May 2020

A legal perspective on Corporate Social Responsibility (CSR)

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Recommended Citation
DOI: https://doi.org/10.54729/2789-8334.1014

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A legal perspective on Corporate Social Responsibility (CSR)

Abstract
Recent years have been marked by a remarkable decline in trust and confidence in the economy as well as in the business community, as a growing number of economic scandals are being reported by observers and whistleblowers. The need for better governance and higher ethical standards has become a focal issue for governments, regulators, supervisors and business actors themselves. In this context, corporate social responsibility (CSR) has come to play an increasingly important role in business and corporate regulation, paving the way for ethical business practices, as the concept of corporate social responsibility encompasses key components of economic growth, social equity and ecology. Although CSR was once considered a form of corporate self-regulation, governments became more and more involved in drawing up new rules governing the economy and the business sector. However, this trend is far from uniform, and the sets of regulations adopted and implemented so far across the world range from comprehensive to nonexistent. As a result, the extent to which private companies will adjust their policies depends largely on where their activities are located.

Keywords
Social equity, Economic growth, International legislations, Soft law, National regulations

This article is available in BAU Journal - Creative Sustainable Development: https://digitalcommons.bau.edu.lb/csdjournal/vol1/iss2/1
1. INTRODUCTION

In our globalized world, business actors are expected to be accountable not only to their shareholders, but to the community as a whole. In fact, the increasing focus on business responsibility is intrinsically linked to both the growth of ecological consciousness and the prominent place taken by human rights worldwide. Therefore, a company’s impact must not be assessed with regard only to the profit it generates: its environmental footprint, as well as the extent to which it abides by international human rights standards, are now carefully gauged. From a CSR perspective, companies should therefore contribute to the common good, and their activities should benefit the community. Sustainability is at the heart of the corporate social responsibility agenda: companies are encouraged to engage, along with other stakeholders, in socially inclusive, environment-friendly and mostly voluntary activities (D’amato A., Henderson S. and Florence S., 2009).

In 2008, Peter Goldmark stressed the need to promote cooperation towards reducing poverty and finding responses to present and future environmental challenges. In his article “Before the Storm”, he stated that we are “living in the time before a storm of historic proportions, a period of searing difficulty for the peoples of the world and the planet itself” (Karoff C., 2008, p. 23).

The importance of this phenomenon – of providing services to the community – has prompted practitioners and scholars to identify the precise scope of the notion. The World Business Council on Sustainable Development, a CEO-led organization of about 200 member companies, defined corporate social responsibility as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”. To date, however, the most commonly used definition – according to Dr. Alexander Dahlsrud in his attempt to review all the definition of this concept provided for so far – was proposed by the European Commission in 2001. According to this definition, “Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

Have companies succeeded in adding to their initial goal of making profits the commitment to provide services to society? More accurately, how do profit-oriented investors react to this phenomenon?

Throughout this article, we will try to illustrate the importance of promoting CSR worldwide, with a special focus on the current situation in Lebanon from a legal perspective.

2. HISTORICAL BACKGROUND

Long before industrialization and globalization, religions took it upon themselves to regulate commercial and financial practices, behaviors and relations, as the example of religious prohibition on usury illustrate. In the Roman Empire, interest rates were strictly controlled. In medieval Europe, the Catholic Church banned the charging of any rate altogether, as well as bureau de change services. These rules were aiming at preventing unjust enrichment at the expense of the poor. Similarly, Islamic rules – stemming from the Holy Koran as well as from Hadith – emphasize the believer’s social responsibility. The fundamental concept of Zakat requires those whose savings exceed a certain amount to pay a percentage of it to the poor or for welfare. Sadaqah, on the other hand, allows Muslims to donate something (either monetary or not) to those in need.

A renewed debate about the social responsibility of business emerged in recent decades in the western world. In 1953, American economist Howard Bowen published “Social Responsibilities of the Businessman”, a landmark book addressing business ethics and social responsibility-related issues (Bowen H.R, 1953). With this work, which set the scene for the current ethical debate about CSR, Bowen stressed that the social consequences of business activities should be taken into consideration during the corporate decision-making process.

That question was then discussed, in the 1970s, among neo-classical economists. In his article “The Social Responsibility of Business is to Increase its Profits” (published in the New York Times on September 13, 1970), Milton Friedman challenged the idea of placing liability on business itself, stating that “A corporation is an artificial person and in this sense may have artificial responsibilities, but “business” as a whole cannot be said to have responsibilities, even in this vague sense”.

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According to him, only natural persons, such as corporate managers and executives, should be held accountable, as their responsibility is to conduct the business in accordance with their employer’s desires, “which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom”. Therefore, Friedman was not challenging the concept of corporate social responsibility as such, as much as he was drawing a clear distinction between the company’s responsibility, which he considered an aberration, and the managers’ responsibility, that he regarded as relevant in the light of laws and ethics.

In the same year, Keith Davis wrote that “CSR is the concern and response of businesses to issues beyond satisfying legal, economic and technological requirements” (Davis K., 1973), and in the late 1970s, Archie Carroll’s well-known CSR pyramid was designed (Carroll A., 1977). That framework – widely used and reproduced until today due to its simplicity and comprehensibility – divides corporate social responsibilities into four layers: economic (identifying profit as the foundation of the pyramid and as a prerequisite to corporate survival and later social benefits), legal (the obligation to abide by relevant laws and regulations), ethical (the responsibility to adopt ethical conduct, beyond strictly legal requirements), and philanthropic (the discretionary authority to give back some of the profits made to society). In addition, the same author added that “For CSR to be accepted by a conscientious business person, it should be framed in a way that the entire range of business responsibilities are embraced”(Carroll A., 1991).

More recently, attention has been paid to the relationship between CSR and corporate performance. The research conducted in Egypt by Professor of Finance Hayam Wahba aimed at building evidence regarding the influence of environmentally responsible corporate behavior on corporate market value. Using Tobin’s q ratio, Wahba concluded that the market, indeed, compensates environmentally friendly companies (Wahba H., 2007). Moreover, most studies (approximately 70%) conducted on the interaction between CSR and financial performance reported a positive impact of the first on the latter (Dilling P., 2010), and business actors are often encouraged to take into consideration the interests of a wide range of stakeholders, in addition to those of their shareholders (Maon, F., Lindgreen, A., and Swaen V., 2009). These conclusions, however, do not have unanimous support among researchers, as other studies have shown negative or no impact of social performance on corporate profits, leading to the idea that shareholders’ interests should be given priority (Ullmann A., 1985).

In this respect, socially responsible investing (SRI) has been playing an increasingly important role, as it “has grown four percent faster than all professionally managed investment assets in the US accounting for $2.5 trillion or 20.7% of the US market in 2005” (Puaschunder J., 2017).

Therefore, this fast-growing concept has emerged as a set of rules, codes, guidelines and laws at both national and international level. Were they effective in practice?

3. GLOBAL GUIDELINES AND ORGANIZATIONS

Business enterprises are increasingly expected to comply with international human rights law, and to assess and address the impact of their activities from a human rights perspective. Furthermore, legal initiatives have multiplied at the national, regional and international levels. First and foremost, the Organization for Economic Co-operation and Development (OECD), the United Nations (UN) and the International Organization for Standardization (ISO) have been working on promoting CSR and sustainable business practices.

3.1. OECD Guidelines And Multinational Enterprises

The Organization for Economic Cooperation and Development (OECD) is an intergovernmental organization with 36 member countries, whose mandate includes promoting policies that foster prosperity and well-being. It was founded in 1961, as a successor of the Organization for European Economic Cooperation (OEEC) that had been established in 1948, shortly after the Second World War, to run the US-funded European Recovery Program (Marshall Plan).

In 1976, as part of its efforts to promote responsible business conduct, the OECD adopted the Guidelines for Multinational Enterprises, a set of recommendations, standards and principles addressed by governments to multinational enterprises.
To date, these guidelines are the only multilaterally agreed and formally adopted corporate responsibility instrument (Cernic J.L., 2008). As a “soft law” instrument, these recommendations are not binding. Nevertheless, they form a supranational, comprehensive code of responsible business conduct with great potential to trigger a change in existing corporate conduct and to foster sustainable practices and thinking among multinational enterprises, while also enhancing national governance practices in member countries: “Instead of countries to attain public goals because MNEs operate within several countries and seek to operate on a level playing field across their markets” (Santer Ashley L, 2011), which might over time prove to be as effective as binding provisions.

3.2. United Nations Global Compact

Like the OECD’s Guidelines for MNEs, the United Nations Global Compact, launched in New York on July 26, 2000, is a non-binding instrument aimed at promoting Corporate Social Responsibility worldwide. Rather than a code of conduct or a set of recommendations, the GC works as a platform for fostering dialogue among stakeholders, “in which mutual learning among companies is to be promoted with examples of best practice” (Cetindamar D. and Husoy K., 2007). It is, in fact, with 13,000 corporate participants and other stakeholders over 160 countries, “the world’s largest and most widely embraced corporate citizenship initiative” (Deva S., 2006), and it has been growing steadily since its launching.

The framework of the UN Global Compact is based on ten fundamental principles in four core areas in which businesses and concerned stakeholders are encouraged to engage: human rights (e.g. by making sure that they are not complicit in human rights abuses, Principle 3), the environment (e.g. by supporting a precautionary approach to environmental challenges, Principle 7), labor (e.g. by tackling child labor, Principle 5) and anti-corruption (by working against corruption in all its forms, Principle 10). Furthermore, the Global Compact aims to meet two main objectives: mainstreaming the aforementioned principles in business strategy and operations around the world (1), and catalyzing business action in support of UN goals, such as the Sustainable Development Goals (SDGs) (2). Under the umbrella of the Global Compact, companies are encouraged to participate, along with labor groups, civil societies and UN agencies, in global initiatives to promote sustainable business practices.

3.3. ISO 26000

Lastly, the International Organization for Standardization (ISO) is an international non-governmental organization (NGO) composed of the standards organizations of 164 member countries. Initially funded, on February 23, 1946, in order to “facilitate the international coordination and unification of industrial standards”, the organization brings together experts from different countries to develop international standards in a wide scope of fields, and provides common standards between member countries, as well as guidance to companies and other relevant stakeholders. These standards, however, are not legally binding and, as such, may not be invoked as the basis for a complaint or a legal action.

ISO 26000 on social responsibility was launched in 2010 to assist organizations in contributing to sustainable developments. It “provides guidance on how businesses and organizations can operate in a socially responsible way”, by promoting ethical and transparent practices. Unlike other documents issued by ISO, ISO 26000 is not to be considered a set of guidelines or recommendations.

However, the international recognition it has received in a context of a globalized economy has allowed for better awareness of corporate social responsibility issues and challenges, as well as of the need for companies to engage in sustainable initiatives and policies.

4. NATIONAL LAWS

At national level, corporate social responsibility initiatives have been adopted and implemented across the world, but remain uneven between countries, ranging from comprehensive legislations and government-led CSR policies, to civil society and consumer initiatives. The overall trend, however, is common to all countries: once primarily based on corporate philanthropy, CSR is today increasingly oriented towards sustainable strategies.

This section will provide an overview of the CSR regulations and practices in four countries: the United Kingdom, the United States of America, France and Lebanon.
4.1. The United Kingdom
The United Kingdom has long played a key part in theorizing and promoting corporate social responsibility, as it was among the first nations where the very idea of holding companies accountable for conduct unrelated to profit making emerged. In fact, the practice of corporate social responsibility in the UK dates back over two centuries (Idowu S.O and Walters L.F, 2009).

In recent years, the Government of the UK took various steps to promote corporate social responsibility in the country. At international level, the British Government has been actively supporting the UN Global Compact. Moreover, at national level, a website was launched as an attempt to encourage the creation of CSR frameworks and to foster debate on corporate social responsibility-related issues and challenges (Idowu S.O and Walters L.F, 2009). ‘Corporate Social Responsibility – A Draft International Strategic Framework’ was issued in March 2004 to examine and assess the international dimension of the UK Government CSR strategy, setting the priorities and explaining the rationale of the British approach.

Among the acts adopted by the British Parliament since the 1970, many – such as the Equal Pay Act of 1970, the Health and Safety at Work Act of 1974, the Sex Discrimination Act of 1975, and the Race Relation Act of 1976 – directly affect CSR-related matters. The Companies Act of 2006, UK’s primary source of company law, does not explicitly address corporate social responsibility. Some of its provisions, however, have a substantial impact on CSR. As an example, Section 172, d) provides that;
‘A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefits of its members as a whole, and in doing so have regard (amongst other matters) to:
a) The likely consequences of any decision in the long term,
b) The interests of company’s employees,
c) The need to foster the company’s business relationships with suppliers, customers, and others,
d) The impact of the company’s operations on the community and the environment
e) The desirability of the company maintaining a reputation for high standards of business conduct, and
f) He needs to act fairly as between members of the company”

This section of the Act has clear references to the general thought of CSR. Its provisions establish an obligation for companies operating in the UK to be aware of the long-term effects of their policies and operations. Furthermore, the company’s employees’ interests, as well as the impact of the operations on the environment, are to be taken into consideration in the decision-making process. The duties of the director therefore touch upon both the internal and external CSR considerations.

Under the Climate Change Act 2008, the Secretary of State has the legal duty to reduce the UK’s net carbon account for greenhouse gases by at least 80% by 2050, compared to the 1990 baseline. Moreover, The CRC Energy Efficiency Scheme Order (2010) applies to organizations that have a half-hourly metered electricity consumption exceeding 6,000 MWH per year. Such companies are required, under the scheme, to measure and report on their emissions to the Environment Agency, under penalty of financial and non-financial sanctions.

Furthermore, several UK-based company-led initiatives were taken in the past few years. In 2012, Alliance Boots partnered up with international development charity BBC Media Action to improve healthcare at international level, by providing community health workers with toolkits, phone service, and information about maternal and child health, as the company indicated in its 2013 CSR report.

As stated in Barclays Citizenship Report 2013, the Barclays MSCI Environmental, Social and Governance (ESC) Fixed Income Indices were meant to “form the basis for engagement in the fixed income asset class between asset owners and private and public debt issuing entities”, with the purpose of promoting awareness of environmental, social and governance impact of investment decisions.

In the same year, Barclays Charity Fund was launched. Since then, it has operated investments in various sectors, ranging from affordable healthcare in Africa to facilitating access to college in the United States (Idowu S.O and Walters L.F, 2009) with an ethical investment strategy.
Similarly, cosmetics skin care and perfume company The Body Shop, founded in 1976, has long built its image on a strong commitment to fair trade and sustainable practices, being among the first companies in the beauty industry to ban testing on animals and to promote human rights as part of their marketing strategy. In 1987, the company created its Community Trade sourcing program (formerly known as “Trade not Aid”), aiming at benefitting thousands of producers and their local communities across the world. More recently, new ambitious goals were set up under the “Enrich not Exploit 2020 commitment”.

These examples of public and private initiatives illustrate the leading role of the UK and its commitment to promoting CSR and sustainable practices.

4.2. United States of America

From a CSR perspective, as a federal republic, the United States is a special case. Regulations vary from one state to the other – as it is often the case in many fields, and corporate social responsibility is no exception.

During the past few decades, CSR approach and practices in the United States have evolved in line with the global trend stated above: once primarily based on philanthropy (Idowu S.O and Walters L.F, 2009), CSR is increasingly oriented towards sustainable strategies.

American laws and regulations are relatively silent on CSR – compared to British ones. Although various regulations in the fields of environmental law (such as the Resource Conservation and Recovery Act, the National Environmental Policy Act and the Clean Air Act) and labour law (such as the Occupational Safety and Health Act and the Fair Labour Standards Act) address a number of CSR-related issues, at the federal level, American company law does not include any CSR-specific provisions: it is primarily regulated by the Model Business Corporation Act of 1984 and the Delaware General Corporation Law (Chapter 1), neither of which refers to corporate social responsibility explicitly.

In the United States, CSR initiatives are often led by companies themselves. In this respect, it should be noted that the evolution of CSR initiatives across the country greatly stems from the balance of power between companies on the one hand, and other stakeholders and civil society actors affected by corporate activities on the other, which has led to a mostly company-led CSR initiative (Larsen L., 2010). Another explanation for the large involvement of enterprises in the field of CSR is the focus that has been put on CSR’s financial profitability.

An increasing number of companies operating in the United States are taking on measures to display environmentally friendly policies and products. For instance “Whole Foods Corporation” has a strong vision regarding sustainable future, and is one of the leading CSR corporations on the country. One of their major initiatives is the so-called ‘TAKE ACTION CENTERS’ located in every store, informing customers about local, regional, national and international issues of concern.

Another company that has been active in the field of CSR is the multinational café chain Starbucks. In its 2012 Global Responsibility Report, Starbucks set out its goal of 100% ethically sourced coffee and increasing farmer loans to $20 million by 2015. Since then, the company has engaged in a national outreach program to provide jobs to locals and opportunities for youth.

Consequently, and despite relatively rare public initiatives in the field of CSR, the US has become a leading nation on this matter.

4.3. France

France has long played a key role – as the UK – in promoting corporate social responsibility. However, the translation of the concept of CSR raised a number of difficulties, primarily for linguistic and legal reasons. Firstly, in French, the word ‘social’ mostly refers to labour-related matters and relationships, rather than to society as a whole. For that reason, corporate social responsibility has been translated into ‘responsabilité sociétale des entreprises’ (Antal A. and Sobczak A., 2007). Secondly, the legal implications of the concept were also discussed, as French law does not make a distinction between liability and responsibility.

In France, as in the United Kingdom, the CSR landscape has been greatly relying on laws and regulations (Idowu S.O and Walters L.F, 2009). Under the Law on Social Reporting of 1977, companies had to undertake corporate social reporting (Antal A. and Sobczak A., 2007). Since then, more regulations have been adopted. In particular, the landmark Law of New Economic Regulations of 2001 requires stock-listed companies to include in their annual reports a range of
information on the social and environmental consequences of their activities. In addition, other laws were passed regarding territorial planning and sustainable development on both local and regional level.

Article R.225-105 of the French Commercial Code is relevant in this regard: “I.-The non-financial performance declaration referred to in part I of Article L. 225-102-1 and the consolidated non-financial performance return referred to in part II of the same article set out the business model of the company or, when appropriate, of the companies for which the company draws up consolidated accounts. In addition, for each category of information mentioned in part III of the same article:
2°Environmental Information
a) General environmental policy:
- The organization of the company to take environmental issues into consideration and, when applicable, environmental assessment or certification procedures;
- The resources devoted to environmental risks and pollution prevention;
- The amount of provisions and guarantees for environmental risks;
b) Pollution:
- Measures to prevent, reduce or repair discharges to air, water and soil seriously affecting the environment;
- Consideration of any form of pollution specific to an activity, particularly noise and light pollution;
c) Circular economy
i) Waste prevention and management:
- Measures to prevent, recycle, reuse, and recover waste;
- Actions for combating food waste;
ii) Sustainable use of resources:
- Water consumption and water supply within local constraints;
- Consumption of raw materials and measures taken to improve the efficiency of their use;
- Consumption of energy, measures taken to improve energy efficiency and use of renewable energy;
- Land use;
d) Climate change:
- Significant producers of greenhouse gas emissions generated as a result of the company’s activities, including through the use of the goods and services it produces;
- Measures taken to adapt to the consequences of climate change;
- The reduction targets set on a voluntary basis in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose;
e) Protection of biodiversity: measures taken to preserve or restore biodiversity”.

The interesting thing about the provision is that it is included in the commercial code instead of in the environmental legislation. This again emphasizes the responsibility companies have for the environment in which they operate. The provision is quite comprehensive, and forces companies to measure and take into account the environmental effects of their operations. Furthermore, the newly promulgated “PACTE law” (PACTE, 2019) for growth and transformation of enterprises, seeking to encourage small and medium-scale investment, has widened the scope of the concept of corporate interest. Under the new provisions, the social and environmental issues of the company’s activities must be taken into account by its administration. In its new drafting, Article 1833 of the Civil Code provides: “Every company must have a lawful object and be constituted in the common interest of its partners. The company is managed according to its corporate interest, taking into consideration the social and environmental issues of its activity”. Articles L.225-35 and L. 225-64 of the French Commercial Code refer to the same requirements.

Article L.225-35 states that: “The Board of Directors determines the orientations of the company’s activity and ensures their implementation, in accordance with its social interest, while taking into consideration the social and environmental challenges of its activity. It also takes into consideration, if necessary, the purpose of the company defined in application of Article 1835 of the Civil Code. Subject to the powers expressly assigned to general meetings of shareholders and within the limits of the company’s purpose, it deals with all matters relating to the proper
functioning of the company and addresses any issues concerning the company through its deliberations”.

Article L.225-64 states the following: “The executive board is vested with the broadest powers to act under any circumstances on behalf of the company. It shall exercise these powers within the limits of the company’s purpose, and subject to those expressly assigned by law to the supervisory board and to general meetings of shareholders. It determines the orientations of the company’s activity and ensures their implementation, in accordance with its social interest, while taking into consideration the social and environmental challenges of its activity. It also takes into consideration, if necessary, the purpose of the company defined in application of Article 1835 of the Civil Code”.

French and French-based companies, like their British and American counterparts, are increasingly committed to achieving ambitious CSR goals. As an example, the French car manufacturer PSA group has been funding, through the PSA Foundation (its charitable arm), a ‘learning bus’ program aimed at providing children with educational opportunities in disadvantaged areas of Lyon. The Peugeot-ONF Carbon Sink project, aimed at helping restore biodiversity in the Amazon, has been sponsored by Peugeot since 1998.

In 2018, Air France-KLM was included in the Europe and World ranking of the Dow Jones Sustainability Index (DJSI) for the fourteenth consecutive year. It was also the only airline to be included in the European ranking. In its recently issued ‘Sustainability Report 2018’, the group renewed its commitment to contributing to the UN’s Sustainable Development Goals (SDGs) of affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9), responsible consumption and production (DSG 12) and climate action (SDG 13).

The inclusion of CSR considerations in major legal reforms, as well as the large involvement of French companies in CSR-oriented initiatives and projects suggests that France may remain among the leaders in this field in the years to come.

4.4. Lebanon

Despite a general acknowledgement of the stakes of sustainable development among the public and private companies, the Lebanese CSR legal scope has yet to develop.

4.4.1 The lack of legislation

The need for corporate social responsibility approaches and strategies to go beyond mere compliance with the law and regulations is broadly agreed upon. Achieving sustainable outcomes will also require legislative efforts to mainstream CSR into the relevant fields, and committed and innovative approaches from the companies themselves.

The Lebanese marketplace has many characteristics that set it apart from others. First of all, it is largely dominated by family-owned enterprises and small-scale businesses. However, as the country’s economy depends on global trends, the organization and structure of our businesses and productive institutions will need to evolve. Lebanese companies should become more open to investors from outside the family in order to enhance their competitiveness. The principle of transparency should be clearly affirmed, and its scope should be extended. In addition, the responsibilities of the board of directors should be clearly defined. Finally, minority shareholders’ rights must be addressed.

Such goals can only be achieved through ambitious and comprehensive legislative reforms, adapted to the local reality, and in accordance with international standards.

Yet, the recent reform of the Lebanese Commercial Code has failed to mainstream CSR in the field of corporate law, as did the French legislator. However, on this occasion, the Lebanese legislator amended the composition of the boards of directors of joint-stock companies so as to secure and provide more transparency in order to attract more investment: from now on, board members may or may not be shareholders (Article 153-3). The inclusion of such ethical provisions fosters hope that CSR will soon be integrated as well in the field of business law.
In addition, to a certain extent, Law No 444 of 2002 on environmental protection and management sets out provisions relating to CSR. Article 4 defines eleven principles to be observed by any public or private natural or legal person: precaution (cleaner production techniques); prevention (best available technology); polluter-pays-principle (polluters shall pay for pollution prevention and control); biodiversity conservation; prevention of natural resources degradation; public participation (free access to information and disclosure); cooperation between central government, local authorities, and citizens; recognition of local habits and customs in rural areas; environmental monitoring; economic incentives to encourage compliance and pollution control; Environmental impact assessment as a means of planning and management in order to combat sources of pollution and degradation of natural resources.

However, in the absence of specific legislation on this matter, banking institutions and other companies are bound to become front-line actors in respect of corporate social responsibility, provided that they take steps forward and develop relevant and innovative strategies. So far, such initiatives have been undertaken to promote CSR in Lebanon, notably through funding of NGO-led sustainable programs, but also whistleblowing and human rights policies, and promotion of transparency and equal opportunity.

Moreover, it should be noted that large businesses do not have monopoly on sustainable action. One of the many examples is the ‘Go Green’ environmental program launched by the Schtroumpf restaurant chain upon its expansion in 1999. Since then, the company has made significant efforts to raise environmental awareness, and currently dedicates 20% of its marketing budget to environmental projects, in close collaboration with ministries, local enterprises and universities.

A leading player in the dissemination of information on good CSR practices, the consulting firm CSR Lebanon was established in 2009 to support companies “in embodying CSR in their core business strategies and operations”. The firm provides advisory services on strategy building and innovative CSR project design and implementation, but also works alongside businesses in the creation of CSR departments responsible for the implementation and management of CSR strategies and policies throughout the company. Moreover, it trains local businesses on CSR reporting, in order to enable them to share their initiatives, best practices and undertaken policies.

### 4.4.2 Should CSR be legislated?

As previously stated, corporate social responsibility cannot be based solely on compliance with the law. The abovementioned examples of business-led CSR initiatives, projects, strategies and policies implemented in western countries as well as in Lebanon only confirm the leading part that companies have to play to promote and mainstream CSR in all aspects of economic life. Nonetheless, in many countries, the current trend is towards passing binding – and often punitive – laws and regulations to encourage, if not compel, private businesses to adopt better practices.

Whether or not an evolving concept such as CSR requires regulation is the subject of ongoing debate. Some question the appropriateness of such measures on the ground that the development of CSR strategies and tools needs to be business driven. On the other end of the spectrum, some regard symbolic incentive regulations as ineffective, whereas others argue that even these may represent a step in the right direction. In any event, there are many arguments in favour of specific, binding regulation. Firstly, CSR crosses over many fields – such as labour law, environmental law and human rights – that clearly lend themselves to regulation.

Secondly, a dissuasive control and sanction system, provided that it includes effective and binding mechanisms allowing companies to be held accountable for their wrongdoings, is more likely to discourage harmful practices than soft law or symbolic rules alone.

Such policies require major financial and administrative commitments. In addition, one of the most frequent criticisms of business-driven, voluntary CSR initiatives is that they are often part of public relations and marketing strategies, with mostly commercial objectives, rather than a true commitment to sustainable goals.
This being said, to their credit, a number of companies in the United States and in Europe (especially in Germany) have achieved very positive results through CSR initiatives, without being legally bound to do so. In fact, punitive regulations relating to CSR have generally been adopted in countries where CSR considerations have emerged quite recently, leaving limited time for businesses to adjust and enhance their practices spontaneously. Again, punitive laws come with a cost, as their implementation requires considerable investment in control mechanisms, so that companies that do not comply with the law are actually held accountable. CSR standards and rules must be backed up by concrete arrangements and systems. Therefore, whenever effectively implemented, such laws and policies underscore governments’ determination to promote and develop corporate social responsibility.

As for Lebanon, it is clear that local companies have failed so far to provide the resources and leadership needed to implement CSR good practices in the country. As a result, for all the reasons mentioned above, legislative intervention and a consistent control of business activities could prove relevant in Lebanon. Indeed, whether CSR initiatives should be undertaken by governments or companies should take leadership depends on factors that vary greatly from one country to the other. Attitudes and mindsets have started to change, and concrete, promising results have already been achieved by private companies around the world without legislative intervention. Pressure from civil society actors and the media have also proved very useful in encouraging reluctant companies to engage in sustainable practices. Many actors have a part to play in efforts towards sustainable development, as illustrated by the case of CSR.

5. CONCLUSION

The idea that companies contribute to progress by creating employment opportunities and generating profits has traditionally led to assume that their responsibility should be limited to profit-making. Milton Friedman’s abovementioned statement that “there is one and only one social responsibility of business – (…) to increase its profits” summarizes in a nutshell the conception of business responsibility that prevailed for some time.

In the recent period, the growing interest in corporate social responsibility has turned CSR initiatives and strategies into a tool to ensure a broader social and community acceptance of business activities. Customers, employees, the media, and civil society organizations have been exercising continuous, significant and increasing pressure on private companies to improve their practices and comply with CSR goals and standards. In turn, CSR has become an essential aspect of contemporary business strategies.

Engaging in CSR practices allows for corporate activities to have a positive impact on the community or, at the very least, helps mitigate the damage. In return, studies have shown that businesses also benefit from committing to CSR. Generally, CSR-committed businesses are seen as more attractive employers. Their relationships with clients, partners and the community are more likely to be sustainable and based on trust. Moreover, lower energy use can result in cost savings.

In Lebanon, many barriers have yet to be overcome before CSR standards can be met. Tackling corruption and addressing environmental challenges (as well as economic ones) should be a major priority. Raising awareness of CSR issues among small and medium-sized enterprises and encouraging them to comply with CSR standards would also allow for better practices, in a context where the economy relies greatly on small and medium-scale family businesses.

As stated above, Lebanese business actors have not taken substantive steps to improve their practices: “some Lebanese banks are on board, but they are doing CSR because they have to do it, it is like a punishment; (…) but the most important thing is to see if their social activities have a positive impact on the society especially on their customers and employees”.

On the consumer side, consciousness-raising is still very much needed: “Lebanese customer’s mind didn’t reach yet the level to accept paying a penny more for a company that is socially responsible, but if the product was the same price, he will not think twice directly he will prefer the socially responsible company” (Macaron L., 2018)
In addition to the lack of awareness among stakeholders, business actors and consumers, the difficulties in meeting CSR goals are due to a lack of regulatory instruments, whether in environmental law, labour law, consumer law or competition law. As a comparison, in Europe, consistent laws and regulations have been past in recent years to bring companies in line with CSR standards. As a result, businesses are now obliged to take these into account when conducting their activities in European countries.

Finally, the Lebanese CSR landscape would improve greatly if companies communicated more openly with the consumers on CSR issues. From a consumer point of view, Lebanese businesses fail to provide substantial information regarding their CSR strategies and practices. In all countries where CSR strategies are implemented, CSR reporting has proven to be an effective way to inform consumers and stakeholders about the steps taken to improve their practices. Such information may be included in general activity reports, however specific reports tend to provide a clearer, more intelligible view of the company’s strategy from a CSR perspective. Businesses who wish to be perceived as fully committed to CSR should therefore make extensive communication efforts. However, recent years have shown that public relations and communication efforts alone, without substantial effort to truly switch to CSR practices, can not only tarnish the company’s reputation (as has been proven by the many accusations of ‘greenwashing’ against businesses which, while spending significant money advertising excellent environmental record, had not, in fact, made any progress towards sustainable development), but it can also jeopardize, to a certain extent, consumer confidence in general.

CSR practices, whenever properly developed (that is, with frameworks encompassing programs, policies and continuous monitoring and evaluation processes) can lead to substantial benefits for companies, their shareholders, and their employees. Relevant stakeholders’ input should be sought at every stage of the process.

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