Vilnius University
Faculty of Law
Department of Public Law

Nataliia Netsevych

II study year, LL.M International and European Law programme Student

Master Thesis

Corporate Socail Resposibility and Environmental Socail Governance in Company Law

Bendrovių socialinė atsakomybė ir Aplinkos socialinė valdysena bendrovių teisėje

Supervisor: prof. dr. Gintautas Bartkus

Reviewer: assist. prof. dr. Tomas Davulis

Vilnius
2023

ABSTRACT AND KEY WORDS

In today's dynamic and interconnected world, Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) have emerged as guiding frameworks for businesses to integrate sustainability and ethical practices into their core operations. This work delves into the essence of CSR and ESG, exploring their distinct yet complementary roles in shaping responsible and sustainable business practices. It examines the legal context for the implementation of CSR and ESG, focusing on relevant legal provisions, regulatory initiatives, and court precedents. Additionally, it analyzes the impact of CSR and ESG on corporate governance structures, emphasizing the integration of these principles into decision-making processes and stakeholder engagement strategies. By understanding and navigating the legal landscape and embedding CSR and ESG principles into corporate governance, businesses can operate responsibly, mitigate legal risks, enhance their long-term sustainability, and create shared value for society.

Keywords: Corporate Social Responsibility (CSR), Environmental, Social, and Governance (ESG), Sustainability, Corporate Governance, Stakeholder Engagement, Legal Framework, Regulatory Initiatives, Court Precedents, Decision-Making Processes, Integrated Reporting

TABLE OF CONTENTS

INTRODUCTION

Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) have emerged as critical considerations in contemporary business practices, gaining increasing prominence in both academic and industry discourse. These concepts reflect the growing recognition of the broader impact of corporations beyond their traditional economic goals, encompassing their social and environmental responsibilities.

The relevance of CSR and ESG in company law lies in their potential to shape the legal framework governing corporate behavior. As societal expectations evolve, legal systems are adapting to incorporate these principles, influencing corporate governance structures, decision-making processes, and accountability mechanisms.

This thesis aims to explore the integration of CSR and ESG principles into company law, examining the theoretical underpinnings and practical implications of this evolving legal landscape.

The object of the study is to investigate the integration of CSR and ESG principles into the legal framework governing corporate behavior. This includes examining the impact of CSR and ESG on corporate governance structures, decision-making processes, and accountability mechanisms.

The subject of the research is the evolving legal landscape surrounding CSR and ESG in company law. This encompasses the development of new legal provisions, regulatory initiatives, and judicial precedents that address these principles.

The primary tasks of this research involve:

1. Conceptualizing CSR and ESG: Delving into the definitions, frameworks, and underlying philosophies of CSR and ESG to establish a clear understanding of their scope and application.
2. Analyzing the Legal Framework: Examining the existing legal provisions, regulatory initiatives, and judicial precedents that address CSR and ESG considerations in company law.
3. Assessing the Impact on Corporate Governance: Assessing how CSR and ESG principles are influencing corporate governance structures, decision-making processes, and stakeholder engagement.
4. Evaluating the Effectiveness of Legal Mechanisms: Evaluating the effectiveness of current legal frameworks in promoting corporate social and environmental responsibility.

While CSR and ESG have received considerable attention in business and academic circles, their integration into company law remains an evolving area of study. **This thesis contributes to this discourse by:**

1. Providing a Comprehensive Analysis: Offering a comprehensive analysis of the legal implications of CSR and ESG in company law, encompassing both theoretical and practical considerations.
2. Critically Evaluating Existing Approaches: Critically evaluating the effectiveness of current legal frameworks and proposing potential enhancements to promote corporate social responsibility.
3. Exploring Comparative Perspectives: Drawing upon comparative perspectives from different legal jurisdictions to identify best practices and lessons learned.

This thesis employs a combination of research methods to provide a holistic understanding of the topic:

1. Doctrinal Analysis: Examining legal texts, scholarly works, and government reports to gain insights into the theoretical and practical aspects of CSR and ESG in company law.
2. Case Study Analysis: Analyzing relevant case law to assess the application of CSR and ESG principles in judicial decisions.
3. Comparative Legal Analysis: Comparing and contrasting legal frameworks across different jurisdictions to identify common themes, emerging trends, and potential challenges.

This research draws upon a diverse range of sources, including:

1. Primary Sources: Legal texts, including statutes, regulations, and judicial decisions, provide the foundation for understanding the legal framework governing CSR and ESG in company law.
2. Secondary Sources: Scholarly works, monographs, and government reports offer in-depth analysis, theoretical perspectives, and empirical data on CSR and ESG.
3. Comparative Legal Sources: Legal texts, judicial decisions, and scholarly works from different jurisdictions provide comparative insights into the development and application of CSR and ESG principles.

The integration of CSR and ESG principles into company law represents a significant shift in the legal landscape, reflecting the growing recognition of the broader responsibilities of corporations. This thesis aims to contribute to this evolving discourse by providing a comprehensive analysis of the theoretical underpinnings, practical implications, and potential challenges of incorporating CSR and ESG considerations into corporate governance and legal frameworks.

CHAPTER 1

CONCEPTUALIZING CSR AND ESG

1.1. Corporate Social Responsibility (CSR)

The end of the 20th - the beginning of the 21st century marked by a significant increase in the attention of international institutions, the business community, and the scientific community to analysis of the problem of sustainable development, which involves balancing the economic, social and environmental goals of society. The emergence of the paradigm of sustainable development became a response to the challenges of globalization and an alternative to the concept of economic growth based on models of extensive reproduction and is indifferent to such important ones components of social development such as social protection, product quality and environmental protection. The term "sustainable development" was used for the first time used in 1987 in the report of the UN International Commission on the Environment and of development "Our common future", in which the concept was defined as development society, which allows meeting the needs of the present without putting under a threat to the ability of future generations to meet their own needs[1].

By as a result of the commission's work, the UN General Assembly adopted a resolution "Environmental Perspective to the Year 2000 and Beyond" (1987), according to which sustainable development was defined as a guiding principle for the activities of the UN, governments, private and non-governmental organizations. In a broad sense, the term "sustainable development" means balanced, self-sufficient development that improves the quality of life and supports effective reproduction of the environment. At the world summit "Planet Earth" in Rio de Janeiro (1992) was the concept of sustainable development declared a strategy for the survival of civilization in the 21st century. The next Rio+5 summits and Rio+10 not only actualized the need to develop practical recommendations for the implementation of this strategy, but also revealed the need for scientific analysis and theoretical justification of the problem[2].

A place in the system of priorities of the Western business environment that defines the strategic mission and business philosophy, according to which the company, based on voluntarily accepted ethical norms, in addition to compliance with laws and the quality of goods and services, can and should carry out socially important activities and be responsible to society for improving quality

[1] Huang, D. Z. (2021). Environmental, social and governance (ESG) activity and firm performance: A review and consolidation. Accounting & finance, 61(1), 335-360

[2] Pallemaerts, M. (1995). International environmental law in the age of sustainable development: a critical assessment of the UNCED process. JL & Com., 15, 623.

life and achieving sustainable development. If in the initial stages of development patronage was considered the main task of implementing CSR strategies and piety, then at the end of the 20th century priority areas of activity became long-term social projects as the basis of sustainable development of society. At the same time, the deterioration of the ecology of the environment, which has become one of the most important global problems of socio-economic development, has determined one of the most important strategic priorities of CSR – conducting business, taking into account the impact on the environment. Corporate social responsibility as a factor of sustainable development is a concept of sustainable development, embodied in the strategy of responsible entrepreneurship, takes on a completely different dimension: the focus of its interests gradually shifts from social relations to the process of formation companies of competitive advantages and increasing the level of management of enterprises[3].

One of the fundamental factors in the evolution of views on the social problem Scientific research on issues of sustainable development and ideas of social partnership. The conceptual foundations of the modern approach to the interpretation of the concept of corporate social responsibility were laid in the work of the American economist H. Bowen "Social responsibility of a businessman" (1953) [4], in which the author formulated the doctrine of social responsibility as the duty of businessmen to implement such policies and make such decisions that are a priority in view of the ethical values and goals of the development of all society. As a result of the evolution of theoretical views on the nature of business ethics, corporate citizenship and social responsibility in the works Western scientists H. Bowen, K. Davis[5], A. Carroll[6] and others formed the scientific concept of corporate social responsibility (CSR) as substantiating the need for a responsible attitude of business to society and the environment.

In modern business practice, there are several approaches to the interpretation of corporate social responsibility. According to the definition of the World Council companies on sustainable development, CSR is a long-term commitment of companies regarding ethical business conduct and promotion of sustainable economic development enterprises, communities and society in general.

The Alliance for Corporate Social Responsibility (founded in 2006) defines CSR as the concept of involving social and environmental aspects in business activities on the basis of

---

[3] Williams, O. F. (2013). Corporate social responsibility: The role of business in sustainable development. Routledge.

[4] Bowen H. Social Responsibilities of the Businessman. Harper and Row, 1953. New York.

[5] Davis K. Can Business Afford to Ignore Social Responsibilities? California Management Review, 1960. Vol. 2. No. 3. PP. 70-76

[6] Vogel D. The Market for Virtue: The Potential and Limits of Corporate Social Responsibility. Brookings Institution Press. 2005. Washington, D.C.

voluntariness and interaction between various interested parties (groups of influence)[7].

The basis for the development of the CSR standard was the recognition of the role of social responsibility in the sustainable development of the organization at the World Summit on the Environment in Rio de Janeiro (1992) and on sustainable development in South Africa (2002). As a result, in 2003, the International Organization for Standardization formed a Strategic Advisory Group on Social Responsibility, which included representatives of various countries and groups of stakeholders (interested persons), including business, government structures, consumer and employee associations, non-governmental organizations, research institutions and international structures. Based on the analysis of world experience and the most effective practices, the strategic advisory group formulated recommendations for the creation of uniform international CSR standards. Attempts to form a universal concept of CSR were reflected in the ISO 26000 standard proposed by the International Organization for Standardization.

According to the ISO 26000 standard, CSR is defined through the following aspects: responsible attitude of any company to its product or service, to consumers, employees, partners; active social position of the company, which consists in harmonious coexistence, interaction and constant dialogue with society, participation in solving the most acute social problems. Accordingly, this concept encourages companies to take into account the interests of society, taking responsibility for the impact of the company's activities on consumers, stakeholders, employees, communities and the environment in various types of their activities[8].

The international standard is based on the basic principles, which, at the same time, are defined as the strategic goals of CSR implementation, in particular the following:

- production of quality products and services for consumers;
- investments in the development of production and human potential;
- strict compliance with the requirements of legislation (tax, labor, environmental);
- building good-neighborly and mutually beneficial relations with all interested parties;
- business concept aimed at increasing national competitiveness;
- consideration of social expectations and generally accepted ethical norms in business practice;
- formation of civil society through partnership programs

[7] Puaschunder, J. M. On the emergence, current state, and future perspectives of Socially Responsible Investment (SRI). Consilience, 2016. PP. 38–63

[8] Hahn, R. (2013). ISO 26000 and the standardization of strategic management processes for sustainability and corporate social responsibility. *Business strategy and the environment*, *22*(7), 442-455.

and social development projects.

The strategy of social responsibility can be implemented in such forms: corporate ethics; corporate social policy in relation to society; corporate policy in the field of environmental protection; principles and approaches to corporate governance and corporate behavior; observance of human rights in relations with suppliers, consumers, staff. Determining spheres of implementation of CSR as a strategy sustainable development is economic, social and environmental[9].

1.2 Environmental, Social, and Governance (ESG)

Environmental, Social, and Governance (ESG) refers to a set of standards for a company's behavior that are used by socially conscious investors to screen investments. ESG factors are considered to be non-financial performance indicators, meaning they are not directly related to a company's financial performance. However, ESG factors are becoming increasingly important to investors, as they believe that companies that manage their ESG risks and opportunities will be more successful in the long term[10].

In the field of business, the concept of sustainable development finds its manifestation in those formulated for the first time in 2004 UN Secretary General Kofi Annan on the ESG principles he addressed in his report “The Caring Wins” leaders of global companies, calling on them join the initiative and incorporate ESG principles into your strategies. ESG principles have thus become a kind of model for sustainable business development, through which the goals of companies’ involvement in decisions are achieved environmental, social and governance tasks. The abbreviation ESG stands for “ecology” (E - environment), i.e. responsible attitude towards the environment; "social policy" (S - social), high social responsibility, and "corporate governance" (G - governance). Initially the companies considered sustainability indicators and statements development as a voluntary commitment, in largely free of legal or market risk.

However, regulatory space began to rapidly fragment and in different segments of the international business, industry-specific ESG standards and systems of principles developed by both international organizations and and professional associations or associations, while, as a rule, deprived of legal force and qualified as non-legal sources accumulating norms of non-state regulation.

---

[9] Keinert, C. (2008). *Corporate social responsibility as an international strategy*. Springer Science & Business Media.

[10] Hill, J. (2020). *Environmental, Social, and Governance (ESG) investing: A balanced analysis of the theory and practice of a sustainable portfolio*. Academic Press.

The three main ESG factors are:

Environmental: This includes factors such as a company's carbon emissions, water usage, and waste disposal.

Social: This includes factors such as a company's labor practices, human rights record, and community involvement.

Governance: This includes factors such as a company's board structure, executive compensation, and corporate ethics.

There are a number of different ESG ratings and rankings available, each of which uses its own methodology. However, there is a growing consensus among investors on the importance of ESG factors.

ESG-focused companies tend to be better managed and have lower risks. This is because they are more likely to have a long-term vision and to be focused on sustainable practices.

ESG-focused companies tend to be more resilient to crises. This is because they are better prepared to manage risks such as climate change and social unrest.

ESG-focused companies tend to be better performers in the long term. This is because they are more likely to attract and retain top talent, and to be able to innovate and adapt to changing market conditions[11].

Here are some of the things that investors can do to invest in ESG-focused companies: There are a number of resources available to help investors research ESG-focused companies. ESG ratings and rankings can be a helpful tool for identifying ESG-focused companies. There are a number of ESG-focused funds available that invest in companies that meet certain ESG criteria.

ESG investing is a growing trend, and it is likely to become even more important in the years to come. As investors become more aware of the risks and opportunities associated with ESG factors, they are increasingly looking to invest in companies that are managing their ESG risks and opportunities effectively[12].

1.3. Types of CSR and ESG initiatives

CSR and ESG initiatives can be classified according to different criteria. Some of the main types are distinguished in the literature: CSR and ESG initiatives can target a specific industry, such

[11] Di Simone, L., Petracci, B., & Piva, M. (2022). Economic sustainability, innovation, and the ESG factors: An empirical investigation. *Sustainability*, *14*(4), 2270.

[12] Chan, Y., Hogan, K., Schwaiger, K., & Ang, A. (2020). ESG in Factors. The Journal of Impact and ESG Investing, 1(1), 26-45.

as energy, manufacturing, agriculture or technology. For example, an energy company may invest in renewable energy sources to reduce its environmental impact.

CSR and ESG initiatives can be local, national or global. For example, a company can initiate a garbage collection program in its city or invest in a renewable energy project in another country.

CSR and ESG initiatives can impact the environment, society or governance. For example, a company may invest in energy-efficient technology to reduce its environmental impact, or it may introduce an equal opportunity policy for employees to promote social justice[13].

CSR and ESG initiatives:

Environmental initiatives: reduction of greenhouse gas emissions, use of renewable energy sources, reduction of water consumption, waste management.

Social initiatives: responsible labor practices, social justice, diversity and inclusion, charity.

Management initiatives: transparency and reporting, corporate social responsibility, corporate governance.

Companies can implement CSR and ESG initiatives independently or in partnership with other organizations such as NGOs, governments or other businesses. CSR and ESG initiatives can bring a number of benefits to companies, including: improving the company's reputation and trust, cost reduction and efficiency improvement, talent attraction and retention, increased sales and profits. Companies that implement CSR and ESG initiatives may be more successful in the long run.

ESG (environmental, social and governance) initiatives have become key in business management and the financial world. While Corporate Social Responsibility (CSR) and ESG share the same goals of sustainability and ethical business conduct, they have different aspects and approaches[14].

1.4. Application of CSR and ESG

The concept of CSR, which has developed in recent years, is the concept of sustainable responsibility as a combination of taking into account ESG factors in the activities of companies and following CSR approaches. ESG factors refer to the business organization's definition of ESG responsibility principles, ESG response processes, policies, programs and observable outcomes as they relate to the firm's public relations. CSR is related to the well-known triple-bottom line (people,

---

[13] Taylor, J., Vithayathil, J., & Yim, D. (2018). Are corporate social responsibility (CSR) initiatives such as sustainable development and environmental policies value enhancing or window dressing?. *Corporate social responsibility and environmental management*, *25*(5), 971-980.

[14] Chan, Y., Hogan, K., Schwaiger, K., & Ang, A. (2020). ESG in Factors. *The Journal of Impact and ESG Investing*, *1*(1), 26-45.

planet, profit), and the firm's strategy should equally include economic, environmental and social sustainability[15].

Sustainable development as a concept and approach to solving global challenges has influenced the evolution of conceptual CSR approaches. The paradigm of sustainable development acts as an incentive for companies to use this rhetoric more widely to describe their aspirations in the implementation of CSR. Communication CSR and of sustainable development increased after the introduction of the "Triple bottom" concept Line" (Profit - People - Planet) by J. Elkington in 2009. CSR should simultaneously cover the economic component and focus on material goals (profit, assets); a social component with a focus on people's quality of life, equality; and an ecological component with concern for the preservation and protection of the environment[16]. Practical aspects of CSR implementation correspond to theoretical conclusions. The business community has a huge influence on sustainable development.Studies have shown that 100 companies in the world produce 71% of industrial greenhouse gas emissions The Evolution of Private Sector Action in Sustainable Development International Institute for Sustainable Development. Businesses that harm the environment choose whether they keep doing it, spend money, overcoming public opposition NGOs, pressure from the state, resorting to spreading false information (the so-called “Merchants of doubt” path, such as ExxonMobile, Monsanto) or take responsibility, change approaches in production, publicize their achievements and take a high competitive position (for example, DuPont with the successful completion of the production of chlorofluorocarbons, which destroys the ozone layer, in accordance with the Montreal Protocol). Such companies move in accordance with world trends, receive support and recognition of society, state and non-state public organizations, building responsible and "green" strategies. Thanks to the creation of associations by interested companies (for example, Insider Perspective from WBCSD[17] or platforms and foundations where SDG-initiatives are concentrated Impact under the auspices of the United Nations Development Program (UNDP)[18], Land The Degradation Neutrality Fund from UNCCD, The Global Environment Facility is shaping the potential for positive changes in achieving sustainable development.

---

[15] Dixon, T. (2014). Corporate social responsibility, the triple bottom line, standardization and brand management in Houston, Texas.

[16] Shnayder, L., Van Rijnsoever, F. J., & Hekkert, M. P. (2015). Putting your money where your mouth is: Why sustainability reporting based on the triple bottom line can be misleading. *PloS one*, *10*(3), e0119036.

[17] Wilkinson, A., & Mangalagiu, D. (2012). Learning with futures to realise progress towards sustainability: The WBCSD Vision 2050 Initiative. Futures, 44(4), 372-384.

[18] Pham, D., Vo, M., & Prevention, C. (2014). United Nations Development Programme (UNDP).

The principles of corporate social responsibility determine basic provisions expressing the essence and nature of the organization and activities related to the implementation of corporate social responsibility in companies

The principles of social responsibility are formed on the basis of expectations of society. Recently, public expectations that related to business, have changed significantly. Today, society is active is interested in how companies carry out their activities, with what values managed and how they use their resources.

In order for the company to carry out its activities in accordance with society's expectations, it must develop a program of actions that will consider ethical, legal, charitable, environmental, commercial and public principles. In other words, the company must become worthy a member of public society. Let's consider what is worth paying attention to attention of the company when developing the principles of corporate social responsibility. The first group of principles to consider is principle openness. The principle of openness means that the company must conduct its activities in a public, clear and accessible manner, providing only reliable information information and facilitating feedback to all stakeholders parties Social programs should be regular and transparent[19].

The second group of principles indicates the need for systematicity. It means that the company should direct social programs to the right one areas consistently and regularly. It is especially important that social programs implemented in areas where society needs it the most now.This principle is called the principle of significance and defines relevance, efficiency and scale of programs.

The third group of principles concerns the independence of the company from religious, political, sports and musical currents. Companies should incorporate human rights protection into their strategy and assess impact their activity on conflicts, developing and implementing measures, aimed at preventing or resolving conflicts.

The fourth group of principles emphasizes the importance of prevention conflicts A statement of social responsibility means that the company acts in accordance with the principles of social responsibility and implements a complex of social programs in priority directions. Social the company's activity is manifested in various social activities programs in both internal and external

[19] Falck, O., & Heblich, S. (2007). Corporate social responsibility: Doing well by doing good. Business horizons, 50(3), 247-254.

spheres. These programs are characterized by voluntariness, systematicity and compliance with the mission and the company's development strategy[20].

The application of the principles of Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) initiatives is a key element of modern entrepreneurship aimed at sustainability and responsibility.

1. Environmental initiatives (ESG):

- Enterprises are actively implementing measures to reduce greenhouse gas emissions, using efficient technologies and renewable energy sources.

- Implementation of energy efficiency systems of production processes and buildings reduces energy consumption and emissions.

- Effective use and purification of water resources to minimize the impact on the environment.

2. Social initiatives (ESG):

- Human rights standards: Ensuring compliance with human rights in all areas of the company's activities and in its global supply chains.

- Equality and Accessibility: Ensuring equality and inclusiveness in the organization, as well as developing products and services that take into account the diversity of consumers.

- Funding of projects in the fields of education, health care and community development to improve the quality of life.

3. Management initiatives (ESG):

- Establishing high standards of corporate ethics, transparency in management and responsible corporate governance.

- Assessment and management of risks related to environmental, social and managerial factors that may affect the business.

4. Corporate Social Responsibility (CSR):

- Funding and participation in charitable projects to support communities and develop social initiatives.

- Interaction with the public to determine the priorities of social programs and implement changes that will meet the needs of the community.

---

[20] Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business horizons*, *34*(4), 39-48.

These initiatives reflect the company's commitment to sustainability, responsibility and contribute to creating a positive impact on society and the environment[21].

[21] Gavurova, B., Schönfeld, J., Bilan, Y., & Dudáš, T. (2022). Study of the differences in the perception of the use of the principles of corporate social responsibility in micro, small and medium-sized enterprises in the V4 countries. Journal of Competitiveness.

CHAPTER II

LEGAL FRAMEWORK FOR CSR AND ESG

2.1. Legal Provisions and Regulatory Initiatives

The development of various international standards regarding social and environmental requirements for business has led to the activation of CSR. International organizations whose main goal is social development began to develop a number of mechanisms for measuring and evaluating the impact of CSR on the productivity of enterprises and on the fight against global problems. In 1990, the first indexation of business according to ESG principles took place. MSCI defines its mission as: "Conducting ESG indexes… designed to represent the performance of the most common ESG investment approaches by including, re-rating or excluding companies using ESG criteria" (MSCI, 2022)[22]. Indexing of various enterprises gave investors the opportunity to choose for financial investments such a company, which, among other indicators, also meets high social and environmental standards, which reduces risks and increases the chance of its long-term stable growth. Since the 2000s, many multinational and national corporations have already actively invested in the CSR of their companies.

In the literature, international studies, conferences and many other events, issues related to CSR and existing problems of external business influence were increasingly raised. Among these issues, the ones of greatest concern were: corruption and tax evasion, rising inequality, environmental impact, inclusiveness and respect for human rights. These and some other approaches are still relevant today. The development of international initiatives, norms and standards in this area had a significant impact on the spread of CSR. In particular, such influence was exerted by the non-profit organization CDP (Carbon Disclosure Project)[23], which aims to inform all interested parties in improving the environmental performance of their activities. According to the company's mission, it "wants to see a prosperous economy that works for people and the planet in the long term... it focuses the attention of investors, companies, cities and governments on building a sustainable economy by measuring and improving their environmental impact" (CDP, 2022).

The main activity of the company consists in the periodic release of reports with accurate indicators of environmental sustainability of corporations and settlements (cities, regions, countries). In 2007, an initiative was created to certify companies that care about their stakeholders. The initiative

[22] Azar, A., & Zhou, H. (2017). Do Good and Do Well: An Empirical Study of the MSCI World.

[23] Kim, E. H., & Lyon, T. P. (2011). Carbon disclosure project. *Handbook of Transnational Governance: Institutions and Innovations*, *213*.

was created by B Lab and is called B Corp (Certified B Corporation). To date, 4,000 companies in 77 countries, in more than 153 different industries, have received certificates. B Lab's goal is to create a "global community of certified B corporations that meet the highest standards of auditable, overall social and environmental performance, public transparency, and legal accountability". In order to pass certification, a company must fully meet five points: transparency, accountability, the level of performance of the organization test (every two years), affordability and appropriateness of costs and information provided in reporting. This certificate not only allows investors to understand the level of CSR development of the company, but also significantly improves its image in the international arena. The company also provides an opportunity to take a test that shows the assessment of the level of impact of the company's activities and provides recommendations for improving these results[24].

In 2015, the Paris Agreement was created and signed, which is a documentary representation of the UN Framework Convention on Climate Change. This convention encourages and obliges all participants to create and strengthen actions to prevent climate change, as well as to organize actions to neutralize the negative impact of implemented tools to combat climate change on less developed participants of the convention. This agreement is one of the main regulatory and legal institutions that gave a significant impetus to the development of CSR in the last decade both due to state implementation and due to the interest and initiative of business. Starting from 2015, the system, which previously operated only in the European Union, and obliged all large companies to provide reports on their non-financial activity, also began to operate in the United States, Great Britain, India and China[25]. In 2016, the "G20 sustainable financing working group" was created, which aims to analyze and identify obstacles to the development and implementation of the green economy. Shortly after its establishment and a series of transformations, the organization focused on improved sustainability and CSR reporting, indexing and identification of green enterprises to attract investment in the "green" modernization of the economy and "harmonizing the efforts of international financial institutions with the Paris Agreement" (Lenain, 2022). In 2019, at the meeting of the "US Business Roundtable", 200 large American companies announced the decision on the "New Goals of Corporations"[26].

---

[24] Initiative, C. S., Golden, J. S., Vermeer, D., Clemen, B., & Davie Nguyen, M. (2010). An overview of ecolabels and sustainability certifications in the global marketplace. *Nicholas Institute for Environmental Policy Solutions. Duke University. Interim Report Document*, 10-1.

[25] 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*, 619.

[26] Bhatt, Y., Ferryal, M. B., Kamboj, P., Dianningrum, L. W., Roychoudhury, J., & Akbar, S. (2023). Governing a Future Hydrogen-based Society.

This document marks a formal reorientation of these businesses from providing net profit to shareholders to showing commitment to their stakeholders through the following steps: creating value for them, investing in employees, being honest and ethical with suppliers, supporting the communities in which the organizations conduct their business operations and creating long-term value for its shareholders that enable the company to invest, grow and innovate (2019).

2.2. Judicial Precedents and Case Law Analyses

Case law is a system of law in which court decisions in specific cases are binding on all other courts in the future when considering similar cases. This principle is known as the doctrine of stare decisis, which means "standing by what has been decided." Significant influence on the development of social responsibility of business

International regulatory documents of various regional origins are implemented, the main ones include:

- UN Global Compact (UN Global Agreement);
- International standard ISO 26000: 2010 "Management on social responsibility";
- AccountAbility 1000 Series (Standards of social and ethical reporting AA 1000 series);
- Global Reporting Initiative Guidelines, etc.

The importance of international CSR standards is primarily to generalize the experience of leading countries in the field of CSR, to extend it to other countries, to define priorities in the direction of sustainable development, and to unify approaches to determining the criteria for ethical behavior of business entities.

Currently, the regulatory framework in the field of CSR includes about 30 international standards, guidelines, management systems, codes of conduct, certification schemes, which were developed by authoritative international, regional, national, industry organizations, and regulate issues in the field of corporate CSR management, assessment, accounting and reporting[27].

In leading countries, more than four thousand companies prepare non-financial statements in accordance with the standards of the Global Reporting Initiative (GRI). GRI is the most widespread reporting format in the field of sustainable development.

Case law plays an important role in the development of CSR and ESG. It can help companies understand how courts treat these issues and how they can protect themselves from legal risks.

[27] Tschopp, D., & Nastanski, M. (2014). The harmonization and convergence of corporate social responsibility reporting standards. *Journal of business ethics*, *125*, 147-162.

CSR and ESG are increasingly the subject of legal proceedings. Companies that do not adhere to CSR and ESG principles can be held accountable for their actions[28].

In accordance with the European Directive 2013/34/EU, 2014/95/EU ("Directive 2014/95 / EU on disclosure of non-financial and diversity information") member states need to fulfill the requirements regarding disclosure of non-financial and diversified information that applies to large enterprises with more than 500 employees. The list of large enterprises of interest also includes listed companies on EU markets, credit organizations, insurance companies and other enterprises. In the articles European Directive 2014/95/EU specifies the need to include information in non-financial reporting about the social and environmental aspects of the company's activity, issues related to respect for human rights, the fight against corruption and bribery. At the same time, the European Directive does not provide a mandatory disclosure model data and provides for the application of national, pan-European or international standards in the field CSR.

An important indicator of the development of CSR in the country is the amount of socially responsible investment.

The largest market of socially responsible investing in the world is the USA. According to the US SIF report Foundation's 2018 biennial Report on US Sustainable, Responsible and Impact Investing Trends investments in socially responsible assets increased from 1995 to 2018 and amounted to 12.0 trillion. dollars USA, which is 38% more, than in 2016. This means that every fourth dollar in the country is invested in social assets or environmental purpose.

The socially responsible investment market in Europe also shows a growing trend. By according to the data of the Eurosif 2018 SRI Study, the amount of socially responsible people over the 6 years of the study investments reached 6.76 trillion. euros, which represents an increase of 549% compared to 2013. Almost everyone according to the results of the survey, the asset manager implements some form of social integration responsible investment. France was recognized as the leader in socially responsible investing in the EU, Italy and Switzerland[29].

To achieve the goals of sustainable development by 2030, additional 180 billion euros are needed investments. According to the growth rates of socially responsible investments that have developed today, European regulators hope to close this investment gap.

[28] Karwowski, M., & Raulinajtys-Grzybek, M. (2021). The application of corporate social responsibility (CSR) actions for mitigation of environmental, social, corporate governance (ESG) and reputational risk in integrated reports. *Corporate Social Responsibility and Environmental Management*, *28*(4), 1270-1284.

[29] Michalczuk, G., & Konarzewska, U. (2020). Socially responsible investing in the European.

Companies wishing to adhere to the principles of CSR and ESG should be aware of the latest court decisions in this area.

A general trend in CSR and ESG is that courts are becoming more demanding of companies. Companies that do not follow the principles of CSR and ESG can be held accountable for their actions, even if they did not lead to direct financial loss.

This trend is likely to continue in the future. Companies wishing to protect themselves from legal risks should take CSR and ESG seriously.

In September 2015 in New York, 193 member states of the United Nations adopted a new Agenda for Sustainable Development for the period up to 2030. It provides a shared plan for peace and prosperity for people and the planet, now and in the future. It is based on the 17 Sustainable Development Goals, which are an urgent call to action in the global partnership of all countries - developed and developing. These include ending poverty and hunger, implementing strategies that improve health and education, reduce inequality and promote economic growth, all while simultaneously combating climate change and working to preserve oceans and forests. Global goals are divided into a number of tasks, the progress of which is expected to be monitored using the global system indicators National governments of countries develop their own sets of indicators that will be used to track progress on the goals and objectives of sustainable development[30].

EU company law rules also address corporate governance issues, focusing on relationships between a company's management, board, shareholders and other stakeholders, and therefore, on the ways the company is managed and controlled.

Shareholders rights Directive 2007/36/EC sets out certain rights for shareholders in listed companies. This Directive was amended by Directive (EU) 2017/828, which aims to encourage more long-term engagement of shareholders. Furthermore, the 2018 Commission Implementing Regulation (EU) 2018/1212 lays down minimum requirements as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights. Takeover bids Directive 2004/25/EC sets out minimum standards for takeover bids (or changes of control) involving securities of EU companies[31].

---

[30] Chasek, P. S., Wagner, L. M., Leone, F., Lebada, A. M., & Risse, N. (2016). Getting to 2030: Negotiating the post-2015 sustainable development agenda. *Review of European, Comparative & International Environmental Law*, *25*(1), 5-14.

[31] Corporate governance issues. URL: https://commission.europa.eu/business-economy-euro/doing-business-eu/company-law-and-corporate-governance_en

2.3. Comparative Perspectives on Legal Frameworks

An important trend of the last two decades has been the spread of the concept corporate social responsibility (CSR) and its introduction into the corporate governance system different subjects. According to the international standard ISO 26000:2010 "Management on social responsibility", social responsibility is the company's responsibility for the impact of its decisions and actions on society, the environment through transparent and ethical behavior that promotes sustainable development, takes into account the expectations of interested parties, complies with current legislation and international norms behavior integrated into the organization's activities and practiced in its relations with others.

Most influential international organizations, such as the United Nations (UN), World Bank, Organization for Economic Cooperation and Development, International Labor Organization (ILO), etc., not only approve the concept of CSR, but also have established principles, standards, reporting requirements in the field of CSR. Leading global companies declare their commitment to the principles CSR and integrate the specified standards and requirements into their own corporate management systems. This trend is also characteristic of domestic corporate entities or their groups, especially those that seek work or raise funds in international markets CSR and ESG (Environmental, Social and Corporate Governance) are becoming increasingly important for companies around the world. In response, many governments are developing legislation that aims to improve CSR and ESG.

The European Union (EU) is one of the leaders in developing the legislative framework for CSR and ESG. In 2014, the EU adopted the Non-Financial and Sustainability Disclosure Directive (NFRD). This directive requires large companies to disclose information about their environmental, social and governance impacts.

In 2020, the EU adopted the Corporate Governance Directive (CSRD). This directive strengthens the requirements for corporate governance, in particular with regard to transparency and reporting.

In the US, the legislative framework for CSR and ESG is still under development. However, in 2022, the US Congress passed the Sustainability Disclosure Act. This law requires large companies to disclose information about their environmental, social and governance impacts.

China is also actively developing the legislative framework for CSR and ESG. In 2022, China passed a law on corporate governance. This law strengthens the requirements for corporate governance, in particular regarding transparency and reporting.

Many other countries are also developing CSR and ESG legislation. For example, Canada, India and Japan have already passed legislation requiring companies to disclose information about their environmental, social and governance impacts.

In general, one can observe a tendency to strengthen the legislative framework for CSR and ESG.This is due to the fact that governments are aware of the importance of CSR and ESG for sustainable development.

General trends that can be observed in the legislative framework for CSR and ESG:

- Governments are demanding that companies disclose more information about their environmental, social and governance impacts.
- Governments require companies to implement effective corporate governance systems that promote CSR and ESG.
- Governments are expanding the scope of legal regulation of CSR and ESG, including new economic sectors and activities.

Legislative changes in the field of CSR and ESG will have a significant impact on companies. Companies must be prepared to comply with new requirements for transparency, reporting and corporate governance[32].

Companies that are ready for change will have a competitive advantage. They will be able to attract more investment, increase the confidence of consumers and employees, and improve their reputation.

[32] Primec, A., & Belak, J. (2022). Sustainable CSR: Legal and Managerial Demands of the New EU Legislation (CSRD) for the Future Corporate Governance Practices. *Sustainability*, *14*(24), 16648.

CHAPTER III

IMPACT ON CORPORATE GOVERNANCE

3.1. CSR and ESG in Corporate Governance Structures

CSR seeks to make business accountable, ESG criteria make its efforts measurable. As CSR activities vary considerably between businesses and sectors, there is a lack of benchmarks. ESG activity, by contrast, is generally much more quantifiable. The rise of performance investing has led to demand for ways to rank companies on their ESG performance. Through these criteria, you can find out how companies treat their people, manage supply chains, respond to climate change, increase diversity and inclusion, and build connections between communities. ESG ratings are not credit ratings and help define criteria that can help companies reduce risks. They are also able to show the level of social responsibility, positively influence customer loyalty and strengthen market positions[33].

These three concepts are closely intertwined and developed under the influence of the same key events. The first thing that gave impetus to the development of various social and ecological economic concepts was the study of sustainability and sustainable development. Actually, the historical transition between the concepts of "sustainability" and "sustainable development" took place on a purely economic basis - the need to meet the growing needs of production with limited amounts of natural resources. At the beginning of the 20th century, humanity faced serious environmental problems caused by reckless economic activity. The final event that makes it possible to claim the birth of the concept of sustainable development can be called the year 1987 - the report of the Brundtland Commission, in which the concept was formed in its modern form. In this context, it is especially important to emphasize that the main difference in the semantic differences between the translations of "sustainable development" - "sustainable/harmonious development" is the transition from the concept of sustainable as a set of separate approaches to management and production processes to an integrated system of "triple criteria" bottom line), which emphasizes the need for harmonious development of society, which will be based on the equal influence of economic, social and environmental factors on production processes[34].

Thus, the concepts of corporate social responsibility and environmental, social and corporate management show not only the side of investment attractiveness, but also form the key directions of positioning companies on the market, moving into the context of marketing communications. The

[33] Torres, L., Ripa, D., Jain, A., Herrero, J., & Leka, S. (2023). The potential of responsible business to promote sustainable work–An analysis of CSR/ESG instruments. *Safety Science*, *164*, 106151.

[34] Springett, D., & Redclift, M. (2015). Sustainable development: History and evolution of the concept. In *Routledge international handbook of sustainable development* (pp. 3-38). Routledge.

relationship between the marketing positioning of companies and the UN Global Compact can be especially clearly traced (more than 12,765 companies and organizations from more than 160 countries of the world). It should be noted that the statements made by the UN Global Compact document are actively used by companies as elements of marketing positioning , and the principles confirmed by this agreement are broadcast on the official websites of participating companies and in advertising campaigns. Already in 2005, Chandler and Weser defined the transition of corporate social responsibility from minimal participation to strategic necessity. Therefore, CSR became one of the aspects of long-term strategic management, which prompted researchers to develop this approach[35].

The result was an assessment of companies in the area of environmental, social and corporate governance (ESG). It is ESG that is currently widely used by business analysts and serves as a basis for assessing the investment attractiveness of companies. The reason is the fact that, according to this concept, the company's activity can be evaluated by determining the level of ESG risk (an indicator that shows the company's vulnerability to industry risks and shows how well the company copes with them), the assessment of the company's management and, in fact, the level of risk . With the passage of time, the attempts of various companies and communities to form a list of elements necessary to achieve "sustainability", the question of the responsibility of business not only to its shareholders, but also to the consumer - as an interested party - begins to arise. Therefore, after the formation of CSR, a parallel concept of environmental, social and corporate management appears.

Here, the main emphasis is on identifying risks: industry, management, environmental. ESG made it possible to give a numerical character to the evaluation of companies and encourage companies to pay more attention to the social, environmental aspects of their work, because now this could directly affect not only the perception of the company by consumers, but also the attractiveness for investment in the international arena. It should be noted that despite certain differences in the concepts of sustainable development, CSR and ESG; they have a lot in common[36].

Table 1. CSR and ESG in Corporate Governance Structures

[35] Pasinovych, I., & Myskiv, G. (2023). Ukrainian context of sustainable development and the role of business in its achievement. *Regional Science Policy & Practice*, *15*(1), 161-180.

[36] Karwowski, M., & Raulinajtys-Grzybek, M. (2021). The application of corporate social responsibility (CSR) actions for mitigation of environmental, social, corporate governance (ESG) and reputational risk in integrated reports. *Corporate Social Responsibility and Environmental Management*, *28*(4), 1270-1284.

Criteria	Corporate Social Responsibility (CSR)	Environmental, Social, and Governance (ESG)
Definition	A business approach that contributes to sustainable development by delivering economic, social, and environmental benefits for all stakeholders.	A set of criteria used by investors and companies to assess corporate behavior concerning environmental sustainability, social impact, and governance practices.
Focus Areas	- Social welfare initiatives	- Environmental impact and sustainability
	- Community development	- Social responsibility and impact
	- Employee well-being and diversity	- Corporate governance and ethical business practices
Stakeholder Engagement	Engaging with communities, employees, customers, and other stakeholders to address their needs and concerns.	Incorporating stakeholder perspectives in decision-making to ensure a holistic approach to corporate responsibility.
Reporting Standards	Often follows international frameworks such as the Global Reporting Initiative (GRI) for transparent reporting on social and environmental impacts.	Adheres to ESG reporting standards, such as those set by the Sustainability Accounting Standards Board (SASB) or the Task Force on Climate-related Financial Disclosures (TCFD).
Investor Impact	Positive CSR initiatives can enhance a company's reputation and attract socially responsible investors.	High ESG scores are increasingly considered by investors as indicators of a company's long-term sustainability and risk management.
Regulatory Landscape	CSR activities are often voluntary, but some countries have	ESG considerations are gaining regulatory attention, with some regions

Criteria	Corporate Social Responsibility (CSR)	Environmental, Social, and Governance (ESG)
	implemented reporting requirements.	requiring disclosure of ESG-related information.
Long-Term Benefits	Enhanced brand image, improved employee morale, and potential cost savings through sustainable practices.	Lower financial risk, increased resilience to environmental challenges, and improved relations with diverse stakeholders.
Integration into Governance	CSR may be overseen by a separate CSR department or integrated into overall business operations.	ESG considerations are increasingly integrated into corporate governance structures, with boards overseeing ESG-related risks and opportunities.
Key Challenges	Balancing financial goals with social and environmental objectives.	Standardization of ESG metrics, addressing greenwashing concerns, and ensuring a comprehensive approach to sustainability.
Future Trends	Growing emphasis on social impact, ethical supply chain practices, and aligning CSR with the United Nations Sustainable Development Goals (SDGs).	Continued integration of ESG factors into mainstream investing, increased emphasis on climate-related risks, and a focus on measurable ESG outcomes.

This table provides a comparative overview of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) initiatives within corporate governance structures.

CSR and ESG (environmental, social and corporate governance) are increasingly becoming important factors in corporate governance. Companies seeking to be successful in the long term must consider CSR and ESG in their operations and corporate governance structure.

CSR and ESG can influence corporate governance in several aspects, including:

Strategy: Companies should consider CSR and ESG when developing their strategy. This will help them ensure that their activities are focused on long-term goals and not just short-term profits.

Goals and KPIs: Companies should set goals and KPIs that take CSR and ESG into account. This will help them track their progress and ensure compliance with their commitments.

Companies should implement corporate governance systems that promote CSR and ESG. This will help them ensure that CSR and ESG are at the center of their operations.

There are several corporate governance structures that can contribute to CSR and ESG. They include:

Board of Directors: The board of directors is an important link in corporate governance. It is responsible for overseeing the company's activities and must ensure that the company acts in the interests of all stakeholders, including the environment and society.

CSR Committee: A CSR Committee may be established to ensure that CSR issues are the focus of the board of directors. The committee can investigate CSR issues, develop policies and recommendations, and monitor the implementation of these recommendations.

Management: The company's management is responsible for the implementation of the company's strategy. Management should be involved in CSR and ESG processes and should be responsible for achieving CSR and ESG goals.

Implementing CSR and ESG in corporate governance is a process that requires time and effort. Companies wishing to incorporate CSR and ESG into their corporate governance should consider the following steps:

Assessment of the current situation. The first step is to assess the company's current situation. This will help the company determine in which areas it can improve its CSR and ESG activities.

Strategy development. A company should develop a CSR and ESG strategy that aligns with its goals and values. The strategy should be aimed at achieving specific goals and should include an action plan.

Implementation of changes. The company must implement changes in its corporate governance structure, policies and procedures to ensure compliance with CSR and ESG.

Evaluation of results. A company should regularly assess its CSR and ESG performance to ensure that it is achieving its goals.

Incorporating CSR and ESG into corporate governance can be challenging, but it can bring significant benefits to a company. Companies that demonstrate their commitment to CSR and ESG can earn the trust of consumers, employees and investors. Companies that implement CSR and ESG can reduce their costs, increase their productivity and attract more customers, as well as reduce risks.

As CSR and ESG become more important to companies, more companies will incorporate these principles into their corporate governance[37].

3.2. Decision-Making Processes in the Context of CSR and ESG

The reasons for the spread of social responsibility of business in developed countries are primarily related to increasing investment attractiveness, improving the image and reputation before society, and generally increasing the commercial success of companies. Given the fact that business reputation has long been one of the key intangible assets of a business, which actively affects profitability, maintaining reputation at the required level is one of the primary tasks of any company. Business reputation is influenced by many factors, such as the emotional component - the attractiveness of the trademark, the company's financial condition, the legality and transparency of business conduct, the quality of products, the professionalism of top management, the atmosphere in the team, customer service, etc. It is the implementation of corporate social responsibility in the business strategy that helps companies maintain all these components at the appropriate level, which in turn will also result in the creation and maintenance of the company's image. In addition to improving brand image, CSR also provides effective customer loyalty engagement. A strong brand image has a positive effect on the desire of customers to purchase a product or service of this particular brand. Researchers agree that ethics in business is critical to improving long-term corporate success. That is why in many companies today CSR is on the list of priorities immediately after the quality of the product or service. Issues such as environmental damage, animal testing, land rights violations, irresponsible marketing, and unfavorable working conditions have become central to the client's decision-making process[38].

In order to achieve these goals, it is extremely important that all people fulfill their roles: governments, the private sector, and the public. The international company providing auditing and consulting services KPMG conducted a study of the extent to which companies combine their corporate social responsibility with these goals[39]. The results showed that companies responded to the program less than 2 years after its launch.

Since corporate social responsibility is a prerequisite and an important factor in the implementation of the concept of sustainable development, which is due to a number of reasons, the

---

[37] Giannarakis, G. (2014). Corporate governance and financial characteristic effects on the extent of corporate social responsibility disclosure. *Social Responsibility Journal*, *10*(4), 569-590.

[38] Olaru M., Kaufmann M. The impact of corporate social responsibility on business performance – can it be measured, and if so, how? // The Berlin International Economics Congress. 2012.

[39] KPMG. The KPMG Survey of Corporate Responsibility Reporting . 2017. P. 1-58.

most important of which are the strengthening of the general trend towards the socialization of the economy and a significant increase in the role of social factors, for any brand that would like to have a positive image, useful will join the implementation of program points[40].

Nestle Ukraine is one of the most successful and progressive companies in terms of social responsibility, as CSR is an important part of the corporation's overall business strategy, and not just a social initiative. The company works to create value in all spheres of life. For families, their mission is "Promoting healthy and happy lives", and the specific goal is to help 50 million people lead a healthy lifestyle by 2030. For society - to help developing communities, and specifically - to improve the lives of about 30 million households that are related to their activities by 2030, with a focus on youth. Their mission to the planet is to preserve resources for future generations, namely to achieve a zero environmental impact of their businesses.

Another characteristic of large companies is that they have the ability to invest in social responsibility and sustainable development, as investing allows for long-term risk management. In addition, sustainable development strategies increase the efficiency of companies, and focusing efforts on such goals helps to build strong and loyal relationships with stakeholders, which is why cooperation with such companies can end up as a "win-win game". The results of the company's activities, which are published in free access for consumers, can significantly affect the image of the company. If you look at the official website of the Coca-Cola Ukraine company, you can easily get the company's financial statements there, which indicates its responsibility to stakeholders, since transparency of activity is one of the main manifestations of responsibility. In addition, reports on CSR and sustainable development strategy, which are also freely available, serve as a certain advertisement and presentation of activities.

Decision-making processes in the context of Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) initiatives include consideration and consideration of various factors to ensure a balance between social, environmental and economic aspects of problem solving and responsible decision making.

CSR and ESG can influence decision-making processes through access to information. Companies need to have access to CSR and ESG information to make informed decisions. This information may include data on the company's impact on the environment, its social impact and the effectiveness of corporate governance.

---

[40] CSRHUB. Corporate Social Responsibility (CSR) & Environment, Social, Governance (ESG) Metrics

CSR and ESG can influence decision-making processes through risk assessment. Companies should consider CSR and ESG when assessing risks. This means that companies must assess the potential environmental, social and corporate risks associated with their activities.

CSR and ESG can influence decision-making processes by considering stakeholders. Companies must consider the interests of all stakeholders, including the environment and society, when making decisions. This means that companies must consult with stakeholders to understand their needs and interests.

CSR and ESG can influence decision-making processes through decision-making structures. Companies can implement decision-making structures that promote CSR and ESG. For example, companies can establish a CSR committee that will be responsible for ensuring that CSR and ESG are at the center of decision-making.

Implementing CSR and ESG in decision-making processes is a process that requires time and effort. Companies looking to incorporate CSR and ESG into their decision-making processes should consider the following steps:

Assessment of the current situation: The first step is to assess the current situation of the company.This will help the company determine in which areas it can improve its CSR and ESG decision-making processes.

Policy development: The company should develop a CSR and ESG policy that defines how CSR and ESG will be taken into account in decision-making.

Training and development: The company must provide training and development to its employees so that they can make informed decisions with regard to CSR and ESG.

Process review: The company should review its decision-making processes to ensure they are in line with CSR and ESG principles.

In order to increase the effectiveness of CSR, it is necessary to carry out an even distribution between the areas of application of CSR in the decision-making process, as well as to constantly acquire new competencies in this area, focusing on its best representatives, to conduct activities and reporting honestly and transparently, thereby confirming responsibility to stakeholders[41].

3.3. Stakeholder Engagement and CSR and ESG Considerations

In the era of globalization challenges regarding limited resources, corporate social responsibility is an important reputational component that ensures the minimization of the company's

[41] Kraus, S., Cane, M., & Ribeiro-Soriano, D. (2022). Does doing good do well? An investigation into the relationship between consumer buying behavior and CSR. *Economic research-Ekonomska istraživanja*, *35*(1), 584-601.

negative impacts on the economy, environment, and social communities. A positive image and a high level of business reputation become a kind of trust credit for the company's customers, a source of additional benefits both for the company itself and for external stakeholders. As elements of intangible assets, image and reputation are a powerful source of strategic development of the company. They influence the decisions of counterparties in matters of cooperation with the firm, contribute to the attraction of highly qualified personnel, provide access to investment resources, and turn into a competitive advantage that cannot be imitated by competing companies[42].

In view of the above, corporate social responsibility should be considered as an important tool for managing the company's image and business reputation. The implementation of corporate social responsibility practices, which are diverse in terms of purpose and content, ensures an improvement of the image and an increase in the level of business reputation, which, in turn, allows not only to maintain, but also to expand the client base, improve the quality of products, increase labor productivity, ensure the possibility of attracting and securing highly competent and talented workers, to strengthen the confidence of investors, thereby ensuring the formation of prerequisites for receiving short- and long-term investments. It should be noted that the concepts of image and business reputation are often equated, since they characterize the attitude of the environment to the company, but the image is based on the brand and perception, that is, it is a desired state, and the basis of reputation is multi-vector evaluations, that is, the real state.

From the point of view of corporate social responsibility, image can be defined as a stable image or idea about the company, which is formed in the minds of stakeholders as a result of the purposeful influence of the company itself on all interested parties. Practice shows that the following components of corporate social responsibility contribute to the creation of a positive image of the company: the presence of its own polyclinics, hospitals, prophylactics, conducting annual medical examinations; availability of own sports complexes, recreation centers, financing of events for a healthy lifestyle; creation of jobs for employment of youth, persons with limited physical capabilities, other socially vulnerable population groups; implementation of charitable activities[43].

The negative image of the company in the context of corporate social responsibility is the result of: administrative and economic sanctions from antimonopoly, tax and other inspection bodies; industrial accidents and occupational diseases; fines and charges for violation of environmental norms

---

[42] Marco-Lajara, B., Zaragoza-Sáez, P., Falcó, J. M., & Millan-Tudela, L. A. (2022). Corporate Social Responsibility: A Narrative Literature Review. *Frameworks for Sustainable Development Goals to Manage Economic, Social, and Environmental Shocks and Disasters*, 16-34.

[43] Al Mubarak, Z., Ben Hamed, A., & Al Mubarak, M. (2019). Impact of corporate social responsibility on bank's corporate image. *Social Responsibility Journal*, *15*(5), 710-722.

and rules, etc. Business reputation reflects an objective opinion about a company confirmed by practice, formed over a long period of time based on an assessment of its economic, environmental and social aspects of activity, based on reliable information and experience of cooperation with stakeholders and counterparties.

Among the parameters of business reputation in the context of corporate social responsibility, the following can be distinguished:

1. Environmental component:

- Environmental responsibility (preventing environmental pollution, land restoration, water and emissions purification, conducting environmental promotional activities);

2. Economic component:

- financial condition (annual revenue, profit, use of corporate assets, long-term investments, brand value)
- corporate management (fulfilment of commitments, information transparency and openness, compliance with the principles of business ethics, fair competition)
- quality of goods and services (consumer satisfaction with quality, compliance with requirements and standards for goods and services)
- quality of management (clear understanding of corporate strategy and compliance of management actions with strategic guidelines, business prospects, reputation of top managers)
- innovation (R&D, introduction of new technologies, the ability to quickly change in response to the challenges of the external environment)

3. Social component:

- social responsibility (respect for human rights and freedoms, care for personnel, support of national social programs and projects, implementation of local social programs and projects[44].

Participation in environmental and social programs and projects outside the scope of its main activity contributes to increasing the level of the company's business reputation in the context of corporate social responsibility. On the other hand, violations in the payment of taxes (violation of deadlines, full or partial non-payment), lack of necessary licenses and permits, violations in the process of calculation and payment of wages (violation of legally established social guarantees

[44] Singh, K., & Misra, M. (2021). Linking corporate social responsibility (CSR) and organizational performance: The moderating effect of corporate reputation. *European Research on Management and Business Economics*, *27*(1), 100139.

regarding the amount and timing of payment, diminution of income from labor activity), violations in work with personnel (spread of unofficial social and labor relations, inequality and discrimination in relations with hired workers, illegal use of the labor of migrants, women, teenagers, children, etc.), production and implementation of low-quality and dangerous to health i goods and services, availability of court decisions of arbitration courts in favor of business partners.

Managing business reputation on the basis of corporate social responsibility is a closed-loop process that begins and ends with a reputation audit. Depending on the problems identified as a result of the audit, the key areas of reputation correction and the main reputation measures are determined, taking into account the principles of corporate social responsibility. At the same time, corporate social responsibility programs must be integrated into the company's reputation program. In addition, corporate social responsibility programs help to resolve a situation that can damage a company's reputation. This is especially important for companies that own high-value retail brands, as they are most vulnerable to criticism from the media and various types of public organizations - environmentalists or consumer rights defenders. For consumers, information about social responsibility programs is significant when making a decision to purchase a product or service. A significant part of the mentions of companies in the press is related to the discussion of their activities during the implementation of corporate citizenship programs.

At the same time, for the vast majority of companies, the use of CSR practices as a tool for forming a positive image and high business reputation contributes to attracting new partners and consumers and strengthening their ties with the company, thus strengthening market positions and improving the financial and economic condition. Management of the organization based on the principles of corporate social responsibility increases the importance of the image and reputational component, which is determined by economic, environmental and social parameters. The degree of detailing of the content of the image and business reputation is determined by the specifics of the business (type of economic activity, scale and diversification of activity, etc.), and the assessment of the impact of corporate social responsibility on the organization's business reputation is based on the results of a survey of the organization's stakeholders[45].

Stakeholder engagement (Stakeholder) is an important aspect of CSR and ESG. Companies seeking to be successful in the long term must consider the interests of all stakeholders, including the

[45] Le, T. T. (2022). Corporate social responsibility and SMEs' performance: mediating role of corporate image, corporate reputation and customer loyalty. *International Journal of Emerging Markets*.

environment and society. Stakeholders are individuals or groups that have an interest in the company's activities. Stakeholders may include:

Consumers: Consumers are stakeholders because they are the end users of the company's products and services.

Employees: Employees are stakeholders because they play an important role in the company's operations.

Investors: Investors are stakeholders because they invest their capital in the company.

Suppliers: Suppliers are stakeholders because they supply goods and services to the company.

Community organizations: Community organizations are stakeholders because they represent the interests of society.

Government: The government is a stakeholder because it regulates the activities of companies.

Stakeholder engagement is important for several reasons, including:

Improved decision-making: Stakeholder engagement can help companies make more informed decisions that take into account the interests of all stakeholders.

Risk reduction: Stakeholder engagement can help companies reduce the risks associated with their operations.

Improving reputation: Stakeholder engagement can help companies improve their reputation.

There are many different ways to engage stakeholders.Some common ways include:

Consultation: Companies can consult with stakeholders to get their views on a particular topic.

Participation: Companies can involve stakeholders in decision-making processes.

Collaboration: Companies can collaborate with stakeholders to achieve common goals.

Stakeholder engagement is an important aspect of CSR and ESG. Companies seeking to be socially responsible and environmentally sustainable must consider the interests of all stakeholders.

A company can consult with employees to get their views on how to improve working conditions, involve consumers in developing new products and services that meet their needs and work with the local community to solve social problems.

Stakeholder engagement is critical to long-term success. Companies that take into account the interests of all stakeholders will be better prepared for the challenges of the future.

CONCLUSIONS

In the study, we considered the modern aspects and challenges associated with the implementation of Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) approaches in the legal framework of companies. Conceptual aspects of CSR and ESG, their types and applications are analyzed, and the legal context that regulates these initiatives is studied.

The first chapter examines the essence of Corporate Social Responsibility and Environmental, Social and Management approaches. Types of initiatives that include social, environmental, and managerial aspects and their practical application in today's business environments are considered.

CSR encompasses a company's commitment to operating in a manner that benefits society while minimizing negative impacts. It goes beyond legal compliance and focuses on voluntarily addressing social and environmental concerns. CSR initiatives often involve engaging with stakeholders, such as employees, customers, communities, and the environment, to create shared value. ESG encompasses a set of non-financial factors that investors and stakeholders consider when evaluating a company's sustainability and long-term prospects. CSR and ESG are not just buzzwords; they represent a fundamental shift in how businesses are operating and creating value. By integrating CSR and ESG principles into their strategies, businesses can enhance their long-term sustainability, improve their reputation, and attract socially conscious investors and consumers. As the world faces increasing social and environmental challenges, CSR and ESG are poised to play an even more critical role in shaping responsible and sustainable business practices for the future.

The second section analyzes the legal context for the implementation of CSR and ESG. Studied legal provisions, regulatory initiatives and analysis of court precedents that determine standards in the field of corporate responsibility and sustainable development. The implementation of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) principles is increasingly intertwined with the legal framework governing business operations. Governments worldwide are enacting laws and regulations to promote responsible business practices and address sustainability concerns. The legal context for CSR and ESG is evolving rapidly, reflecting the growing recognition of the importance of sustainable business practices. Businesses must stay abreast of legal developments and adapt their strategies to comply with evolving regulations and meet stakeholder expectations. By understanding and navigating the legal landscape, businesses can operate responsibly, mitigate legal risks, and enhance their long-term sustainability.

The third chapter examines the impact of CSR and ESG on corporate governance structures. Considered decision-making processes in the context of these initiatives, including interaction with stakeholders and consideration of their needs. Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) principles are not just external considerations for businesses; they are becoming integral components of effective corporate governance. This chapter explores the impact of CSR and ESG on corporate governance structures, emphasizing the integration of these principles into decision-making processes and stakeholder engagement strategies. CSR and ESG are not just add-ons to corporate governance; they are fundamental components of effective and responsible business leadership. By integrating CSR and ESG principles into corporate governance structures, businesses can make informed decisions that balance financial success with societal and environmental responsibility. This holistic approach to decision-making and stakeholder engagement is essential for building long-term value and creating a sustainable future for all.

The study determines the importance of implementing Corporate Social Responsibility and Environmental, Social and Management approaches in modern business. The main emphasis of the work is on how these initiatives shape legal standards, influence corporate governance and lead to changes in strategic decision-making.

It is shown that the successful integration of CSR and ESG into corporate practices ensures business sustainability and its positive impact on society and the environment.It is studied how the legal context determines standards in the field of corporate responsibility and creates conditions for the implementation of CSR and ESG. It was determined that CSR and ESG significantly influence corporate governance processes, causing changes in strategic decision-making.

The study questions the idea of business as a simple economic activity, emphasizing its important role in the sustainable development of society. The presented studies allow for the formulation of recommendations for companies and legislators regarding the optimization of CSR and ESG practices in business and its legal environment.

LIST OF SOURCES

1. Huang, D. Z. (2021). Environmental, social and governance (ESG) activity and firm performance: A review and consolidation. Accounting & finance, 61(1), 335-360. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=292934

2. Pallemaerts, M. (1995). International environmental law in the age of sustainable development: a critical assessment of the UNCED process. *JL & Com.*, *15*, 623.

3. Williams, O. F. (2013). Corporate social responsibility: The role of business in sustainable development. Routledge.

4. Bowen H. Social Responsibilities of the Businessman. Harper and Row, 1953. New York.

5. Davis K. Can Business Afford to Ignore Social Responsibilities? California Management Review, 1960. Vol. 2. No. 3. PP. 70-76

6. Vogel D. The Market for Virtue: The Potential and Limits of Corporate Social Responsibility. Brookings Institution Press. 2005. Washington, D.C.

7. Puaschunder, J. M. On the emergence, current state, and future perspectives of Socially Responsible Investment (SRI). Consilience, 2016. PP. 38–63

8. Hahn, R. (2013). ISO 26000 and the standardization of strategic management processes for sustainability and corporate social responsibility. *Business strategy and the environment*, *22*(7), 442-455.

9. Keinert, C. (2008). *Corporate social responsibility as an international strategy*. Springer Science & Business Media.

10. Hill, J. (2020). *Environmental, Social, and Governance (ESG) investing: A balanced analysis of the theory and practice of a sustainable portfolio*. Academic Press.

11. Di Simone, L., Petracci, B., & Piva, M. (2022). Economic sustainability, innovation, and the ESG factors: An empirical investigation. *Sustainability*, *14*(4), 2270.

12. Chan, Y., Hogan, K., Schwaiger, K., & Ang, A. (2020). ESG in Factors. The Journal of Impact and ESG Investing, 1(1), 26-45.

13. Taylor, J., Vithayathil, J., & Yim, D. (2018). Are corporate social responsibility (CSR) initiatives such as sustainable development and environmental policies value enhancing or window dressing?. *Corporate social responsibility and environmental management*, *25*(5), 971-980.

14. Chan, Y., Hogan, K., Schwaiger, K., & Ang, A. (2020). ESG in Factors. The Journal of Impact and ESG Investing, 1(1), 26-45.

15. Dixon, T. (2014). Corporate social responsibility, the triple bottom line, standardization and brand management in Houston, Texas.

16. Shnayder, L., Van Rijnsoever, F. J., & Hekkert, M. P. (2015). Putting your money where your mouth is: Why sustainability reporting based on the triple bottom line can be misleading. *PloS one*, *10*(3), e0119036.

17. Wilkinson, A., & Mangalagiu, D. (2012). Learning with futures to realise progress towards sustainability: The WBCSD Vision 2050 Initiative. *Futures*, *44*(4), 372-384.

18. Pham, D., Vo, M., & Prevention, C. (2014). United Nations Development Programme (UNDP).

19. Falck, O., & Heblich, S. (2007). Corporate social responsibility: Doing well by doing good. Business horizons, 50(3), 247-254.

20. Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business horizons*, *34*(4), 39-48.

21. Gavurova, B., Schönfeld, J., Bilan, Y., & Dudáš, T. (2022). Study of the differences in the perception of the use of the principles of corporate social responsibility in micro, small and medium-sized enterprises in the V4 countries.

22. Jour Azar, A., & Zhou, H. (2017). Do Good and Do Well: An Empirical Study of the MSCI World.nal of Competitiveness.

23. Kim, E. H., & Lyon, T. P. (2011). Carbon disclosure project. *Handbook of Transnational Governance: Institutions and Innovations*, *213*.

24. Initiative, C. S., Golden, J. S., Vermeer, D., Clemen, B., & Davie Nguyen, M. (2010). An overview of ecolabels and sustainability certifications in the global marketplace. *Nicholas Institute for Environmental Policy Solutions. Duke University. Interim Report Document*, 10-1.

25. 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*, 619.

26. Bhatt, Y., Ferryal, M. B., Kamboj, P., Dianningrum, L. W., Roychoudhury, J., & Akbar, S. (2023). Governing a Future Hydrogen-based Society.

27. Tschopp, D., & Nastanski, M. (2014). The harmonization and convergence of corporate social responsibility reporting standards. *Journal of business ethics*, *125*, 147-162.

28. Karwowski, M., & Raulinajtys-Grzybek, M. (2021). The application of corporate social responsibility (CSR) actions for mitigation of environmental, social, corporate governance

(ESG) and reputational risk in integrated reports. Corporate Social Responsibility and Environmental Management, 28(4), 1270-1284.

29. Michalczuk, G., & Konarzewska, U. (2020). Socially responsible investing in the European.

30. Chasek, P. S., Wagner, L. M., Leone, F., Lebada, A. M., & Risse, N. (2016). Getting to 2030: Negotiating the post-2015 sustainable development agenda. *Review of European, Comparative & International Environmental Law*, *25*(1), 5-14.

31. Corporate governance issues. URL: https://commission.europa.eu/business-economy-euro/doing-business-eu/company-law-and-corporate-governance_en

32. Primec, A., & Belak, J. (2022). Sustainable CSR: Legal and Managerial Demands of the New EU Legislation (CSRD) for the Future Corporate Governance Practices. *Sustainability*, *14*(24), 16648.

33. Torres, L., Ripa, D., Jain, A., Herrero, J., & Leka, S. (2023). The potential of responsible business to promote sustainable work–An analysis of CSR/ESG instruments. *Safety Science*, *164*, 106151.

34. Springett, D., & Redclift, M. (2015). Sustainable development: History and evolution of the concept. In *Routledge international handbook of sustainable development* (pp. 3-38). Routledge.

35. Pasinovych, I., & Myskiv, G. (2023). Ukrainian context of sustainable development and the role of business in its achievement. *Regional Science Policy & Practice*, *15*(1), 161-180.

36. Giannarakis, G. (2014). Corporate governance and financial characteristic effects on the extent of corporate social responsibility disclosure. *Social Responsibility Journal*, *10*(4), 569-590.

37. Olaru M., Kaufmann M. The impact of corporate social responsibility on business performance – can it be measured, and if so, how? // The Berlin International Economics Congress. 2012.

38. KPMG. The KPMG Survey of Corporate Responsibility Reporting 2017. URL: https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/10/kpmg-survey-ofcorporate-responsibility-reporting-2017.pdf.

39. CSRHUB. Corporate Social Responsibility (CSR) & Environment, Social, Governance (ESG) Metrics. URL: https://www.csrhub.com/

40. Kraus, S., Cane, M., & Ribeiro-Soriano, D. (2022). Does doing good do well? An investigation into the relationship between consumer buying behavior and CSR. *Economic research-Ekonomska istraživanja*, *35*(1), 584-601.

41. Marco-Lajara, B., Zaragoza-Sáez, P., Falcó, J. M., & Millan-Tudela, L. A. (2022). Corporate Social Responsibility: A Narrative Literature Review. *Frameworks for Sustainable Development Goals to Manage Economic, Social, and Environmental Shocks and Disasters*, 16-34.

42. Al Mubarak, Z., Ben Hamed, A., & Al Mubarak, M. (2019). Impact of corporate social responsibility on bank's corporate image. *Social Responsibility Journal*, *15*(5), 710-722.

43. Singh, K., & Misra, M. (2021). Linking corporate social responsibility (CSR) and organizational performance: The moderating effect of corporate reputation. *European Research on Management and Business Economics*, *27*(1), 100139.

44. Le, T. T. (2022). Corporate social responsibility and SMEs' performance: mediating role of corporate image, corporate reputation and customer loyalty. *International Journal of Emerging Markets*.

SUMMARY

Corporate Social Responsibility and Environmental Social Governance in Company Law

This master thesis delves into the evolving concepts of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) within the context of company law. It explores the intricacies of integrating CSR and ESG principles into corporate governance structures and decision-making processes, emphasizing the significance of stakeholder engagement in this endeavor. CSR and ESG are not mere add-ons to company law; they are fundamental components of responsible and sustainable business practices. The legal landscape surrounding CSR and ESG is rapidly evolving, requiring businesses to stay abreast of new regulations and adapt their strategies accordingly.

Stakeholder engagement is crucial for embedding CSR and ESG principles into corporate governance, fostering a sense of shared ownership and responsibility. Integrating CSR and ESG considerations into decision-making processes enhances long-term sustainability and aligns business goals with societal expectations. Businesses should adopt a long-term perspective when incorporating CSR and ESG considerations into their decision-making frameworks. Companies should establish open and transparent communication channels with stakeholders to facilitate meaningful engagement and collaboration. Businesses should integrate CSR and ESG metrics into traditional financial reporting to provide a holistic view of their performance. Companies should invest in education and training programs to enhance employee awareness and understanding of CSR and ESG principles.

By following these recommendations, businesses can effectively navigate the evolving legal landscape, integrate CSR and ESG principles into their core operations, and contribute to a more sustainable and responsible future.