSR far beyond comparative, however non-CSR related, individual contrasts like characteristic skepticism and trust inclination<sup>99</sup> (Colquitt et al. , 2006). By and large, we reasoned that, albeit more exploration is required, CSR criticism and doubt toward CSR claims seem, by all accounts, to be builds that exist with significant recurrence in the populace and are particular from one another and from related developments.

Past the absence of build clearness and estimation improvement in this space, there are a few extra headings for future examination that would considerably add to the writing on CSR blowback impacts, especially among employees and occupation searchers, which are almost unstudied in such a manner. In this last area, I first momentarily feature a few promising speculations and structures that can be utilized as the reason for framing research questions and testable theories concerning when and why stakeholders respond adversely to CSR. Then, I offer a few vital regions for future request, close to the objective of relieving negative responses to CSR so associations can be urged and spurred to direct business in environmentally and socially dependable ways, and to legitimize proceeded with interests in CSR to bring about some benefit for society and the prosperity of employees.

#### Different Aspects of CSR

As indicated at the start, most of distributed examination to date has inspected stakeholders' (normally buyers) responses to environmental practices and interchanges, with a prospering, yet at the same time later and arising, writing on responses to different types of "greenwashing. " There is next to no exploration that looks at responses to different kinds

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<sup>98</sup> Foreh, M.R. and Grier, S., 2003. When is honesty the best policy? The effect of stated company intent on consumer skepticism. *Journal of consumer psychology*, 13(3), pp.349-356.

<sup>99</sup> Colquitt, J.A., Scott, B.A., Judge, T.A. and Shaw, J.C., 2006. Justice and personality: Using integrative theories to derive moderators of justice effects. *Organizational behavior and human decision processes*, 100(1), pp.110-127.

of CSR, like local area inclusion, or that thinks about reactions to various sorts of CSR inside a solitary report. Earlier examination proposes that there could be significant and significant contrasts<sup>100</sup> (Rupp et al. , 2006). For example, local area contribution might evoke more grounded positive signs than supportive of environmental works on, recommending that local area situated CSR could be deciphered as more honorable by work searchers<sup>101</sup> (Jones et al. , 2014). Moreover, Bridoux et al. (2016) noticed contrasts in how their members reacted to CSR toward the environment, versus providers, in emerging nations. In their lab study, Wagner et al. (2009)<sup>102</sup> observed that impressions of corporate lip service were marginally higher in the review condition relating to environmental CSR, versus conditions that portrayed employee treatment or keeping up with neighborhood business. Morsing et al. (2008)<sup>103</sup> refer to contrasts in Danish public impression of which parts of corporate citizenship are "generally fundamental," with treatment of employees getting 45% underwriting, treatment of the environment getting 23%, and local area inclusion getting merely 5%.

In Edwards and Kudret's (2017)<sup>104</sup> research on employee reactions to CSR, they all the while inspected responses to numerous elements of CSR, for sure they term "multi-foci CSR." Although they found positive relationships between client engaged, environmental, and local area CSR, with results including employee pride, responsibility, and execution, the outcomes were shifted. Further, they didn't observe positive relationships regarding CSR coordinated at investors, and the creators recognize that investor CSR could be considered to be outside most understandings of what establishes CSR. Along these lines, one exact inquiry is whether stakeholders would be pretty much distrustful toward CSR rehearses that are thought of "optional" (for example local area association, favorable to environmental practices) versus "business basic" (for example moral strategic policies), and regardless of whether there are contrasts in assumptions for the degree of firm execution on these aspects maybe additionally relying upon how such practices are imparted or advanced. One more inquiry is whether CSR connected with the environment may be passed judgment on more cruelly than different types of CSR because of widespread greenwashing. Or on the other hand may stakeholders be more tolerant of green practices since they could be all the more effectively undeniable and might have all the more promptly quantifiable effects

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<sup>100</sup> Rupp, D. E. , Ganapathi, J. , Aguilera, R. V. , and Williams, C. A. 2006. Employee reactions to corporate social responsibility: An organizational justice framework. *Journal of Organizational Behavior*, 27, 537–43.

<sup>101</sup> Jones, D. A. , and Willness, C. R. 2014. Environmental management practices: Pre- and post-hire effects, mechanisms, and moderators. Paper in C. R. Willness (chair), *Advancing corporate social responsibility theory through I-O psychology*, at the annual meeting of the Society for Industrial and Organizational Psychology, Oahu, HI.

<sup>102</sup> Wagner, T. , Lutz, R. J. , and Weitz, B. A. 2009. Corporate hypocrisy: Overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing*, 73, 77–91.

<sup>103</sup> Morsing, M., Schultz, M. and Nielsen, K.U., 2008. The 'Catch 22' of communicating CSR: Findings from a Danish study. *Journal of marketing communications*, 14(2), pp.97-111.

<sup>104</sup> Ibid.

(versus local area contribution, for instance)? In conclusion, future examination ought to additionally inspect responses for inside versus remotely engaged CSR rehearses (for example CSR coordinated toward the association's own employees, versus the more extensive local area), just as their individual CSR correspondence systems.

Seeing how stakeholders see CSR is a higher priority than any time in recent times as organizations are safeguarding against cases of greenwashing and hostile to Wall Street opinion. Inspecting a more extensive thought of the brain research of CSR as far as both positive and pessimistic reactions is significant for all the more completely seeing how individuals see and respond to an organization's CSR rehearses, and eventually, to the actual organization. Until now, most examinations have zeroed in on certain insights, reactions, and effects of CSR.

By far most distributed examination that looks at individuals' negative responses to associations' corporate social obligation practices and interchanges has been led in a customer conduct setting. A few significant experiences can be gotten from this earlier work, including the basic job of credited intentions in CSR, the inescapability of incredulity, and significant contemplations like legitimacy and validity. Nonetheless, there is a stamped lack of exploration on other stakeholder bunches who apparently involve a higher stakes relationship with an association, to be specific work searchers and employees. Late examinations recommend that these stakeholders may in like manner respond adversely even to benevolent CSR endeavors, and that CSR negativity and doubt toward CSR claims are significant developments that exist with some recurrence in the population.

Future examination would profit from applying hypothetical focal points like those relating to attributions and authoritative equity and devoting critical thoughtfulness regarding build lucidity and estimation improvement. Also, more work is expected to inspect the impact of data source believability, the viability of CSR correspondence techniques, and likely contrasts in responses to different components of CSR. Eventually, more prominent comprehension of the brain science of CSR can work with the reception of CSR rehearses that make significant shared advantages, which thus will empower, and upgrade organizations proceeded with interests in CSR, and at last lead to positive social effect.

#### **IV. The Stakeholder Theory**

There is another account of business that is arising all through the world. Part of that new story is the expanded significance of initiatives like CSR. While the full story of this new account is for another event, we need to make a move to propose that CSR or corporate sustainability can assume a significant part as our hypothesis of business develops towards one deserving of current standards for people. Since the commencement of the possibility of CSR, there has been debate. In the last part of the previous century, this debate emitted into a full-scale philosophical fight. Friedman of the University of Chicago, contended that CSR was basically an indecent thought, disregarding the privileges of the "proprietors" of

organizations<sup>105</sup> (Friedman, 1970). By utilizing corporate assets to tackle non-business "social" issues, the leaders taking part in CSR were taking from investors. They contended that to utilize their assets in such a manner they could do as such themselves secretly. The purported "Chicago School" formed into an out and out philosophy that significantly changed the business scene and exists even today in most significant business colleges and monetary bases in the world.

The pundits of this philosophy have been incalculable takedowns of the presumptions incorporated into the Chicago School belief system, and scarcely a month passes by without another article showing how "homo economicus" doesn't inform us much concerning the genuine world. The CSR writing created in administration and business morals frequently as an antithesis to this philosophy. In all actuality, the discussion is another launch of the Berle-Dodd banter a whole lot sooner in the twentieth Century about the reason for the company. Nonetheless, the possibility of CSR has itself become challenged. It has been censored from a number of contrasting and contradictory perspectives, each expecting to be a very unique rendition of both CSR and "business". As we have been one of these pundits of the possibility of CSR<sup>106</sup> (Freeman, 1984), yet have never acknowledged the Chicago School philosophy, we need to utilize this paper to propose some more supportive thoughts regarding when the possibility of CSR can be valuable, its relationship to partner hypothesis, and how we can "disintegrate", the strain between "unrestricted economies" and "corporate social obligation". In part 2 of this chapter, we recap the reactions of CSR to show the contestability of the essential idea. In part 3, we break down where CSR and partner hypotheses remain according to one another. In part 4, we recommend a set of standards that can assist with adjusting CSR and partner hypotheses and beat the analysis. In 5, we give research questions that can possibly add to the future scene of CSR research.

At whatever point one discusses business morals – either as far as grant, or the discipline educated in business colleges, or authoritative standards applied in organizations, both CSR and stakeholder theory<sup>107</sup> come as two significant ideas. Be that as it may, there has been little lucidity such in what connection CSR and stakeholder theory have with one another. A few researchers expected that one idea is a subset of the other<sup>108</sup> (Garriga and Mele, 2004), others considered these ideas to be to some degree contending views<sup>109</sup> (Brown and Forster,

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<sup>105</sup> Friedman, M. , 1970. A theoretical framework for monetary analysis. *Journal of Political Economy*, 78(2), pp. 193-238.

<sup>106</sup> Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.

<sup>107</sup> A view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities, and others who have a stake in the organization; argument that firms should create value for all stakeholders, not just shareholders. ([Stakeholder Theory, n.d.](#))

<sup>108</sup> Garriga, E. and Melé, D. , 2004. Corporate social responsibility theories: Mapping the territory. *Journal of business ethics*, 53(1), pp. 51-71.

<sup>109</sup> Brown, J. A. and Forster, W. R. , 2013. CSR and stakeholder theory: A tale of Adam Smith. *Journal of business ethics*, 112(2), pp. 301-312.

2013), and others fabricated their contentions on the voluntary nature of CSR and partner hypothesis<sup>110</sup> (Russo and Perrini, 2010). However, most researchers in business morals didn't engross themselves with this inquiry and were composing either inside either stream of examination without cautiously inspecting the connection between the two. Notwithstanding, considering that the collection of exploration on CSR and stakeholder theory has extensively grown throughout the last years and the two ideas frequently appear to be identical business issues according to various perspectives, we trust that some clearness in such manner may be useful to determine pointless pressure or disarray between the two streams of thought.

We consider stakeholder theory and CSR to be ideas with some crossover. The primary comparability between the two ideas is that both partner hypothesis and CSR stress the significance of fusing cultural interests into business tasks. Organizations are implanted in the public arena consistently. They are never pretty much as discrete as the protectors of neoclassical hypotheses attempt and imagine. Simultaneously, the two ideas vary in that stakeholder theory sets the critical obligations of the business generally, for example corporate obligations, where obligation to the general public is a vital yet just one section among other corporate obligations. CSR focuses on one part of business – its direction toward the general public overall, for example its social direction – over the other business obligations. Partner hypothesis places that the pith of business fundamentally lies in building connections and making an incentive for every one of its partners. However, the piece of partners might vary contingent upon the organization's industry and plan of action, the fundamental partners normally incorporate workers, clients, networks, providers, and lenders. This large number of partners are similarly significant for the organization and any compromise among the partners ought to be kept away from. Rather chiefs need to observe ways that these interests can be directed into a similar course. With regards to CSR, it is an umbrella idea for organization's exercises arranged toward society at large that incorporates good cause, chipping in, environmental endeavors, and moral work rehearses. Uniquely in contrast to stakeholder theory, CSR neither endeavors to get what business completely is about nor attempts to specify its general scope of obligations. All things considered, CSR centers around one stream of business obligations – obligation to nearby networks and society in general – to guarantee business conveys on it. Albeit here and there friendly obligations could be coordinated per partner, social direction would in any case win there.

Both stakeholder theory and CSR stress the significance of organization obligation toward networks and society. Be that as it may, stakeholder theory tends to focus its consideration inside a sensible reach of organization's exercises, along these lines zeroing in on neighborhood networks where the organization works and encompassing society, a greater region where nearby networks dwell, for example city or locale. While CSR will in general broaden the social direction of the organization a lot further, frequently to its most extreme. For example, it isn't unprecedented to hear from the CSR followers that organizations need to assist with battling illnesses and mitigate destitution in remote parts of the globe,

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<sup>110</sup> Russo, A. and Perrini, F. , 2010. Investigating stakeholder theory and social capital: CSR in large firms and SMEs. *Journal of Business ethics*, 91(2), pp. 207-221.

regardless of whether the organization has no single activity there and no specific aptitude in doing either task. With regards to organization obligations toward representatives and clients, CSR for the most part centers around moral work rehearses and environmental practices, while stakeholder theory attempts to accept organization obligations toward these stakeholders in full, as well as the stakeholders' obligations towards the organization and its different stakeholders. Stakeholder theory additionally addresses organization obligations toward lenders and providers; while CSR doesn't underscore these specific stakeholder gatherings and considers liability to be one-directional.

One more method for clarifying contrasts between stakeholder theory and CSR is to perceive the distinction in points of view from which every one of these ideas takes a gander at the organization. Stakeholder theory for the most part takes a gander at the organization according to the point of view of the organization itself, and according to the point of view of organization's nearby stakeholders. This point of view is shaped by stakeholder theory's case that the organization has liability to work in light of a legitimate concern for every one of its stakeholders<sup>111</sup> (Freeman, 1984). Moreover, stakeholder theory places that stakeholders are associated, and making an incentive for one stakeholder makes an incentive for the others<sup>112</sup> (Freeman, 2010). CSR takes a gander at the organization according to another point of view – society in general. Along these lines, CSR focuses on certain organization obligations over the others, to be specific organization obligations to society over the obligations to different stakeholders. In spite of the fact that CSR and stakeholder theory frequently take a gander at similar issues in administration, according to alternate points of view, we accept that the dialects of the two ideas can be valuable, furthermore their application is reliant upon the specific issue we need to address. On the off chance that we look at the organization comprehensively, considering its general reason, mission, values, viability, usefulness, and its effect on all organization stakeholders, then, at that point, stakeholder theory can be a valuable instrument to give direction on how the organization ought to work generally speaking. Stakeholder theory specifies organization's obligations to every one of their stakeholders - for example, obligation to clients, obligation to representatives, obligation to lenders, obligation to providers, and obligation to the community. Simultaneously, it does some of the time appear to be legit to isolate out some critical stakeholder connections i) for extraordinary aptitude, correspondingly to how advertising does it with clients, or on the other hand finance with lenders, or ii) for those spaces where an organization is doing a particularly poor job. This is the place where the language of CSR can frequently be a valuable instrument to single out obligation to networks, or society on the loose, as deserving of extraordinary consideration. At the end of the day, when we talk concerning how an organization ought to work as a rule, we can utilize the term corporate obligations alluding to organization's obligations to all its stakeholders, who are for the most part similarly significant. Simultaneously, there will likewise be events when

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<sup>111</sup> Ibid

<sup>112</sup> Freeman, R. E. , Harrison, J. S. , Wicks, A. C. , Parmar, B. L. and De Colle, S. (2010). Stakeholder Theory: The State of the Art. New York: Cambridge University Press.

it's a good idea to limit our concentration to organization's obligation to a specific stakeholder and indicate it correspondingly. For example, when we need to stress organization's obligation to neighborhood networks or society at large, we might add social to accentuate the requirement for social direction of the organization, along these lines showing up to the term corporate social obligation.

Without a doubt, CSR for the most part manages social issues. For occurrence, the extent of CSR would ordinarily be further developing admittance to instruction among local area individuals (or society in general), furnishing them with better medical services openings, or working on their ecological conditions. Be that as it may, CSR does not go past the responsibility of the organization. For instance, CSR isn't the term that comes to mind when the organization needs to manage the issues of making significant work or long-haul profession openings for organization representatives, giving maintainable contract terms or building dependable organizations with organization providers, tending to purchaser needs or offering the best benefit for cash for clients, illuminating financial backers about the critical vital choices or using investors' resources in the most useful way. These issues are important for corporate obligations that go past the CSR space.

CSR is not just important for corporate obligations; these two ideas are profoundly interconnected. There are normal components that make corporate obligations, and corporate social obligations specifically, brought together. In the absolute in front of the rest of the competition, organization's presence begins from its motivation. There is typically some need on the planet that motivates the introduction of an association and as the organization develops, its motivation ought to never be neglected. Each organization ought to be reason driven, implying that the reason must similarly i) decide the direction in which the organization is going – corporate vision, mission, and methodology, and ii) specify corporate obligations. It is additionally essential to recollect that from the earliest reference point the reason should exist in the moral space. Such ethically arranged reason safeguards an association against the ascent of bogus polarities of financial versus social, business versus morals, or stakeholder intrigues versus cultural interests.

Stakeholder theory entails that organizations need to give value for all stakeholders. This is the manner by which Purpose – motivation that prompted the introduction of the organization – gets appeared practically speaking. Understanding that business is tied in with making an incentive for clients, representatives, lenders, providers, and networks neutralizes an allurements to utilize CSR for covering bad behavior for certain different stakeholders as the justification behind bad behavior some different stakeholders is debilitated. Accomplishing something beneficial in the space of CSR is as significant as making an incentive for different stakeholders. This reverberates with Freeman's portrayal of lingering and incorporated ways to deal with CSR, where the last option is rewarding society solely after benefits are made, while the previous is tied in with incorporating financial with social, environmental, and moral dynamic standards. It is a generally expected conviction that business is tied in with making choices, and in the realm of restricted assets, business choices include compromises. On the off chance that organizations help associations, then, at that point, investors will get a lower return on their speculation. Or on

the other hand, on the off chance that the organization gives generally excellent terms to their providers, then, at that point, clients should pay for items more. Or on the other hand, on the off chance that the organization offers above the market normal remuneration bundle to its representatives, then, at that point, the remainder of stakeholders will get less value. Evidently, these are bogus polarities. What is overlooked in this rationale is that stakeholders are associated and making an incentive for one stakeholder moreover adds to making an incentive for other people. Assisting people group with canning make investors lucky to be in numerous ways; in like manner, satisfying providers or on the other hand representatives is additionally advantageous for clients.

## **V. The Business Case on CSR**

As of now, the request if CSR rehearses, as it has been avowed, 'are useful for business', is of expanded importance. It is only a minor frivolity to express that the legitimacy of the current methodology has come to depend on the inquiry whether the financial stakeholders will be sufficiently helped by the market to act in a socially responsible manner. Since its introduction, the European disclosure on CSR has focused on the constructive outcome of CSR practice on the financial presentation of corporations.

### **A The Reasoning**

A first opinions: The 'business case' is constructed emphasizes on the effect of CSR policies in an inner operational level in an organization. An approach that is deemed socially responsible to refining the workplace setting, and in this manner guarantees that the workforce stays productive and committed. The organizations with a fine notoriety will see that it is simpler to draw in the finest representatives and employees and maintain their presence inside the organization, and corporations today have a higher enthusiasm for retaining profoundly gifted and skilled employees, as knowledge and advancement become progressively significant for competitiveness. Secondly, an environmentally responsible lead guarantees the most proficient utilization of assets. This is what is referred to as being 'eco-efficient'. As mentioned in the 2001 Green Paper on CSR, diminishing the consumption of assets or lessening emissions and waste can decrease the negative ecological effect. It is considered useful for the business to reduce waste bills and energy consumption and bringing down contamination expenses<sup>113</sup> (The Green Paper, 2001, para 39). Thirdly, involving the representatives of the social community and civil society organizations where CSR undertakings operate may help to assemble trust among stakeholders, expanding thusly a 'license to operate' for organizations and the possibility that they will have support by the community.

A second opinion is built on the hope that the market will gradually remunerate practices that are deemed socially responsible, given that stakeholders give more consideration to these measurements. Considering that consumers are becoming more knowledgeable and

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<sup>113</sup> Ibid

cautious towards issued concerning social and environmental responsibility, they might be attracted to the products of the organization if they portray a certain positive image. An inclination is seen in the tendency among official financial specialists to choose the organizations where they have their investments to be considerate of social and environmental issues, alongside economic profitability. Whether is it because of moral concerns or based on proof that organizations which take CSR into consideration are more economically profitable, funds are now integrating CSR into their process of selection when looking to invest their money in corporations. Consequently, this process acts as a filter to sift out organizations that fail to meet specific environmental and social criteria. For instance, the Domini European Social Equity fund explicitly states that it exclusively invests in companies that demonstrate a commitment to social responsibility. In pursuit of this objective, it refrains from investing in companies associated with industries such as oil, weaponry, nuclear, coal, tobacco, and alcohol. Additionally, it excludes companies that exhibit subpar performance in critical areas such as human rights, corporate governance, diversity among employees, and community and corporate citizenship.

Within this framework, a meticulously designed Corporate Social Responsibility (CSR) framework can wield a profoundly beneficial influence on a company's stock market value and its capacity to attract investment capital. Stakeholder activism, a burgeoning force, plays a pivotal role in the overarching movement towards improved corporate governance. This surge in stakeholder activism can be ascribed, in part, to the escalating sway of pension funds within the investment arena. Consequently, organizations face mounting demands to operate with heightened transparency and a stronger commitment to ethical conduct, with a keen focus on their societal and environmental impact.

Expanding upon these concepts, the strategic implementation of CSR initiatives is increasingly recognized as a key driver of a company's financial success. Such initiatives not only enhance a company's reputation and attractiveness to investors but also have the potential to bolster its stock market performance. A well-crafted CSR strategy encompasses a range of activities, including philanthropic endeavors, sustainable practices, ethical sourcing, and community engagement, all of which contribute to a more favorable perception among investors and stakeholders alike.

Stakeholder activism, fueled by the desire for greater corporate accountability and ethical behavior, has emerged as a driving force in the contemporary corporate landscape. It represents a shift towards more responsible and sustainable business practices. As stakeholders, including employees, customers, communities, and environmental advocates, raise their voices and exert influence, companies are compelled to align their operations with societal values and environmental concerns. The ascent of pension funds as significant players in the world of investments has added a new dimension to this transformation. With substantial assets under management, these funds wield substantial influence and are increasingly focused on investments that not only promise financial returns but also demonstrate social and environmental responsibility. This evolving landscape compels companies to integrate ethical considerations and sustainability into their core business strategies.

As a result, companies face the dual challenge of meeting the financial expectations of their shareholders and the ethical and environmental demands of an increasingly discerning public. This growing emphasis on transparency, integrity, and commitment to broader societal and environmental objectives represents a profound shift in the expectations of modern businesses. Successfully navigating this paradigm shift can lead to enhanced financial performance, greater access to capital, and an improved standing in the eyes of both investors and the public.

Stakeholder activism has become a driving force in urging businesses to uphold higher ethical standards and align their operations with societal and environmental concerns. The investment decisions of funds like the Domini European Social Equity fund, which are guided by social responsibility principles, not only have financial implications for the companies they invest in but also serve as a powerful incentive for organizations to adopt more sustainable and responsible practices.

This growing emphasis on ethical and responsible business behavior underscores the evolving landscape of corporate practices. Companies are not only expected to generate profits but also to demonstrate a genuine commitment to broader societal welfare. The ability to align business objectives with social and environmental responsibilities is becoming a key factor in an organization's long-term success, reflecting the shift toward a more responsible and sustainable approach to business in the modern era.

## *B* The Uncertainty

The 'business case' advocating for the adoption of CSR policies by organizations initially appears highly compelling. With each passing day, the evidence supporting a positive correlation between CSR and business outcomes continues to accumulate. However, in practice, this argument assumes a somewhat ambivalent role. It serves as a rationale to encourage organizations to engage in CSR by highlighting the potential financial gains that such commitment can yield. Nevertheless, it is not without its complexities.

First and foremost, it creates a scenario where CSR becomes dependent on financial returns, which may lead to unintended consequences. In essence, it may suggest, and be construed to imply, that if engaging in CSR initiatives is not financially advantageous, organizations should abstain from their implementation. This could lead to CSR being treated as just one among many investment options, where companies assess the anticipated benefits and associated revenues in comparison to the costs before deciding to participate.

However, the challenge arises when one acknowledges that CSR should ideally be driven by a genuine commitment to ethical and social responsibility, rather than solely by the pursuit of financial gain. This is where the 'business case' encounters its limitations. When organizations engage in CSR solely for the purpose of financial gain, the authenticity of their efforts can come into question. It risks becoming a mere calculation of profit and loss, rather than a reflection of a company's dedication to making a positive impact on society and the environment.

A more nuanced approach to CSR involves recognizing that it carries inherent value, even if the financial benefits are not immediately apparent. By embracing CSR as a moral and ethical imperative, organizations can make a meaningful difference in addressing social and environmental challenges, even if the immediate financial returns are uncertain. This long-term perspective not only aligns with the broader objectives of corporate responsibility but also safeguards against short-sighted decision-making driven solely by financial considerations.

In summary, the 'business case' for CSR, while persuasive, needs to be complemented by a deeper commitment to social and environmental responsibility. Organizations should view CSR as more than just a financial investment and instead as an integral part of their ethical identity, promoting a sustainable and socially conscious approach to business that extends beyond profit and loss considerations. In this way, CSR can fulfill its true potential as a force for positive change in the world.

The second argument is seen as a delicate argument. Reliable exhibitions stating that a 'business case' occurs for socially responsible practice would need to recognize differentiation between the various initiatives which may be implemented by an organization to improve its CSR practice, in accordance with the various sections of the market. Also, it would need to consider the expense of such initiatives being implemented in any case. As such, this may impose, for example, bureaucratic burdens, human recourse personnel trainings or open the organization to additional examination by societal associations. It would need to distinguish the momentary effect of such initiatives and the long-term impacts. More significantly, the 'business case' expands on specific assumptions about the consumers, labor and financial specialists, where in some cases these assumptions could be prevalent, and which might and might not become a conduct that compensates the best practices and sanctions the poorest of them.

To this end, given the context specific nature of these encounters, it is very hard to come up with general lessons or rules based on them. Additionally, some corporations might adopt CSR practices and as a result, benefit greatly in terms of profit and reputation. However, as time goes by, other rival organizations could start adopting these practices from the organizations that implemented them first, in which case, it will become very difficult to distinguish between the corporations that went the extra mile to adopt these practices and others that we could call "copycats". In other words, it will become insignificant. Of course, this idea is not an argument against the 'Business Case' per se, but it serves to represent the context dependency of this argument being based on the economic rewards accumulating to the organizations acting most responsibly.

### C The Inevitability of a Structured Regulatory Framework Governing CSR

The EU Eco Management and Audit Scheme was introduced in 1995. The goal of said scheme was to provide transparency of corporations that are adopting CSR measures. This transparency was kept true by analyzing and confirming that the audit program, management frameworks, and environmental decree meet the necessities of the scheme.

The environmental statements of these organizations must be accredited and approved by certain verifiers specialized in environmental and social issues. The EMAS logo signals EMAS registration and should loan validity to the duties of the organization to checking and improving its environmental performance.

It was pointed out by the creators of the Dependable Competitiveness report distributed in December 2005 after two years of research on the connection between responsible business and competitiveness that individual organizations can't go against the natural order of the market. Being responsible pays in some cases and in other cases it doesn't. While the developing significance of intangible properties has opened doors for utilizing responsible business approaches, the strengthening of competition and the momentary nature of investors oblige the presence of such practices<sup>114</sup> (Zadek et al. , 2005). This is where 'responsible competitiveness' comes to action. It is shown that the 'business case' for socially responsible conducts assumes a framework without which such a conduct may not necessarily be beneficial to the business individually.

It is reviewed that the reduction of consumption of resources and reducing pollution and emissions results in the reduction of energy and waste disposal bills and well as lowering input and depollution costs. The validity of such a claim relies upon the balance between the expenses of utilizing less energy (which may require, for example, obtaining newer cleaner technologies) or creating less waste (which may require changing the production process), on the one hand, and the cost of energy and the disposal of waste, on the other; and whether it will be financially profitable to decrease energy consumption and pollution instead of acknowledging the hazard of meeting de-pollution costs will rely upon the arrangement of property rights in place and, specifically, the hazard that the organization will be forced to de-pollute. This not only highlights the risk that CSR, accordingly, will be minimized to a solution to act essentially as an informed objective economic actor. It additionally shows that, for a government, the most immediate arrangement to environmentally responsible conduct is basically to increase the cost of energy, collect high charges for waste disposal (by volume) and to oblige organizations to disclose the expenses of the pollution they result in.

The second example is given to us by the expectations about consumer's behavior. As mentioned in a report on 'ethical consumerism', illustrating both the promises and limits of ethical consumerism, governments have a crucial role and a vital task to carry out so as to guarantee that the choices that consumers are an effective incentive for corporations towards the improvement of their CSR performances<sup>115</sup> (Forstater et al. , 2006). Consumers

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<sup>114</sup> Zadek, S. , Raynard, P. , Oliveira, C. , do Nascimento, E. and Tello, R. , 2005. Responsible competitiveness: Reshaping markets through responsible business practices. AccountAbility, Fundação Dom Cabral, UN Global Compact, available at: [https://issuu.com/zadeknet/docs/reshaping\\_global\\_markets\\_2005](https://issuu.com/zadeknet/docs/reshaping_global_markets_2005)

<sup>115</sup> Forstater, M. , Oelschaegel, J. , Sillanpää, M. and Mayo, E. , 2006. What Assures Consumers? National Consumer Council.

should be empowered to make the 'better' decision in terms of being socially responsible. Not only do organizations require the collaborative action of organizations, NGOs, or specialists, so as to persuade singular customers that their moral method of doing business should matter to the customers' decisions; the active role of governments is equally required. Governments ought to confirm the measures which organizations must abide by to advance their CSR strategies, by building certification plans. Governments should also lead by example, where they utilize social and environmental measures in the awarding of public contracts. By doing so, they contribute to making the consumer more conscious of the consequences of their own conduct. Also, the education of the consumer about being ethically and morally aware about their actions by hosting campaigns regarding ethical consumerism is a must.

There is an obvious need for some type of certification for the code of conduct that is voluntarily applied by corporations, either on a sectoral base or as a whole, as well as a need for securing such codes of conduct ensuring their effectivity through monitoring by a third party. Without some type of confirmation, either by an NGO or—ideally—by governmental specialists, it will be unimaginable for the consumer to see the difference between a reliably item being produced item subject to a certain code of conduct, ensuring that the item being purchased is manufactured pursuant to specific measures, and another item being produced pursuant to codes of conduct put in force only for public relations purposes, disregarding certain principles, and not being subjected to a certain type of verification. The labelling initiatives which have been multiplying intend to maintain the risks that could appear because of company level adopted initiatives. The goal of such labels is to certify that the corporation is a genuine one and is producing the item pursuant to the rules and regulations that have been set by the labelling authority. However, it has been noted by the European commission in its Green Paper on CSR, which notes that the developing number of labeling schemes may be unfavorable to their adequacy and effectiveness, as confusion may arise among consumers because of conflicting criteria and the absence of clarity among different labels and what they represent<sup>116</sup> (The Green Paper, 2001, para 82).

Because of this lack of coordination, which extends to both verifying the effectiveness of codes of conduct implemented by individual companies and validating the credibility of labeling schemes, the presumption that consumers can make ethically sound choices is undermined by the current state of affairs. The net result is that consumers, despite their ethical intentions, may find it difficult to navigate the complex landscape of ethical considerations when making purchasing decisions. What's more, this ambiguity in the ethical market may lead to a situation where less rigorous codes of conduct and labeling schemes gain prominence over their more robust counterparts.

In light of the economic considerations, it's worth noting that adhering to the stricter and more dependable codes of conduct and labeling schemes can be a more costly and less economically efficient endeavor for businesses. Given this, corporations might be inclined to opt for codes of conduct and labeling schemes that impose fewer commitments and entail

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<sup>116</sup> Ibid, para 82.

lower expenses. Consequently, in the current setup, financial incentives often favor the adoption of less demanding ethical standards. However, if corporations that genuinely commit to social responsibility by following stringent codes of conduct and utilizing trustworthy labeling schemes receive tangible rewards for their efforts, it could act as a catalyst for wider adoption of such practices. In this scenario, businesses would be incentivized to uphold higher ethical standards, as they would see clear benefits in doing so. This, in turn, could foster a more ethical business environment and a heightened commitment to responsible conduct.

Fundamentally, the key dilemma revolves around harmonizing financial incentives with moral principles, creating an environment where companies are not discouraged from adopting rigorous ethical standards. When consumers and the entire marketplace place significant value on and actively recognize and reward socially responsible conduct, businesses tend to place a higher emphasis on and enthusiastically adopt these ethical practices. This, in turn, contributes to the cultivation of a business environment that is increasingly attuned to ethical considerations and principles.

This predicament highlights the pivotal role played by consumers, regulatory authorities, and other stakeholders in shaping the ethical contours of the business world. Their collective influence and actions can significantly impact the trajectory of corporate behavior, steering it towards a more ethical and socially responsible path. By endorsing and supporting ethical practices, consumers wield the power to encourage businesses to prioritize responsible conduct and incorporate it into their core operations. Likewise, regulators, through the implementation of policies and standards, can create a framework that promotes and rewards ethical behavior, further reinforcing the adoption of high ethical standards.

Moreover, investors, too, play a vital role in this equation. When investors allocate their capital to companies with strong ethical track records and a commitment to social responsibility, they send a clear message to the business world. This message is one that underscores the financial benefits of ethical conduct, demonstrating that ethical businesses can be not only profitable but also resilient and sustainable over the long term. This can act as a catalyst, driving more companies to integrate ethical considerations into their strategies and decision-making processes.

In an increasingly interconnected and socially aware world, the ethical landscape of business is shaped not only by the moral compass of individuals and organizations but also by the collective expectations and actions of society at large. It is a dynamic interplay, where the ethical consciousness of consumers, the regulatory framework, the investment landscape, and the commitment of businesses intersect to influence the ethical fabric of the business environment. By nurturing a culture that prizes and rewards ethical conduct, we can collectively contribute to a business world that operates with integrity, compassion, and a strong sense of social responsibility.

## D Enlargement

The degree to which the limit with of CSR tools can adjust the conduct of organizations relies upon a scope of cultural, social and economic elements, which work together with the legal factors establishing the administrative structure for CSR. CSR policies can have very context-specific aspect, for that reason CSR approaches are faced with another test in the broadened Union, due to the specific position of Central and Eastern European nations (CEE) on CSR. These nations present a specific relationship to the flow of foreign direct investment (FDI). As quickly developing economies, they have drawn in significant degrees of FDI in recent years, particularly because of the enormous privatizations during the 1990s<sup>117</sup>. This attractiveness might be because of various factors, including that while the laborers are exceptionally talented, the wages are low in comparison and hence the efficiency somewhat high; that, because of growing consumerism and a rise in wages and significant inflows of FDI, the business sectors are quickly developing and coordinated with the adjoining economies; and that the EU-10 give various impetuses to draw in FDI, with a low degree of tax collection for corporate benefits.

This turn of events under which a market economy was made in the new EU Member States has had two significant results. In the first place, despite the fact that reviews appear to demonstrate that the FDI inflows in the new EU Member States are essentially market-driven—ie pulled in by a quick growing consumer demand—rather than efficiency-driven or asset driven, these nations have been acting as though they were going up against each other, and with the Western European nations, for FDI, on which they are highly dependent. These nations may accordingly be hesitant to force obligations on investors. However, the significant inflow of FDI since the mid-1990s appears to have prompted the importation inside the nations worried of the CSR systems, strategies and model of the multinationals present inside their economies, who have transmitted their best practice to the local firms. The outcome might be the rise of a two-tiered methodology on CSR: from one viewpoint, certain noticeable organizations, who have a significant interest in protecting their reputation and their capital, will try to repeat best practices previously developed and implemented somewhere else; subsequently, corporations who are less subject to their brand image representation, may just look to take out the most from an administrative climate molded to be suitable to business. There is not a remotely good excuse to accept that the previous will swarm out the last option, or that the last option will be driven bankrupt: the two arrangements of corporations just enjoy diverse serious benefits, which they try to boost each in their own specific manners.

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<sup>117</sup> The privatizations of the 1990s led to major inflows of FDI in CEE countries. The accession of 10 CEE countries to the EU in 2004 has been a comparatively less significant factor in their attractiveness. On average, the market share of FDI of the new member states increased following their accession to the EU, with the majority of FDI coming from EU-15 states. But not all of the new Member states have benefited from increased levels of FDI

(*FDI Quarterly*, OCO Consulting, Issue 1, Qtr. 1, 2006, at p. 12).

Second, CEE nations have been greatly rebuilding their economies since the breakdown of the Eastern bloc in 1989–1990, driving specifically to the enormous scope privatization of already public services. The social outcomes of this, while difficult to gauge, appear to be that the actors are for the most part reluctant with regards to the inconvenience of unnecessary guidelines on financial movement, which they see as a recolonization by legislative issues of the market. Also, the social setting gives specific contrasts the nations of EU-15. Consumers appear to be even less driven by the ethical aspect of consumerism than in Western Europe. Because of their need of financial support, common society associations in CEE nations are sometimes prompted to give consultancy to organizations about CSR rehearses, which might undermine their freedom and their capacity to go about as guard dogs about corporate abusers, suggesting that a significant motivation to execute CSR rehearses—to stay away from the danger of being reprimanded for such maltreatments—might be inadequate.

Third, the financial exchange capitalization in the new Member States is by and large low in contrast with the circumstance in the EU-15, and most partnerships are not recorded on the nearby stock trade. The effect for CSR is that one of its fundamental drivers—stakeholder awareness and activism, perceived in the wide sense to incorporate socially dependable venture—will be practically missing for local firms. The significance of the presence of multinationals in the EU-10 does not make up for this, since these organizations will be recorded on unfamiliar stock trades, which will regularly consider the exercises of these organizations abroad, in any event, expecting the data about the non-financial parts of these exercises is accessible.

Hence, the newly admitted European Union (EU) member states may closely examine the effectiveness of Corporate Social Responsibility (CSR) policies, even when offered specific incentives by the government, to determine if these policies truly deliver on their promises. The opportunity that remains for member states to incorporate social and environmental considerations into their public procurement policies or, as envisioned in the Unfair Commercial Practices Directive, to facilitate the establishment of entities responsible for monitoring compliance with voluntarily adopted codes of conduct, underscores the willingness of member states to tread this path. This willingness, in turn, depends on a comprehensive evaluation that gives ample attention to these concerns.

What's even more significant is that the advantages for any company engaging in CSR initiatives hinge on the vigilance of consumers' activism, the diligence of customer associations, or the scrutiny of non-governmental organizations monitoring corporate behavior. In cases where such activism is lacking, companies may find limited incentives to align with our optimistic expectations regarding the role of businesses in the public sphere, especially if they merely comply with the legal requirements.

In the realm of CSR, much like in other domains of European integration, the impact of expansion can potentially magnify the need for greater harmonization. This realization occurs when we consider that the alternative might be a further dilution of standards. Recent measures have been put in place to advance this pursuit.

In light of these observations, the onus falls not only on governments and regulatory bodies but also on consumers, advocacy groups, and various stakeholders to play an active role in fostering ethical and sustainable business practices. This collective engagement serves as a powerful catalyst for encouraging companies to embrace CSR and go beyond mere legal compliance.

By emphasizing transparency, social responsibility, and environmental stewardship, we can drive a shift towards a business landscape where CSR is not just a choice but a fundamental element of corporate identity. In this landscape, the true impact of CSR becomes not only a matter of meeting legal obligations but a reflection of a commitment to the well-being of society and the planet. The journey toward a more socially conscious and environmentally sustainable future requires a collaborative effort that extends across the spectrum of public and private sectors, reaffirming the transformative potential of CSR in the European context.

## **VI. CSR Corresponding Initiatives**

### **A The United Nation's Global Compact**

The United Nations Global Compact is a United Nations agreement is an initiative established in order to urge organizations to implement sustainable and socially acceptable approaches, and to report their execution. Although it is considered non-binding, The UN Global Compact is a rule-based framework for organizations, expressing ten standards and principles in the sects of human rights, labor, the environment and anti-corruption. Under the Global Compact, organizations are united with UN agencies, labor, and society. The Cities Program is provided so that cities can join the Global Compact. This Global Compact is the world's biggest corporate sustainability initiative with over 12000 corporate members and different stakeholders in over 150 countries (The UN Global Compact, 2000).

The UN Global Compact was publicized by the, at the time, UN Secretary-General Kofi Annan in the World Economic Forum<sup>118</sup> on 31 January 1999, and was made official at the UN headquarters in New York City on July 2000. The Global Compact Office works on the premise of a command set out by the UN General Assembly as an association that advances mindful strategic approaches and UN ideals among the worldwide business network and the UN System. It is one of the many founding establishments from the United Nations Sustainable Stock Exchanges (SSE) activity alongside the Principles for Responsible Investment (PRI), the United Nations Environment Program Finance Initiative (UNEP-FI), and the United Nations Conference on Trade and Development (UNCTAD).

The Global Compact is a management platform that offers a strategic approach for members to propel their duties to sustainability and corporate citizenship. Organized as a public private activity, the Global Compact is strategy structure for development, execution, and exposure of sustainability standards and practices offering members a wide range of specialized work streams, executive instruments and assets, and topical projects and tasks

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all intended to advance sustainable business models and markets so as to contribute to the initiative's mission to build a sustainable and comprehensive global economy.

This initiative stands on two main objectives which are mainstreaming the ten principles on business activity around the globe and starting activities in support of different broad UN goals related to sustainable development. In view of these twin and corresponding objectives, the Global Compact has formed an activity that provides cooperative resolutions for the most major difficulties confronting both business and society. The Global Compact seeks to consolidate the best properties of the UN, such as moral position and assembling power, with the private sector's arrangement discovering qualities, and the expertise and limits of a scope of key stakeholders. The initiative aims to be both global and local; private and open; voluntary and liable. The Global Compact has a one-of-a-kind grouping of members and stakeholders - uniting organizations with governments, civil societies, labor, the United Nations, and other key organizations.

Views on the Global Compact are reasonably divided. Supporters generally consider it to be an inventive and realistic methodology that can change corporate culture by ingraining new qualities and activate the assets of vast businesses for social and sustainable development. It is viewed as a commendable type of "good governance", where collaboration and voluntary approaches prevail upon conflict and ponderous regulation. It is additionally expected to promote "social" or "organizational learning", where business and different stakeholders learn through multi-stakeholder exchange, examination and systems administration.

Detractors of this initiative express concerns that it might inadvertently be more effective in burnishing the image of large corporations than in genuinely advancing environmental and societal well-being. They raise alarm over the inclusion of companies with well-documented records of negligence into the Global Compact, noting that the stipulations imposed upon businesses to adhere to these standards are rather weak. Some argue that the sizable yearly increase in signatories can, in part, be attributed to the lack of stringent entry criteria. This approach has been criticized on the grounds that it tends to attract organizations with a questionable track record in social and environmental responsibility, as they seek to improve their image by associating with a greener initiative.

Another line of criticism pertains to the fact that organizations are allowed to cherry-pick among the nine standards they wish to address, without robust monitoring of their compliance. The emphasis on best practices, according to critics, has the unintended consequence of diverting attention away from instances of negligence, corporate "greenwashing," and various structural factors that contribute to corporate irresponsibility or a perpetuation of the "business as usual" mindset. These critical viewpoints underscore the need for a more rigorous and comprehensive approach to corporate responsibility initiatives. To truly effect positive change in the corporate world, it is imperative to set higher standards for participation, ensure stringent monitoring and compliance mechanisms, and place a stronger emphasis on addressing not just the best practices but also the root causes of corporate negligence. The Global Compact, as well as similar initiatives, must evolve to become more effective tools in advancing sustainability, social responsibility, and ethical

business behavior on a global scale. Such an evolution will require the collective commitment of stakeholders, regulators, and organizations themselves to create a framework that genuinely fosters positive change.

We have to better identify the correlative nature of various types of voluntary activities and their relationship with hard law. Second, initiatives such as the UN Global Compact have a significant consensus building capacity. The more members openly support universal standards, the harder it is for others to shift back and forth without demonstrating any responsibility<sup>119</sup> (Perez-Batres, 2011). Consensus building is especially significant in areas where the corporate responsibility plan is on the rise. Third, the Compact goes about as a framework for learning and improvement; it puts issues on the corporate table that may one way or another be overlooked.

### *B* Global Reporting Initiative

The GRI was established in 1997, albeit the association accomplished global degree because of an essential organization with the United Nations Environment Program in 1999. Since forever ago, GRI reporting has kept a solid obligation to environmental issues. For instance, the GRI 2006 aide included 30 signs of environmental execution. As Marimon et al. (2012)<sup>120</sup> detailed in 2011, GRI G. 3.1 fused ten new indicators connected with effectiveness, enhancements, future arrangements for overseeing impacts on biodiversity and initiatives to diminish greenhouse gas emissions. This guide currently incorporates indicators of clean production that distinguishes the expenses of anticipation and environmental administration in view of additional uses expected to introduce cleaner advancements or for green purchases.

Additionally, the GRI has given some area direction supplements on the grounds that 'numerous areas face exceptional sustainability gives that ought to be caught in sustainability reports. These issues may not be shrouded in the first Reporting Guidelines' (GRI, 2012)<sup>121</sup>. Right now, area supplements are accessible for air terminal administrators, development and land organizations, electric utilities, occasion coordinators, monetary administrations firms, food processors, mining and metal organizations, NGOs, oil and gas corporations, and media and advertising corporations.

This work to advance better environmental consideration has yielded positive outcomes. Truth be told, the reception of GRI reporting has been corresponded with predominant

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<sup>119</sup> Perez-Batres, L. A. , Miller, V. V. and Pisani, M. J. , 2011. Institutionalizing sustainability: an empirical study of corporate registration and commitment to the United Nations global compact guidelines. *Journal of Cleaner Production*, 19(8), pp. 843-851.

<sup>120</sup> Marimon F, Alonso-Almeida MM, Rodriguez MP, Cortez CA. 2012. The worldwide diffusion of the global reporting initiative: what is the point? *Journal of Cleaner Production* 33: 132– 144.

<sup>121</sup> GRI. 2012. Reporting Framework. <https://www.globalreporting.org/reporting/Pages/default.aspx>. [29 August 2012].

environmental execution. Clarkson et al. (2008)<sup>122</sup> observed that there is a positive relationship between environmental presentation and the degree of optional disclosure in GRI reporting among 191 firms with a high inclination for contamination and dependent upon solid guidelines from the mash and paper, substance, oil and gas, metals and mining and utilities enterprises in United States. These creators expressed that GRI reporting is involved by organizations with proactive environmental methodologies as an instrument to illuminate financial backers and different partners in light of the fact that environmental presentation may not be quickly and straightforwardly recognizable to them. Directing similar sort of investigation among 51 Australian firms from the mining and assembling areas, Clarkson et al. (2011)<sup>123</sup> demonstrated that higher-contaminating firms uncovered a more noteworthy amount of environmental data and depended on GRI reporting to unquestionably convey their activities and results to the market. Gamerschlag et al. (2011)<sup>124</sup> additionally observed that more profitable organizations are related with more environmental revelation.

Moreover, areas with exceptionally solid administrative structures, like utilities (Mio, 2010)<sup>125</sup> or mining (Fonseca, 2010)<sup>126</sup>, have embraced GRI reporting more generally and sooner than different areas (Tsang et al. , 2009)<sup>127</sup>. Along these lines, areas with high substance processes appear to be more mindful of investing some greater energy into the disclosure of environmental effects and enhancements in their activities (Noronha et al. , 2012)<sup>128</sup>. In this line of thinking, different creators (Mitchell and Hill, 2009<sup>129</sup>; Kuo et al. ,

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<sup>122</sup> Clarkson P, Li Y, Richardson G, Vasvari F. 2008. Revisiting the relation between environmental performance and environmental disclosure: an empirical analysis. *Accounting, Organizations and Society* 33(4/5): 303– 327.

<sup>123</sup> Clarkson PM, Overell MB, Chapple L. 2011. Environmental reporting and its relation to corporate environmental performance. *Abacus* 47: 27– 60.

<sup>124</sup> Gamerschlag R, Moller K, Verbeeten F. 2011. Determinants of voluntary CSR disclosure: empirical evidence from Germany. *Review Managing Science* 5: 233– 262.

<sup>125</sup> Mio C. 2010. Corporate social reporting in Italian multi-utility companies: an empirical analysis. *Corporate Social Responsibility and Environmental Management* 17: 247– 271.

<sup>126</sup> Fonseca A. 2010. How credible are mining corporations' sustainability reports? A critical analysis of external assurance under the requirements of the international council on mining and metals. *Corporate Social Responsibility and Environmental Management* 17(6): 355– 370.

<sup>127</sup> Tsang S, Welford R, Brown M. 2009. Reporting on community investment. *Corporate Social Responsibility and Environmental Management* 16: 123– 136.

<sup>128</sup> Noronha C, Si Tou MIC, Guan JJ. 2012. Corporate social responsibility reporting in China: an overview and comparison with major trends. *Corporate Social Responsibility and Environmental Management*. DOI: [10.1002/csr.1276](https://doi.org/10.1002/csr.1276)

<sup>129</sup> Mitchell CG, Hill T. 2009. Corporate social and environmental reporting and the impact of internal environmental policy in South Africa. *Corporate Social Responsibility and Environmental Management* 16: 48– 60.

2012<sup>130</sup>) have announced that more dangerous areas, like mining, oil, substance, and auto, or exceptionally environmentally delicate areas, like the timberland industry (Toppinen et al. , 2012<sup>131</sup>) have embraced GRI reporting. Before creators additionally observed that monetary administrations firms are participating in GRI reporting even though this kind of company modest affects the climate. The fundamental justification behind this is that monetary administrations organizations 'look for further developed attractiveness of their stock by buying into sustainability records'. Along these lines, GRI reception is by all accounts affected by industry (Legendre and Coderre, 2012<sup>132</sup>).

. Regarding concerns related to social and ethical aspects, the Global Reporting Initiative (GRI) has demonstrated a commitment to enhancing its focus in this area. The GRI's G3 guidelines, for instance, incorporated 40 social performance indicators, signifying their dedication to addressing social issues in sustainability reporting. Moreover, the GRI has forged a global strategic partnership with prominent organizations, namely, the United Nations Global Compact and the Organization for Economic Co-operation and Development. This collaboration underscores their commitment to aligning sustainability reporting with international standards and initiatives aimed at promoting ethical business practices and responsible corporate behavior.

In the upcoming G4 guidelines, the GRI is poised to introduce new performance indicators related to anti-corruption measures and occupational health and safety. This expansion reflects their endeavor to ensure that companies not only report on their environmental and social performance but also account for their efforts in curbing corruption and safeguarding the well-being of their workforce.

In the realm of occupational health and safety, the G4 guidelines will witness the development of new performance indicators (LA6-LA9) while maintaining consistency with existing indicators. These additions and refinements are aimed at enhancing the comprehensiveness of reporting on occupational health and safety, thus encouraging a more comprehensive and transparent disclosure of information in this critical area.

This progressive stance by the GRI in broadening the scope of sustainability reporting indicates the growing significance of social and ethical considerations in the corporate world. As businesses continue to grapple with issues related to corruption, worker safety, and other social concerns, the GRI's evolving guidelines are poised to serve as valuable tools in ensuring

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<sup>130</sup> Kuo L, Yeh C, Yu H. 2012. Disclosure of corporate social responsibility and environmental management: evidence from China. *Corporate Social Responsibility and Environmental Management* 19: 273– 287.

<sup>131</sup> Toppinen A, Li N, Tuppuru A, Xiong Y. 2012. Corporate responsibility and strategic groups in the forest-based industry: exploratory analysis based on the Global Reporting Initiative (GRI) Framework. *Corporate Social Responsibility and Environmental Management* 19(4): 191– 205.

<sup>132</sup> Legendre S, Coderre F. 2012. Determinants of GRI G3 application levels: the case of the Fortune Global 500. *Corporate Social Responsibility and Environmental Management*. DOI: [10.1002/csr.1285](https://doi.org/10.1002/csr.1285)

that organizations not only address these matters but also report on their efforts transparently. This, in turn, can contribute to a more responsible, accountable, and ethically conscious business landscape.

most of areas that rely upon their partners for a proceeded with supply of assets, for example, the financial<sup>133</sup> (Asif et al. , 2011) or utilities<sup>134</sup> (Mio, 2010) areas, need to convey how friendly initiatives are made due. Financial administrations firms are along these lines approaching CSR more in a serious way than they did previously. This is fundamentally because of legitimate tension and activism as well as the way that current business sectors across the world think about the financial administrations area part of the way answerable for the current financial emergency<sup>135</sup> (Noronha et al. , 2012). Bravo et al. (2012)<sup>136</sup> additionally announced that financial firms are taking on GRI reporting to show their obligation to great citizenship.

Noronha et al. (2012) noticed that different motivations to take on sustainability reporting are the expansion in the quantity of recorded organizations around the world, which makes organizations more apparent, and the development of unfamiliar exchange between more controlled business sectors and non-industrial nations. Along these lines, common liberties, work wellbeing and local area support are significant worries in the development of nations like China. In created nations, these equivalent reasons have additionally been significant drivers in the reception of the GRI<sup>137</sup> (Gamerschlag et al. , 2011). Additionally, albeit more exploration is required, past examination has observed a critical connection between market worth and obligation disclosure under GRI rules<sup>138</sup> (Schadewitz and Niskala, 2010).

Gamerschlag et al. (2011) additionally demonstrated that area participation could clarify the dissemination of the GRI, with driving variables including company perceivability, scattered investor construction and worldwide connections. Different creators<sup>139</sup> (Delmas and Toffel, 2008) have expressed that dissemination might change designs if new motivators, for example, reinforced guidelines or more disclosure demands from partners, increment organizations' inspiration to satisfy the GRI prerequisites.

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<sup>133</sup> Asif M, Searcy C, Zutshi A, Fisscher O. 2011. An integrated management systems approach to corporate social responsibility. *Journal of Cleaner Production* (in press).

<sup>134</sup> Ibid.

<sup>135</sup> Ibid.

<sup>136</sup> Bravo R, Matute J, Pina JM. 2012. Corporate social responsibility as a vehicle to reveal the corporate identity: a study focused on the websites of Spanish financial entities. *Journal of Business Ethics* 107: 129– 146.

<sup>137</sup> Ibid.

<sup>138</sup> Schadewitz H, Niskala M. 2010. Communication via responsibility reporting and its effect on firm value in Finland. *Corporate Social Responsibility and Environmental Management* 17: 96– 106.

<sup>139</sup> Delmas MA, Toffel MW. 2008. Organizational responses to environmental demands: opening the black box. *Strategic Management Journal* 29(10): 1027– 1055.

## C The United Nations Guiding Principles: Business and Human Rights

There are three pillars to the Guiding Principles on Business and Human Rights (UNGPs) set by the United Nations. The first, drafted under the title “State Duty to Protect”, states that governments shall make sure that businesses do not violate any human rights such as but not limited to, forced labor, discrimination, pollution, etc. Which in turn, means passing laws that prevent human rights violations but also maintaining the implementation of such laws through labor inspections, licensing requirements, investigations, and business guidance. It is very worrying to mention that some of the world’s largest multinational corporations are owned and operated by governments through privatized services and state-owned enterprises. The UNGPs indicate that governments have to prevent human rights violations by business even if the state itself is acting like one.

The second pillar, drafted under the title “Corporate Responsibility to Respect”, indicates that businesses have to refrain from violating human rights, wherever and however they operate their businesses. Which means that it is not enough for corporations to follow the law where they operate or to audit a few of their suppliers. Even in countries where the government does not take up its own duty, corporations must know their human right impacts and take concrete measures to improve them. These UNGPs do not offer any loopholes where the responsibility of human rights falls within the scope of corporations. These UNGPs aim at abolishing traditional sketchy measures previously taken by corporations in order to escape their basic human rights responsibilities. These corporations do so by practicing corporate philanthropy in building a school or donating a fund disregarding their real responsibility of leaving their communities and workers better off.

In practice, achieving an integration of enforced human rights comprises of a number of steps and procedures. In the UNGPs, one of the most significant steps corporations must perform is human rights due diligence. Human rights due diligence is a method by which enterprises proactively manage actual and potential human rights influences. Therefore, the main objective behind this method is the prevention of adverse impacts on humans.

The third pillar of the UNGPs is about what happens when things go wrong and means for remedying such wrongful acts. When a corporation abuses human rights, governments are required to act in compliance with set laws and regulations through court systems or other legitimate processes allowing the victims to file complaints that are then investigated and settled. Albeit this is a governmental responsibility, this does not mean that corporations should not adopt remedies that ensure the application of human rights too. Part of human rights due diligence is allowing people affected by the company to file grievances and participate in processes to make them right. Such remedies must be effective in terms of legitimacy, predictability, equity, accessibility, and transparency.

These UNGPs were unanimously approved by the United Nation’s Human Rights Council. Since then, they have been endorsed by governments and business actors all around the world. What the UNGPs did is allow us to better understand who is responsible for violations of human rights by corporations. Therefore, instead of arguing the rules, we must now begin implementing them.

## Human Rights Due Diligence

Human Rights Due Diligence, as underscored by the United Nations Guiding Principles on Business and Human Rights (UNGPs), is of paramount importance. The UNGPs accord significant weight to due diligence as it serves as the linchpin for corporations to ensure the full and unwavering respect for human rights when implemented effectively.

The initial step in instituting this critical mechanism involves the public declaration of a policy commitment to uphold human rights. Following this declaration, human rights due diligence is structured to encompass a comprehensive four-step process:

- **Impact Assessment:** The initial phase necessitates a thorough examination of how a company's activities may affect human rights. It is imperative to assess the potential risks and impacts, both positive and negative, that the business operations might have on individuals and communities.
- **Action and Integration:** Upon identifying the outcomes of the assessment, the next step involves taking concrete actions to address the identified impacts. These measures should be seamlessly integrated into the company's operations and decision-making processes to mitigate adverse human rights effects.
- **Effectiveness Monitoring:** Human rights due diligence is an ongoing endeavor. Monitoring the effectiveness of the measures put in place is crucial to ensure they are yielding the desired results. This entails regular evaluations and adjustments as needed to uphold human rights standards.
- **Transparent Reporting:** The final component of this process involves transparent and honest communication regarding the due diligence activities conducted by the corporation. It entails providing the public with comprehensive reporting on the corporation's efforts in assessing and addressing human rights impacts. This transparency not only promotes accountability but also facilitates stakeholder trust and engagement.

Furthermore, it is essential to acknowledge that human rights due diligence is not a one-time exercise but a continuous cycle. It reflects a company's commitment to respecting human rights and serves as a blueprint for responsible business conduct. By proactively engaging in due diligence, businesses not only fulfill their ethical obligations but also bolster their reputation and contribute to a more just and sustainable global business landscape.

Incorporating human rights due diligence into corporate practices demonstrates a company's dedication to responsible business conduct and its role in advancing human rights. By adopting these principles, companies can navigate complex human rights challenges, align with international standards, and contribute to a more ethical and equitable world.

Considering the evolving circumstances unique to each corporation, and the need to consider additional criteria, such as those concerning conflict-affected regions, the United

Nations Guiding Principles on Business and Human Rights (UNGPs) offer a degree of flexibility. They permit companies to tailor the scope and intensity of their human rights measures to align with their specific context. Factors including industry, sector, and the gravity of human rights transgressions must be considered to determine the most suitable approach. It is essential to emphasize that all companies bear a fundamental responsibility to uphold human rights. Progressive and forward-thinking organizations recognize that this responsibility extends beyond mere morality; it is also a wise strategic choice for their business. Consequently, it is not uncommon for different companies to adopt varying human rights policies. The adoption of a human rights policy signifies that a corporation not only comprehends its obligation to respect human rights but is also actively committed to doing so.

Moreover, a human rights policy plays a pivotal role as the cornerstone for ingraining the commitment to uphold human rights across every facet of a company's operations. It serves as a well-defined framework that guides the seamless integration of human rights considerations into various functions within the business. This comprehensive approach cultivates an environment characterized by trust and mutual understanding among stakeholders. It unmistakably illustrates the company's unwavering dedication to addressing critical issues and serves as a shining example of best practices on the global stage.

To further enhance their credibility and fortify their reputation, companies should persistently engage with human rights issues and actively champion the adherence to international norms. This approach extends beyond the realm of ethical obligations; it is a strategic imperative for ensuring enduring success and resilience in a world that is increasingly attuned to social responsibility and interconnectedness. By wholeheartedly embracing and advocating for human rights, corporations can underscore their commitment not only to ethical responsibility but also to a business strategy that is founded on prudent and far-sighted principles.

Incorporating human rights considerations into the core of a company's operations is an investment in long-term prosperity and relevance. It serves to align the organization with the expectations of an ethically conscious global community and positions it as a leader in responsible corporate behavior. This, in turn, augments brand value and trust among customers, partners, and stakeholders. In this age of heightened transparency and accountability, the integration of human rights principles into corporate strategy is not merely a matter of compliance but a means of securing a resilient and prosperous future. By actively embracing human rights, businesses not only fulfill their moral obligations but also chart a course toward sustained growth, bolstered reputation, and ethical leadership in a world that increasingly values responsible and conscientious business practices.

While there can be no assurance that these paper promises turn into reality, without an explicit written commitment, systemic change within a business towards respect for human rights can be seen to be unlikely. At a minimum, a company's human rights policy should increasingly raise awareness of the necessity to consider human rights impacts. Adopting a human rights policy is a prerequisite to a company's human rights due diligence towards its responsibility to respect human rights. By doing so, the company is sending a signal to all its

stakeholders about its seriousness is embedding human rights protection into its operation and procedure. Also, it shows a form of commitment to taking respect of major societal issues sufficiently and seriously by allocating management time and resources in developing and implementing a human rights policy.

It is of utmost importance for a company to meticulously identify and delineate its significant human rights impacts, whether they lean toward the negative or positive spectrum. This critical step serves as the foundation upon which the policy formulation process is constructed. These notable impacts must be acknowledged and taken into account during the actual drafting of the human rights policy. In the course of undertaking this impact assessment, it proves advantageous to draw insights from industry-specific guidelines that shed light on the intricacies of the process. Additionally, acknowledging established country-specific risks or human rights impacts, along with gleaned insights from the experiences of other companies, can be invaluable in shaping a robust policy.

As the due diligence process advances, particularly during the impact assessment phase, this comprehensive understanding of human rights impacts will take on heightened significance. It serves as a dynamic tool that informs the organization's approach to addressing and mitigating these impacts, aligning the company with ethical standards, and ensuring it operates as a responsible and conscientious corporate entity. Elevating this mapping and assessment to a more advanced level is not only a best practice but a strategic necessity in the contemporary business landscape. Companies that undertake this thorough scrutiny of their human rights impacts are better equipped to navigate the evolving terrain of ethics, sustainability, and corporate social responsibility. By incorporating these insights into the policy formation process, organizations demonstrate a genuine commitment to human rights and create a framework for responsible and sustainable business practices.

This approach not only fulfills ethical and moral obligations but also underscores a company's willingness to be a proactive contributor to the well-being of society and the planet. In today's interconnected world, where stakeholders and consumers increasingly demand transparency and ethical responsibility, such proactive measures strengthen a company's reputation, instill trust, and position it as a leader in responsible corporate conduct.

The company must have a system in place for tracking the effectiveness of the actions taken to address potential or actual human rights impacts. The UNGPs suggest that public communication on commitments, targets and performance is vital. The communication should be in form and frequency that reflects the enterprise's human rights impacts and that is accessible to its intended audiences. The communication should provide information that is sufficient to evaluate the adequacy of an enterprise's response to the human rights impact. Subsequently, companies are expected to have a process in place which enables the remediation of negative impacts caused by the company. Once a company acknowledges that they have contributed to negative human rights impacts, they must provide a remedy through the remediation process. Remediation may be achieved through judicial

mechanisms or non-judicial mechanisms such as dialogue, mediation, or arbitration<sup>140</sup> (UN Global Compact-A Guide for Businesses, 2015). Of course, it goes without saying that by having a policy, the company thereby adheres to implementing said policy and not treat it as a piece of paper. Failing to adhere to the policy could bring more bad than good and could lead to criticism from a range of sources.

### Human Rights Reporting

Corporate sustainability reporting is a device which helps identify accountability to markets and stakeholders which had been practiced long before the UNGPs came into action. According to the UNGPs, the final step of the due diligence process is communication. By that, it is understood that companies are expected to communicate on how each one addresses its human rights impacts. This could be done either by public reporting, meetings, online dialogues and consultation with affected rights-holders.

Information provided should be: (i) published in a format, and with a frequency, matching the scope and severity of impacts, and should be accessible to intended audiences; (ii) sufficient to permit evaluation of the adequacy of company responses to any specific impact; and (iii) designed not to pose risks to stakeholders or others such as human rights defenders, journalists, local public officials or company personnel, or to breach legitimate commercial confidentiality requirements.

An example of corporate sustainability reporting is the Greenhouse Gas Reporting Program. The Greenhouse Gas Reporting Program (GHGRP), as outlined in 40 CFR Part 98, mandates the reporting of greenhouse gas (GHG) data and pertinent information from significant GHG emission sources, fuel and industrial gas suppliers, and CO<sub>2</sub> injection sites across the United States. This data serves as a valuable resource for businesses and various stakeholders, enabling them to monitor and compare greenhouse gas emissions from facilities, pinpoint opportunities for emission reduction, energy conservation, and cost savings. States, cities, and communities can leverage the Environmental Protection Agency's (EPA) greenhouse gas data to identify high-emitting facilities in their vicinity, make emissions comparisons among similar facilities, and develop pragmatic climate policies.

The GHGRP program encompasses reporting obligations for both direct emitters (facility-level) and upstream suppliers. Direct emissions, falling under Scope 11, are reported at individual facility levels, with the inclusion of data about U.S. parent companies. The cumulative reported emissions from these facilities amount to approximately 3 billion metric tons CO<sub>2</sub>e, representing roughly 50 percent of the total U.S. GHG emissions. On the other hand, suppliers report the amount of CO<sub>2</sub>e associated with their products, assuming they were released, combusted, or oxidized. These emissions are reported at the corporate level and fall under Scope 31 emissions, Category 11, known as Use of Sold Products, Direct use-phase emissions.

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<sup>140</sup> Ibid

Data reported by both direct emitters and upstream suppliers collectively cover between 85-90 percent of U.S. GHG emissions. However, it's essential to note that the complete assessment of overall U.S. GHG emissions is available through a distinct EPA report, the U.S. Greenhouse Gas Inventory. It's worth distinguishing the GHGRP from the Inventory to fully grasp the scope of each. Nevertheless, it's crucial to understand that the GHGRP reporting program does not encompass emissions from agriculture, sources with annual emissions of less than 25,000 metric tons of CO<sub>2</sub>e (unless mandated to report), greenhouse gas sinks, or data related to electricity purchases or indirect emissions from energy consumption under Scope 21 emissions.

Data collection within the program occurs at the facility level and doesn't encompass emissions from every emission source in the U.S. Consequently, the data collected through the GHGRP doesn't provide a comprehensive overview of all greenhouse gas emissions attributed to any specific parent company. The GHGRP encompasses a total of 41 categories of reporters, and whether facilities and suppliers are required to report depends on factors such as the nature of their industrial operations, emission levels, and other specific criteria. Generally, facilities and suppliers are obligated to submit annual reports under Part 98 when GHG emissions from covered sources surpass 25,000 metric tons CO<sub>2</sub>e per year, the supply of certain products would result in over 25,000 metric tons CO<sub>2</sub>e of GHG emissions if released, combusted, or oxidized, or if the facility receives 25,000 metric tons or more of CO<sub>2</sub> for underground injection.

Facilities calculate emissions using methodologies specified in 40 CFR Part 98 and report the data to the EPA using the electronic Greenhouse Gas Reporting Tool (e-GGRT). Annual reports covering emissions from the previous calendar year are due by March 31st of each year. Once the data is submitted, the EPA conducts a rigorous verification process to ensure the accuracy, completeness, and consistency of the reported information. Data collected under the GHGRP is typically made available to the public, with certain exceptions that may qualify for confidential treatment under the Clean Air Act

#### *D ISO 26000 – Guidance on Social Responsibility*<sup>141</sup>

CSR compliance is not obligatory and so not all corporations and organizations acknowledge the importance of sustainability and SR. For a corporation to follow a CSR strategy, many factors come to play. Differences in geography, government rule and industry can strongly influence the likeliness of corporations following a proper CSR strategy voluntarily. This guideline “aims to assist organizations and their network in addressing their social responsibilities and providing practical guidance related to operationalizing SR, identifying and engaging with stakeholders and enhancing credibility of reports and claims made about SR” (Castkaa and Balzarovab, 2008).

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<sup>141</sup> ISO 26000:2010 Guidance on social responsibility, available at: <https://www.iso.org/standard/42546.html>

This standard comprises of guidelines, not requirements. For that reason, it doesn't bring about certification, unlike other notable ISO guidelines. In any case, what it does is to explain the idea of SR, assist organizations and associations with changing over these standards right into it, and offer prescribed procedures in CSR all over the world. It is focused on associations, all things considered, no matter what their action, size or area.

The notion of sustainability in development is one that is built upon three pillars: economic, social and environmental. ISO 26000 sets out international recommendations to promote the social responsibility of your organization. Regardless of the nature of your business, it guides you in the long run to formulate and implement a social responsibility strategy. ISO 26000 enables you to intervene in everything from business practices to environmental policies, sustainable development, and the communities that affect them.

It is an attempt to combine the provisions of CSR by standardizing CSR to be applied by any organization, ranging from companies to organizations or NGOs. Although the character of ISO 26000 is based on volunteerism, it attempts to combine provisions in various titles related to corporate social responsibility and to ensure awareness of the system created by provisions.

ISO 26000 sets out international recommendations for promoting the social responsibility of your organization. Regardless of the nature of your business, it guides you in the long run to formulate and implement a social responsibility strategy. ISO 26000 enables you to intervene in everything from business practices to environmental policies, sustainable development, and the communities that affect them.

There is no legal obligation to establish an ISO 26000 Social Responsibility Management System. However, it is in their best interest to establish this system especially in their organizations. Moreover, the standards of this system do not require obtaining documents. In fact, these standards are not intended to document organizations, but to guide them in social responsibility. The ISO 26000 Social Responsibility Management System standards explain the social responsibility of organizations and indicate the principles necessary to operate effectively. However, it is seen that the organizations that establish this system also require a document. The organizations that obtained ISO 26000 Social Responsibility Management System certification in the world were mostly in Italy, India and China. Six organizations have received this certificate from our country.

If an organization is late in adapting its social responsibility approach to its policies, strategies, practices and systems, it will be behind its competitors. Customers, employees, investors, stakeholders, business partners, and even public authorities and local communities no longer support organizations that do not care about people's well-being.

Every business should encourage activities that make the world a better place. ISO 26000 sets out international recommendations for promoting the social responsibility of your organization. Regardless of the nature of your business, it guides you in the long run to formulate and implement a social responsibility strategy. ISO 26000 enables you to intervene

in everything from business practices to environmental policies, sustainable development, and the communities that affect them.

In order to leave a better world for future generations, authorities, local governments, NGOs and various organizations are working hand in hand and trying to find common solutions. Social responsibilities, increasing world population, increasingly depleted natural resources, and environmental problems raise serious concerns for people. The goals of the standard are identified as follows:

- Design and develop a CSR strategy developed specifically for your company.
- Adapt this strategy to any legal, cultural, or political environment.
- Managing your company's social or environmental issues
- Involve employees, communities, and business partners in your strategy.
- Gain more confidence as a socially responsible organization.
- Organizational management
- Human rights protection
- Manpower applications (employee)
- Environment
- Ethical Business Conduct (Fair Business Practices)
- Customer Development (Consumer Issues)
- Local Population Development (Social Participation and Development)

To adopt this standard, an organization must undergo specific steps and assessments. First, the current state of the organization is determined. The system requirements are compared with the conditions in that organization and the differences between them are revealed. During this initial assessment, the state of the organization is also determined according to legal requirements. It is checked whether the employees are satisfied with the working conditions and whether the work environment is healthy and safe. At this stage, the report to be prepared is presented to the top management and cost-benefit analysis is carried out and the fate of the system construction work is questioned.

After that, a plan is prepared to establish a social responsibility management system. A team is formed to carry out the work and develop a plan that includes the time and strength of the employees. The issues to be addressed in the plan and those responsible for them are identified and presented in a timeline.

Subsequently, trainings are planned for the employees. Training courses are offered mainly to employees in key positions and to all employees behind them. Not everyone is offered training programs with the same intensity. Separate training sessions are planned according to the employees' powers and responsibilities.

Finally, work began on establishing a social responsibility management system. First, a social responsibility policy appropriate to the structure of the organization is prepared by the top management. Separate procedures are established according to the scope of criteria.

Internal checks are conducted during application submission. After the installation of the system is completed, the operation of the system and its compliance in accordance with the

plans are checked through internal audits. If a non-conformity is detected, it is dealt with within a plan. Following that, senior management will review this system as in every quality system and will request corrective and preventive actions when needed.

Scope of the ISO 26000 standard:

The International Organization for Standardization (ISO) has introduced ISO 26000: Guidance on Social Responsibility, a comprehensive framework designed to encourage responsible behavior among organizations. This international standard defines social responsibility as an organization's duty to consider the impacts of its decisions and activities on both society and the environment. It promotes a culture of transparent and ethical conduct that contributes to sustainable development, respects the expectations of stakeholders, complies with applicable laws, and aligns with international norms of behavior.

The primary purpose of ISO 26000 is to assist various entities, including corporations, non-governmental organizations (NGOs), cooperatives, and unions, in adopting socially responsible practices and integrating them into their organizational culture. By adhering to this standard, organizations gain insights into the consequences of their actions and decisions on people and the environment, enabling them to act in ways that benefit society and the planet.

ISO 26000 establishes a set of fundamental principles and social responsibility values, which serve as the foundation for ethical and responsible behavior within organizations. These values are integrated into the organization's business model and guide decision-making processes.

**Accountability:** Within this value, management takes responsibility for the social and environmental impacts of operations, the supply chain, products/services, and behavior.

**Transparency:** Organizations are encouraged to share information about their social and environmental performance with all stakeholders.

**Ethical Behavior:** The standard emphasizes respect for human rights and the provision of a safe working environment for employees. It also requires organizations to avoid complicity in human rights abuses, such as forced or slave labor, committed by business partners or suppliers.

**Respect for Stakeholder Interests:** Organizations must consider the interests and expectations of all stakeholders while managing any negative impacts on their legitimate interests.

**Respect for the Rule of Law:** Organizations are expected to operate in compliance with local and national laws in each country where they operate.

**Respect for International Norms of Behavior:** Organizations should maintain integrity and transparency in their operations beyond national boundaries.

**Respect for Human Rights:** Ensuring that an organization is not complicit in human rights abuses committed by business partners or suppliers is a critical aspect of this value.

ISO 26000's framework covers seven key areas:

**1. Organizational Governance:** This section highlights the importance of making decisions while considering societal expectations, and it emphasizes that accountability, transparency, ethics, and stakeholders should be integral components of an organization's decision-making process.

**2. Human Rights:** ISO 26000 underscores the right to fair treatment and the elimination of discrimination, torture, and exploitation. Key issues include due diligence, human rights risk assessment, avoidance of complicity, resolution of grievances, and the protection of civil, political, economic, social, and cultural rights, as well as fundamental principles and rights at work.

**3. Labor Practices:** This principle emphasizes that those working on behalf of an organization should not be treated as commodities. It aims to prevent unfair competition based on exploitation and abuse. Relevant issues include employment relationships, working conditions, social dialogue, health and safety at work, and human development and training in the workplace.

**4. The Environment:** ISO 26000 emphasizes an organization's responsibility to reduce unsustainable patterns of production and consumption, ensuring efficient and sustainable resource use. This entails addressing issues such as pollution prevention, sustainable resource utilization, climate change mitigation and adaptation, and the protection of the environment, biodiversity, and the restoration of natural habitats.

**5. Fair Operating Practices:** This section promotes fair competition and the prevention of corruption while encouraging the reliability of fair business practices, contributing to the development of sustainable social systems. Issues covered include anti-corruption measures, responsible political involvement, fair competition, promoting social responsibility in the value chain, and respect for property rights.

**6. Consumer Issues:** Organizations are urged to promote fair, sustainable, and equitable economic and social development, with a particular focus on consumer health, safety, and access. The relevant issues include fair marketing, provision of accurate and unbiased information, fair contractual practices, protection of consumers' health and safety, sustainable consumption, consumer service, support, complaint resolution, data protection, privacy, access to essential services, and education and awareness.

**7. Community Involvement and Development:** Lastly, ISO 26000 encourages organizations to play an active role in creating sustainable social structures that facilitate increased levels of education and well-being. This encompasses community involvement, education, employment creation, technology development and access, wealth and income creation, health initiatives, and social investment.

Organizations across the globe, spanning the private, public, and nonprofit sectors, regardless of their size or location, are increasingly turning to ISO 26000 as a guiding beacon for social responsibility. This international standard has gained traction as it addresses core subjects that pertain to every organization in some form or another.

ISO 26000's versatility is one of its defining attributes. It is embraced by a diverse array of entities, ranging from large multinational corporations to small and medium-sized enterprises, public sector institutions like hospitals and schools, foundations, charities, and NGOs, extractive industries such as mining and fossil fuel companies, service and financial industries like banks, IT companies, and insurance providers, municipal governments, farmers, agribusinesses, and consultancies.

The beauty of ISO 26000 lies in its operational framework and pragmatic methodological approach. It can be tailored to various levels within an organization, from the highest echelons of government to the inner workings of a specific project or program. This flexibility is one of the standouts features of ISO 26000, making it accessible and adaptable for virtually anyone, regardless of their unique context and objectives.

ISO 26000 stands out from other standards and frameworks due to several key differentiators. It was meticulously designed to be applicable in all organizational and cultural contexts, transcending national and regional boundaries. Moreover, it offers an inherent flexibility, allowing users to decide how best to implement it within their specific settings.

Perhaps one of its most notable distinctions is the fact that ISO 26000 was born out of an international consensus. It underwent a rigorous, multi-stakeholder negotiation process under ISO's purview, reflecting the diverse perspectives and experiences of contributors from around the world. This standard merges these real-life insights with international norms and agreements related to social responsibility.

ISO 26000 not only serves as a robust guideline for organizational behavior but also plays a pivotal role in the pursuit of sustainable development. It aligns seamlessly with the United Nations' Agenda 2030 and the Sustainable Development Goals, emphasizing its contribution to global well-being.

For for-profit companies, ISO 26000 offers a myriad of benefits. It serves as a compass for managing and mitigating risks while simultaneously identifying new opportunities. By embarking on the journey towards social responsibility, organizations can foster a "virtuous cycle" where each action fortifies the company and encourages sustainable development among all stakeholders.

The policies and guidelines outlined in ISO 26000 pave the way for various advantages:

- **Enhanced Reputation:** A sterling reputation is a valuable asset that translates into long-term economic benefits.

- **Competitive Advantage:** Companies that prioritize social responsibility stand out among their competitors, attracting a discerning customer base.
- **Talent Attraction and Retention:** ISO 26000 implementation facilitates the attraction and retention of talented employees, fostering a motivated and productive workforce.
- **Positive Public Perception:** Investors, owners, donors, and financial stakeholders view socially responsible companies favorably.
- **Strengthened External Relationships:** Enhanced relations with other companies, the media, and the community are byproducts of ISO 26000's principles, opening doors to collaboration and goodwill.

Implementation:

Implementing a comprehensive social responsibility policy is a crucial step for organizations seeking to align their operations with ISO 26000 guidance. The specifics of this implementation process may vary from one company to another, contingent on their individual strategies and objectives. However, the following eight steps offer a general overview of the process:

### **Understanding ISO 26000 Standards**

The initial step is to gain a thorough understanding of ISO 26000 standards and its associated framework. Companies can access a wealth of online resources to train their management and staff, ensuring that socially responsible practices become an integral part of their daily operations.

### **Conducting Situational Analysis**

In the second phase, companies embark on a situational diagnostic or landscape analysis. This involves exploring what social responsibility signifies to their organization, evaluating their standing in each of the seven core subjects outlined in ISO 26000, and identifying significant issues. This evaluation helps define the relevance of each core subject to their business, aligning with their long-term vision and strategy.

### **Identifying Relevant Issues**

ISO 26000 encompasses seven core subjects, which collectively include 37 specific issues. Not all of these issues are relevant to every company. Organizations must identify which issues are pertinent to their operations. The standard provides guidelines and implementation strategies for self-assessment and goal-setting, allowing companies to work toward improvement in these areas.

### **Engaging Stakeholders**

Stakeholder engagement is a pivotal aspect of social responsibility. ISO 26000 defines stakeholders as individuals or groups with an interest in any organizational decision or

activity. These stakeholders encompass a broad spectrum, including workers, clients, purchasers, consumers, owners, investors, government officials, community residents, and suppliers. To effectively engage stakeholders, companies must prioritize core subjects and related stakeholders, focusing on areas where mutual progress can be achieved.

### **Developing Improvement Plans**

Based on the diagnostic assessment, companies proceed to identify current weaknesses and their underlying causes. They then determine the resources required to address these shortcomings, such as time, funds, and partnerships. A well-structured timeline and action plan are essential for bridging the identified gaps, taking into account the potential impacts of the proposed changes.

### **Public Reporting**

ISO 26000 emphasizes the importance of public reporting at suitable intervals. Companies are encouraged to report on their performance in social responsibility to their stakeholders. These reports should honestly and accurately depict the current situation, outline objectives and performance in core subjects and relevant social responsibility issues, and inform stakeholders about their involvement in the reporting process. Transparency is key, offering a comprehensive view of both achievements and areas needing improvement.

### **Communicating with Transparency**

Transparent communication is a fundamental element of the ongoing dialogue between companies and their ecosystem. It ensures that stakeholders are well-informed about an organization's social responsibility commitments, investments, actions, and progress.

### **Claiming Credit Responsibly**

It's important to note that ISO 26000 is not designed for certification purposes. Therefore, organizations must be cautious when using the name "ISO 26000" to avoid any implication that they are certified to the standard. ISO recommends statements like, "[Business Name] recognizes ISO 26000 as a reference document that provides guidance on social responsibility" or "[Business Name] has used ISO 26000 as a guide to integrate social responsibility into our values and practices."

In conclusion, implementing social responsibility in accordance with ISO 26000 is a multifaceted process that involves understanding the standard, assessing the organization's situation, engaging with stakeholders, setting objectives, and transparently reporting progress. This approach empowers organizations to align their operations with social responsibility guidelines while fostering a culture of transparency and accountability.

Scope:

Child Labor: No organization can employ children under 15 years of age. In addition, if children over the age of 15 attend school, the time spent working at school cannot exceed 10 hours, including time spent at school and on the road.

Recruitment of employees by force: The organization cannot force its employees to work in any way. In addition, asking employees to leave their ID or some money as a deposit for the organization also means forced labor and no organization can ask for them either.

Employees' Right to Trade Unions and Collective Bargaining: No organization can prevent employees from forming unions, joining a union, or desiring collective bargaining. Employees always have these rights.

Working hours: The organization cannot specify the weekly working hours and the working hours of the employees more than the legal working hours. However, short term and exceptional working conditions are an exception to this rule. According to legal regulations, employees cannot work more than 48 hours per week. In addition, overtime work cannot exceed 12 hours per week.

Salaries and wages of employees: The organization may not pay its employees less than the minimum wage specified by law. The salaries and wages paid to the employees must be at the lowest wage level and must be sufficient to meet the basic needs of the employees.

A healthy and safe work environment: The organization must provide a healthy work environment for its employees. All kinds of precautions should be taken against accidents and injuries. Measures and arrangements must be made to reduce health and safety risks in the short and long term.

Discrimination and Disciplinary Practices: An organization cannot treat its employees differently in hiring, promotion, retirement, or dismissal because of gender, race, and other reasons.

## **VII. CSR: Non-Binding to Binding Law**

CSR is structured by a large number of obligatory and non-obligatory instruments which have a long way till becoming fully comprehensive. As previously mentioned, this list of regulatory instruments includes the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for worldwide enterprises (OECD Guidelines), the United Nations Global Compact, different sets of principles, norms, nation-wide laws and directives of the EU. Because of the abundance of regulatory sources, it might seem to the outer eye that the social responsibility of organizations is overly regulated<sup>142</sup>. Notwithstanding, it cannot be disregarded that in this field and at the present state of affairs, non-binding law standards are predominantly prevailing.

Non-binding law standards exist together with binding law standards operating the activities of business stakeholders. Along these lines, it is more appropriate to consider CSR to have a side addressing ethical constraints and societal expectation, while another side of it

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<sup>142</sup> T, Szabados, "Multilevel hardening in progress – Transition from soft towards hard regulation of CSR in the EU", *Maastricht Journal of European and Comparative Law* 1-19, 2020.

encompasses specific binding legal responsibilities<sup>143</sup>. Currently, the non-binding law side of CSR is by all accounts more powerful. The fact is, be that as it may, these instruments are evolving. Non-binding law standards can progressively turn out to be binding law rules.

The difference between non-binding laws and binding ones is perceived here as an interaction including both a formal and a fundamental component. According to a conventional perspective, it implies incorporating CSR responsibilities into legitimately binding tools. Notwithstanding the fact that a conventional change such as this one can additionally involve justifying the obligation of organizations by forcing all the not entirely set in stone and enforceable responsibilities on them. This interaction is non-occurrent in one emphasis. The non-binding sides of CSR obligations are most frequently concretized and loaded up with legitimately binding and more enforceable substance in a few stages. The investigation of this narrative is fundamental, in light of the fact that non-binding law lacks unchanging structure or standardizing substance. Non-binding law metaphorically takes the shape of a binding law after some time has passed and its normativity has incremented (or in actuality, maybe decrease). CSR in non-binding instruments can procure normality while leaving non-binding law structure unaffected and unchanged, their infringement is authorized concurring to state regulation or territorial regulation. This chapter expects to portray the elements of solidifying non-binding law through of the case of the responsibility of organizations for socially and environmentally abusive behavior with regards to EU law.

At the beginning, EU governing body restricted the situation to non-binding intercession. The EU spread CSR was characterized to be a deliberate endeavor. The meaning of CSR as well as the solutions advancing the acceptance of accountability by stakeholders were covered in non-binding legal means such as the green paper, as well as in correspondences and communications. Charitable CSR has been dependent upon a legislating procedure in the EU. However, the European Commission took the opportunity to give CSR a new definition and recognized the important position of corresponding legislation in a non-binding tool.<sup>144</sup> These EU CSR instruments were a motivating factor for both the EU and the Member States in the adoption of binding regulation. Initially, a couple of Member States went past voluntary CSR instruments. Exposure prerequisites on CSR execution were presented first in France, and somewhat later EU governing body sanctioned the Non-Financial Reporting Directive (NFRD). Notwithstanding, the NFRD can be depicted as a semi-binding law, since it awards vast adaptability to Member States and organizations alike. The practical 'agree or clarify' style of the NFRD can without a doubt be understood as a moderate stage, as proposed in the writing, in cultivating the recognition of human rights by

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<sup>143</sup> G. Teubner, 'The Two Faces of Janus: Rethinking Legal Pluralism', 13 *Cardozo Law Review* (1991–1992).

<sup>144</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A renewed EU strategy 2011–14 for Corporate Social Responsibility, COM(2011) 681 final.

companies.<sup>145</sup> This Directive stood deficient for a few Member States which presented more considerable due perseverance necessities. Later, it isn't incomprehensible that the EU will adhere to the standard laid out by Member States. Also, that it will a more meaningful due diligence obligation or maybe immediate risk on organizations to ensure the upholding of human rights. CSR in the EU solidifies slowly at two levels: one is at the level of individual Member States and the second is at the level of the EU in its entirety. The initially non-binding law desires of the EU on CSR are becoming more enthusiastic, firstly at the level of the laws governing each Member State. The change is additionally enforcing a strain on the EU to institute binding law aiming at compelling organizations to take human rights seriously and with respect.

The standard way of thinking is that there is a disparity among universal activities of organizations and the restricted ability of national regulation that cannot properly control the cross-border activities of the previous one. International laws and regulations do not properly lay out the obligations of corporate entertainers for human rights infringement. That fact might be followed back to various variables. To begin, under the conventional methodology, organizations are not subject to public universal law.<sup>146</sup> Public universal law forces an obligation to protect human rights on states, yet not on organizations directly.<sup>147</sup> However, organizations might become recipients of obligations originating from peaceful accords when nations implement these arrangements into national law.<sup>148</sup> Second, in most states, the predominant view is that human rights don't have flat immediate impact, that is to say, people can't summon them against other private people, for example, companies.<sup>149</sup>

Even though endeavors have been made to take on a global show to deal with human rights infringements by organizations. Up to this point, such initiatives have proven to be unprofitable. The UN Human Rights Council laid out an intergovernmental working group for drafting a legitimately binding instrument on transnational organizations and human rights<sup>150</sup>. A zero draft was distributed in 2018,<sup>151</sup> said draft was likely to be audited and

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<sup>145</sup> C.Z. Wagner, 'Evolving Norms of Corporate Social Responsibility: Lessons Learned from the European Union Directive On Non-Financial Reporting', 19 *Transactions: The Tennessee Journal of Business Law* (2018), p. 708.

<sup>146</sup> P.T. Muchlinski, 'Corporations in International Law', in R. Wolfrum (ed), *Max Planck Encyclopaedia of Public International Law* (OUP, 2015), para. 6.

<sup>147</sup> J. Wouters and A-L. Chan'è, *Leuven Centre for Global Governance Studies, Working Paper 129* (2013), p. 12.

<sup>148</sup> P.T. Muchlinski, in R. Wolfrum (ed), *Max Planck Encyclopedia of Public International Law*, para. 44.

<sup>149</sup> M.-P. Weller and C. Thomale, 'Menschenrechtsklagen gegen deutsche Unternehmen', 46 *ZGR* (2017), p. 516.

<sup>150</sup> T. Szabados, "Multilevel hardening in progress – Transition from soft towards hard regulation of CSR in the EU", *Maastricht Journal of European and Comparative Law* 1-19, 2020.

<sup>151</sup> United Nations Office of the High Commissioner for Human Rights, *Legally Binding Instrument to Regulate, in International Human Rights Law, the Activities of Transnational*

reviewed in the subsequent year. The updated draft lays out responsibilities on nations, and not on organizations. It requires state gatherings to guarantee, by public regulation, that all people conducting business exercises regard human rights in their region and to present an extensive and satisfactory arrangement of lawful responsibility for human rights infringement. The accomplishment of such an arrangement is sketchy due to the likely resistance by the home conditions of global endeavors. It very well might be noticed that albeit some bilateral venture settlements force an obligation on financial backers to have respect to human rights and these obligations may likewise be dependent upon financial backer state debate settlement mechanisms,<sup>152</sup> they are restricted to a bilateral arrangement (or local on account of territorial venture arrangements) that is a long way from being extensive, and the responsibilities stay explicit to the setting of cross-border investments.<sup>153</sup>

At the global level, significant progress has been made through the adoption of various non-binding legal instruments designed to influence corporate behavior. Corporate Social Responsibility (CSR) is embodied by a multitude of standards, guidelines, and codes of conduct. Among its diverse objectives, a prominent aim is to empower organizations, especially multinational corporations, to incorporate human rights considerations into their operations. The respect for human rights by enterprises is one of the fundamental pillars of the United Nations Guiding Principles on Business and Human Rights (UNGPs).

This commitment to human rights is evident in the initial two principles of the voluntary UN Global Compact, which state that "Organizations should support and respect the protection of internationally proclaimed human rights; and ensure that they are not complicit in human rights abuses." It is important to note that the expectations outlined in these non-binding legal standards carry tangible repercussions for corporate actions. Non-compliance with these standards can lead to a range of consequences, including condemnation in the court of public opinion and, in some instances, legal action in traditional courts.

NGOs actively monitor the activities of multinational corporations and, when they detect violations of human rights, labor standards, or environmental norms, they often bring these issues to the attention of the public through media channels. The power of public opinion can exert substantial pressure on corporations, potentially leading to a loss of financial credibility and the imposition of embargoes or boycotts by private organizations and groups that seek to hold culpable companies accountable.

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Corporations and other Business Enterprises, Zero Draft, 16.7.2018, (2018), available at: [www.ohchr.org/Documents/HRBodies/HRCouncil/WGTransCorp/Session3/DraftLBI.pdf](http://www.ohchr.org/Documents/HRBodies/HRCouncil/WGTransCorp/Session3/DraftLBI.pdf).

<sup>152</sup> B. Choudhury, 'Balancing Soft and Hard Law for Business and Human Rights', *International & Comparative Law Quarterly* (2018), p. 978.

<sup>153</sup> B. Choudhury, 'Spinning Straw into Gold: Incorporating the Business and Human Rights Agenda into International Investment Agreements', *38 University of Pennsylvania Journal of International Law* (2017), p. 425.

These non-binding legal standards hold substantial sway over corporate conduct, exerting a tangible influence on the way companies conduct themselves. The ramifications of non-compliance extend far beyond mere damage to a company's reputation. They encompass a spectrum of consequences, including financial penalties and, in certain cases, even legal actions. Consequently, corporations find themselves under mounting pressure to integrate human rights considerations and ethical business practices into their day-to-day operations. This imperative is not solely a matter of moral obligation but also a strategic necessity for the enduring sustainability and prosperity of businesses. It reflects an evolving landscape where corporate success is inextricably linked to ethical responsibility and a commitment to upholding human rights. This paradigm shift underscores the pivotal role played by non-binding legal instruments in molding the ethical behavior of corporations on a global scale.

The influence of these legal standards transcends rhetoric, as they manifest as practical catalysts for change. Corporations, mindful of the tangible repercussions of non-compliance, are compelled to adopt responsible business practices that encompass the principles of human rights and ethical conduct. By doing so, they navigate the complex terrain of ethical accountability and contribute to a more just and equitable global business environment. In this evolving landscape, businesses are recognizing that their commitment to human rights and ethical behavior extends beyond a sense of duty; it is a fundamental driver of their long-term success and resilience. Embracing these principles is not only a pathway to securing reputation and trust but also a strategic imperative that fosters sustainable growth and positions companies as ethical leaders in a world that increasingly values and expects responsible corporate conduct.

These non-binding legal instruments have become potent tools in shaping the ethical trajectory of businesses on a global scale. They serve as a dynamic force, compelling corporations to integrate human rights considerations and ethical practices into their core operations. In doing so, companies not only meet the expectations of stakeholders and consumers but also proactively engage in the pursuit of a more ethical, sustainable, and interconnected world..

The obligation on organizations to protect human rights from infringements has remained up to this point generally non-binding. The responsibility of organizations to respect and comply with human rights is frequently communicated by their voluntary initiatives and abidance by sets of rules or by the acknowledgment and recognition of specific grounded regulations or standards. Public global law does not reject states and provincial associations like the EU, from accommodating guidelines on SR for the break of human rights. Notwithstanding the global endeavours to make a binding instrument to guarantee that organizations consideration of human rights. It is somewhat the EU and its Member States that exist in propelling areas of solidifying CSR strategy. This is today still to a great extent voluntary, yet ongoing improvements point towards the chance of perceiving and extending the liability of organizations for the recognition of human rights. Such help for a more binding CSR approach can be clarified by the broad conviction that non-binding law regulation is deficient and the presentation of a more complete required human rights due

diligence or more meaningful obligations to consideration of human rights is irreplaceable. To begin with, practically speaking, it turned out to be clear that the effect of voluntary CSR is restricted in the field of human rights assurance, since organizations are regularly reluctant to keep non-binding rules. Intercession by binding law might have a more noteworthy possibility convincing organizations to have respect for different interests than simple benefit expansion. It is in this way not a fortuitous event that EU CSR strategy has tracked down it important to save some space for outside regulation, either at an EU or public level. Second, the global monetary emergency called strategy producers' and other partners' confidence in self-regulation into question and underlined the requirement for market regulation.<sup>154</sup> Third, institutional financial backers apply a critical effect on enormous, recorded organizations to further develop their CSR performance.<sup>155</sup> Fourth, movements by NGOs definitely stand out to CSR and the disappointment by specific organizations to consider human rights. At last, one of the fundamentals of the EU is the admiration of human rights and the EU will in general authorize this rule even in its outer relations; for example, by including human rights provisions in global exchange agreements. From this viewpoint, it would be odd in the event that the EU would not expect consistence with human rights from EU organizations assuming that their activity could cause externalities, in the EU, yet in addition in third nations. As a plausible result of the above conditions, the responsibility of organizations for human right infringement has been focused on likewise by some Member States, locally, yet in addition at EU level.

Arguments against European organizations for break of human rights, labour and environmental principles regularly draw in the consideration of the media and general society. Commonly, courts in the EU Member States are seized to choose the fundamental debates. This might be all around showed by procedures started against EU-based global ventures, for example, Shell and Unilever. However, EU law doesn't force a far-reaching obligation on organizations to notice human rights, nor does it lay out their liability for human rights infringement overall. Just a few explicit obligations forced on organizations are observed. EU directives deny prejudicial practices by organizations in specific situations. These directives deny separation on the grounds of race and ethnic origin;<sup>156</sup> with respect to work and occupation,<sup>157</sup> and admittance to and supply of merchandise and services.<sup>158</sup> Even however the individual extent of use of these directives reaches out to organizations, their

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<sup>154</sup> D. Kinderman, 'Time for a Reality Check: Is Business Willing to Support a Smart Mix of Complementary Regulation in Private Governance?', 35 *Policy and Society* (2016), p. 29.

<sup>155</sup> A. Dyck et al., 'Do Institutional Investors Drive Corporate Social Responsibility? International Evidence', 131 *Journal of Financial Economics* (2019), p. 693.

<sup>156</sup> Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin.

<sup>157</sup> Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation.

<sup>158</sup> Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services.

topic is restricted. In the EU, the corporate responsibility for the infringements of human rights is laid out by some non-binding law instruments. Since the 2000s and at the degree of true correspondences, the EU has shown an interest and concern about CSR.<sup>159</sup> The endings of the Lisbon culmination expressed that 'The European Council makes an extraordinary allure for organizations' corporate feeling of social responsibility with respect to best practices on deep rooted learning, work association, equivalent open doors, social incorporation and reasonable development.

A standard CSR definition within the European Union (EU), whether legally binding or not, holds significant importance in a landscape where different countries ascribe varying degrees of importance to CSR goals. In fact, a non-mandatory, common description can contribute to aligning the policies of EU member states with those of companies regarding CSR. From an alternate perspective, the variations in approaches reflect the EU's ability to provide a non-binding definition, and the level of commitment among member states to different CSR objectives can diverge. In the complex mosaic of CSR within the EU, a shared, non-compulsory CSR framework plays a pivotal role in fostering coherence and synergy among the diverse approaches adopted by member states and corporations. This unifying definition, whether it carries legal weight or not, serves as a guiding light that helps align objectives and expectations.

Furthermore, it is crucial to recognize that the diversity in approaches to CSR within the EU reflects the dynamic nature of the region. The EU's capacity to offer a non-binding definition underscores its commitment to flexibility and adaptability, recognizing that one size does not fit all when it comes to CSR. The varying degrees of dedication exhibited by member states toward different CSR objectives emphasize the need for a comprehensive and inclusive framework that can accommodate diverse needs and aspirations

In the multifaceted landscape of CSR, the EU is not just a regulatory body but also a facilitator of dialogue and collaboration, encouraging member states and companies to work in tandem to achieve CSR goals. A common, non-binding CSR description acts as a cornerstone, uniting these efforts and fostering a shared vision of corporate social responsibility that transcends national boundaries and legal constraints. In this constantly evolving CSR landscape, the European Union plays a pivotal role in guiding and shaping the ethical conduct of businesses. Its non-binding CSR definition serves as a framework for aligning diverse interests and ensuring that corporations and member states alike remain committed to the broader goals of social responsibility. By actively engaging with this framework, businesses can navigate the intricate landscape of CSR in the EU while striving to meet the unique expectations and values of different nations and regions within this dynamic and interconnected environment..

The adjustment of the definition in the EU methodology is striking. The new idea is more extensive than the past one. Firstly, the new definition goes past the combination of

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<sup>159</sup> De Schutter, 'Corporate Social Responsibility European Style', 14 *European Law Journal* (2008), p. 203.

environmental and social worries into the activity of the organization and requires all the more by and large the evaluation of the general effect of the organization on society.<sup>160</sup> Parts of that effect are not just environmental and social worries, however different kinds of interests, as well. Simultaneously, the Commission made plainly regard for human rights is remembered for this concept.<sup>161</sup> Secondly, the definition alludes to 'responsibility', emphasising that CSR is not restricted to an appearance or technique for organizational purposes.<sup>162</sup> Nevertheless, it is worth noticing that it is around responsibility, which is a softer plan than liability forced by mandatory compliance with legislative instruments. Thirdly, the definition alludes to undertakings and not corporations. That notion addresses a change in putting responsibility from legitimately autonomous elements to groupings of organizations, including worldwide undertakings. Notwithstanding the singular accountability of each organization, the accountability of parent organizations is perceived for the conduct of the lawfully free individuals inside the grouping. This recommends a break with the conventional legitimate methodology, which battles to force liability on the parent organization subsequently of the generally acknowledged organization law ideas of isolated legitimate character and restricted liability. At long last, in its methodology, the Commission states that 'The improvement of CSR ought to be driven by ventures themselves' yet recognizes space for corresponding or supporting regulation.<sup>163</sup> The EU system focuses on the requirement for adjusting the EU CSR approach with global CSR instruments, and specifically it encourages the execution of the UNGP. The Commission likewise expects European endeavours to take consideration of human rights as set out by the UNGP and welcomes EU Member States to get ready public designs for the execution of the UNGP. Although the accentuation is placed on standards of a voluntary nature, the current lawfully binding principles keep on applying to organizations and the formation of extra corresponding regulation isn't rejected all things considered. The idea and content of CSR remains very adaptable, leaving extensive room for organizations in forming their conduct and for the Member States to intercede by regulation.

An agreement is absent amongst the invested individuals concerning the degree and approach to submitting organizations to CSR. There is a steady discussion on the most proficient method to make the standards of CSR, by unadulterated charitable activity by organizations or by state intercession and regulation. Business delegates pressure that self-regulation is adequate and intercession by worldwide or territorial associations isn't attractive. NGOs (and specifically human rights advocates) find lawfully binding principles basic, perhaps at a worldwide level, on the grounds that if not organizations won't be spurred to notice human rights in their activities. It is broadly acknowledged in the lawful writing

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<sup>160</sup> T. Rozman, 'Corporate Groups and Corporate Social Responsibility: the EU Perspective' *Turkish Commercial Law Review* (2016), p. 213.

<sup>161</sup> *Ibid.* A renewed EU strategy 2011–2014 for Corporate Social Responsibility, COM(2011) 681, p. 14.

<sup>162</sup> R. Bohinc, 'Corporate Social Responsibility: (A European Legal Perspective)', 20 *Canterbury Law Review* 2014, p. 23.

<sup>163</sup> *Ibid.* p. 5 and 7.

that dependable corporate conduct can be boosted by both binding law and non-binding law instruments.<sup>164</sup>

The European Union's approach to CSR is a reflection of a nuanced and strategic method. It can be described as a 'savvy blend' approach, which, when deemed necessary, acknowledges the importance of combining voluntary initiatives with concurrent state regulations to create a more conducive environment for businesses to actively fulfill their social responsibilities. This approach closely aligns with the principles outlined in the UNGP, which emphasize that states should consider a judicious combination of measures, including both public and international, mandatory, and voluntary, to foster corporate engagement in safeguarding human rights.

EU legislation regarding CSR demonstrates a delicate balance between non-binding and binding regulations. In this context, the EU's CSR strategy exhibits a dual nature. Firstly, it encourages businesses to voluntarily embrace CSR objectives in their future endeavors. The EU's approach, designed to allow flexibility for companies to tailor their CSR strategies, has resulted in the development of various labeling systems and overarching guidelines.

Secondly, the EU's CSR strategy leaves room for potential future legislation at both EU and national levels. This approach underscores the EU's commitment to adapt and evolve its CSR framework as societal expectations and business practices evolve. It stands as a testament to the dynamic nature of CSR regulation within the EU, characterized by a blend of voluntary and binding measures, with an openness to further legal developments.

It should be noticed that any administrative intercession by the EU essentially raises the issue of competence. CSR stretches out more than a few lawful regions, including human rights law, antidiscrimination law, interior market law, environmental law, labour law, organization law, contract law and criminal law, which offers the conversation starter of capability and the choice of the fitting lawful basis.<sup>165</sup> The EU doesn't have extensive skill as regards to business and human rights issues. The NFRD, which will be examined exhaustively in the following area, was taken on based on Article 50 of the TFEU the lawful premise to embrace directives to guarantee the opportunity of foundation.

The subsequent sections illustrate that the influence of CSR isn't a one-way street. While the EU's CSR mechanisms can act as a driving force for Member State regulations, it is often the reverse scenario where the legal frameworks of Member States contribute to expanding the binding legal obligations of companies at the EU level. Consequently, it becomes evident that the evolution of CSR within the European Union hinges on the consolidation of relevant

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<sup>164</sup> Bohinc, R., 2014. Corporate social responsibility:(A European legal perspective). *Canterbury Law Review*, 20, pp.21-37.

<sup>165</sup> Haynes, K., Murray, A. and Dillard, J., 2012. *Corporate social responsibility*. Taylor & Francis.

legal instruments at both the EU and Member State levels, culminating in a multi-tiered reinforcement of non-binding legislation.

The dynamic interplay between national and EU levels in the realm of CSR has initially led to the introduction of procedural and formal reporting obligations for larger companies and conglomerates at both the national and EU levels. This phase marked the inception of the CSR discourse, primarily revolving around procedural and reporting aspects. However, it appears that the subsequent stage is poised to witness more substantial obligations placed on companies, particularly concerning their compliance with human rights.

This evolution reflects the maturation of CSR in the EU and signifies a shift from formative measures to substantive obligations. The influence flows in multiple directions, with the EU shaping the CSR landscape, and Member States, in turn, influencing EU regulations. The complexity of this interaction underscores the need for a comprehensive and harmonized approach to CSR that can adapt to the varying requirements of different regions and countries.

The evolving landscape of CSR in the EU signifies a more profound commitment to responsible corporate behavior and the safeguarding of human rights. By fostering this dialogue between different layers of governance, the EU and its Member States are working together to build a comprehensive framework that ensures businesses adhere to ethical and legal responsibilities. This, in turn, contributes to a more just, responsible, and sustainable business environment within the European Union and beyond.

### **The Non-Financial Reporting Directive**

One layer of this staggered solidifying is the reception of binding principles at an EU level. In any case, these binding instruments, embraced as directives, leave an extensive adaptability, both to the EU Member States while controlling CSR and to organizations. The most illustrative articulation of this approach is the reception of Directive 2014/95/EU on exposure of non-monetary and variety data by specific enormous endeavors and gatherings.

The NFRD forces an outside announcing obligation on organizations. By prudence of the NFRD, huge endeavors (which are public-interest substances utilizing 500 people or more) are obliged to remember for the administration report a nonfinancial proclamation, specifically on environmental, social and labor strategy, the regard for human rights and their methodology in enemy of defilement and pay off issues. Likewise, a united nonfinancial proclamation should be drawn up by the parent organization on account of huge corporate gatherings with no less than 500 representatives. The individual extent of use of the Directive is hence restricted to public-interest substances and corporate gatherings headed by open interest elements. The meaning of public-premium elements might be found in the Accounting Directive.<sup>166</sup> Public-premium substances embrace recorded organizations, credit

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<sup>166</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament

establishments, protection activities and elements assigned by Part States all things considered, considering their critical significance for the general population due to the idea of their business, their size or the quantity of their workers.

It could be noticed that the NFRD didn't emerge from the blue. It had certain forerunners, both at the degree of EU law and national law. Directive 2003/51/EC corrected Directive 78/660/EEC<sup>167</sup> on the yearly records of particular kinds of companies and Directive 83/349/EEC on combined accounts,<sup>168</sup> so the yearly report of organizations covered by the Directives included both financial and, where fitting, non-financial key execution pointers important to the specific business, including data connecting with environmental and worker matters to the degree essential for a comprehension of the organization's turn of events, execution or position.<sup>169</sup> Directive 2003/51 didn't allude expressly to human rights. What's more, the phrasing of the arrangement concerned could be interpreted as not overwhelming an unmistakable lawful obligation on companies. For these reasons and due to its more point by point arrangements, the NFRD is to be considered as an unmistakable advancement.

Moreover, potential models could be likewise found in the law of the Member States. France had currently presented social and environmental revealing guidelines in 2001 by the Act on new financial regulations. It altered the French Commercial Code, so it expected recorded organizations to remember data for how the organization considers the social and environmental outcomes of its action in their yearly report. The applicable arrangement of the Commercial Code was dependent upon a few resulting revisions. An express reference is made now with the impacts of the action of organizations on human rights as one of the elements to be considered. The individual extent of utilization of the guidelines was reached out past specific recorded organizations to specific enormous organizations within excess of 500 representatives. On account of gatherings of organizations, the divulgence of non-financial data should occur in a united structure at bunch level. The French Act on new monetary regulations was accessible as a model for the NFRD and accordingly added to the solidifying of the beforehand existing non-binding law measures at an EU level. Swedish assembly forced a manageability announcing prerequisite on state-claimed organizations in 2007. By presenting CSR revealing for specific huge organizations in 2008, Danish regulation could similarly be considered as an expected plan for the NFRD. In light of these turns of

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and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC Text with EEA relevance.

<sup>167</sup> Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings.

<sup>168</sup> Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts.

<sup>169</sup> Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings, [2003] OJ L 178/16, article 19a (2).

events, one of the EU's reasonings for embracing the Directive was to orchestrate the different detailing prerequisites existing in the Member States and along these lines to expand the likeness of non-financial announcing and to decrease the expenses of consenting to different revelation obligations in various Member States.

The NFRD depends on adaptability. This adaptability stems basically from the choice by the EU of the legitimate source, specifically a directive, and specifically the base harmonization approach followed by the NFRD which permits Member States to set stricter necessities than those set down in it. Moreover, the substance of the NFRD passes on significant space to move for organizations, as well as Member States carrying out the Directive. The tact of organizations is conceded first by the way of divulgence. The Directive doesn't need organizations falling under its extent of use to make and seek after a given CSR strategy. Organizations can choose whether or not to seek after a significant CSR strategy and reveal related data. In any case, on the off chance that an organization doesn't have an arrangement, it needs to clarify why it doesn't have one. This is clarified in the Directive, which announces that the endeavour doesn't seek after strategies corresponding to at least one of those matters, the non-financial assertion will give an unmistakable and contemplated clarification for not doing so. By this, the NFRD follows the administrative model that permits you to either comply or having to go through the process of explaining. It is to be noted, in any case, that the Directive doesn't figure out which clarification is considered to be adequate on the off chance that the organization doesn't foster a CSR strategy in a specific field.<sup>170</sup>

Second, the substances covered can decide to reveal the necessary social data in their yearly report or in a different report. Third, the issues in which divulgence is required incorporate as a least, environmental, social and worker matters, regard for human rights and anticorruption also pay off issues, however organizations can expand revelation past these issues.<sup>171</sup> Fourth, the NFRD doesn't decide the structure and the definite substance of the report.<sup>172</sup> The Commission gave extra non-binding rules on non-financial revealing that give some help. According to the rules, the revelation prerequisite covers organization strategy on how they notice and cause human rights to be seen while contracting with providers, how an organization forestalls or mitigates human rights externalities and the arrangement of satisfactory cure in case of an infringement of human rights. It should likewise be inspected in the organization's report the way that it moves toward the UNGP, the OECD Guidelines and the ILO Tripartite Presentation. At long last, in the soul of least harmonization, the NFRD passes on it to the Member States to decide the responsibility and authorizations for noncompliance, which might go from respectful to criminal liability. Nevertheless, this adaptability has been regularly scrutinized, for instance for neglecting to

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<sup>170</sup> K. Bijlmakers, *Corporate Social Responsibility, Human Rights, and the Law*, p. 179.

<sup>171</sup> Barsan, I., 2017. Corporate accountability: non-financial disclosure and liability—A French perspective. *European Company and Financial Law Review*, 14(3), pp.399-433.

<sup>172</sup> Wagner, C.Z., 2017. Evolving norms of corporate social responsibility: Lessons learned from the European Union Directive on non-financial reporting. *Transactions: Tenn. J. Bus. L.*, 19, p.619.

guarantee a uniform execution and use of the NFRD, and the likeness of reports given by organizations from different Member States.<sup>173</sup> A broader analysis is that an administrative methodology that rouses forestalling any unfavorable effect of organization tasks through ex-risk authoritative change and self-regulation would have been more compelling than the ex-post specialized detailing obligations presented by the NFRD.<sup>174</sup>

The NFRD serves as an officially recognized legal framework, signifying its binding nature with regards to the desired outcomes that Member States are expected to achieve. This directive, however, is underpinned by a flexible approach that blends mandatory and voluntary components, presenting a regulatory method referred to as "smart regulation" or a "smart mix approach" by the Commission. This approach seeks to strike a balance between obligations imposed by law and voluntary initiatives.

The directive possesses an inherent flexibility that lends itself to being categorized as a form of semi-binding legislation. This nuanced classification arises from the directive's distinct status, wherein it intertwines legally mandated requirements with voluntary elements, creating a versatile framework that can adapt to the diverse needs and circumstances of different organizations and Member States.

The exceptional blend of binding and voluntary provisions reflects a progressive approach to regulation that not only promotes responsible corporate conduct but also recognizes and respects the unique characteristics of individual companies and the varying conditions within different European Union countries. This semi-binding approach empowers the directive to cultivate a culture of accountability and transparency in non-financial reporting, thereby making a substantial contribution to the cultivation of a business environment that is both more sustainable and imbued with a strong ethical consciousness.

The NFRD's hybrid nature, combining legally mandated components with voluntary aspects, mirrors a broader shift in the regulatory landscape. It acknowledges that one size does not fit all when it comes to non-financial reporting and corporate responsibility. This adaptability is crucial in recognizing the diversity of organizational structures, business models, and socio-economic contexts that exist across the European Union.

By embracing this semi-binding approach, the NFRD endeavors to strike a harmonious balance between regulatory compliance and the innovative, adaptive capabilities of companies. It catalyzes a sense of duty and openness in non-financial reporting, furthering the European Union's commitment to fostering a business environment that prioritizes sustainability and ethical principles. This dynamic approach reflects the EU's aspiration to remain at the forefront of responsible corporate governance, and in doing so, it paves the way for a more conscientious and forward-thinking future for businesses in the EU..

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<sup>173</sup> Ibid p.653.

<sup>174</sup> Buhmann, K., 2018. Neglecting the proactive aspect of human rights due diligence? A critical appraisal of the EU's non-financial reporting directive as a pillar one avenue for promoting pillar two action. *Business and Human Rights Journal*, 3(1), pp.23-45.

The Directive isn't the sole instance of solidifying CSR in the EU. Another notable model is the Unfair Commercial Practices Directive. The Directive forbids unreasonable business works on, including misdirecting activities. Under the Directive, non-consistence by the merchant with responsibilities contained in sets of principles by which the dealer has attempted to be bound establishes deceiving practice, where its responsibility is not optimistic however is firm and is equipped for being checked, and the broker shows in a business practice that he is limited by the code. Along these lines, the EU constrains business entertainers to follow their deliberately accepted obligations.

Introducing a reporting requirement serves as an incentive for organizations to embrace CSR without direct government intervention, although it does not impose a concrete legal obligation on companies to uphold human rights. Reporting, on its own, does not equate to accountability. Rather, it operates as an indirect means to promote awareness and consideration of human rights within companies. In certain Member States, there are efforts to move towards a more direct form of corporate liability, including the liability of parent companies for the actions of their subsidiaries. It is not coincidental that the Non-Financial Reporting Directive (NFRD) was viewed as a significant milestone in advancing CSR, as noted by Wagner, and some Member States have pushed even further.

In the next phase, such national initiatives might become a driving force for EU regulations that validate the importance of respecting human rights throughout the European Union. These initiatives are part of a broader shift towards increasing corporate responsibility and accountability. The interplay between national and EU-level actions underscores the complex, evolving nature of CSR and the pivotal role of various stakeholders in shaping the ethical landscape of business. As the landscape continues to develop, it is essential to foster a cohesive approach that encourages companies to embrace CSR and uphold human rights as integral components of their operations. This approach not only reflects a commitment to ethical responsibility but also strengthens the foundation for a more equitable, just, and sustainable business environment within the EU..

### **Upholding Human Rights – Corporations' Responsibility**

All around the world, goals to urge organizations to seek socially and environmentally mindful conduct regularly have suggestions at the level of the law of the Member States and it appears to be that Member States once in a while go further in advancing CSR than the EU. The NFRD accommodates divulgence necessities concerning enormous organizations falling under its extent of utilization. Organizations covered by the Directive can, in any case, choose not unveiling the applicable CSR data and on second thought clarifying why they didn't elaborate an approach in a given field. An ensuing advance for the governing body is validating the liability of organizations by limiting or barring intentionality. Thusly, the semi-hard methodology addressed by the NFRD becomes more binding. This progression forward has been made by a couple of Member States, where a broader obligation to complete human rights, due diligence was presented in explicit regions or even more extensively.

In the Netherlands, in 2019 a particular obligatory due diligence prerequisite was presented as to labour, material to all organizations enrolled in the Netherlands and to those

enlisted somewhere else that offer or supply labour and products to Dutch end-clients. Such organizations need to present an announcement that they practice due diligence to forestall the utilization of child labour.

Following a broader comprehension of the UNGP, France introduced at the level of positive regulation a generally due constancy commitment that has extraterritorial reach. In France, in 2017 the Commercial Code<sup>175</sup> was adjusted by the Act concerning the commitment of watchfulness of parent associations and associations giving orders. The amendment has introduced a compulsory due tirelessness commitment for explicit colossal associations. As required, associations which use somewhere near 5000 people without assistance from any other person or through their nearby or underhanded assistants having their association seat in France, or associations which use something like 10,000 people without assistance from any other person or through their nearby or indirect helpers having their association seat in France or abroad need to devise a carefulness plan. The game plan contains reasonable measures to recognize bets and hinder certified encroachment of common liberties and significant open doors and harms to the prosperity and security of people as well as the climate coming about as a result of the activities of the association and controlled associations as well as subcontractors and suppliers with which the association has a spread-out relationship. The watchfulness plan is to be disseminated.

The Act concerning the commitment of wariness goes past the 'concur or explain' model of the NFRD. The Act doesn't fulfil itself with yielding an opportunity for associations to adjust to openness, yet it directly requires all covered associations to make the fundamental disclosure. Associations which fall under the degree of the Act ought to have a carefulness plan or, to put it another way, a CSR procedure. If there should arise an occurrence of non-consistence, the Act gives first that, in accordance with any fascinated individual, a court can orchestrate the association to satisfy its commitments under the Act. Second, the association is reliable under precedent-based regulation for everything hurts that could have been hindered by meeting its commitment of watchfulness. The obligation is spread out according to the essential standards on responsibility under Articles 1240 and 1241 of the French Civil Code. It proposes that it is the candidate who needs to exhibit the imperfect direct entering the commitment of caution, the damage and the causal association between the two.

The Act doesn't force an immediate and general commitment on organizations to regard human rights, and surprisingly, less delivers parent organizations straightforwardly liable for the acts of the auxiliaries. What the Act requires is the improvement of a CSR policy, the divulgence of this policy and deciding a method to be continued in case of an infringement of human rights that arose corresponding to the activity of the organization, its auxiliaries, subcontractors and providers, and those harms that emerged because of the flawed non-or

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<sup>175</sup> Loi n\_ 2017-399 du 27 mars 2017, French Corporate Duty of Vigilance Law, European Coalition of Corporate Justice, 2016.

unseemly consistence with the obligations set out in the Act should be compensated.<sup>176</sup> Even however the commitments contained in the Act concerns revelation and cycle, these are more significant than those contained in the NFRD, as the organizations concealed need to draw a CSR policy and follow it. Besides, the arrangement of the Act on the obligation of cautiousness by forcing liability on the parent organization as regard to the due diligence avoids partially the issues of independent legitimate character inside the corporate group.

In contrast with a unique proposition, the Act is more limited. The first proposition would have forced an immediate commitment on ventures. Concerning own activities as well as those of their auxiliaries and subcontractors, all undertakings would have had the commitment to forestall any harm or hazard connected with wellbeing, the climate and principal rights. The obligation of the endeavour would have been laid out except if it had the option to demonstrate that, in spite of its watchfulness and endeavours, it couldn't forestall the harm. The French Civil Code would have been corrected to such an extent that the lawful individual would have been assumed dependable, except if seeing their own activities as well as those of their auxiliaries and subcontractors, it would have exhibited that it had taken all important and sensible measures an option for its to forestall or hinder the development of the harm or the gamble of specific harm, including damages to the wellbeing and the climate, and the harm brought about by the infringement of principal rights, the gravity of which couldn't be disregarded ahead of time by the lawful individual.

The possibility of adopting the more stringent French Act on corporate due diligence is a direct outcome of the European Union (EU) council's approach to minimum harmonization, which is embodied by the Non-Financial Reporting Directive (NFRD). The NFRD enables the introduction of stricter regulations than those envisioned by EU-wide laws. This semi-binding Directive provides room for the implementation of more binding standards at the national level, thereby extending the scope of accountability for companies under domestic legislation.

The flexibility offered by the NFRD underlines the EU's recognition of the need to accommodate varying national contexts and preferences. It acknowledges that while harmonization at the EU level is important, it should not preclude Member States from enacting more robust regulations that align with their specific circumstances and priorities. The coexistence of EU-level and national-level standards allows for a multi-layered approach to corporate accountability.

The French Act on corporate due diligence exemplifies a Member State's willingness to take the lead in introducing demanding regulations aimed at holding companies accountable for their actions, particularly in relation to human rights and environmental concerns. This proactive approach sets a precedent that other countries may choose to follow, creating a domino effect of heightened responsibility and ethical conduct within the EU.

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<sup>176</sup> E. G. Diggs, M. C. Regan and B. Parance, 50 *Georgetown Journal of International Law* (2019), p. 342 and 353.

The ability to enact stricter measures at the national level is a testament to the EU's commitment to upholding the principles of corporate social responsibility and human rights. By providing this flexibility, the EU allows Member States to tailor their regulatory frameworks to best serve their unique needs and objectives, fostering a more responsible and responsive business environment throughout the European Union.

This evolving regulatory landscape reflects a desire for harmonization with a degree of customization, ensuring that companies operating within the EU are held to rigorous standards while respecting the particularities of each nation. The coalescence of EU and national regulations aims to create a comprehensive framework that encourages ethical conduct and responsibility in line with the evolving demands of society and the global business landscape.

English courts appear to have gone considerably further, since they found it conceivable to lay out in specific situations the obligation of care of the parent organization towards outsiders impacted by the externalities brought about by the tasks of abroad auxiliaries. As per the overall standards of English misdeed regulation, an obligation of care is forced on the holding organization, given that the damage is in all actuality predictable as a result of the respondent's direct, the offended party and the litigant are seeing someone closeness and it is fair, just and sensible to force liability. The obligation of care of the parent organization towards workers was laid out in *Chandler v. Cape*, while the expected presence of an obligation of care of the parent organization towards outer casualties enduring damages due to the tasks of the auxiliary was affirmed in *AAA v. Unilever*.<sup>177</sup> In the legitimate writing, the inconvenience of the obligation of care was converted into a due diligence prerequisite forced on parent companies in regard to the activity of their unfamiliar subsidiaries. It should be noted that such an obligation of care exists freely of any past formal due diligence commitment.

Whenever the bill on the French Act on the obligation of watchfulness was talked about, the thought was communicated that the French regulation should likewise be a model at the EU level. The forerunner capacity of national French law was obviously demonstrated here according to the perspective of things to come EU assembly. Assuming we consider the elements of the development of law in this field, it isn't prohibited that binding law obligations instituted in the law of the Member States will have an overflow impact and trigger law making at the EU level, forcing more meaningful obligations on organizations with respect to their responsibility for regarding human rights.

### **Solidifying of CSR non-binding law**

Non-binding law CSR instruments showed up in the EU toward the start of the 2000s. This was a period portrayed by an increase in non-binding law in the EU, specifically due to the declaration of the open technique for coordination at the Lisbon culmination of the European Council. The finishes of the Lisbon European Council tended to the social

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<sup>177</sup> *AAA v. Unilever* [2018] EWCA Civ 1532, available at: <http://www.bailii.org/ew/cases/EWCA/Civ/2018/1532.html>

responsibility of organizations inside the section 'Carrying out another open technique for coordination.' The ends additionally alluded to the contribution of organizations and NGOs as a component of the new decentralized methodology. Non-binding law could appear to be an ideal decision for the EU since the CSR banter was captivated. There was a reasonable struggle between the Member States and among business and different partners on whether CSR ought to be directed by states or the EU, or it ought to remain absolutely voluntary. An agreement would subsequently have been hard to accomplish. The took on non-binding law instruments might be concessions to public assumptions without completely fulfilling them. EU CSR, moored in the 2001 correspondence and the green paper, comprised para-law, an option in contrast to EU administrative demonstrations, in light of the fact that around then it was fanciful to embrace any EU regulation forcing more extensive CSR obligations on companies.

Nevertheless, the EU's underwriting of CSR and its acknowledgment inside the organized structure of the EU inferred a huge advance forward, because they could make ready for forcing binding obligations on corporate entertainers. It can well be seen that the above EU CSR instruments comprised pre-law and filled in as a wellspring of motivation for both national and EU regulation. The possibility of a more binding CSR tracked down its direction to EU regulation and to the regulation of various Member States. In any case, EU non-binding law instruments didn't completely go before national regulation, assuming we think about French national regulation, strikingly the Act on new financial regulations. In actuality, the advancements in French law likely gave a motivator to EU regulation to act in 2005 with a somewhat loosened up necessity set out in Directive 2003/51/EC and for taking on a standard on general sets of rules in the Unfair Commercial Practices Directive. Afterward, the EU sanctioned the NFRD in which France had a functioning role. The Directive might be considered as a semi-binding law, imagined in the soul of least harmonization, and conceding adaptability both to the Member States and to organizations. Nonetheless, it appears to comprise a middle stage in the advancement of CSR in the EU. France attempted to be in the vanguard again by solidifying law further by the Act on the obligation of cautiousness. This Act might be trailed by the presentation of more extensive compulsory detailing prerequisites in some Member States more by and large or in explicit fields. These progressions at the degree of public laws might give a boost in the future to more binding EU regulation, forcing more considerable obligations on organizations regarding the admiration of human rights.

We are seeing a staggered change or even more definitively a staggered solidifying of CSR in the EU. The advancement of CSR shows well that solidifying CSR, at first at the degree of the Member States, set off a course of solidifying at the degree of EU law. EU law has observed the advancements of public laws. The gradual solidifying of EU non-binding law happens as an impression of changes in national laws. In the connection between EU law and public laws, public laws have established models (pre-law) for the ensuing EU authoritative demonstrations. Although EU non-binding law established pre-law to the resulting regulative demonstrations of the EU, the genuine laboratory was national regulation. In this sense, a base up administrative change might be laid out here rather than an immediate hierarchical administrative mediation by the EU. Simultaneously, as not all

Member States go ahead with CSR with a similar zing, the EU-level change achieves changes in Member States falling behind in seeking after a more dynamic CSR strategy. Thus, EU non-binding law had a twofold pre-law impact. It had a flat impact, as EU non-binding instruments brought about the reception of an EU authoritative demonstration, the NFRD. Moreover, EU non-binding law had a vertical impact, as well, since it incited the reception of public regulation on specific parts of CSR. The NFRD and national laws have affirmed non-binding law and give them with binding power.

It is frequently attested in CSR talk that state mediation and regulation of specific parts of CSR is important to make a level playing field. The current circumstance in the EU with respect to corporate responsibility for human rights infringement underlines this contention. The strength of CSR is subject to different relevant variables, like the financial design of the given nation, the familiarity with CSR and the public administrative approach. as of now, there are critical contrasts in the law of Member States concerning the obligations of organizations to regard human rights. This uniqueness puts those organizations that need to notice stricter national human rights prerequisites in a more terrible situation than organizations from those Member States and nations outside the EU where no or more loosened up assumptions win. The administrative intercession of the EU might give rise to a level battleground in the EU. Simultaneously, EU organizations can become hindered in correlation with organizations from outside the EU. The battleground might even out through solidify the current non-binding and semi-binding law assumptions for the EU regarding the admiration of human rights by corporate elements. The meaning of CSR and CSR strategy is changing in existence. This likewise holds for the parts of the CSR strategy. Today, indeed, EU CSR is generally voluntary, and regulation plays just a corresponding part. The parts and the compound can be changed over the long haul, giving more extensive space to administrative mediation.

The EU without a doubt starts to lead the pack in advancing CSR. The idea of the activities and policies embraced by the EU are significant given that they can comprise a standard for different nations and worldwide associations. According to this viewpoint, the degree to which the EU has plan of action to binding legal standards to accomplish different CSR objectives is imperative. Within the EU, we can observe a staggered solidifying of CSR policies. Concerning liability of organizations for human rights infringements, the EU slowly shifted from a simply non-binding law approach to a more binding obligation approach. Solidifying the initially non-binding law CSR instruments of the EU is moreover due to the binding law intercession of each one of the Member States of the EU. National arrangements and agreements, especially the Commercial Code issued by the French Republic could be one of the reasons that positively affects other EU Member States as well as the EU council and pushes them to mediate by harder means. The NFRD, which can be depicted as an almost binding instrument, awards a significant adaptability for both the corporations and the Member States. The inquiry is if the EU will be compelled to fall in the footsteps of Member States in additionally solidifying non-binding law by forcing a mandatory due diligence requirement or perhaps forthrightly laying out corporate responsibility for human rights infringement. A possible case might be the French Act on the Duty of Vigilance or, with regards to gatherings of organizations, the English legal way to deal with the obligation of

care of parent organizations. Rather than a hierarchical administrative intercession, a granular perspective is illustrated here: National arrangements can comprise forerunners for more binding EU law. The fallouts of the initially non-binding CSR assumptions for the EU turn around at the level of the law of the Member States and put a strain upon the EU to sanction corporations and enforce binding laws and grow the span of CSR in the future by forcing more meaningful responsibility on organizations regarding respect for human rights.

### **VIII. The Aesthetic Nature of CSR and Greenwashing**

In recent years, Volkswagen launched a line of “clean diesel” cars claiming that these cars could be an alternative to hybrid and electric vehicles with the slogan “Clean Diesel, like really clean diesel”. Volkswagen installed emissions software to 11 million vehicles that allows them to sense the unique parameters of emissions drive cycle set by the Environmental Protection Agency. However, the cars did not comply with the company’s claims<sup>178</sup> (Jacobs and Kalbers, 2019). It turned out that these devices detect the speed, throttle and other inputs in order to switch from one operating mode to another<sup>179</sup> (BBC News, 2018). The trick was that these vehicles are fully compliant with the claims made about them, but only when operating in the test mode<sup>180</sup> (Schiermeier, 2015). However, when driving normally and at a higher speed, the computer switches to a different mode significantly changing the way the vehicle runs and in turn, significantly increasing the amount of nitrogen oxide emissions alongside other pollutants and toxins. By doing so, Volkswagen is in violation of the Clean Air act and is being investigated for doing so. The result of the investigation could cost the automaker close to \$18 billion.

The Volkswagen scandal is one of the more extreme examples of greenwashing. But the practice of claiming positive environmental performance and not delivering has been remarkably widespread among multinational corporations. A 2010 report suggest that 95% of “green” products are in fact not or include at least one questionable claim. When corporations attempt to dazzle the public with their environmental practices, gloating about their low carbon footprint or other green incentives, they as often as possible embellish their claims with engaging tasteful aesthetics. Corporate sustainability reports bustling with specialized information are apparently not enough to win people over.

The general population may see Nestle’s recyclable plastic bottles, or Tide’s “plant based” laundry detergent as green without looking any deeper into the ingredients list or the packaging details. Colloquially, these presentations are some of the time mocked as “greenwashing. ” They are not simply the results of imaginative advertising groups in any

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<sup>178</sup> Jacobs, D. and Kalbers, L. P. , 2019. The Volkswagen diesel emissions scandal and accountability. *The CPA Journal*, 89(7), pp. 16-21.

<sup>179</sup> BBC News, Diesel emissions scandal: VW fined €1bn by German prosecutors, 13 June 2018. Available at: <https://www.bbc.com/news/business-44474781>

<sup>180</sup> Schiermeier, Q. , 2015. The science behind the Volkswagen emissions scandal. *Nature News*.

case, rather, mirror the profoundly tasteful character of the modern business enterprise and the customer economy in which it works.

As currently structured, CSR is a voluntary effort that fundamentally relies on the alignment of environmental awareness and long-term firm reputation with stakeholder value, the ethics of corporate managers and directors, and the goodwill of consumers and investors toward a healthy planet. However, CSR has a highly aesthetic nature where the law ceases to identify wrongful actions. How might we assess the aesthetic nature of CSR in terms of guaranteeing responsibility on organizations' environmental practices? What is the effect of aesthetics in terms of examination of CSR jurisdiction? These questions outline this article, which contends that we need to consider the aestheticized aspect of a corporation's environmental practices in order to appropriately comprehend their societal effect and the suitable administration reaction thereof. As opposed to the predominant accounts about the ethics of aesthetic appreciation, prominently for emotional amusement and the improvement of morality<sup>181</sup> (Freeman, 2014), this paper similarly features their negative implications in the realm of business. If one is enchanted by charming attractiveness, individuals might be instigated to act in manners they regret on more calm reflection. At the point when these aesthetic appeals cover environmental injury, in question is significantly more than a hint of regret. We need to look past previous official administrative reactions to corporate fraud. We can start by overseeing current controls on misleading advertisement, to administration strategies that help with countering these aesthetics. As seen by activists, this procedure has some limit, which has effectively been illustrated to expose CSR aesthetics.

For business stakeholders, aesthetic qualities do not only serve them in terms of their environmental or social exercises, but the actual corporation as an aesthetic phenomenon. The lack of a visible physical presence, especially in terms of big multinational corporations, a business is seen by the public indirectly as an aesthetic phenomenon through its aural and visual logos and sites, the labeling and advertising of its products, just as its polished corporate workplaces, among numerous methods of projecting business personality. The organization, subsequently, isn't just apparently everywhere but additionally nowhere, without association with a particular spot or person. It is often debated that a human being and a corporation are not and cannot be equal in the presence of the law as the two are very dissimilar and the law is a heavily text-based discipline. And while the law may punish clearly deceptive advertising, the bigger aesthetic characteristics of the business world and their job in fueling environmentally harmful consumption are less amiable to customary strategies for lawful scrutiny.

This chapter will discuss several aspects of CSR aesthetics and the proposed measurements thereto. First and foremost, the chapter presents the theoretical and methodological structure for assessing CSR aesthetics. From this, it analyzes the aesthetic

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<sup>181</sup> Freeman, D. , 2014. *Art's Emotions: Ethics, expression and aesthetic experience*. Routledge.

elements of business and the consumer economy, including the green-washed aesthetics of CSR. It will touch down on customary regulatory controls, including misleading advertising, and evaluating the potential strategies to countering these aesthetic strategies by non-state actors. The chapter closes with reflections on how the law may help escape these aesthetics by protecting the public from being deceived. All through, the chapter models from an assortment of jurisdictions however mainly, Anglo-American jurisdictions.

## **A. THE AESTHETICS OF GREENWASHING**

### **CSR Marketing**

Modern business organizations are truly fascinating in their aesthetic evolution. At first glance, one might not perceive this beauty, as it remains hidden behind the austere rituals of shareholder meetings and boardroom discussions. These seemingly monotonous practices, from documenting investor objectives to heeding the advice of the CEO, often fail to reveal the true corporate identity projected to the external world. Yet, this external persona extends far beyond the polished corporate offices or boardrooms adorned with exquisite artwork; it permeates through trademarked logos, websites, savvy public relations, and the omnipresent promotion of products.

This aesthetic transformation of the workplace goes beyond the boundaries of traditional industries, significantly influencing sectors like information technology. Vibrant color schemes and dynamic office designs create an environment that exudes a sense of "creativity." For instance, Google's headquarters boast picnic benches, fish tanks, lush greenery, a beach-themed cafe, and even a recreational games room. At times, music wafts through the office spaces, and in some cases, signature tunes are crafted to foster staff loyalty.

The impact of aesthetically pleasing elements goes far beyond the office walls, profoundly affecting consumers. Remarkably, the advertising expenditures of certain major corporations surpass the costs incurred in actual production. Our postmodern culture has liberated aesthetic experiences from the confines of art galleries, making them more accessible to the masses. Today, we consume not only based on utility but also driven by style, fashion, and design. Shopping itself has undergone an aesthetic revolution, with stores and establishments offering distinct and pleasing atmospheres.

The market has evolved into an economy where consumers purchase not just a product but an entire experience. This experience involves spending time immersed in a series of interactions carefully designed by the corporation to create lasting memories for the consumer. Certain cafes, for example, are renowned for the experiences they provide rather than the quality of coffee or food. Tangible changes come into play, including stylish decor, a curated selection of music, captivating artwork, and even unique scents. These aesthetic qualities, especially for multinational corporations, become intertwined with the brand itself, summoning the organization's values and fostering connections with specific lifestyles and status.

The importance of brands in business success is often measured by the value of their "goodwill." This enables brand-centric firms to generate profits beyond those stemming solely from tangible assets such as property and machinery. The aesthetic transformation of the business world not only enhances the workplace but also redefines the relationship between businesses and their consumers, making aesthetics a vital component of modern commerce.

This feel or sensation does not only encourage consumerism but is equally harmful for the environment and the climate. However, organizations additionally utilize stylish impacts to "console" consumers of their environmental qualities with an end goal to proceed with their monetary achievement. These tasteful impacts are utilized not only to advance business in clearly environmental-themed areas, for example, eco-tourism industry<sup>182</sup> (Campelo et al. , 2011), however the appealing music and symbolism in corporate advertising can likewise serve to carry believability to claims about strategic approaches taking on the appearance of "zero emissions," "carbon impartial," or "economical. " Disingenuous corporate correspondences can complicate the public, particularly without administrative oversight to check deluding proclamations.

Logos give another powerful stylish image of corporate eco-friendly affectations. In light of the analysis of its environmental practices, British Petroleum dispatched an enormous rebranding campaign that incorporated another logo of a yellow and green sunflower, representing the god of sun of old Greece. It also changed its name to BP with the slogan, "Beyond Petroleum"<sup>183</sup> (Beder, 2002). However, there was nothing really "beyond" about it. This is the very same organization that was later found liable for the Deepwater Horizon oil spill in the Gulf of Mexico<sup>184</sup> (Pallardy, 2020) and for whom non-renewable energy source deals represent by far most of its profits and revenue. McDonald's, the inexpensive food chain, had previously explored different avenues regarding green washing its logo, by literally trading the red background of its popular M logo for a more soothing green shade<sup>185</sup> (Glover, 2009). Sometimes, the mischief emerges from an organization misusing the logo or name related with an environmental initiative. Companies put a ton in their logos since they realize that consumers are bound to review a visual image than a composed depiction. Appropriately, regarded US businessperson Paul Hawken commented that the normal

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<sup>182</sup> Campelo, A. , Aitken, R. and Gnoth, J. , 2011. Visual rhetoric and ethics in marketing of destinations. *Journal of Travel Research*, 50(1), pp. 3-14.

<sup>183</sup> Sharon Beder, 'bp: Beyond Petroleum?' in *Battling Big Business: Countering greenwash, infiltration and other forms of corporate bullying*, edited by Eveline Lubbers, Green Books, Devon, UK, 2002, pp. 26-32

<sup>184</sup> Pallardy, R. , 2015. Deepwater Horizon oil spill of 2010. *Encyclopaedia Britannica Inc.* Available at: <https://www.britannica.com/event/Deepwater-Horizon-oil-spill>

<sup>185</sup> Glover, Katherine "McDonald's Changes Color Scheme of Iconic Arches", CBS News, 2009. Available at: <https://www.cbsnews.com/news/mcdonalds-changes-color-scheme-of-iconic-arches/>

American can recognize almost 1,000 corporate logos yet less than ten local plants in their area (Hawken and Shah, 1993).

Nowadays, it is enough for a company to create an environmentally friendly looking packaging and to slap it on a product that entails nothing of what the packaging claims. It's convenient for corporations to set their websites up in the way that they deem fit. For instance, Kentucky Fried Chicken website centers on a one-minute-long video of Colonel Sanders delivering chicken to happy families, but there is no sighting of the barbaric scenery in their factory farms. Experts who have inspected various corporate sites have seen that any itemized data about CSR, for example, the company's manageability reports, can frequently be discovered simply by tunneling through the obscure recesses of corporate sites. It would create the impression that organizations are more intrigued by the feel of CSR as opposed to giving their stakeholders important, unmistakable data on which to intently investigate their endeavors.

The previous discussion ought to be sufficient to pass on the image; style, feel and aesthetic matter significantly to corporate personality and communications of their environmental and CSR practices and items. Consumers are blind sighted with business feel, from websites and television advertisements to the introduction of shops and their products. This doesn't imply that organizations neglect to give different wellsprings of data about their manageability approaches and eco-impacts; however specialized reports require extensively more consideration from consumers. Tasteful practices matter decisively in view of their ability to instinctively convey and lure individuals in an information filled world.

## **B. REGULATING GREEN ILLUSIONS**

### **Trading and Advertising**

The discrepancy between corporate actions and their advertised commitment to sustainability, commonly known as greenwashing, has presented a significant hurdle for regulatory authorities. The conventional legal measures have struggled to keep pace with the ever-evolving aesthetic aspects of business operations and corporate social responsibility (CSR) initiatives. As companies increasingly employ aesthetics to convey their commitment to environmental and ethical causes, it becomes crucial to assess how existing legal mechanisms aimed at consumer protection address this intricate challenge.

Moving forward, we expand our exploration to encompass the realm of trademarks and certifications. This broader perspective allows us to gain insights into the intricate relationship between aesthetics and corporate conduct, without delving into the exhaustive examination of individual cases and regulations. Our primary goal is to shed light on the prevailing trends and issues within the current legal framework concerning the aesthetic dimension of business activities.

As businesses continue to employ aesthetics as a powerful tool in their CSR strategies, it is essential for legal and regulatory frameworks to adapt and effectively address this paradigm shift. By understanding these overarching patterns and challenges, we can work

towards creating a more robust and responsive legal environment that safeguards consumers and promotes genuine corporate responsibility.

For the sake of intellectual property protection, governments have been more invested in shielding corporate aesthetics than controlling their deceptive implications. Copyright law in the United States of America, a main shaper of worldwide standards, has a few times expanded the length of legal protection to creators' manifestations, generally to protect corporate interests, for example, the Walt Disney Company, which persistently campaigned for such expansions in 1998<sup>186</sup> (Svhlackman, 2017). Trademarks additionally get liberal legal insurances in order to protect corporations. Concurrently, experts in numerous jurisdictions have surrendered greater duty to organizations to deal with their own environmentally conscious performance through sets of principles such as codes of conduct or contracts and advisory guidance, resulting in creating more opportunities for dishonest conduct, given the diverse record of self-regulation in businesses. Large numbers of these voluntary CSR initiatives contain assumptions that member organizations will openly unveil their environmental and social performance, however such assumptions either identify with explicit technical information, for example, reporting their greenhouse gas emissions, or are projected too comprehensively without the intention to hold these corporations responsible for their performance. A 2010 global examination led by an environmental marketing firm, discovered that around 95 percent of the corporations claiming to be in support of environmental products were corrupted by green washing<sup>187</sup> (Terrachoice Study, 2010). Disturbingly, studies by the US Federal Trade Commission demonstrated that an item's environmental standing, impacts the buying choices of a greater part of customers. Common law remedies in tort and contract law are present in certain jurisdictions for distressed investors and consumers, but because of constraints in their limitations as well as the exorbitant burden set on litigants, governmental regulators currently assume accountability for supervising and managing corporate communications. Fair-trade guidelines serve the objective of assisting consumers on making sound purchasing decisions and helping organizations by promoting an equal playing field within the market. Regulations target misleading advertising and bogus claims that probably impact the consumers purchasing decisions by regulating all forms of business communication such as media coverage, product packaging and descriptions as well as other forms of business to consumer communication.

Active statements and exclusion can both amount to bad or faux forms of communication between a business and a consumer. For example, Canada's Competition Act 1985, recently amended in 2020<sup>188</sup>, precludes bogus or deceiving claims about any product, service, or

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<sup>186</sup> Steve Svhlackman, "Is Copyright Duration Too Long?" Art Law Journal, 2017, Available at: <https://abj.artrepreneur.com/copyright-duration-mickey-mouse-tpp/>

<sup>187</sup> TERRACHOICE 2010 SINS OF GREENWASHING STUDY, 2010. Available at <https://www.pnewswire.com/news-releases/terrachoice-2010-sins-of-greenwashing-study-finds-misleading-green-claims-on-95-per-cent-of-home-and-family-products-105757733.html>

<sup>188</sup> Canadian Competition Act (R. S. C. , 1985, c. C-34), available at: <https://laws.justice.gc.ca/eng/acts/C-34/page-1.html>

business. This incorporates both the literal meanings of the claims and the overall impressions they make. The Competition Act additionally precludes any presentation asserts that are not supported by adequate and appropriate testing, which should be conducted before the cases are made. Since these controls apply paying little mind to the mode of correspondence, they could catch a portion of the tasteful articulations peddled in the past segment of this chapter. The EU's important mandate defines misleading advertising as "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor"<sup>189</sup> (Directive 2006/114/EC). The US Federal Trade Commission works inside a similar regulatory system under the Federal Trade Commission Act and has exhorted that it "looks especially closely at advertising claims that can affect consumers' health or their pocketbooks". Advertising controls in certain nations are additionally expressed through codes that are broadcasted conjointly by government and industry. An example is the Great Britain's Advertising Standards Authority's codes and Canada's Code of Advertising Standards which limits certain promoting and advertising acts and accommodates the public to issue complaints where they are needed.

Fair trading regulations are restricted in terms of addressing CSR aesthetics. A few significant contemplations apply. To start, unveiling on bundling the fixings in cosmetics or groceries or providing details regarding ozone depleting substance emanations, such guidelines serve to control bogus or misdirecting claims. In many jurisdictions, organizations are not for the most part obliged to investigate their CSR executions. However, when organizations decide to make aestheticized claims about their CSR qualifications, they might get exposed by fair trading controls. Second, although advertising controls do extend to implied depictions, for example, pictures of farm animals or beautiful scenery in item promoting, specialists have seen that changing depicted claims is more difficult because the meaning of such claims are not clear or apparent, but they are deceptive and do manipulate the consumer<sup>190</sup> (Nehf, 2018). Misleading advertising laws are applied to word centered advertising that covers written text but does not extend to the visual or audible aspects of branding advertising. Legal charges have been brought by The Australian Competition and Consumer Commission (ACCC) against Heinz for having misleading nutritional facts on food that is meant to be consumed by infants.

One other problem regarding false advertisement is the fact that many of the terms used in packaging and labeling lack uniform definitions and classifications. Words such as free, natural or organic are hence figurative words or representations that are very difficult to control. The bigger problem however, is that consumer protection only applies to consumers who are reasonable in their corporate marketing interpretations, leaving the

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<sup>189</sup> Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising

<sup>190</sup> Nehf, J. P. , 2018. Misleading and unfair advertising. In Handbook of Research on International Consumer Law, Second Edition. Edward Elgar Publishing.

overly trusting consumers vulnerable to these deceitful corporate actions<sup>191</sup> (Nehf, 2018). These types of sanctions can be punishable by law and can bring both criminal and civil sanctions. An example is the Canadian Competition Act of 1985 which states that “No person shall, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly make a representation to the public that is false or misleading in a material respect.” (Canadian Competition Act, 1985) To illustrate, the ACCC alleged Apple had “routinely refused” to fix devices that had been repaired by a third party, and in doing so, was in breach of Australian Consumer Law by making false or misleading representations. The ACCC later announced the Federal Court had found Apple US to be in breach of Australian Consumer Law and had fined the company \$9 million. The company admitted it had told at least 275 Australian customers they were not eligible for a repair if their device had been fixed by a third party.

### **Trademark Law**

The role of fair-trade regulations in overseeing the aesthetics of corporate communications is significant but has its limitations. While these regulations focus on the overall impression created by corporate communications and whether they are deceptive, they are typically better suited for addressing deceptive advertising related to specific products or services rather than the broader brand identity of a company. The visual elements comprising an organization's brand, including its logo, website, and other expressive components, often operate in a more nuanced and less overt manner. They convey subtle messages about environmental quality, which may not be immediately clear and are not directly linked to the promotion of particular products.

Trademark law emerges as a powerful tool in addressing certain aspects of corporate brand identity. Brand names serve as a form of intellectual capital that provides companies with a unique identity and recognition in the market. Recognizable logos and brand names simplify the consumer experience by offering a clear and reliable means of identifying products and services. Trademarked brand names are intricately tied to the corporate brand and can communicate distinct environmental attributes and qualities associated with a company and its offerings. To fully realize the economic benefits associated with these trademarks, legal protection is essential. This safeguards consumers from being deceived by competing companies attempting to imitate or misrepresent similar logos or brand identities.

While fair trade regulations play a crucial role in consumer protection, they may not effectively address the complexities of corporate brand identity and greenwashing. Trademark law, on the other hand, can offer more robust protection for brand identity, ensuring that companies are held accountable for their environmental claims and aesthetics, ultimately benefiting both businesses and consumers.

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<sup>191</sup> Ibid

Similar to regulations prohibiting deceptive advertising, trademark registration procedures and guidelines serve to prevent the registration of trademarks that could mislead the public and create confusion. In recent years, trademark authorities have witnessed a surge in applications for brand name registrations that carry environmental connotations. These applications often include terms like "vegan," "eco," "green," "natural," and other environmentally conscious buzzwords. Additionally, visual symbols associated with these terms, such as trees, turtles, or the planet Earth, may be part of a brand name application. Some trademark offices have become increasingly vigilant in evaluating such applications.

As an example, in 2013, the US Patent and Trademark Office took action concerning an application to register the brand name "Green Seal" for adhesive tape. The office's decision was based on the belief that this trademark could falsely and misleadingly imply that the applicant's product was eco-friendly. The evolving landscape of trademark registration reflects the growing importance of environmental awareness and the need to protect consumers from deceptive claims. Consequently, trademark controllers are more discerning when it comes to brand names with environmental implications, ensuring that trademarks accurately represent the nature of the products or services they cover.

The legal system can also employ corporate logos as a means to publicly expose and hold companies accountable for their violations, including breaches of environmental regulations. This can be accomplished when businesses are mandated to publish public notices through the media, disclosing their transgressions, and prominently featuring the logo of the offending company. Such enforcement measures have been implemented in various legal actions against corporate polluters in Australia.

Another legal mechanism designed to safeguard commercial products is the use of geographical indications. Geographical indications are often presented as names or symbols and are occasionally represented as visual logos. They are used to label specific products originating from a particular place, such as a town or region. Geographical indications, sometimes referred to as "appellations of origin," serve to denote product quality, emphasize brand identity, and are frequently associated with food items like French champagne and artisanal goods such as Swiss watches. They provide manufacturers with the advantage of enhancing their market recognition and ability to command premium prices.

In an effort to standardize practices across nations, the 1958 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration establishes criteria for defining geographical indications and maintains a registry of such indications. In addition, the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights mandates that member states prevent the public from being misled regarding the geographical origin of products. While a brand name informs consumers about the source of a product, a geographical indication can specify the product itself and, notably, accentuate its environmental attributes, such as organically and locally grown foods. The use of corporate logos and geographical indications reflects the legal system's commitment to ensuring transparency, promoting ethical business practices, and safeguarding consumers.

Expert direction has additionally been given by authorities on specific ecological issues such as climate change. New Zealand's Commerce Commission has delivered regulations on advertising and marketing that identifies with climate change issues, and it alerts organizations against making carbon-neutral or low-carbon claims aimlessly and they should give a reasonable assertion about which components of the item life cycle or your business exercises have been counterbalanced<sup>192</sup> (Guidelines for Carbon Claims, 2009). Such direction may assist with controlling proper proclamations from organizations about their environmental change-related execution, yet it says nothing regarding how visual, emblematic, or acoustic portrayal of such issues ought to be depicted.

Perceiving the force of aesthetic portrayal of corporate practice, a few governments have gone to similar techniques in controlling misdirected advertisement by presenting their own visual images of pro environmental models. One of the most well-known models is Germany's "Blue Angel"<sup>193</sup> program, made in 1977 on the activity of the German government to consider eco-friendly items and administrations to be named and showcased with an effectively recognizable name. Certified items and administrations, of which there are presently around 12,000, can show the logo of the Blue Angel. Some noticeable private area, eco-certified models incorporate Carbon free and Fair Trade<sup>194</sup> (The Carbon Fund). However, a few analysts question the effect of these stylish images of environmental quality on consumer behavior since the names do not in themselves question the actual need of some utilization. In certain conditions the most environmentally economical alternative is no purchasing by any means. This proposes that if aesthetics is to have a more extensive part in handling consumerism, they need to go further in advancing anti-consumer conduct

The EU's far reaching non-financial reporting directive requires enormous organizations to distribute reports occasionally on the environmental and social effects of their exercises<sup>195</sup> (Directive 2014/95). Yet neither of these methodologies is probably going to have any immediate pertinence to the aesthetic qualities of corporate communications as the focus of this directive is to the formal composed detailing of financial and non-financial information. Administration gaps in controlling the style of corporate correspondences are not considerably filled by private law rights. Common law regulations that cover misdirecting corporate correspondences are accessible under contract law and tort law. These approaches can be helpful to distressed consumers or financial investors where

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<sup>192</sup> THE FAIR-TRADING ACT 1986: GUIDELINES FOR CARBON CLAIMS, July 2009. Available at: [https://www.commscouncil.nz/downloads/Guidelines for carbon claims and the Fair Trading Act.pdf](https://www.commscouncil.nz/downloads/Guidelines%20for%20carbon%20claims%20and%20the%20Fair%20Trading%20Act.pdf)

<sup>193</sup> "Blue Angel" The German Eco Label, 1977. Available at <https://www.blauer-engel.de/en>

<sup>194</sup> The Carbon Fund, Carbon Free Product Certification, available at <https://carbonfund.org/take-action/businesses/carbonfree-product-certification/>

<sup>195</sup> [Directive 2014/95/EU](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en) – also called the non-financial reporting directive (NFRD), available at [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)

controllers neglect to give alleviation. Yet they have numerous downsides. Consumers can only with significant effort prevail with the misdeed of injurious falsehood since they should exhibit that the organizations have acted maliciously when making a deceitful ad. Due to privity of contract, consumers additionally have experienced issues profiting by authoritative cures against retailers where items do not coordinate the quality guaranteed in advertisements made by the corporation. Also, in distortion cases, singular consumers ordinarily just experience the minor effects of buying an item, except if they endure actual harm (for instance, from a restorative containing cancer-causing fixings). Case itself is a costly and hazardous recommendation, in spite of the fact that consumers may participate through class activities, which can likewise overcome the trouble of demonstrating adequate individual misfortunes.

To sum up thus far, misleading environmental claims are intensified by corporate aesthetics installed in websites, trademarks and packaging. The current laws that manage advertisements, brand names, and the protection of investors insurance give the chief methods for administering their stylish properties and substance. They generally catch the most serious or unmistakable maltreatments, require impressive resources in order to prosecute, and largely neglect to perceive the universal and unpretentious pervasions of corporate aesthetics that add to naturally harming consumerism. Consumption itself is totally outside the extent of these legitimate controls however might be controlled through different methods, for example, in managing waste control or recycling norms. Without satisfactory lawful powers over the style of consumerism and corporate aesthetics, organizations that really hold fast to high environmental guidelines may not profit by their endeavors since consumers or financial investors can only with significant effort recognize the truly environmentally mindful firms. The appearance of environmental affirmation plans, in any case, can help truly favorable to environmental organizations through tasteful images that give consumers confirmation of sustainability principles. However, these corporations do not take any stance themselves against inescapable consumerism and incidentally may even empower it. The following chapter of this chapter inspects how social and environmental activist groups can assist with making up for this administration shortfall by making organizations more responsible for their green illusions.

### **C. COUNTERING THE AESTHETICS NATURE**

#### **Unveiling the Illusion**

The foregoing regulatory regimes are not sufficient for confronting deceptive CSR aesthetics and greenwashing. While the advertising of consumerism cannot be easily reversed, environmentalists can intercede to ingrain subliminal messages that instruct the public where laws and regulations failed to. Environmental community groups and critical artists help supplement governmental guidelines but in no way replaces them. There activist groups work on shaping the public opinion and help build consumer knowledge. In turn, that may thusly elevate more grounded laws and regulations to address the fundamental drivers of environmental deterioration such as gas emissions resulting from burning fossil fuels.

Countering aesthetic techniques can offer the methods for both governing CSR straightforwardly and utilizing legal reform.

### **Defying the Environmental Aesthetic**

Countering environmental aesthetics relies intensely upon the innovative expressions to draw the general society in. Timothy Morton, a professor in ecological studies, supports arts and human expressions for their power to help us reevaluate our place in nature for a superior environmental future<sup>196</sup> (Morton, 2007). Morton perceives art as a tool to assist individuals with seeing and comprehending environmental effects that they do not individually experience firsthand. Such effects, including the warming of the earth as a result of climate change, are what Morton calls "hyper-objects" since they show over temporary and spatial scales that stunt the growth of the human perception<sup>197</sup> (Boulton, 2016). In the areas where environmental change could not be experienced firsthand by humans, arts have an uncommon educative objective that can influence legal and political changes.

The social and emotive effects of art is subject to developing experimental approval, comprising to research for the particular pathways by which expressions of the human experience may impact environmental mentalities and practices<sup>198</sup> (Curtis et al. , 2014). One way is the communication of facts and information addressed in works of art about environmental effects, causes, and measurements. Art can deliver such data in fascinating and open ways that energize or interest crowds in a way that chilly savvy portrayal of the issues in an academic diary does not. Ransack Rosenthal and Richard Flacks recommend that art, including music, can help in outlining thoughts for the public that may support or challenge prevailing presumptions<sup>199</sup> (Rosenthal, 2015). Second, the use of art can be ethically influential by making in sound sympathetic for the issues it addresses. A melodic exhibition that contains a message about the perils of environmental change, for example, may genuinely mix audience members in a novel manner. Artistic expressions can likewise be utilized in political appearances to challenge government or corporate conduct, including questionable CSR rehearses.

One strategy of politically involved art that challenges questionable CSR aesthetics and huge name brands is referred to as "culture jamming". Ultimately, culture jamming is a creative form of activism against consumerist social movements which aims to disrupt

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<sup>196</sup> Morton, T. , 2007. *Ecology without nature: Rethinking environmental aesthetics*. Harvard University Press.

<sup>197</sup> Boulton, E. , 2016. Climate change as a 'hyperobject': a critical review of Timothy Morton's reframing narrative. *Wiley Interdisciplinary Reviews: Climate Change*, 7(5), pp. 772-785.

<sup>198</sup> Curtis, D. J. , Reid, N. and Reeve, I. , 2014. *Towards ecological sustainability: Observations on the role of the arts*. SAPI EN. S. *Surveys and Perspectives Integrating Environment and Society*, (7. 1).

<sup>199</sup> Rosenthal, R. and Flacks, R. , 2015. *Playing for change: Music and musicians in the service of social movements*. Routledge.

mainstream media culture and its institutions, including corporate advertising<sup>200</sup> (Dery, 2017). Cultural jamming commonly entails artists hijacking billboards, reconfiguring logos, and caricaturing ads to drastically sabotage their messages. The art ordinarily includes brilliant, metaphorical and sculptural components that are aggregately wrote without official approvals. What makes this social damage so striking is that it "makes use of a corporation's own method of communication to send a message starkly at odds with the intended one."<sup>201</sup> (Kohn, 2004). The companies are usually left to clean up the mess as it is seen to be destructive to keep these artistic invasions on their billboards. Also, they are being billed for that space.

Another form of countering these aesthetic feels is the recovering of public spaces, for example, sidewalks, town squares, transport stops, and city structures and buildings, which have surrendered to universal corporate advertising. Such imaginative activism has been conjectured by observers as being insightful of a developing "political consumerism" in which political qualities and acts are moved to the marketplace to oppose and reuse the rationale of appropriation. Since numerous public issues and social voices are underestimated by the strength of market esteems and business communications, activists have needed to go to the actual market as a stage to communicate their complaints. Political consumerism has become predominantly applicable to environmental activism since it tries to uncover the part of the market and uncontrolled industrialism as drivers of biologically unsustainable and impractical practices. We can conclude that the main purpose of this type of activism is to expose corporations for all the damages and social suffering they might be causing and making it transparent to the consumer who has a right to know the truth. Culture jamming is only related with practices of recent decades, however mainstream society or "pop culture" has a long history of being a site for communicating political dissention. The first inventor of culture jamming against the corporate world is unverified, yet it might have been the Australian BUGA UP activists (short for Billboard Utilizing Graffitists against Unhealthy Promotions), who started to astutely mutilate billboards marketing tobacco and liquor in the late 1970s.

Corporate logos are likewise targeted. As a portion of its mission against BP, the Greenwash Guerrillas arranged a culture jamming trick in which exactly fifty figures garbed in dark entered the Tate Gallery each holding a BP-marked paint tube, which they put on the floor all around and stepped on. The splashed paint made a picture on the floor repeating BP's halo-like corporate logo. In 2002, Greenpeace launched an environmental change crusade against grimy oil and utilized pictures not of environmental change impacts, but rather, of the Esso organization logo and pictures of then US President George Bush to broadcast its message. Another Greenpeace activity, including a cleanup on a seashore in the Philippines, uncovered the organizations liable for the plastic garbage gathered by

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<sup>200</sup> Dery, M. , 2017. Culture jamming: Activism and the art of cultural resistance. NYU Press.

<sup>201</sup> Kohn, M. , 2004. Brave new neighborhoods: The privatization of public space. Psychology Press.

prominently showing the logos of the organizations distinguished through the cleanup review. Some of these logos included Unilever, Nestle and Procter and Gamble.

### **Impression and Influence**

#### **D. FUTURISTIC REFLECTIONS**

The concept of aestheticizing things has a power on humans and a huge influence on the culture. This notion is exploited by the business sector in order to claim SR. False or misleading ecological claims are subsequently as anyone might expect enhanced by corporate aesthetic installed in brand names, packaging, websites, and advertising techniques. They are not effectively dependent upon the control of law as they are not text based. Fair exchanging and trademark law apparently include the general media measurements of corporate promoting and marking, yet they can struggle to observe and restrain some aesthetic components of business interchanges and completely fail to oppose the more extensive consumerist motivation. The law is simply unable to see the wood for the trees. When showcasing rehearses and lawful convention work in various domains, we can begin to value that CSR aesthetic present a genuine challenge for regulators and legislatures.

Past bureaucracy, a rebel social development that challenges corporate malpractice has ascended. Countering aesthetic techniques cunningly change corporate expressive material - trademarks, melodies, logos, slogans, announcements, or different components of the business brand - into something revolutionary. Countering these aesthetics can uncover tricky corporate practices that decline the environmental state or disclose other concerning social issues. These culture-jamming techniques additionally face lawful obstructions of their own, nonetheless, including reducing admission to public spaces, limitations on the right to speak freely, defamation law, and organizations' obnoxious implementation of their licensed property rights.

The main contributions of this chapter to CSR are not primarily to offer solid answers for the previous regulatory gaps and deficiencies, which are extremely hard to resolve, but to present novel methods of recognizing how CSR rehearses present complications for regulators and to feature the commitments and contributions which non-state actors are making through their rebellious idea of countering aesthetics. By enlightening the aesthetic elements of CSR and distinguishing regulatory shortcomings, this chapter wishes to spike further reflection and academic discussion on the issues made by CSR aesthetic and how to educate the general society and change consumer conduct. In portraying a future plan for the laws governing CSR, countering aesthetics ought to be thought of.

Securing the public from aesthetic expression and making sure they have a healthy community discourse is crucial significant for the foregoing plan. The decrease of the public domain, a space as far as anyone knows, must be isolated and inaccessible by the economy, was seen by Hannah Arendt in the 1950s as declining in terms of the availability of space of

appearance<sup>202</sup> (Arendt, 2013) for drawing in with their companions in political talk and community action. Philosophers claim that the public sphere is an essential site for public thought and objective talk for the quest for social and moral concerns<sup>203</sup> (Habermas, 1991). When observers wail over the "McDonaldisation" or "Disneyfication" of our modern-day society, they are talking decisively about the destructive corporate advances into this public domain.

Public spaces, town squares, parks, plazas and different zones open for individuals to openly blend, and talk are vulnerable to aestheticized trends of the industrialized consumerism. Shopping centers, which have become one of the essential public gathering spots in modern society are regularly overseen by their owners as private spaces with limitations set on what benefactors can wear, say, or do and policed by private security powers. American courts have established that the constitutional rights of freedom of speech do not stretch out to shopping centers, which are considered not to be comparable to public places, for example, the town square.

Enthusiastically, some intriguing legal precedents are putting the brakes on corporate aesthetics. These precedents have risen in certain regions. A few municipalities are limiting invasive marketing inter alia. In Brazil, the city of Sao Paulo has restricted boards and banners in open territories including public transport, and since the year 2007, has been preparing to free the city of visual pollution. The city of Canberra, Australia, has also kept a long-standing prohibition on promoting billboards to the staggering endorsement of its population (Evans, 2020). Indeed, a worldwide development to limit the multiplication of billboard marketing has been recognized in recent years, with the law being utilized to reduce aesthetic contamination in Chennai (India), Tehran, and Paris<sup>204</sup> (Mittal, 1994).

Intellectual property law should similarly be accommodated with the need to secure freedom of expression in an open democracy. Culture-jamming activities can be seen as an infringement of trademarks or copyright as well as the publisher's moral privileges of attribution of authorship. Experts have suggested that officials make more liberal fair use special cases for activities such as culture jamming<sup>205</sup> (Fitzgerald and O'Brien, 2005). Australia's Copyright Act 1968 was revised in 2006 to protect those controlling copyright material for the reasonable use of parody, in spite of the fact that with changes that additionally made it simpler to sustain criminal indictment against unlawful infringements. Some other examples are the South African courts have effectively favored the culture

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<sup>202</sup> Arendt, H. , 2013. The human condition. University of Chicago Press.

<sup>203</sup> Habermas, J. , 1991. The structural transformation of the public sphere: An inquiry into a category of bourgeois society. MIT press.

<sup>204</sup> Mittal, B. , 1994. Public assessment of TV advertising: Faint praise and harsh criticism. *Journal of advertising research*, 34(1), pp. 35-54.

<sup>205</sup> Fitzgerald, B. and O'Brien, D. , 2005. Digital sampling and culture jamming in a remix world: what does the law allow? *Media and Arts Law Review*, 10(4), pp. 279-298.

jammer's rights of expression<sup>206</sup> (Seriff, 1996). Several US cases have similarly supported mocking business brand names as ensured noncommercial freedom of speech, as long as it does not undervalue it by influencing consumers which is ultimately the main goal of culture jamming.

In shutting these short reflections on future governance, improving the jurisdictions for culture jamming is not entirely enough to resolve all the issues associated with the aestheticized nature of CSR. Culture jamming alone is not enough to circulate change within environmental laws and policies. The art of culture jamming can add to public discourse and the human creative imagination in novel and fascinating manners for investigating environmental practices, yet they rely upon different stakeholders and procedures acting towards changing corporate and government conduct, regardless of whether through boycotting specific corporations or public interest litigation, or different intercessions. Art is meant to get people to better understand their reality and if used correctly in this context, it might be monumental in helping people to discover reality behind greenwashing and subsequently perhaps to one day hold business investors and legislators responsible for their misconduct.

## **IX. Implications of Covid-19 on Business and CSR**

CSR entails a planning of activities which goes beyond the simple aspect of profit making and compliance with the law. Nonetheless, experts in planning CSR strategies are invigorated by the existing legal framework and could be enlivened by laws. Large international businesses ought to plan a CSR approach that communicates their sustainability standards inside the realm of globalism changes in their ordinary exercises.

Like other global events that had global impact, the Covid-19 pandemic has changed the world that we live in. COVID-19 has affected millions of people all around the world and has implications for countries' health systems and wide-ranging social and economic impacts. The United Nations development entities that make up the United Nations Sustainable Development Group constantly assist countries in preparing and developing preparedness and response plans for this virus.

With the pandemic came a lot of transformation, from human tragedy and scarred communities to economic and social degradation, this phase is not one to ever be forgotten. After such a shock has taken place amongst communities, people tend to rationalize the events and reflect on how they could have predicted such an event and most likely avoided it<sup>207</sup> (Taleb, 2008). Notwithstanding political opportunists and apocalyptic predictions, I

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<sup>206</sup> Seriff, S. , 1996. Recycled, re-seen: Folk Art from the global scrap heap. *African arts*, 29(4), p. 42.

<sup>207</sup> Taleb, N. (2008). *The Black Swan: The Impact of the Highly Improbable*. London: Penguin.

cannot help but hope that such an event would be avoided in the future if the right lessons are learned and enforced.

The impact of the pandemic is amongst the most substantial social and ecological change to have occurred in our modern history, which in turn has a huge impact on CSR and consumerism. The short-term impacts of the pandemic are clearly recognized due to social distancing and lockdown. There is a broad discussion among researchers, government officials, financial specialists, and so forth with respect to the previously mentioned symptoms of the pandemic. A number of experts are of the view that such severe measures have amplified the negative effects particularly in the financial area (Ioannidis, 2020). We are facing the greatest decline of the most recent hundred years with a decline in the worldwide Gross Domestic Product (GDP) of 3.5%<sup>208</sup> (Stournaras, 2021). This has led several nations to become reluctant of applying these preventative measures.

Although the pandemic will end, the effects of it will be everlasting in terms of CSR, economy, society and politics. In this article I will discuss some of the most tangible influences the pandemic has had on CSR practices, ethics, trends and opportunities.

#### A. The impact of the Covid-19 pandemic on CSR

Covid-19 poses many challenges to corporations with regards to their CSR practices. While some corporations tried to profiteer from the crisis, others went above and beyond to proactively engaging in various CSR activities that aid the situation cause by the pandemic. Inevitably, corporations' ethical business conduct has been put under the test by this crisis. A company's legitimate CSR plan will shape more compatibility amongst its customers and the overall public. Consumers would feel pleased with their brands making a difference with their personnel, giving money and hardware during the emergency. The tie set up between the brand and the consumer during this emergency period can be more significant and enduring than during normal times. Thusly, Covid-19 pandemic provides corporations a great opportunity to effectively be engaged with their CSR initiatives. Nonetheless, the pandemic has pushed many corporations to the brinks of bankruptcy. It is turning out to be significantly more imperative to recognize what motivates corporations to be socially and environmentally responsible and ethical, especially at times of crises.

It has been occurring that governments all around the world have set up monetary packages to simplify the pending tension especially to the frail corporations, such as family-owned businesses and corporations that work within the tourism industry. These activities should urge corporations to maintain ethical tactical policies and carry out their CSR obligations to their stakeholders. In addition, there is evidence in vulnerable situations, the senior management must step up and play an important part. For instance, the creator of Twitter Jack Dorsey, donated 1 billion US dollars towards working on handling the

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<sup>208</sup> Stournaras, I. (2021). Bank of Greece- Director's Annual Report for 2020 (p. 416) [Annual]. Bank of Greece, available at: <<https://www.bankofgreece.gr/Publications/ekthdkth2020.pdf>>

pandemic<sup>209</sup> (BBC, 2020). One of the wealthiest people on the planet, Bill Gates, tenaciously reassured the world participation on this front. The Covid-19 pandemic subscribes to an incredible situation to analyze how a corporation changeable and authority impacts corporations' ethical and CSR conducts.

Another issue with respect to CSR would be the business case for CSR. This pandemic has exposed corporations to become vulnerable to extraordinary factors such as the fact that some may consider this pandemic a black swan event<sup>210</sup> (Taleb, 2007). As the business conditions are turning out to be more violent and unpredictable, what are the consequences for CSR? Will corporations invest in CSR, or will they submit to the transient burdens of business? How will we convince business innovators of the importance of CSR, especially in such a situation? There might be two perceptions and prospects on this. For one, it might discourage corporations from investing into CSR as they recognize the importance of focusing on the core of the business for survival and profit. From another perspective, history has proven that fluctuations in environmental forces are a key reason behind the advancement of CSR in the first place.

Subsequently, one view is that the pandemic will speed up post-pandemic CSR progression over the long haul, because a huge number of corporations understand that their durability and development depend on achieving a delicate balance among various stakeholders. The more significant question is not whether or not to put resources into CSR, but more towards putting resources into CSR to accomplish the commonly beneficial social/environmental and financial purposes. The pandemic has shown us that we are all in the same boat, which without a doubt will raise consumers' expectations of corporations being more philanthropically responsible. To that end, we might be able to imagine a post-pandemic time where corporations are in compliance with CSR regulation because of the truths that have been revealed by the pandemic. Greenwashing and pinkwashing will no longer pass the test of the consumer.

Coronavirus pandemic has uncovered some imbued social issues such as inequality, poverty and business-employee relations. The general narrative is that Covid-19 does not separate as far as the medical reality that people from numerous backgrounds are equally defenseless to the virus. Notwithstanding, Covid-19 segregates as there are information showing that individuals from minority ethnic backgrounds are guaranteed to be infected and encounter serious illness or even possibly pass away<sup>211</sup> (Butcher and Massey, 2020). Numerous explanations have been advertised. A numerous fragment of these explanations addresses the fact that there is a considerable level of inequality in the modern world in terms of health insurance, education and wealth. Pursuantly, corporations ought to focus

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<sup>209</sup> BBC (2020c), 'Coronavirus: Twitter boss pledges \$1bn for relief effort', The BBC, available at: <https://www.bbc.co.uk/news/technology-52209690>

<sup>210</sup> Taleb, N. (2008). *The Black Swan: The Impact of the Highly Improbable*. London: Penguin.

<sup>211</sup> Butcher, B. and Massey, J., 2020. Are ethnic minorities being hit hardest by coronavirus? The BBC, available at: <https://www.bbc.co.uk/news/uk-52219070>

their activities and efforts towards managing societal issues on these fronts throughout this pandemic as well as on the long run. The United Nation (UN) has compelled the world to assemble more comprehensive and practical post Covid-19 economies that are stronger in confronting global challenges such as pandemics, climate crisis and others, rather than returning to the world unchanged<sup>212</sup> (UN. org, 2020).

## B. Ethical Consumerism

Classic frameworks of ethical decision-making stress the joint impact of personal and situational/contextual factors<sup>213</sup> (Treviño, 1986). Individual variables can include consumer characteristics, virtues, moral identity, values and beliefs, etc. Situational/context-oriented variables can include characteristics, social impacts, etc. The Covid-19 pandemic, as an extraordinary situational and context-oriented component. It has critical ramifications for the comprehension of consumer moral decision making during the pandemic and post-pandemic. During the pandemic, various consumers are stuck in their homes with restricted outside access aside from the web, because of lockdown and other social separating measures. Consumers' independent decision-making process can be quite unreasonable during emergencies like the current pandemic we are going through. This was confirmed by the outrageous hoarding of food supplies, advertisements, as well as medicine and hygiene products. Some may contend that hoarding products is completely normal and expected behavior of the consumer in times of significant degree of vulnerability<sup>214</sup> (Lufkin, 2020). All things considered, it appears to be that the consumers' decision-making process is presently driven by personal feelings and emotions such as anxiety, fear and uncertainty. This has constrained hypermarkets and grocery stores to go to lengths like proportioning and assigning opening hours for key workers and seniors. On the other hand, purchasers have displayed numerous philanthropic practices during the pandemic, including resisting hoarding and purchasing food for the more vulnerable residents (e. g. , over 70s). To that end, this emergency gives a magnificent chance to inspect the behavior among individual and situational/context-oriented factors in affecting consumer moral choices related to the environments and progressing circumstances of the pandemic at the context-oriented level, and individual factors such as, characteristics, rationality, and emotions such as anxiety and fear.

Throughout the pandemic, the consumer has been given the freedom and the opportunity to think about the fundamental implications of consumption not only on themselves but on the environment and the society at large. Prior to the pandemic, consumers living in the more developed world have underestimated how their fundamental requirements, like food and safe house, can be effortlessly met through the wide accessibility of different items and services that can assist with addressing those necessities.

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<sup>212</sup> UN. ORG (2020), 'UN launches COVID-19 plan that could 'defeat the virus and build a better world', available at: <https://news.un.org/en/story/2020/03/1060702>

<sup>213</sup> Treviño, L. K. (1986). Ethical decision making in organizations: A person-situation interactionist model. *Academy of management Review*, 11(3), 601–617.

<sup>214</sup> B. Lufkin, 'Coronavirus: The psychology of panic buying', *The BBC*, 2020

Additionally, consumption is likewise determined by purchasers' quest for products that can assist with meeting their self-actualization needs<sup>215</sup> (Maslow, 1943). The pandemic stunned purchasers with the thought and surprisingly an exceptionally plausible reality that their fundamental requirements probably will not be met. Meaning that food and essential requirements probably won't be accessible to them. While having these basic consumer needs met daily in the developed world, there might be some shift in the level of appreciation of the availability of these products and services. Simultaneously it might affect the way a consumer perceives themselves and pursues their social image. There is probably going to be a critical shift towards responsible consumption in the way that consumers might reflect more on the implications of their consumption and try to make responsible choices in terms of their consumption conduct.

Another ethical decision a consumer makes on almost a daily basis is the decision of purchasing products that are either imported or produced domestically. Within conscious consumerism, it is encouraged to always purchase products that are grown domestically or locally manufactured. Notwithstanding a solid call for worldwide solidarity, fortitude, and participation in finding answers to the way we are approaching this pandemic, the current pandemic has effectively caused some critical international pressures, which are showing their results through the flood of patriotic opinions of consumer conduct. It has been observed that some consumers might have antagonistic inclinations toward items from a particular country which is resulting from apathy towards the nation<sup>216</sup> (Harmeling, Magnusson, and Singh, 2015). Consumers' choice in purchasing products does not only entail differences in cost, accessibility and quality, but it also entails a moral and ethical aspect in terms of right and wrong. The pandemic will catalyze a reestablished curiosity in this arena. All the more exploration should get directed to research the patterns of consumers' patriotism, ethnocentrism, hostility, their effect on a consumer's ethical and moral decision-making process.

It is also expected that there would be an increase in the consumption of products that promote health and wellness. The real fascinating inquiry would be how much consumers tend to shift their consumption towards health and wellness on the longer haul. Will consumers for the most part become more wellbeing cognizance in their purchasing decisions? Considering the proof that an individual's overall health would dictate their reaction to the virus, as healthier people are less inclined to suffer severe symptoms<sup>217</sup> (O'Connor, 2020). We anticipate a solid shift towards health utilization, not only in the food and nutrition areas, but additionally in the health and wellness area. In the area of policy

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<sup>215</sup> Maslow, A. H. , 1943. A theory of human motivation. *Psychological review*, 50(4), p. 370.

<sup>216</sup> Harmeling, C. M. , Magnusson, P. and Singh, N. , 2015. Beyond anger: A deeper look at consumer animosity. *Journal of International Business Studies*, 46(6), pp. 676-693.

<sup>217</sup> O'Connor, M. (2020), 'Coronavirus: Stay fit to fight the virus, say medics', available at: <https://www.bbc.co.uk/news/uk-52076856>

making, the post-pandemic period will be a once in a lifetime chance for governments to promote healthy consumption.

In conclusion, it is apparent that Covid-19 pandemic is fundamentally affecting consumers' moral and ethical decision making. Considering the current circumstances are probably going to last for a critical period of time on a worldwide measure, its effects are probably going to be present even after the pandemic is over. Consumers have developed a few propensities, especially in relation to the progressively notable role that the moral aspect plays in their decision-making process. A portion of these practices will probably be upheld or even on a very basic level shift towards more dependable and prosocial consumerism.

#### C. The Business response

In an emergency such as the Covid-19 pandemic, many look to the public authority as the entity responsible to ensure their wellbeing and health. Corporations' responsibility is unique and different to the responsibility a government might hold in such a circumstance. Corporations are neither likely to protect the wellbeing of all residents nor deal with the general economy. Corporation's reactions are mainly humanitarian and philanthropic or concerning adopting new business models in order to produce products that are in high demand.

#### D. Philanthropy

Numerous corporations have engaged in philanthropic activities by giving cash donations to schools, banks and medical care workers. Marriott and Hilton, among others, donated thousands of rooms around the world to first responders in areas that were hit hard by the pandemic. Kimberly Clark donated \$500,000 to help preparing for cleaning experts working in high-risk regions.

Many corporations such as PepsiCo, Walmart, UPS, Nike, Crocks and others, have either given monetary donations or product donations to affected people around the world. PepsiCo gave assets to help networks of shading antagonistically affected by the pandemic and the closure. Crocks pledged to donate 10,000 pairs of shoes per day to first responders and medical professionals. Dyson donated 15,000 Covent Ventilators to COVID-19 patients in need. Best Buy gave free innovation classes to kids learning from home. Amazon provided more than \$2. 5 billion in bonuses and incentives to their teams and employees globally. AT&T gave huge number of telephone chargers to medical clinics so patients and laborers could keep in contact with their friends and family more without any problem<sup>218</sup> (Business Roundtable, 2020). Some Chief Executive Officers (CEO) of some companies that were hit

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<sup>218</sup> Business Roundtable (2020), "Business roundtable CEOs are responding to COVID-19", available at: <[www.businessroundtable.org/covid-19#leadership-in-action](http://www.businessroundtable.org/covid-19#leadership-in-action)>

hard by the pandemic took voluntary pay cuts to their salaries<sup>219</sup> (Wolff-Mann, 2020). Although these CEOs still received their stock options remuneration, many employees of lower ranks were let go in order to cut costs for the business.

#### E. Transformation

Some corporations changed their entire business model to accommodate the pandemic and the needs of the people throughout. For example, car manufacturing corporations such as Ford, Volkswagen, and GM have switched out their pick-up trucks to start producing ventilators. Other responses from corporations to the pandemic was the expansion of mask production, sometimes triple the amount produced normally. Apple and Google joined forces on the improvement of contact tracing innovation to assist with restricting the spread of COVID-19<sup>220</sup> (Clark, 2020). Moët Hennessy Louis Vuitton, the extravagance design and beauty care products maker, gave more than 26,000 pounds worth of hand sanitizer to hospitals in France<sup>221</sup> (Dall'Assen, 2020). A huge number of corporations changed their arrangements to eliminate signature necessities to accept only touch card payments in order to reduce disease chances with money exchanges.

Other ways of participation in these efforts were the change in opening hours for big grocery stores and hypermarkets in order to set specific opening hours for the elderly and other opening hours for the rest of the citizens in order to reduce the contamination risks to vulnerable people. Most corporations changed their status quo by reducing the numbers of people allowed to be present in one store, as well as enforcing mask mearing and social distancing measures. Many of these actions were personal efforts from these corporations however, many of them were government mandated restrictions that are obligatory. This makes it hard to determine whether these actions have been put in play if they were not mandated by governments as ethical responses in line with CSR practices.

#### F. Meeting the expectation

Individuals were anticipating that corporations should put the interests of their communities and workers in front of the organization's monetary benefits. It is demonstrated that 78% of respondents have expected that corporations should act to protect communities and

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<sup>219</sup> Wolff-Mann, E. (2020), "Here's a list of CEOs taking pay cuts amid the coronavirus crisis", Yahoo Finance, 30 March, available at: <https://finance.yahoo.com/news/heres-a-list-of-ce-os-taking-paycuts-amidst-the-coronavirus-crisis-171206258.html>

<sup>220</sup> Clark, M (2020), "Apple and Google's COVID contact tracing tech is finally coming to their home state of California", The Verge, 07 December, available at: <https://www.theverge.com/2020/12/7/22159842/apple-google-covid-contact-tracing-tech-california>

<sup>221</sup> Dall'Assen, N. (2020), "LVMH is making free hand sanitizer to help French hospitals fight coronavirus [updated]", Allure, 19 March, available at: [www.allure.com/story/lvmh-free-hand-sanitizerfrance](http://www.allure.com/story/lvmh-free-hand-sanitizerfrance)

workers<sup>222</sup> (Edelman 2020, A). Most US respondents felt that corporations were not doing what was necessary of them, namely, to guarantee that required items and services were accessible and ensuring fundamental worker's needs. Only 38% of the people surveyed thought that corporations were working well in putting individuals ahead of the corporation's benefits and objectives<sup>223</sup> (Edelman, 2020, C). Workers expect their corporations to go above and beyond to protect their health and their interest. Such expectations would entail the cancelation of non-essential physical meetings, applying remote work initiatives and social distancing<sup>224</sup> (Edelman, 2020 A). For the present time, representatives anticipate that their firms should make moves to focus on worker wellbeing over activities that maximize investor benefits. The previous Governor of the Bank of England has anticipated that the spread of the virus would enhance the value of the stakeholder over capitalism<sup>225</sup> (Williams, 2020). His expectation is by all accounts supported by the Edelman review results. Workers are expecting ordinary reports on the effect of the infection. They need a high degree of straightforwardness on what the infection means for them, their business and the economy.

The responses of the survey conclude that marketers and advertisers should be cautious in the way they market to people during this time and not to take advantage of their worries and fears. A different report by Edelman on brand trust demonstrated that more than 75% of clients anticipate that ads should bluntly express that it isn't "business as usual"<sup>226</sup> (Edelman, 2020, B). Specifically, more than 80% of respondents required that promotions and advertising reflect the situation of the people and show empathy towards them. Humorous advertisements are usually subject to interpretation and that might not play well given the current circumstances of the people and the seriousness of the situation. Most respondents to the Edelman study expressed that they felt comfortable after knowing about corporations' efforts to help individuals in the emergency. More than 80% needed marketers and advertisers to zero in on how the item or administration can assist individuals with taking care of the difficulties of the pandemic. For the maintenance of brand loyalty, appropriate marketing that is commonly perceived as ethical advertising is very critical. Corporations ought to comprehend that the effects of inadequately portrayed publicity might have long-lasting negative effects. Empathetic communication and problem-solving

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<sup>222</sup> Edelman (2020, A), "Edelman trust barometer special report on COVID-19 demonstrates essential role of the private sector", Edelman, March, available at: [www.edelman.com/research/edelman-trustcovid-19-demonstrates-essential-role-of-private-sector](http://www.edelman.com/research/edelman-trustcovid-19-demonstrates-essential-role-of-private-sector)

<sup>223</sup> Edelman (2020, C), "Spring update: trust and the COVID-19 pandemic U. S. findings", Edelman, 15 May. Available at: [www.edelman.com/sites/g/files/aatuss191/files/2020-05/2020%20Edelman%20Trust%20Barometer%20Spring%20Update%20U.S.pdf](http://www.edelman.com/sites/g/files/aatuss191/files/2020-05/2020%20Edelman%20Trust%20Barometer%20Spring%20Update%20U.S.pdf)

<sup>224</sup> Edelman (2020, A), "Edelman trust barometer special report on COVID-19 demonstrates essential role of the private sector", Edelman, March, available at: [www.edelman.com/research/edelman-trustcovid-19-demonstrates-essential-role-of-private-sector](http://www.edelman.com/research/edelman-trustcovid-19-demonstrates-essential-role-of-private-sector)

<sup>225</sup> Williams, R. , (2020). *Culture and materialism*. Verso Books.

<sup>226</sup> Edelman (2020, B), "Edelman trust barometer special report: brand trust and the coronavirus pandemic", Edelman, 30 March, available at: [www.edelman.com/research/covid-19-brand-trust-report](http://www.edelman.com/research/covid-19-brand-trust-report)

attitudes are key players in the maintenance of brand loyalty during the pandemic<sup>227</sup> (He and Harris, 2020).

While it is difficult to express the thought processes in a large number of the business activities taken to help public government assistance during the emergency, many activities seem to be inspired by deontological ethical standards rather than a utilitarian money saving advantage. Business reactions seem to include putting the wellbeing of the people ahead of monetary objectives. Clients and representatives appear to appreciate and anticipate this and accept that organizations ought to accomplish more. It will be crucially significant for firms to keep up with the trust of their workers and react with sympathy. This is particularly obvious given the low degrees of trust individuals appear to have in the public authorities and the media's capacity to solidly convey data about and react effectively to the emergency.

#### G. Distributional impacts

The pandemic has had its impact on almost everything in the world. But is this impact consistent all throughout? The pandemic has had distributional impacts in the meaning that it has not affected everyone the same way. In the business context, it has not affected businesses in the same way and that is a result of many factors that play a role in the equation. The disproportional implications of COVID-19 in the USA are represented in Fairlie's business analysis on business failures which revealed the minority owned businesses were hit harder by the pandemic. The analysis shows that more than 41% of minority owned businesses failed whereas only 17% of white owned businesses did<sup>228</sup> (Fairlie, 2020). Also, Asian, Latinx, and women owned businesses suffered hard because of the pandemic. A study found that the pandemic has caused more fatalities amongst Black, Native American and Latinx communities than any other group in the USA. The study also suggests that the factors behind the high fatality rates among people of color is a result of unequal access to health benefits, as well as jobs that require social interaction or underlying medical issues<sup>229</sup> (Shiels et al. , 2020).

In the US, Federal Reserve survey shows that the lower the income of a household, the more likely you are to find someone within that household that had lost a job because of the

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<sup>227</sup> He, H. and Harris, L. (2020), "The impact of COVID-19 pandemic on corporate social responsibility and marketing philosophy", *Journal of Business Research*, Vol. 116, pp. 176-182, 21 May 2020, available at: <https://www.sciencedirect.com/science/article/pii/S0148296320303295?via%3Dihub>

<sup>228</sup> Fairlie, R. (2020), "The impact of COVID-19 on small business owners: evidence of early-stage losses from the April 2020 current population survey", working paper No. 20-022, Stanford Institute for Economic Policy Research, Stanford, 28 May, available at: [www.nber.org/papers/w27309](http://www.nber.org/papers/w27309)

<sup>229</sup> Shiels, M et al. , (2020), "Racial and Ethnic disparities in excess deaths during the COVID-19 pandemic, March to December 2020", *Annals of Internal Medicine*, available at: <https://doi.org/10.7326/M21-2134>

pandemic. The higher the income of a household is, the fewer job opportunities lost<sup>230</sup> (Harrison, Overberg, 2020). Which means, wealthier people have more job security and are more likely to tap into savings and investment portfolios if they are furloughed.

As a result of the disproportionate effect of the pandemic, women are being impacted disproportionately to men. The reasoning behind that is because women usually tend to work in organizations more likely to be affected by the social distancing measures. Remote jobs are more likely to bring about home and child responsibilities to these women. Earnings losses caused by downturns tend to persist longer than the recession and the loss of a job can be a difficult thing as it could result in less stable futures. The real fear is that this decline will affect this group far past the pandemic<sup>231</sup> (Allen, 2020). It is a corporation's duty to provide assistance to minorities which is why CSR efforts should certainly be directed towards minorities, people of color and women during these challenging times.

#### H. The Legal Lens

Because of the current continuous social, environmental, and financial strife, state run administrations across the world have progressively been mediating in dynamic cycles at the degree of organizations (Ragadoo, 2013). The avocation of obligatory CSR lays on the insufficiency of intentional consistency and the desperation of attention to social and environmental obstacles. The pandemic has additionally uncovered the diminishing effectiveness of customary systems of public or transnational administration in shielding weak gatherings from corporate externalities (Szejnwald Brow, 2020). The political speculations of CSR that guarantee another political job for organizations on the grounds that the "social obligations of money managers emerge from how much friendly influence that they have" are turning out to be progressively important in the current monetary environment (Davis, 1967). As the aftereffect of the pandemic, worldwide worth chains are by and large firmly tested for their irregularities and idiocies (Delbard, 2020). Compulsory CSR will work with the change of CSR standards from a limited humanitarian obligation focused CSR to a greater manageability spurred and methodology driven one. Assuming safeguarding partner interests through business decisions becomes compulsory before partners' freedoms and interests are hurt, all things considered, organizations will settle on all around informed choices and foster their business exercises in an arranged, sensible, and intentional environment.

#### Corporate Law

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<sup>230</sup> Harrison, D. and Overberg, P. (2020), "Nearly half of adults live in U. S. households that lost income since lockdowns started", The Wall Street Journal, 20 May, available at: [www.wsj.com/articles/nearly-half-of-u-s-households-have-lost-income-since-lockdowns-started-11589997049?mod=djemwhatsnews](http://www.wsj.com/articles/nearly-half-of-u-s-households-have-lost-income-since-lockdowns-started-11589997049?mod=djemwhatsnews)

<sup>231</sup> Allen, T. , Deopke, M. , Olmstead-Rumsey, J. and Tertilt, M. (2020), "The impact of COVID-19 on gender equality", NBER working paper No. 26947, National Bureau of Economic Research, Cambridge, available at: <https://doi.org/10.3386/w26947>

With exceptional social distancing rules and the interruption of worldwide carriage of products, the pandemic has added stimulus towards contentions for a more confined methodology because of social and humanitarian emergencies. This confined methodology restricts the contributions from worldwide regulation or global perceived norms. To relieve these weaknesses, aside from guidelines by homegrown regulations with an immediate effect on specific partners' freedoms, like work regulation, environment regulation, or purchaser insurance regulation, the obligations to conform to regulations, for example, industry norms and partner pressures are indivisible from corporate regulation and corporate administration.

Many damages and harms done to weak gatherings are irreversible. Accordingly, it's a good idea to ensure administrative methodologies are involved at the dynamic stage, to stop chiefs settling on untrustworthy choices that might prompt irreversible social or environmental harm. Moreover, it is regularly challenging to lay out a direct causal connection between corporate offense and social, environmental, or basic freedoms harms, and it is generally beyond difficult to distinguish a solitary culprit. It is thus important to support the need to safeguard weak gatherings with the most noteworthy reliance in a deterrent rather than a compensatory way.

Therefore, chiefs will find "their choice tree impressively managed and their tact distinctly decreased by obligatory legitimate principles instituted for the sake of safeguarding partners" (Winkler, 2004). Corporate regulation investigates the doctrine of the investor esteem guideline and works with administrative methodologies, for example, chiefs' obligations at the dynamic stage, to stop chiefs settling on flighty choices that might prompt irreversible social or environmental harms. To relieve, enhance, and make up for weakness, corporate regulation will require organizations and their chiefs to give resources as advantages or survival techniques.

Explicit execution plans might exhibit that it is unreasonable and illogical to insert the point-by-point guideline of dynamic power inside organizations, where overregulating could harm the destinations of the wellbeing of the enterprise. In any case, as confirmed by the Business Roundtable declaration by US organizations that dismissed the investor power standard and advanced the making of significant worth for all partners in August 2019 (Fisch, 2020), COVID-19 has reignited the discussion on corporate targets and avowed the need and sped up the course of progress proposed in these "modernized standards" (BBC, 2019), making it unreasonable for organizations to get back to old business functional methodologies (Westerman, 2020). This makes the responsibility by CEOs of the Business Roundtable to serve all partners much more striking (Kapla, 2020). Albeit this assertion isn't creative, since it is really an amendment of the 1981 assertion from a similar gathering supporting expressly that organizations are run basically to serve the interests of their investors, as we would like to think, the reexamined assertion is a significant sign that builds up a stakeholder-oriented approach and its suggestions in organization regulation. Considering the rise of progressively upsetting and possibly devastating issues like rising pay imbalance, social government assistance, and employer stability in the period of the pandemic, it is likewise a sign for organizations to find this demeanor shift. The shift may

likewise urge more organizations to work inside the ever-evolving corporate regulation environment and propose a recharged center around sustainable recuperation, which ought to include the interests and needs of an expansive cluster of partners executed inside corporate regulation methodologies, like monumental wide legitimately perceived obligations.

#### The restoration of Sustainability through Law

Sustainable restoration should be the objective for post-emergency regulation, taking into account that the idea of current regulations, for example, the UK's Corporate Insolvency and Governance Act 2020, will in general connect with transitory and momentary effects. The expression "sustainability" stresses a fitness to drag out or keep up with into what's to come; "being a sustainable business implies flourishing in unendingness" (Werbach, 2009). Coordinating sustainability straightforwardness decisively into corporate approach will include a more prominent knowledge into what's to come. These organizations are bound to plan arrangements because of the harms brought about by COVID-19 and will be substantially more dexterous in reacting to unforeseen occasions later on. To accomplish sustainable recuperation and upgrade CSR consistence (Goncalves, 2020), it is vital to rethink the extent of CSR past "accomplishing something useful" in the classification of magnanimous exercises. We contend that organization regulation will add to compulsory CSR approaches, laying out a reference system of corporate methodology and carefulness arranging as measures to accomplish sustainable recuperation.

Because of the difficulties of COVID-19 and objectives to make, create, and reproduce tough and lithe organizations, chiefs need to deal with the clashing interests of different partners and treat building versatile organizations as a center capability for post-pandemic change (Sharma, et al. , 2020). This legitimate necessity won't just change corporate conduct in the long haul, yet in addition empower chiefs to carefully oversee takes a chance comparable to the possible effect of COVID-19 on their partners. At the end of the day, as well as advancing more responsible organizations and forcing sanctions for their misconduct's ex post, safeguard approaches through corporate regulation with an inward effect on corporate practices and sheets' choices will assist with boarding individuals to keep an equilibrium of consideration between more dynamic association in moral drives and the freedom of sheets in deciding. These methodologies will energize proactive lawful gambling the board and will accordingly change the corporate culture by including building versatility or sustainable recuperation as basic support points for long haul thriving and esteem creation.

In the time of the pandemic, organizations need to set the establishments for suffering accomplishment by rethinking how they will recuperate, work, and arrange post-pandemic (Sneider, Sternfels, 2020). Organizations are presently important for a powerful world with a solid pattern of persistent change, which requires adaptability and nimbleness to permit the business society to remain firmly associated with the most recent environments, difficulties, and necessities. Organizations need to go up against new and difficult monetary and social vulnerabilities and dangers, which produce or speed up weaknesses inside the business environment. The dangers implied as the aftereffect of COVID-19 incorporate

reputational chances, wellbeing gambles, and lawful dangers. In the time of the pandemic, the central issue of this wide fluctuation is that social orders are presented to take a chance for which no single instrument is sufficient to adapt to them. These dangers are past individual choices, and tending to them will require associations among organizations, partners, states, and worldwide bodies. The pandemic inserts organizations in "a diffuse and multifaceted mess of the board difficulties" (Crane & Matten, 2021), and although it is unreasonable to hope to have the option to anticipate future emergencies, it is conceivable and alluring to be ready to limit their effects on society by gaining from the outcomes of the current flare-up and commitments by organizations. The qualities of desperation, volatility, and fast numerous weaknesses and dangers all give administrators genuine motivations to educate organizations to get ready for incomprehensible emergencies in a sincere, straightforward, predictable, and intentional way, with managements and public authorization power from states and public specialists

We have expressed thoughts on what the continuous COVID-19 pandemic means for CSR and consumer ethics and moralities. This pandemic offers extraordinary opportunities for corporations to effectively participate in different CSR initiatives during the emergency, and conceivably create a different new era of CSR practices and improvement. We have also concluded that conscious consumerism is in fact achievable. The ethical dimension of decision making for consumers has become a focus of the new world. This focus will likely direct consumers towards consuming more responsibly and reasonably.

We also conclude that the protection of people's freedoms is a very important aspect to the lives of people, especially those vulnerable groups. For society to be served best, CSR initiatives and efforts need to be directed towards ethnic minorities and women. I believe that there will be a lot more prominent interest than in the past for monetary assistance to minority and women owned private companies since they were highly affected by the pandemic, far more than any other companies and firms.

This chapter fills a hole, using the legitimate focal point to inspect the viability and focal point of compulsory CSR in the time of the pandemic. Moving away from customary generosity focused CSR, the pandemic helps us to remember the meaning of vital CSR as a driver for upper hand, and the significance of CSR ways to deal with supporting this advantage to advance sustainability-driven multi-partner approaches as roads for guaranteeing medium-and long-haul strength. These regularly ignored ex-risk CSR regulation methodologies will uphold organizations to be ready for the social and environmental challenges brought by the COVID-19 pandemic or by future emergencies.

In conclusion, the COVID-19 pandemic has wrought profound and enduring changes in the realms of Corporate Social Responsibility (CSR), consumer behavior, and business responses. This unprecedented global crisis has not merely exposed vulnerabilities and challenges; it has also presented unique opportunities for corporations to redefine their roles in society, their ethical standards, and their CSR initiatives.

The impact of the pandemic on CSR is undeniably substantial. As the world grappled with the effects of social distancing and lockdown measures, corporations found themselves at

the forefront of discussions about their responsibility to society and the environment. The crisis forced a reevaluation of their CSR practices. While some corporations were criticized for attempting to profit from the situation, many others demonstrated a remarkable commitment to their CSR initiatives. In these trying times, the ethical conduct of businesses was placed under intense scrutiny.

A well-executed CSR plan has become more critical than ever for businesses. Such plans not only foster goodwill but also create a stronger bond between customers and brands. Consumers appreciate businesses that provide support, whether it is in the form of financial assistance, the donation of essential equipment, or the contribution of their personnel to aid in managing the crisis. This period of heightened public awareness during the pandemic has provided corporations with a unique opportunity to deeply engage with their CSR initiatives.

However, the economic impact of the pandemic has also been severe, pushing some corporations to the brink of bankruptcy. This situation has raised questions about the motivation behind corporate social and environmental responsibility and ethics, particularly during times of crises. It becomes increasingly important to understand why corporations choose to be socially responsible and ethical, especially when their financial stability is at stake.

Governments worldwide have implemented financial relief packages to alleviate the stress, especially on vulnerable corporations, such as family-owned businesses and those in the tourism industry. These actions should serve as an incentive for corporations to uphold their ethical strategies and fulfill their CSR obligations to their stakeholders. In times of vulnerability, senior management's role becomes even more crucial. Notable examples include Twitter's Jack Dorsey donating \$1 billion to address the pandemic and Bill Gates actively participating in the global response. The COVID-19 pandemic serves as a remarkable case study of how corporate adaptability and leadership affect their ethical and CSR practices.

The pandemic has prompted a range of responses from businesses, reflecting the diversity and adaptability of the corporate world. While some companies have engaged in philanthropic endeavors, offering cash donations, products, and services to support healthcare workers and communities, others have gone further by transforming their entire business models. For example, automobile manufacturers such as Ford, Volkswagen, and GM shifted their production lines to manufacture ventilators, demonstrating their readiness to contribute to the global fight against the pandemic.

However, the corporate response extends beyond philanthropy and product adjustments. Many businesses have reevaluated their operational practices to include measures like changing opening hours, limiting the number of people allowed in stores, and enforcing mask-wearing and social distancing to reduce the spread of the virus. While some of these actions were voluntary corporate initiatives, others were mandated by governments as part of broader efforts to mitigate the crisis. It raises questions about whether businesses would have taken these steps without regulatory intervention and whether such actions can be considered ethical within the framework of CSR practices.

The pandemic has significantly reshaped consumer behavior and attitudes. Stay-at-home orders and supply chain disruptions have compelled consumers to reconsider their consumption habits. People are becoming more aware of the environmental and social consequences of their choices, leading to a resurgence in ethical consumerism. They are increasingly making purchasing decisions based on moral and ethical considerations, seeking out products and services that align with their values.

Consumers have come to recognize that their fundamental needs, such as food and shelter, cannot always be met effortlessly. This realization has prompted a shift in the level of appreciation for the availability of essential products and services in developed countries. Simultaneously, it has influenced how consumers perceive themselves and their social image. There is a growing focus on responsible consumption, with consumers thinking more about the implications of their choices and making conscious decisions regarding their consumption behavior.

Another aspect of ethical consumerism is the preference for locally produced goods. Conscious consumerism advocates for buying locally grown or domestically manufactured products. However, the pandemic has generated a surge in patriotism and nationalistic sentiments, leading to consumer biases against products from certain countries. This trend suggests that ethical consumerism goes beyond cost, quality, and accessibility, as it incorporates moral and ethical considerations in purchasing decisions.

The pandemic has not affected all segments of society equally. It has revealed and exacerbated pre-existing disparities and inequalities. Minority-owned businesses, women, and marginalized communities have borne a disproportionate burden during the crisis. Minority-owned businesses experienced higher rates of failure, and communities of color faced a higher risk of infection and severe illness. This underscores the importance of corporations directing their CSR efforts toward supporting vulnerable groups and addressing social inequalities.

Furthermore, the economic impact of the pandemic has been uneven, with lower-income households experiencing higher rates of job loss and economic instability. Wealthier individuals have been better equipped to weather the financial challenges, relying on savings and investment portfolios to weather the storm. As such, it becomes paramount for corporations to prioritize initiatives that promote social justice and economic equity in their CSR strategies.

The pandemic has put corporate regulation under a spotlight. Corporations are facing new responsibilities and challenges, leading to the evolution of corporate law. The expectations of corporations have changed, with a growing demand for them to serve not only their shareholders but also a broader range of stakeholders. This shift towards a stakeholder-oriented approach has been exemplified by the Business Roundtable's commitment to creating value for all stakeholders, rather than prioritizing shareholder interests.

Mandatory CSR policies and sustainable recovery initiatives are gaining prominence, as they are seen as measures to ensure that businesses act in a socially responsible and sustainable manner. As corporate regulation continues to evolve, there is a growing consensus that businesses should not only be profit-driven but also driven by ethical considerations and a commitment to the well-being of their employees, communities, and the environment.

As the world looks toward recovery in the wake of the pandemic, sustainability emerges as a central theme. Sustainable recovery means more than short-term fixes; it calls for a long-term commitment to social and environmental responsibility. It necessitates a redefinition of the scope of CSR, moving beyond mere acts of goodwill to encompass a more comprehensive approach to addressing societal and environmental challenges.

This period of crisis and reflection presents an opportunity for businesses to create more agile and sustainable CSR initiatives. The lessons learned from the pandemic underscore the interconnectedness of our global society and the importance of responsible corporate behavior. The impact of the pandemic will continue to shape corporate strategies and regulation in the post-pandemic world.

In this new landscape, the role of corporations as agents of positive change is becoming increasingly evident. Ethical consumerism, distributional equity, and the legal framework all point to a shift in expectations for businesses. The pandemic has been a catalyst for change, urging corporations to reevaluate their roles and responsibilities, and driving consumers to make more ethical choices in their consumption patterns.

In conclusion, the COVID-19 pandemic has accelerated changes in corporate behavior and regulation, emphasizing the importance of CSR, ethical consumerism, and sustainability. These trends are expected to persist in the post-pandemic world as corporations redefine their roles in society and work toward a more sustainable and equitable future. The lessons learned during this crisis will shape the corporate landscape for years to come, making social and environmental responsibility central to the business ethos.

## **Conclusion**

In conclusion, the concept of Corporate Social Responsibility (CSR) has undergone a significant transformation since it first gained prominence as a European concern in 2000, largely due to the evolving practices and expectations of various stakeholders. Two major shifts have occurred during this evolution. The first change can be observed in the shift from a static approach to a more dynamic and process-oriented perspective.

In the early 2000s, when the European Commission first started addressing CSR, it was seen as a set of targets that companies should strive to achieve. The focus was on how to encourage organizations to go beyond their legal obligations and voluntarily contribute to environmental protection, social cohesion, and other societal goals. However, the establishment of the CSR EMS Forum in the Autumn of 2002 marked a turning point by

introducing a more systematic approach to CSR. This new framework reduced the Commission's role to facilitating dialogue about CSR among relevant stakeholders.

The second change stemmed from this shift in perspective and pertained to the very definition of CSR itself. Initially, there was an expectation that a regulatory framework would support and foster CSR practices. However, as the CSR dialogue matured, it began to be seen as somewhat opposed to any form of regulation. Initiatives such as the registration of codes of conduct, labeling, or socially responsible investments were criticized for potentially stifling market innovation and undermining business competitiveness.

There are two main interpretations for these developments. One perspective suggests that the European Commission, by creating the CSR EMS Forum, unintentionally relinquished control over the CSR process to its stakeholders. In this view, the Commission failed to anticipate the risks associated with the systemization of CSR. Faced with the inability to reach a consensus among Forum stakeholders that went beyond a minimal common denominator, the Commission may have subsequently refocused its efforts on more traditional regulatory methods. This can be seen in the realm of public procurement and the Commission's shifting stance on non-financial reporting.

Another analysis suggests that CSR followed the broader trajectory of the Lisbon strategy itself. Initially, there was a balance sought between economic growth, job creation, environmental sustainability, and social well-being. CSR was considered one tool among many to achieve this equilibrium. However, after 2005, the emphasis shifted towards economic growth and job creation, leaving environmental and social sustainability somewhat neglected. According to this perspective, the Commission's reluctance to actively engage in CSR discussions and its emphasis on the outcomes of the CSR Forum were influenced by political calculations, including a shift in the Commission's priorities following the arrival of the new Commission in November 2004.

These perspectives are not necessarily contradictory. It is an unfortunate yet widely acknowledged reality that in today's world, the voices of business and the economy hold significant sway on both the European and global stages. This shift in focus and approach to CSR reflects the evolving dynamics of the global landscape and the changing priorities of key stakeholders. As we move forward, the challenge lies in finding a balance between economic growth, corporate responsibility, and sustainable development, ensuring that CSR remains a valuable instrument for addressing contemporary societal and environmental challenges.

Moreover, it is essential to delve deeper into the consequences of these changes in the field of CSR. The shift from a target-based approach to a more dialogue-oriented perspective through the CSR EMS Forum had far-reaching implications. While it did lead to a more structured and inclusive discussion on CSR among various stakeholders, it also brought challenges of its own. The European Commission found itself grappling with the complex task of harmonizing diverse viewpoints and interests among the Forum participants.

This challenge was compounded by the fact that CSR, which had initially been seen as a potential candidate for a regulatory framework, began to distance itself from such ideas.

Many stakeholders began to view CSR as a self-regulating mechanism and were skeptical about the imposition of any kind of regulatory framework. This shift raised questions about the Commission's role in promoting CSR and what measures could be taken to ensure that CSR remained an effective tool for addressing societal and environmental issues.

On the other hand, some observers argue that the changing priorities of the European Commission were also influenced by larger political and economic factors. The Commission's focus on economic growth and job creation over environmental and social sustainability mirrored broader global trends. The period after 2005 witnessed a renewed emphasis on economic development as a means of addressing various challenges. Consequently, environmental and social considerations were sometimes pushed to the background in policy discussions.

The arrival of a new Commission in November 2004 further shaped the Commission's approach to CSR. It is important to recognize that political dynamics and leadership changes can significantly impact policy directions. The Commission's attitudes towards CSR evolved in response to these changes, reflecting the prevailing ideologies and policy preferences of the time.

In this context, the European Alliance of CSR, primarily composed of businesses, emerged as a significant outcome of the CSR dialogue. The Alliance focused on promoting corporate responsibility and sustainability, but it often rejected the idea of formal regulatory frameworks. Instead, it emphasized voluntary initiatives and partnerships as the primary drivers of CSR. This approach reflected a shift in perception regarding the role of regulation in CSR practices.

While these developments might seem conflicting or confusing, they underscore the complex and evolving nature of CSR within the European landscape. The interplay between political factors, the influence of stakeholders, and changing global dynamics have all contributed to the transformation of CSR from its early idealistic goals to a more pragmatic and voluntary approach.

As we reflect on these changes and their implications, it becomes clear that CSR is not a static concept. It continually adapts to the prevailing economic, social, and political circumstances. While this evolution can lead to debates and disagreements, it also highlights the need for ongoing dialogue and collaboration among stakeholders to ensure that CSR remains a relevant and effective tool for addressing contemporary challenges.

In conclusion, the evolution of CSR within the European context has been marked by significant changes in its conceptualization and implementation. The shift from target-based approaches to dialogue-oriented strategies, the rejection of formal regulatory frameworks in favor of voluntary initiatives, and the influence of changing political leadership have all played pivotal roles in shaping the trajectory of CSR. Understanding these shifts and their underlying factors is crucial for effectively navigating the evolving landscape of corporate social responsibility in Europe and beyond.

## Recommendations

Social responsibility (SR) projects, in essence, are born from a genuine and profound desire to serve the community and an innate sense of duty toward it. These initiatives extend their efforts across a wide spectrum of fields with the overarching aim of uplifting society in various aspects. They pool together their resources and capabilities to establish a unified framework that spearheads projects and campaigns dedicated to the betterment of the community and its people.

Undoubtedly, there exists an imperative need for substantial and concerted efforts to disseminate the culture of SR, especially in the context of developing countries. Simultaneously, the broader culture of giving and development needs to be nurtured among institutions and major corporations on a global scale. This cultural transformation should hinge on the accentuation of the moral responsibility that institutions bear. This shift is further catalyzed by the development of laws and regulations that serve to incentivize institutions, making their contributions a driving force for the triumph and expansion of their commercial activities.

It is paramount to underscore that the propagation of awareness regarding social responsibility among companies and individuals is a gradual and enduring process. Companies, particularly those harboring aspirations of growth and expansion, are called upon to embrace SR programs, taking cues from the practices of their counterparts in developed nations. These programs ought to be meticulously structured, with a focus on measurability and the ability to quantify their returns on investment.

Furthermore, we strongly advocate that the crux of meaningful change lies in the endeavor of nurturing generations that are committed to effecting transformation. In this context, education emerges as a linchpin in the journey toward developing innovative ideas, particularly in countries yet to fully embrace sustainability initiatives. It is imperative to impart knowledge to the younger generation about the adverse consequences wrought by industrial practices, such as the carbon footprint, the dire ramifications of fossil fuel consumption, unsustainable sourcing of livestock and fish, the environmental toll of single-use plastics, the pitfalls of fast fashion consumption, the excessive use of pesticides in agriculture, and a myriad of other issues that have significant ecological repercussions.

Notably, the specter of climate change looms large on the global stage, demanding immediate and resolute action. CSR, as a conceptual framework and a set of concrete actions, serves as the initial step toward addressing the multifaceted problems that have accumulated over generations. It provides a pragmatic pathway to mitigate the long-standing issues.

Furthermore, it is essential to acknowledge the critical role that combating food waste plays in alleviating global food scarcity. The paradoxical reality that the world produces enough food to feed its entire population but still grapples with inequitable distribution is a harsh truth that cannot be ignored. This necessitates a candid acceptance of the inequities in life's opportunities and circumstances that exist among different populations. Acknowledging this

reality collectively as a society is the first step toward charting the right course of action. This consciousness and acceptance can lead to the implementation of measures that address these disparities, ensuring that all humans have access to the basic necessities of life.

Ultimately, it is vital to remember that humanity is interconnected, and empathy is a powerful force for positive change. By fostering this spirit of empathy and recognizing our shared responsibility toward each other and the planet, we can pave the way for a brighter, more equitable future. We remain optimistic that the emerging generation, with its heightened social consciousness, will play a pivotal role in safeguarding the planet and addressing the multifaceted environmental and societal challenges that lie ahead. Their unwavering commitment to social responsibility and sustainability holds the potential to usher in an era of positive transformation and progress.

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