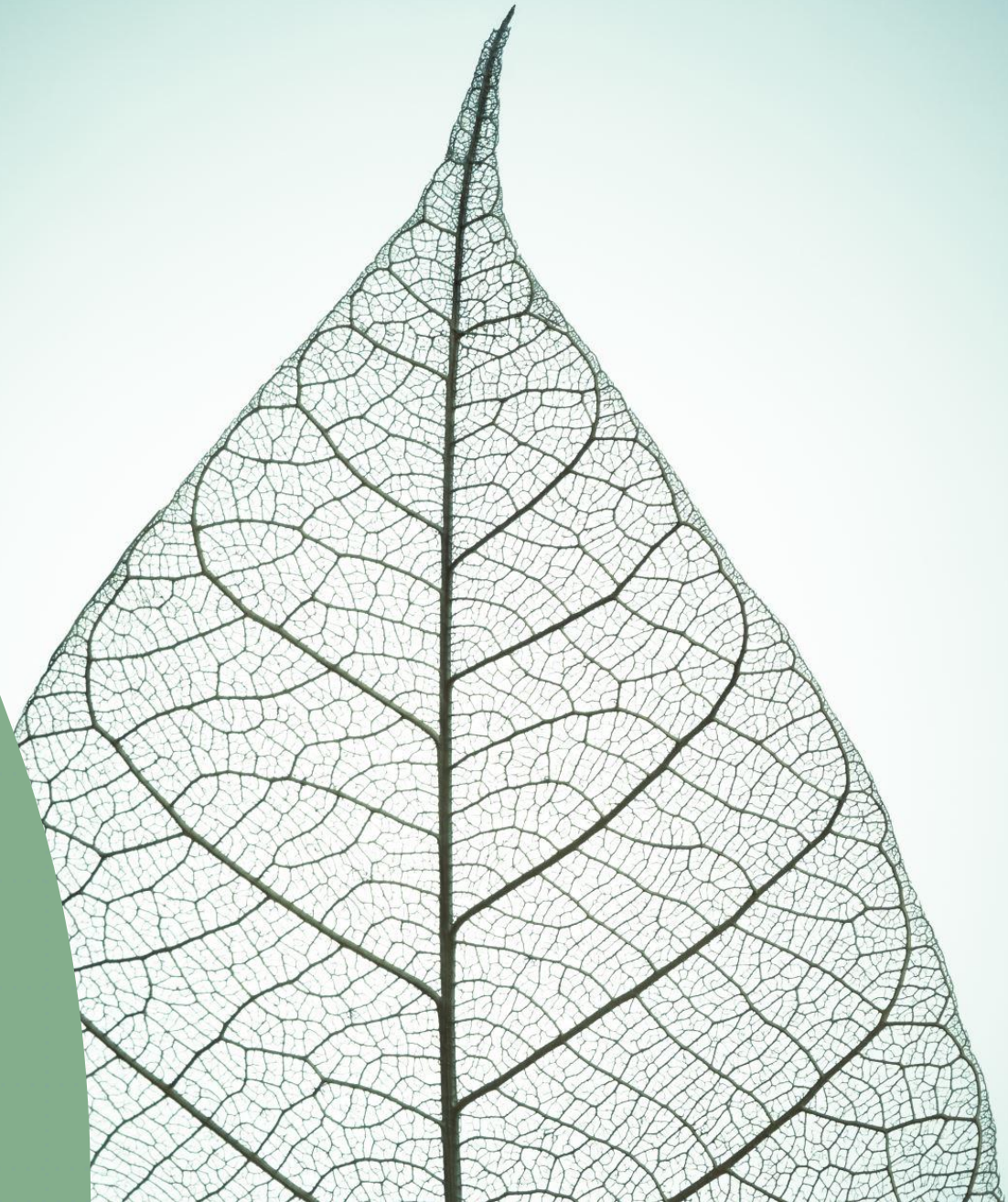


What is CSR? An assessment of the current regulatory frameworks in developed countries and their effectiveness in tackling Climate Change

Global Law of Climate Change

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Definitions

- In 1979 Carroll defined CSR as “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. (Carroll,1979)
- In 2001, Smith gave a new definition for CSR “the obligations of the firm to people affected by corporate policies and practices. These obligations go beyond legal requirements and the firm’s duties to its shareholders. Fulfilment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm on society”. (Smith,2001)



History of CSR

- Modern CSR dates back to 1950's as large corporations had accumulated a lot of power and they should start considering how their actions impact society.
- During 90s UNFCCC and European Environmental Agency were created □ CSR started focusing more on sustainable development.
- In 1938 Callendar connected global warming with the increase in CO2 but no action was taken until many years later.

How is CSR connected to Climate Change (CC)?

Tackling CC is a two step approach:

1. Mitigation: reducing emissions and stabilize amount of GHGs already in the atmosphere. □ aims at reducing human interference in the environment.
2. Adaptation: reduce ecosystem's vulnerability to the effects of CC.



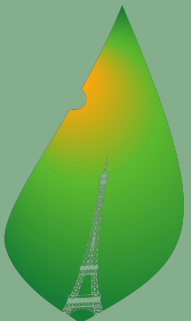


How is CSR connected to Climate Change (CC)?

- Corporations are biggest emitters of CO₂ which accelerates CC.
- UN Guiding Principles on CC □ responsibility on states to adopt measures for corporations to respect Human Rights and prevent CC.
- EU Comm sees CSR as a way of companies to voluntarily contribute to cleaner environment.
- CSR can be used as a marketing tool to improve reputation of a company. (McIntyre, 2018)
- Reducing emissions can deliver better sustainable development. (Allen & Craig, 2016)

Regulatory Frameworks (International)

- Almost all regulatory frameworks for mitigation of CC are binding towards the signatory countries, not corporations.
- Countries need to draft and enforce laws and provide guidance to corporations.
- COP 2015 set ambitious goals and emerging economies who are big polluters were included in the Paris agreement.



Regulatory Frameworks (International)

- Academics believe that in order to mitigate CC, “subglobal efforts are not only desirable but indispensable”. (Farber,2012)
- UNGP: applies universally to all corporations and provides defined rights and duties.



Regulatory frameworks (Regional)



- European Emissions Trading Scheme introduced in 2005 and had reduced emissions by 5% per year of operation (2013-15).
- GHG Protocol established in 1998: members have to measure and report emissions. □until 2016, 92% of Fortune 500 companies had implemented it.
- Directive 2014/95/EU all EU large corporations need to report environmental & social impact.
- UK Company Law Art172(1): Directors need to 'have regard' to impact on environment.

Issues



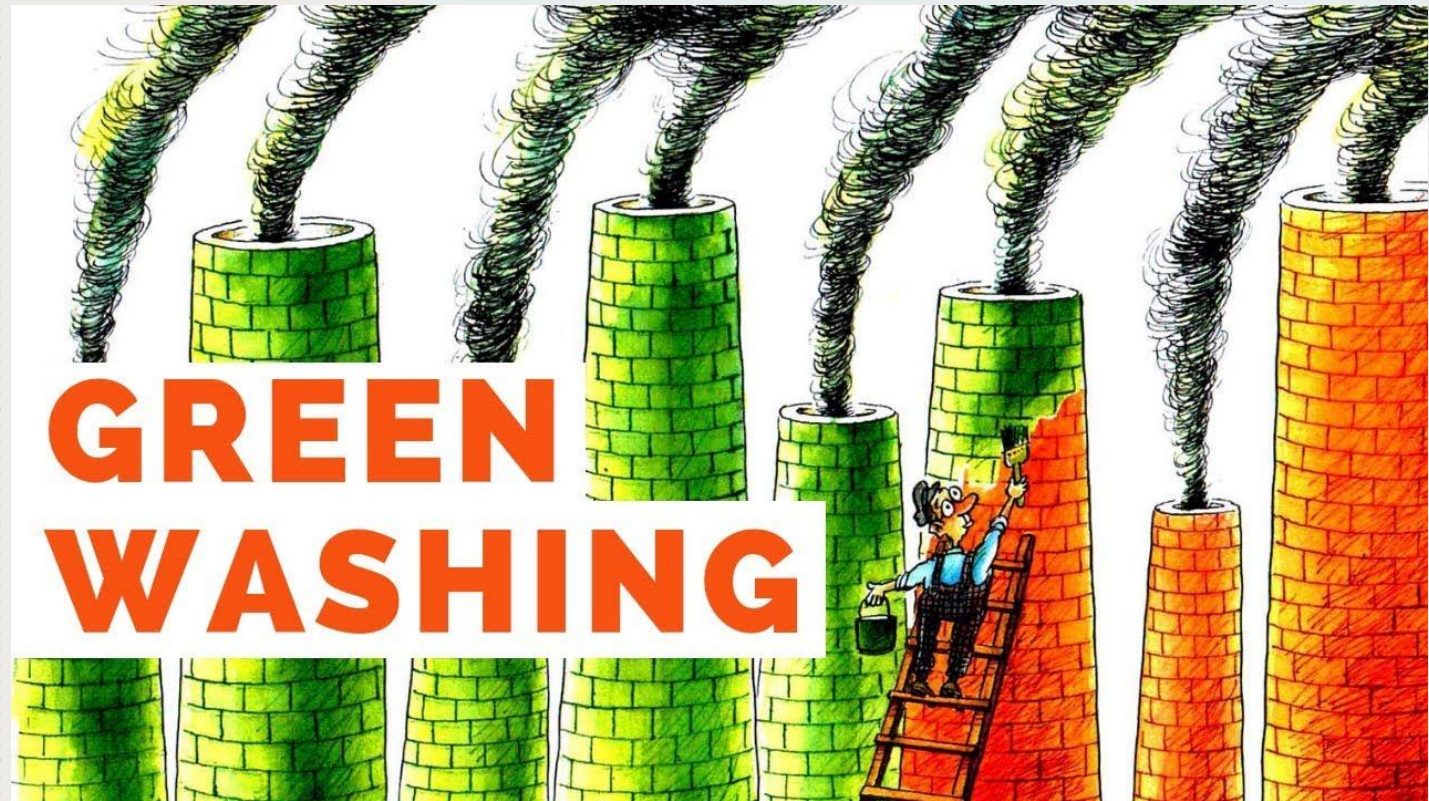
- EU Directive needs to be incorporated in each country's legislation, if it is not incorporated then individuals have to bring a claim to the ECJ against the state for non-implementation.
 - lengthy and difficult process
- EU Directive: obligation is only to report.
- Art172(1): Supreme Court said that 'having regard' means that other factors (e.g profit maximization) may be taken into account.
- Greenwashing (see next slide)

Greenwashing

- Greenpeace defined it as “the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service”. (Gelmini, 2021)

Examples:

- Stating that a product is made in the UK, but it is packaged in China,
- A company claims their product is green because of a single attribute (e.g. it is made by recyclable materials), but they don't disclose the impact of other factors such as production (e.g. use toxic products for manufacturing).



Greenwashing (continued)



- Demonstrates how CSR can be diverted to serve business interests (better company reputation & image) due to government passivity and no appropriate CSR monitoring.

Examples:

- H&M “Conscious” line was accused of greenwashing as they had not disclosed the nature of their allegedly sustainable materials.
- Volkswagen published false emission readings for its eco-friendly vehicles when they were emitting x40 the allowed Nitrogen Oxide limit.

CSR in practice (examples 1/2)



In 2019, Friends of the Earth (an environmental group), brought a case against Shell for its contribution to CC.

FoE claimed that Shell breached its duty of care under Dutch Law and asked that Shell reduces its CO₂ emissions by 45% by 2030 (to be in line with the Paris Agreement).

The Court ruled in favour of FoE by using soft law other Courts could follow same approach in the future.

CSR in practice (examples 2/2)

Coca-Cola, Nestle, Unilever & Pepsi Co were found to be responsible for majority of plastic waste in developing countries.

As of 2020, their CO2 emissions combined = 2million cars.

~500million people die annually because of plastic pollution.

These countries had failed to implement CC policies as per Paris Agreement.



What can be done? (Ideas)

- Signatory countries need to eliminate plastic we don't need (vegetable packing) and the plastics we need are fully recyclable. (EM Foundation)
- Need for an UN Treaty to create global standards which will be implemented and appropriately monitored in each country (emphasis on CSR).
- Cross-border monitoring & compliance by developed countries of their companies operating in developing countries. (Tearfund Aus, 2019)

CSR in the future

- CSR not as effective as ought to be due to lack of compliance and enforcement.
- Public & NGOs increasingly public critique corporations for not being sustainable.
- Big corporations are seen as the cause and solution of the CC problem.
- Because of above, CSR at the top of business agenda.
- Report found that low-carbon & sustainability could create 65mil jobs and generate \$26trillion by 2030. (New Climate Economy, 2018)



Conclusion

- Modern CSR developed in 1950s.
- CSR not legally binding but encouraged.
- Greenwashing poses a serious threat to effective CSR.
- Low-carbon and sustainability can provide economic growth.
- CSR not as effective as ought to be due to lack of compliance and enforcement.
- Need for legally binding policies, universal cooperation, environmental audit system to ensure no greenwashing, increased compliance and enforcement.

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