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Corporate Social Responsibility and Sustainable Entrepreneurship: "good business for a good society".

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ABSTRACT

The aim of this paper is to understand the important evolution of the concept of Corporate Social Responsibility and the much newer concept of Social Entrepreneurship. These two together are the right path for a sustainable future economic development.

In the past, Corporate Social Responsibility was perceived as nonmandatory and it was described as the voluntary integration of the social and environmental concerns of companies in their commercial operations and in their relations with partners, but later and especially nowadays, CSR is the corporate responsibility for its impact on the society.

The goal of CSR is to identify, prevent and mitigate any negative consequences of corporate transactions on the environment. When reading the definition, it seems easy to understand, but in reality, it is much more complicated to recognize the players involved in the whole system.

Today, when we talk about Corporate Social Responsibility, we include three important systems: economic, political, and judicial. This means that not only the companies are responsible for their actions, but also the government and law institutions must intervene.

We need to find a system of values very close to the business practices: Corporate Social Responsibility and Social Entrepreneurship mean “good business for a good society”.

CONTENTS

INTRODUCTION

Corporate Social Responsibility is a very intriguing concept. For decades, economists, scholars and other experts tried to define it and understand how to measure and properly implement it. Starting from the beginning, CSR was mainly seen as a voluntary initiative taken by businessmen who followed business ethics principles and were moved by a philanthropic desire to do good for their society and environment.

Throughout the years and especially with the advent of globalization, the concept of Corporate Responsibility became even more confusional and international institutions attempted to settle it with general principles such as UN Guiding Principles on Business and Human Rights, UN Global Compact Principles, OECD Guidelines for Multinational Enterprises, and the ILO conventions.

Despite their effort, these international institutions did not have the power to enforce appropriate actions to held transnational companies accountable for their negative impacts on society and the environment.

Now, more than ever, European Union and the world in general need a clear set of hard law regulations to be implemented and for which enterprises will be held accountable for their corporate irresponsibility. In this regard, the European Directives will be analyzed as well as the concept of mandatory due diligence.

To complement the notion of Corporate Social Responsibility, social entrepreneurship will be described together with the different legal statuses and forms embraced by Social Enterprises. Their scope and goals are very close to CSR purpose, but companies alone can not do the entire work.

Sustainability is the key theory that connects all the parties of the system involved. In order to achieve the UN Sustainable Development Goals and to raise companies' awareness, everyone included in the process, stakeholders, suppliers, contractors, political leaders, and legal institutions, must take sustainable actions benefitting the society. The call for Sustainability and for Corporate Social Responsibility is extremely urgent, especially now amidst the pandemic.

The paper will conclude with a research on South Africa and how all the above-mentioned concepts are perceived and developed in the country.

CHAPTER 1

CORPORATE SOCIAL RESPONSIBILITY

1. Definitions

I will start the chapter by defining the concept of Corporate Social Responsibility (or CSR as we will call it throughout this paper) which has become dominant in business reporting nowadays.

CSR has many definitions which explains the fact that the topic is approached by different authors with different perspectives.

Here are some examples of definitions:

CSR as "The duty of businessmen to pursue those policies, to make those decisions, to follow those lines of action that are desirable according to the objectives and values recognized by society" (Bowen, 1953)

CSR defined as the "voluntary integration of the social and environmental concerns of companies in their commercial operations and in their relations with the interested parties" (GREEN PAPER: Promoting a European Framework for Corporate Social Responsibility, 2001).

The European Commission on its resolution on CSR (2011) defined it as the "corporate responsibility for its impact on society" and these were the main points highlighted:

- The condition for any socially responsible behavior is following legislation and collective bargaining,
- Business activities must focus on reaching the integration of social, environmental, ethical, human rights and consumer issues,
- Goals are to maximize the creation of added value for shareholders and stakeholders; identify, prevent and mitigate any negative consequences of corporate transactions on the environment.

We clearly understand that Corporate Social Responsibility is a broad concept and only one definition cannot help understanding the responsibilities of all the parties involved.

Although the role of business in society has been debated for hundreds of years, if not longer, the concept of corporate social responsibility (or CSR) in its current form first emerged in the 1950s. It is convenient to consider the publication of Howard R. Bowen's book, *Social Responsibilities of the Businessman* (1953) as marker for the start of the modern CSR era.

The same questions that motivated Bowen remain relevant today: "What responsibilities do businesses have to contribute in positive ways to society? What benefits might be derived from a more enthusiastic assumption of these responsibilities? What practical steps could be taken to encourage businesses to give greater weight to these responsibilities in their decision making?" (Bowen, 1953)

These are the questions for which we will try to give an answer and the ones that will help us understand the concept.

It is important to recognize that defining CSR is not simply a descriptive operation, but instead it is a normative exercise in the sense that defining CSR requires making the role of business in society explicit by identifying societal obligations. This leads to the fact that there is little agreement on the specifics and CSR is, by its nature, a highly contested concept.

Based on previous definitions, a more completed and recent one might be: "CSR, broadly defined, is the moral and practical obligation of market participants to consider the effect of their actions on collective or system-level outcomes and to then regulate their behavior in order to contribute to bringing those outcomes into congruence with societal expectations." (Beal, 2014)

2. Evolution of the concept from 1950s up to nowadays

The concept of corporate social responsibility (CSR) has a long and complicated history. Only starting from the beginning of the 20th century we can find formal writings on social responsibility.

A significant challenge is to decide how far back into the literature to dig to begin discussing the concept of CSR. A good starting point could be from about 70 years ago, because so much has occurred since that time that has shaped our theory, research, and practice.

Using this as a general guideline for this paper, I would like to underline that references to a concern for social responsibility appeared even earlier than this, and especially during the 1930s and 1940s.

However, it makes sense to focus our attention on more recent concepts of CSR. Therefore, we start with the literature of the 1950s and 1960s and then move on toward the 1970s and more recently.

Our goal is to understand the evolution of the CSR concept throughout the years and to get to analyze what it means nowadays.

The 1950s mark the beginning of modern era of social responsibility. It is interesting to note that in the early writing on CSR, the concept was more often indicated as Social Responsibility (SR) rather than CSR: this was because at that time the figure of modern corporation was not yet developed. The publication by Howard R. Bowen (Bowen, 1953) of his book *Social Responsibilities of the Businessman* is argued to mark the beginnings of the modern period of literature on this subject.

The first insightful belief proposed by Bowen in his work (1953) was that the large number of businesses were crucial centers of power and decision making and that the actions of these firms impacted the lives of citizens at many points. Among the many questions raised by Bowen, one special worth reporting here is: "What responsibilities to society may businessmen reasonably be expected to assume?" (Bowen, 1953)

The first definition of Bowen (1953) about the social responsibilities of businessmen: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953, p. 6).

Bowen argued that social responsibility is not the final solution, but that it contains an important truth that must guide business in the future. Because of his early and influential work, Howard Bowen could be considered the "Father of Corporate Social Responsibility".

In the 1960s there was an increasing attempt to define more accurately what CSR means. One of the first most outstanding writers in that period was Keith Davis: in an article he gave his definition of social responsibility defined as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. (Davis, 1960).

Davis (1960) was one of the first authors to believe that socially responsible business decisions can be justified by a long and complicated process of reasoning which has a good chance of bringing long-run economic gain to the firm. This view became commonly accepted only in the late 1970s and 1980s. Davis's contributions to early definitions of CSR were so significant that he could be considered the runner-up to Bowen.

William C. Frederick was also an influential contributor to the early definitions of social responsibility as he wrote: "[Social responsibilities] mean that businessmen should oversee the operation of an economic system that fulfills the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms." (Frederick, 1960, p. 60)

Another important author worth mentioning is Joseph W. McGuire. In his book *Business and Society* (1963), he stated, "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" (McGuire, 1963, p. 144).

This definition is generally more accurate than the previous ones, but he did not clarify what exactly these obligations were in his definition. Later he amplified it by saying that the corporation must take an interest in politics, in the welfare of the community, in education, in the "happiness" of its employees, and, in fact, in the whole social world about it. Therefore, business must act "justly," as a proper citizen should (McGuire, 1963, p. 144).

In the first edition of their *Business and its Environment* textbook, Keith Davis and Robert Blomstrom (1966) defined social responsibility: "Social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In so doing, they look beyond their firm's narrow economic and technical interests." (Davis & Blomstrom, Business and its Environment, 1966, p. 12).

From this last definition, we can notice that the author mentions the "social system" in which also institutions and their actions are included: everyone should take their own responsibilities for the system to functions properly.

It is also important to emphasize that the majority of the authors in this decade included a degree of voluntarism as an essential ingredient of the corporation's social responsibilities: corporations take actions voluntarily and accept the costs involved for which it may not be possible to assess any direct measurable economic returns.

The decade of 1970s starts with Harold Johnson's book (1971) *Business in Contemporary Society: Framework and Issues*, where the author presented a variety of views of CSR and then proceeded to criticize and analyze them. Johnson was among the first to use the term “conventional wisdom”, which he defined as the following: “A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Johnson, 1971, p. 50).

Johnson presented many views of CSR: he started by defining “social responsibility in business as the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles” (Johnson, 1971), plus he added the fact that this should be perceived as a long-run profit maximization strategy. In his third view of social responsibility, he talked about “utility maximization” which businesses should pursue, rather than only profit maximization.

Even though the author was pretty much optimistic on the topic, he also underlined the fact that the majority of firms consider profits as a priority, so once they attain their profit targets, they act as if social responsibility was an important goal for them, when in reality it isn’t.

In 1972, two economic professors, Henry G. Manne and Henry C. Wallich, had an interesting debate which was summarized in their volume *The Modern Corporation and Social Responsibility* (Manne & Wallich, 1972). The new idea to point out here is that, in practice, it is extremely difficult to distinguish the specific intent of a business expense. Business expenses may have multiple rather than single motives and, therefore, this is not an effective way for judging social responsibility. This came out because, according to Manne, it is impossible to distinguish between a business action which is “purely voluntary” and one that is taken in response to social norms.

In 1973, Keith Davis further elaborated his discussion about CSR in an article (Davis, The Case for and Against Business Assumption of Social Responsibilities, 1973) where in a straightforward way he stated that CSR is something that goes beyond law. Using his words:

“It means that social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirements of the law, because this is what any good citizen would do. A profit maximizing firm under the rules of classical economics would do as much. Social responsibility goes one step further. It is a firm’s acceptance of a social obligation beyond the requirements of the law.” (Davis, 1973, p. 313)

Once more, we arrive to the point where CSR is more than just corporate law, but it captures many parties in the system. Some examples might be reduction in pollution, improved medical care, employment of minority groups etc…

So, at that time, the term Corporate Social Responsibility had different interpretations: to someone it conveyed the idea of legal responsibility while to others it meant having a socially responsible behavior in an ethical sense. Or many others simply saw it as a charitable contribution.

In 1979, Archie B. Carroll proposed a definition where he included more perspectives that were already mentioned in the previous years. He wrote: “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, p. 500).

According to his words, also the order of the expectations included in the definition matter: the first responsibility of a business is of course the economic one, producing goods and services for the society; this is followed by the legal responsibility, at the third place the ethical concern, and finally the discretionary expectations which are nonmandatory and voluntary activities undertaken by businesses such as making philanthropic contributions, providing day-care centers for working mothers or training the hard-core unemployed.

During the 1980s the interest and the focus on CSR was more on describing models rather than writing definitions about it. The authors started to see and evaluate CSR as a process rather than a set of outcomes.

Another notorious author worth mentioning here is Peter Drucker, who had written earlier on CSR but, in 1984 he came with a “new meaning”. He already agreed on the fact that there is compatibility between profitability and responsibility of a business, but he brought the new idea that firms should covert its social responsibilities into business opportunities.

The main interest of the authors back at that time was to understand if socially responsible firms were also profitable firms. If this could be demonstrated, there would be an added argument in support of CSR.

In the 1990s again the emphasis about CSR was more on outcomes or performance of the models. In 1994 Archie B. Carroll surveyed 50 academic leaders to understand what topics where important to management researchers in the 1990s. The interesting data to analyze here are the responses to the question “What topics do you see as most important for research in the social issues in management field in the balance of the 1990s?” (Carroll, Social Issues in Management Research, 1994)

The table below lists the topics that were mentioned by the experts with their percentage of frequency.

Table 1

Leaders' Ranking of Important Research Areas in the Social Issues in Management Field

Most Important Topics or Issues for Research in the SIM Field in the 1990s

Topic/issue	Frequency	Percentage
Business ethics	24	21.5
International social issues	18	16.1
Business and society/social issues	12	10.7
Corporate social performance	12	10.7
Business and government/public policy	11	9.8
Environmental issues	10	8.9
Theory/research methods development	7	6.2
Issues within corporations	7	6.2
Strategic issues	4	3.6
Corporate governance	3	2.7
Stakeholders	2	1.8
Other	2	1.8
Total	112	100.0

(Carroll, 1994, p. 14)

In this case, CSR was under the category of Corporate Social Performance (CSP). It ranks high, but as we can see also the other topics are all related to CSR: we cannot consider them as completely separated categories for example with Business Ethics or Business and social issues or even Environmental issues.

(Carroll, Corporate Social Responsibility: Evolution of a Definitional Construct, 1999)

While during the previous years the focus was more on theory, the 21st century has seen authors to acknowledge more the practice: how should businesses behave and what they should do in practice to be in compliance with CSR? How can they measure it?

A thought-provoking question was raised by Brent D. Beal in his book *Corporate Social Responsibility: Definition, Core Issues and Recent Developments* (2014). The query is: Isn't "honest profit" made by businesses who "play by the rules" enough?

The answer is: "No, in many cases, an honest profit isn't enough".

The explanation of this answer is given in the book by examining three assumptions made on CSR: first, business and society overlap and they are mutually dependent; second, economic markets are social institutions: markets need the support of institutions in order to function properly; and third, societies expect certain outcomes from the economic systems and if these are not realized, they will try to change their economic systems. (Beal, 2014)

Regarding the first assumption, I think we all agree that business and society are mutually dependent because successful firms need a healthy society and vice versa. By healthy society we mean a society that has all the favorable conditions to give back to businesses, for instance, good level of education, equal opportunities backed by strong regulatory standards. So, a healthy society increases the demand for business and creates room for growth. If a firm pursues its goals at the expense of the society, its success will be temporary and deceitful.

As the assumption is based on a mutual condition, also the society needs successful corporations. Prosperous business means creating wealth, jobs and bringing innovation to society which, on the long run, it raises the standards of living and conditions.

(Porter & Kramer, 2006)

The second assumption goes one step further and defines the economic markets as social institutions because, in order to perform efficiently, markets need shared rules and supporting institutions. Albeit the business and society are mutually dependent, the second assumption wants to make clear that markets are defined and structured by society. It is not a casualty that the most powerful markets are generally well structured in terms of norms, policies, and codes of conduct.

The last assumption stresses once more the fact that societies have an important role and influence on the economic system. Society is the one that gives back to businesses and the one that makes it possible to happen. So, it is crucial for firms to gain a level of trust and support from the society; it is a mutual interest to get on with each other. Moreover, if businesses do not use their power in a responsible way, then the society will make them lose it.

To cite the exact words used by the author in the book: “To the degree that business continues to be perceived as a trustworthy advocate of societal interests, it will retain its current level of power and influence. On the other hand, if business is perceived to be promoting its own interest at the expense of broader society, its power and influence will almost certainly erode.” (Beal, 2014, p. 30)

Generally talking, in the most recent years, companies have started seeing more the importance and value of CSR reporting. This kind of reporting is a valuable means for companies to communicate their image and their organizational abilities to stakeholders. Furthermore, information technology has made it easier for firms to collect and disclose CSR and sustainability data.

Getting to the end of this journey across the evolution of the concept of CSR, I will cite here the words of Brent Beal (2014): "CSR is not about obligating firms to go against their interest in order to contribute to economic and social outcomes that society demands, it's about establishing and perpetuating social norms that create incentives that point firms in the right direction. CSR, properly implemented, will make economic markets more transparent, efficient, and effective in serving societal interests." (Beal, 2014, p. 85)

It is essential mentioning the fact that nowadays with the Covid-19 pandemic emergency and the digital age boom, we are witnessing a disruption in the entire business ecosystem and there is a high level of uncertainty. For the same reason, the notion of CSR is changing, and it is being reviewed.

3. The principles of CSR in the economic and managerial perspective

Although it is difficult to define CSR, there are three basic principles upon which all the concept is based. These are the following: sustainability, accountability, and transparency.

They compose the basis for the measurement and evaluation of companies' performance and give them the possibility to assess their environmental and social impact.

Here we will analyze the concepts and later, in chapter 3, the notion of sustainability and sustainable development will be considered more in detail.

Sustainability: starting from the fundamental assumption that resources are finite in quantity, this concept clearly warns us about the behavior and responsibility of corporations. Their actions taken in the present will have an impact in the future. Even if this might be a relatively distant future, we have to keep in mind that as resources are currently used and depleted, then the cost of acquiring the remaining resources will raise and consequently also the operational costs of organizations. This is the reason why firms are continuously looking for alternatives. Indeed, this is not only a matter of costs and value creation by the firms, but also the impact on the environment and society is as well as important. Hence, sustainability indicate that society must use no more resources than can be regenerated. The term sustainability is widely present and mentioned on an everyday basis. Almost all international organizations and institutions try to define it, explain its advantages and how to reach them.

The first most important are the United Nations which fight for this concept through the Sustainable Development Goals (SDGs) and the UN Global Compact principles. These principles along with the Global Reporting Initiatives' (GRI) guidelines push companies to pay attention on their level of sustainability on economic, environmental, and social performance.

Accountability: this second concept is closely related to the first one since it is concerned with organizations recognizing that their actions affect the external environment. Once they are aware of their actions, they must assume their responsibilities. In order to intervene on the effects of their actions, they must first quantify them and report them to all the parties affected by those actions.

Since organizations are part of a wide societal network, they have responsibilities towards all the network and not just to their owners or stakeholders. Thus, accountability requires developing specific measures of environmental performance and the firms should report their actions based on these measures. Of course, the firms will incur some costs for developing, recording, and reporting their performance, but this becomes of value when the benefits of the outcome exceed the costs.

One possible difficulty might come out when organizations need to measure and report their qualitative facts: the level of quality is more challenging to assess and sometimes it is part of a more subjective process reflecting individual values and priorities. This is the reason why few standard measures of corporate responsibility exist in the managerial context.

Despite this, it is no longer acceptable that companies say they are not responsible for the conditions under which their suppliers operate. This is just one example, but which it has become important to customers who call companies to account. The good news is that companies' popularity increases as they admitted their issues and took steps to correct these problems. Accordingly, it's reasonable to affirm that there is an increasing importance of CSR and this is driven by people who care, not only the customers, but also the employees, managers, owners and investors.

Too often responsibility and accountability are used as synonyms, but in this case, it should be clarified more in detail: companies and multinational corporations have many responsibilities towards people and the environment for which, if they fail to operate responsibly, they must be held accountable for. This reasoning leads to a clear link between CSR and accountability, which demonstrates the fact that CSR should be obligatory and not voluntary. If it remains on a voluntary basis, firms will continue picking among their free choices of responsibilities rather than intervening on urgent needs. For instance, many firms contribute to health programs such as for HIV reduction or environmental initiatives, but they ignore their immediate negative impacts of their production processes on the environment or their responsibilities for employees' health. Moreover, it is illogical to give the corporations a "self-regulating power" for their corporate irresponsibility. This is the reason why we need an external regulation framework to create a universally standardized mechanism for corporate accountability. (Tamvada, 2020)

Transparency in business is the process of being open, honest, and straightforward about various company operations. In this particular case about CSR, it means that the external impacts that the organizations make through their actions should be transparent and traceable in their reporting. This principle can be perceived also as part of the recognition process of responsibility by companies. (Crowther & Aras, 2008)

CSR transparency is monitored by certain public policies mandating the disclosure of non-financial information. One key example is the European Union Non-Financial Disclosure (NFD) Directive (2014/95/EU) which will be analyzed in detail later. The NFD legislation specifies the information that large EU corporations must disclose, and it is a clear attempt to increase transparency among stakeholders. However, this Directive presents some weaknesses: it does not dictate specific reporting formats, nor does it demand verification by external auditors.

A study conducted on large stock-exchange listed companies of the OECD countries shows that mandatory NFD increases the CSR activities undertaken by the companies in those countries, and especially among those who had previously the lowest levels of CSR initiatives. Despite this, the study shows no evidence that mandatory NFD leads to a corresponding reduction in irresponsible business activities. These results do not exclude the positive impact of NFD legislation on CSR, instead it clearly shows that transparency in information disclosure it is necessary for increasing accountability, but for sure not sufficient to reduce or eliminate corporate social irresponsibility.
(Jackson, Bartosch, Avetisyan, Kinderman, & Knudsen, 2020)

4. Evaluating Corporate Social Performance (CSP)

In order to evaluate how companies perform in terms of CSR, they need to know what to measure and how to measure it. Moreover, the evaluation of performance for a business becomes even more complicated, because it does not depend only on deciding the correct instruments for measuring but also on determining what “good performance” actually is.

While keeping track of their performance, organizations can better choose which agendas to follow and improve their CSR initiatives. Nowadays, companies pursue some ESG goals (Environmental, Social and Governance goals) and they divulgate their ratings. In this way, a good performance brings benefits to the firms such as higher reputation and improved customer loyalty. Additionally, they are more likely to attract investors and retain top employees.

Some key criteria for CSR measurement proposed are: transparency in the whole process, strategic arrangement between company’s work and their CSR initiatives, having senior leaders’ consensus, demonstrated understanding of the problems faced by the firms, and considering the community’s evaluation of the organization’s CSR effort.

Shel Horowitz, founder of “Green and Profitable” consulting firm, gives some advice for an accurate measurement of CSP: benchmarking against the top performers in CSP, constantly improving your tools and metrics, applying KPIs to measure along the process, establishing clear goals, and using recognized industry-standard tools.

Even thou there is no unique standard for measuring CSR, there are some “industry-standard tools” useful to apply such as: GRI (“Global Standards for Sustainability reporting”), SASB (“Sustainability Accounting Standards Board”) measuring the financial impacts of sustainability, B Corp certification which pushes companies towards CSR goals and verifies them, “UN Sustainable Development Goals” and the “International Labor Organization supplier framework”, the latter helping companies in safeguarding human rights within the supply chain. (Perry, 2020)

4.1 B-Corps Certification

As mentioned in the above paragraph, a valuable tool for measuring CSR is the B-Corp Certification. B-Corp stands for "Benefit Corporation" and the words themselves explain their purpose. These companies classify themselves as Public Benefit Corporations (PBCs) which put their main focus on "benefit governance". PBCs do not follow "shareholder primacy" principle, which has as main scope maximizing profits for shareholders, but instead, through benefit governance, obligates executives to take into consideration all stakeholders (employees, supply chain partners, customers, communities and environment) and to deliver value to them. Summing up, a PBC is a traditional for-profit corporation which makes changes in its corporate governance to pursue a greater purpose. This company balances the interests of all its stakeholders and readjusts its duties in order to become more transparent regarding its impact on them. Its main goal is to create general public benefit.

The principal requirement for obtaining the B-Corp certification granted by the non-profit B-Lab for a company is taking the Public Benefit Corporation status. The specific conditions and conventions to obtain this status differ by jurisdiction. As stated in the B-Corp Board report (2021), more than 10,000 benefit corporations exist nowadays, and they are the living proof that responsible businesses can be successful businesses.

To summarize, "a certified B-Corporation is a company that

1. Meets the standards of verified social and environmental performances through the B Impact Assessment,
2. Satisfies transparency requirements,
3. Makes a legal commitment to consider all stakeholders." (BARSTOW & FYFE, 2021)

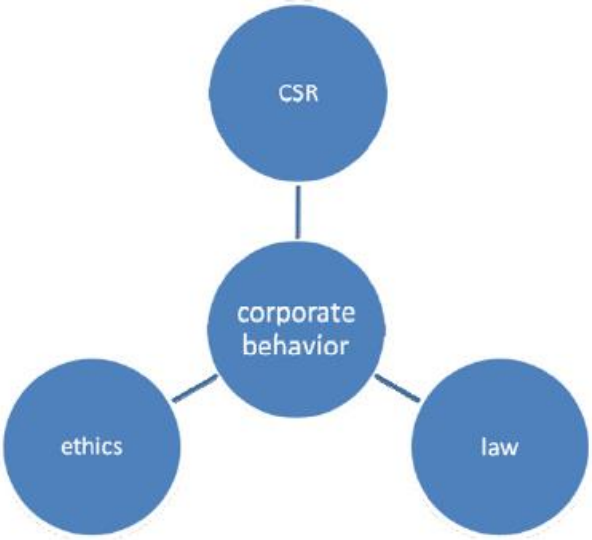
Moreover, a benefit corporation gives to current and future employees assurance as it confirms the company's legal commitment to its long-term mission. A B-Corp uses business as "a force for good".

Given the current situation of pandemic, I would like to end this paragraph with a quote by Byron Loflin (Global Head of Board Engagement, Nasdaq) who clearly understood the subject at matter: "The COVID-19 crisis brought the collective 'stakeholder' back in focus. Gone are the days of companies providing value solely to shareholders. To borrow a phrase recently adopted worldwide: we're all in this together."(BARSTOW & FYFE, 2021)

5. Corporate Behavior: CSR, ethics, and law

Corporate behavior as a concept includes legal rules, ethical codes of conduct and principles of social responsibility. It means that it involves law, ethics, and CSR.

Figure 1 The components of Corporate Behavior



(Crowther & Aras, 2008)

To be a socially responsible corporation, a company must be, not only legally and ethically correct, but also socially responsible even though it is not a legal obligation. This is the key point of Corporate Social Responsibility.

Moreover, having a good corporate behavior also influences corporate reputation. Higher reputation increases firm’s competitive advantage and other benefits that lead to success. Corporations have realized that possessing a good corporate reputation inspires confidence in investors and improves shareholder value, it raises customer loyalty and creates opportunities for forming partnerships as the new partner company will have the possibility to boost its own reputation by association. In conclusion, it is apparent that being a socially responsible corporation involves many parties and becomes an advantage to all of them.

Ethics is identified as the moral principles that guide the behavior or conduct of a person and his/her actions. It is part of “soft law”, and it is based on self-regulation: it means that it changes according to some social and cultural basis and they are different country by country. Thus, there are no universal rules. People in business define their own standards and norms for the corporation and apply them in their corporate social responsibility. The ethical code of conduct of a business is being fair, ethical, and equitable.

Unfortunately, business ethics is based on some values, such honesty and respect, which are general concepts without definite boundaries. Business ethics sometimes creates a conflict of interests: businesses as primary goal try to maximize their profits and on the other hand face issues of social responsibility. Ethical rules are an attempt to describe what is good and what is bad for people, but everyone uses different criteria to measure it, so it has different degrees of importance to different persons in business. One thing is clear: a business which does not follow an ethical behavior will end up its integrity, which leads to conflicts and failure. (Crowther & Aras, 2008)

As we already mentioned before, CSR is part of "soft law" and seen as "an ethical way of managing multinational companies in modern labour law" (Vinkovic, 2018) but it can also represent a potential creation of new sources of hard law. The European Employment Strategy proposed a new model of governance called "open method of co-ordination" (OMC) which underlines the necessity for understanding and positioning/repositioning CSR in the system of labour law at the international, European, and national level.

The modern concept of CSR was born after the *Conference on Environment and Development* held in 1992 where the United Nations encouraged Multinational Enterprises (MNEs) to include provisions on the protection of workers, environment and human rights when signing international commercial contracts. After the UN, the first two international organizations which took initiatives for the implementation of CSR were the International Labour Organization (ILO) and the Organization of Economic Co-operation and Development (OECD). In November 1997, ILO introduced the *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy:* these principles are guiding MNEs, national governments and employers and workers organizations in the activities of employment, training, living and working conditions, industrial relations and human rights. On the other hand, OECD adopted *The OECD Guidelines for Multinational Enterprises* which focused more on the environmental protection, fair competition in the markets, tax regulations and technological developments. The objective of both the organizations was and still remains the same: "to promote the contribution that MNEs can make to economic and social development of the countries in which they operate, but also to environmental protection and sustainable development in general" (Vinkovic, 2018).

However, the principal issue about CSR remains still unsolved and the debate on whether the adoption of the international standards should be voluntary or mandatory continues. In the

European legislation, soft law represents the instruments (ex. guidelines, declarations) which are not legally binding as the primary and secondary legislations (ex. treaties, regulations, directives). Nonetheless, the power of soft law instruments should not be undervalued. In Europe, these instruments are applied by national courts of Member States to explicate national legislation and, even if they cannot dominate hard law, they have an incremental character. The reason why multinational enterprises are the key focus of these measures is that, despite their positive influence in the economic and social welfare of the countries in which they operate, they might have also some negative impacts such as instigating social dumping, indirectly violating labour standards, abusing natural resources negligently or not being compliant with environmental regulations. Moreover, there might be conflicts of private laws between home and host countries, hence the function of CSR and its legal nature might turn to be a key step towards accomplishing the protection of workers' rights in international labour law. In conclusion, since MNEs are protagonists in the international legal framework, they "can play a significant role in encouraging good practice and promoting appropriate standards of responsible management and business activity operations" (Vinkovic, 2018).

CSR, being a soft law, promotes the culture of compliance with law and standards, in particular international labour standards of the ILO. The International Labour Organization adopted in 1998 the *Declaration on Fundamental Principles and Rights at Work* which all countries are obliged to respect, independent of whether they have ratified any of the fundamental conventions or not. These fundamental principles and rights are:

- "Freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced or compulsory labour;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation." (ILO, 1998)

The *Declaration on Fundamental Principles and Rights at Work* together with the *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* shape the foundation for the functioning of CSR in labour-related issues. (Vinkovic, 2018)

5.1 Judicial perspective: CSR and its implementation into EU law

We are going to analyze now the concept of CSR or Responsible Business Conduct (RBC) as referred in the judicial context. We will see first the CSR policies and legislations applied by the EU members states and later we will have an insight on due diligence obligations applicable to companies with specific attention to the country of Italy.

The various international organizations which take initiatives on this aspect are the United Nations (UN), the Organization for Economic Cooperation and Development (OECD) and the International Labour Organization (ILO). Their main focus is guiding companies towards a responsible behavior and making them respect human rights.

A first example is the UN Global Compact which boosts firms in carrying on their businesses responsibly, by following the "UN's Guiding Principles" on human rights, labour, environment, and anti-corruption. Another key UN initiative to mention is the "UN 2030 agenda" which promotes the "Sustainable Development Goals" driving collaboration and innovation among companies.

In the same way, the OECD has formulated some "Guidelines for Multinational Enterprises" which suggest businesses to conduct due diligence for identifying and preventing possible impacts on society.

Moreover, the European Alliance for CSR, launched by the European Commission, "aims to contribute to the promotion of CSR throughout Europe. It acts to demonstrate the value of voluntary business engagement and the difference it can make. It casts a light on innovative CSR practices, stimulates new ones and further eases private initiatives in this area. It is an informal grouping and does not involve specific rules or requirements, a charter, signatures, or heavy processes." (European Alliance for CSR, 2020)

Within EU, it is possible to find information for each Member State on how it promotes CSR, ensures transparency, and develops policy in support of CSR through the "Sustainability Reporting" approved by the State of Play (Wensen, Broer, Klein, & Knopf, 2011). These questions are monitored by the Employment, Social Affairs and Equal Opportunities Department of the European Commission, by supra-national employers' organizations such as EUROCHAMBRES, and by other networks such as the European Environment and Sustainable Development Advisory Councils (EEAC) and the European Business Ethics Network (EBEN). (Vinkovic, 2018)

Undoubtedly, the codes of conduct are the most powerful instrument for supporting and advocating CSR, and they can be seen as sources of soft law which are being integrated into national legal systems. However, the effectiveness of the codes of conduct is only visible after being implemented, so their application must be monitored constantly.

According to Mario Vinkovic's reflections, soft laws and codes of conduct are gaining importance nowadays and they will be soon integrated into hard law. Stating the author's words: "CSR and its central source within the MNE's code of conduct has been transformed into a classic, extra-contractual source of law, to which private law and contractual relations may provide indirect realization, and in some cases even a sanction. The role of soft law and CSR *pro futuro* becomes much more important, because different tools and methods will be primarily used in the transformation of labour relations in practice to which hard law will only *post factum* give a legal framework. CSR and its instruments, i.e. sources, should not be seen as forms that need to replace traditional sources of labour law, but as those having a supplementary function in a broader interpretive sense." (Vinkovic, 2018, p. 15)

Some authors had proposed to introduce a Transnational Labour Inspectorate (TLI) within the ILO. They thought of the International Labour Organization as the perfect fit as a public institution to deal with transnational private instruments of Multinational Enterprises. The Inspectorate would examine the voluntary commitments of MNEs to CSR and their strategies. The TLI would monitor the policies in an independent and reliable way under the ILO system. Since the Inspectorate would be contacted on a voluntary basis by the Multinationals, the latter would have to cover the costs of the monitoring. This was a good idea, but since it is voluntary undertaken by the enterprises and not mandatory, it lacked in its scope and ability to reach a wider audience. (Alhambra, Haar, & Kun, 2020)

Conforming to the empirical analysis of the ILO, it is evident that the existence of powerful labour institutions in a country is positively associated with more engagement by companies acting responsibly. "Companies which originate from countries with stronger collective labour rights (and to a lesser extent with more protected employees) tend to commit more also in the supply chain dimension." (Abriata & Delautre, 2020)

Due to globalization and internationalization of companies in countries with weak regulations, ILO and all other international organizations previously mentioned agree on the necessity for a better use of private governance mechanisms such as codes of conducts and social audits. In this way, MNEs are asked to be more transparent when displaying their operations along all the value chain. Generally, companies mostly follow the UN Global Compact and the Global Reporting Initiative as voluntary standards in their reporting.

The unsolved issue is the legal gap between the MNEs' national law and the law of their host countries, in particular "the principle of separate entities and the limited liability" of corporations. This doctrine recognizes limited liability to parent companies since shareholders and the corporation are legally separated entities and are not responsible for each other's actions or omissions. This leaves the victims of violated rights without any response or compensation. At the end, corporations are owned by shareholders who do not care about how the business is run abroad and they do not take responsibility of their actions. Limited liability principle negatively impacts the society, especially in developing countries due to the presence of corruption and a weak judicial system, leaving vulnerable people to pay the costs for irresponsible business operations. One way to overcome this problem is the "Parental Duty of Care" which it holds the parent company responsible when there is sufficient proximity between the parent and the subsidiary, and when damages are predictable. Another way to surmount this issue is the "Due Diligence" approach which asks parent corporations to control their activities across all the supply chain. Unfortunately, it is not a binding rule, and it is ambiguous how much due diligence is enough for a parent company to have satisfied its obligations. Sometimes companies might engage with due diligence plans only to guard themselves from future liability and they do not focus on preventing harm.

In recent times, public authorities have taken also legislative initiatives which go beyond the pure promotion of CSR practices by demanding big corporations to publicly disclose information on specific aspects of their operations. Examples of these initiatives are the UK Modern Slavery Act, the EU directive 2014/95/EU on non-financial reporting and the "Duty of Care" Act adopted in France in 2017 focused on human rights due diligence. (Abriata & Delautre, 2020)

According to the report of the European Parliament (2020) implementation of CSR at the EU level is an "unaccomplished work in progress". European Union over the last decade has advocated CSR/RBC to firms to conduct their businesses responsibly by implementing voluntary and hard law actions.

Since finding a "cross-sector horizontal due diligence legislation" at EU level was quite impossible, the European Union adopted some EU law: the "Directive 2014/95/EU" followed by the “NFR Directive”. The NFR Directive involves large corporations which have the obligation to do a non-financial reporting.

At the EU level, there are also some soft-law instruments adopted by the European Commission. One of them is the “European Commission’s 2011 strategy for CSR” which advocates CSR/RBC with particular approaches for each sector and policy area. Lately, they also introduced some pieces of soft law helping firms to correctly fulfil their reporting obligations under the NFR Directive.

All these actions have been useful in making CSR relevant in business decisions, but not enough powerful to actualize an obligation under EU law for all corporations. Moreover, business responsibility is now more focused on achieving environmental and social sustainability, while before was more focused on human rights and environment.

When analyzing the problem at the union level, the EU is diversified and there is no common legislation on what duties the companies face regarding their influence on the society. In the same way, the NFR Directive is only applicable to large corporations and it does not provide universal rules for all the firms. Since the companies have a certain degree of flexibility in deciding their principles and there are no specific legal duties to be applied to all of them, CSR remains mostly of voluntary nature. (NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020)

5.1.1 Directive 2014/95/EU or NFR Directive: main elements

This Directive represents the most significant cross-sector EU piece of legislation. The NFR Directive establishes the regulations on disclosure of non-financial and diversity information by large companies (large public-interest companies with more than 500 employees). These regulations include reporting and transparency obligations for big firms who must publish non-financial statements in their annual reports. In particular, “the NFR Directive requires companies to disclose their business model, policies (including due diligence processes), outcomes, principal risks and risk management, and Key Performance Indicators (KPIs) relevant to the particular business, in four areas: environment, social and employee matters, respect for human rights, and anti-corruption and bribery.” (NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020) Companies are free to select which guidelines to follow when preparing their statements: they can use the “UN Global Compact”, the “OECD guidelines for multinational enterprises” or standards such ISO 26.

Table 2 Transposition of Directive 2014/95/EU in Italy

How is Directive 2014/95/EU transposed?	DECRETO LEGISLATIVO 30 dicembre 2016, n. 254 (Legislative Decree No 254/2016, the "Decree").
Which undertakings are concerned (500 employees, Art. 19a) and how is this size measured? E.g.: is there a list of companies, updated regularly? Are there exceptions?	Public-interest entities as defined by Article 16(1) of Legislative Decree No 39/2010179: (Article 1(a) of the Decree) that meet the following requirements: 1. prepare for each financial year a financial statement in accordance with Article 3 of the Decree, if they had exceeded five hundred employees on average during the financial year and, at the closure of the financial report, have crossed at least one of the two following thresholds: a) balance sheet total: EUR 20 000,000; b) total net revenues from sales and services: EUR 40 000,000 (Article 2(1) of the Decree); 2. Public interest entities that are 'parent' companies of a large group and draw up for each financial year a statement in accordance with article 4 (Article 2(2) of the Decree). Issuers whose securities (debt or equity) are listed on a multilateral trading platform (e.g. AIM, EuroMTF, GEM or ExtraMOT PRO) or other listing venues which do not fall within the definition of 'regulated markets' pursuant to the applicable EU rules, are not subject to the Decree and are not required to comply with it. There are some exemptions under Article 6 of the Decree: 1) A Large Public-Interest Undertaking is exempted from the obligation to issue its standalone non-financial statement pursuant to Article 3 of the Decree if either: – It issues a consolidated non-financial statement according to Article 4 of the Decree – It and its subsidiaries are included in the consolidated non-financial statement issued by: (a) by another parent company subject to the same obligations to issue a non-financial statement or (b) by a European 'parent' company that draws up these declarations to pursuant to and in accordance with articles 19-bis and 29-bis of Directive 2013/34/EU. 2) A public-interest undertaking that is the parent company of a large group, that is exempted from the obligation to issue the consolidated non-financial statement pursuant to Article 4 of the Decree, if it is a subsidiary included in the consolidated non-financial statement issued by (a) a parent company subject to the same requirement to issue the non-financial statement or (b) a EU parent company that issues the non-financial statement and the consolidated non-Financial statement according to Directive 2013/34/EU, as amended by the Non-Financial Reporting EU Directive.

What shall the report contain? Are there data protection issues for your business secrets?	In line with Article 3(1) of the Decree, the non-financial statement should at least contain: a) the business model for the management and organization of company activities; b) the policies applied by the company, including those due diligence, the results achieved through these policies and the pertinent key indicators of non-financial nature; c) the main risks connected to the aforementioned themes and that derive from the company's activities, its products, services or commercial relationships, including, where relevant, the chains of supply and subcontracting; 2. With regard to the areas referred above, the declaration of non-financial nature shall contain at least information regarding: a) the use of energy resources, distinguishing between those produced from renewable and non-renewable sources, and the use of water resources; b) greenhouse gas emissions and polluting emissions in the atmosphere; c) the impact, where possible on the basis of hypotheses or realistic scenarios even in the medium term, on the environment as well as on health and safety, associated with the risk factors referred to in paragraph 1, letter c) of Article 3, or to other relevant environmental risk factors and health; d) social aspects relating to staff management, including actions taken to ensure gender equality; e) respect for human rights, the measures taken to prevent violations, as well as actions taken to prevent discriminatory attitudes and actions; f) fight against corruption, both active and passive, with indication of the tools adopted for this purpose.
What areas should it cover?	Under Art. 3 of the Decree, the report shall contain information on the following areas: environmental performances of the entity concerned; social and employee matters; human rights performance; corruption and anti-bribery matters.
How should compliance be ensured?	Under Article 3(7), the directors of a large public-Interest undertaking are responsible for ensuring that the non- financial statement is prepared in accordance with the Decree and the directors must act with due diligence and professionalism. According to the same provision, the board of statutory auditors (or the different internal control corporate body) oversees compliance with the relevant provisions and reports on its control activities to the general shareholders' meeting in its annual report.
Are there penalties for non-compliance? (is "gold plating" an issue?)	The Decree (Article 8) provides for administrative monetary penalties for late filings which be imposed by the Italian Securities Commission (Commissione Nazionale per le Società e la Borsa, CONSOB) according to the rules on administrative proceedings set forth in the Italian Securities Act (Decree n.58 of 1998).

(NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020)

On the 6th of May 2021, the European Commission held the High-level conference on a proposal for a Corporate Sustainability Reporting Directive (CSRD).

The Non-Financial Reporting Directive (NFRD) adopted in 2014 asks only large companies (up to now it affected approximately 11,000 firms) to report on social, employee and environmental matters, human rights, and bribery & corruption. However, the information that is currently reported does not meet the needs of users.

The European Commission is reviewing the NFRD in order to solve this and to guarantee that companies from whom users need non-financial information report such information, and that reported information is relevant, comparable, reliable, and easy to access and use.

On the 21st of April 2021, the Commission adopted a proposal for Corporate Sustainability Reporting Directive (CSRD), expected to come into force in 2024, which would amend the existing reporting requirements of the NFRD and will involve up to 50,000 firms to follow detailed and mandatory reporting standards. The proposal extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises), it requires the audit of reported information by a third party in an attempt to bring sustainability reporting on a level with financial reporting, it introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards, and it requires companies to digitally ‘tag’ the reported information, so it is machine readable and feeds into the European single access point featured in the capital markets union action plan.

The increased transparency is intended to facilitate the flow of capital towards sustainable investments. The Commission’s proposal contemplates the adoption of EU sustainability reporting standards. “The current rules were unclear and incoherent, leading companies to “pick and mix” what standards they wanted to report against” (Joffre, 2021), this is what Mairead McGuinness, commissioner for financial services and former vice-president of the European Parliament, said at the European High-Level Conference. The draft standards would be developed by the European Financial Reporting Advisory Group (EFRAG). The standards will be tailored to EU policies, while building on and contributing to international standardization initiatives. Reporting will follow the “double materiality” principle, meaning that companies will have to report their exposure to sustainability risk as well as their impact on sustainability issues. Reporting requirements will also be coherent with existing and forthcoming EU laws, including the Sustainable Finance Disclosure Regulation (aimed at investors) and the EU Taxonomy Regulation, which aims to classify which activities are environmentally sustainable. The first set of standards would be adopted by October 2022.

Despite the universality of the standards, the proposed directive will not apply to non-European companies. Nevertheless, there is the assumption that EU's "soft power" will have an impact beyond the borders, and the other countries will follow the EU's footprint.

(High-level conference on a proposal for a Corporate Sustainability Reporting Directive, 2021) (Joffre, 2021)

5.1.2 An EU-wide cross sector mandatory due diligence initiative

As we mentioned before, the general EU scenery is diversified and unequal, and for this reason, most of the stakeholders endorse an "EU-wide legislative initiative regarding social and environmental due diligence". The study proposed by the Policy Department for Citizens' Rights and Constitutional Affairs suggests new policy recommendations and defines a possible new directive to impose "mandatory due diligence obligations" for all companies (whatever their industry or sector of activity) and proposes to revise the NFR directive. Moreover, the study tries to come out with distinct rights that safeguard people from damages caused by company's activities or by the actions of its suppliers and subsidiaries. Finally, it should be figured out how the new directive might conform to the EU procedural law and to analyze whether some changes are needed to integrate this new legislative instrument.

In first place, the European Commission adopted in December 2019 the "Green Deal Communication" where it revealed the initiative to review the Directive 2014/95/EU during 2020 in order to strengthen sustainable investments in EU.

Secondly, on 29 April 2020, the European Commissioner for Justice, Didier Reynders, announced that the institution will develop by 2021 "legislation that would require companies to carry out due diligence to identify, account and mitigate for adverse human rights and environmental impacts in their supply chains." (Reynders, 2020)

Also, the European Parliament has taken some positive steps in this regard, and it supports the Commission's initiatives for both amending the Directive 2014/95/EU and the proposal of "mandatory corporate due diligence requirements through the supply chain". (NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020)

On its Resolution of the 10 March 2021, the European Parliament analyzed all the proposals of the Commission and approved the new Corporate Due Diligence and Corporate Accountability Directive.

The Directive is a new legal instrument that follows the path of all the previous directives, charters, and guidelines. Despite all the previous pieces of legislation and initiatives such as the EU Action Plan financing sustainable growth, the European Green Deal, the Paris Agreement, the UN 2030 Agenda for Sustainable Development and the UN Guiding Principles on Business and Human Rights (UNGPs), the ILO Declaration on Fundamental Principles and Rights at Work and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, there is still too much inequality and breach of basic human rights and workers' rights across countries. According to ILO statistics, globally there are around 25 million victims of forced labour, 152 million victims of child labour and 2,78 million deaths due to work-related diseases per year. Moreover, the current pandemic crisis has revealed all the weaknesses and drawbacks of the global supply chains. For this reason, a more clear and comprehensive regulation must be enforced to specify accountability of corporations.

The new Directive will make businesses more responsible and accountable for the negative effects they cause or they are directly linked to. It should be adapted by all EU Member States and in line with the UN SDGs. It is a binding instrument for any type of undertaking, regardless the size or the industry, that operates in EU, but also those which are established outside the Union, but are active on the internal market. The instrument requires enterprises to identify, prevent, mitigate, monitor, and account for the adverse impacts on human rights, the environment, and good governance along the value chain.

The Directive will increase legal certainty especially across countries with lower protection standards and reduce social and environmental dumping in international trade. Businesses are induced to be more transparent regarding their operations across supply chains, in exchange they gain customer loyalty and ensure the quality and reliability of their products.

What is more important to underline is the fact that "while it is the duty of undertakings to respect human rights and the environment, it is the responsibility of states and governments to protect human rights and the environment, and this responsibility should not be transferred to private actors" (European Parliament, 2021). These are the clear words stated by European Parliament on the new Corporate Due Diligence and Corporate Accountability Directive. It goes without saying that governments and competent authorities are the crucial parties in the system who make sure that due diligence is correctly applied.

The European Parliament asks the Commission, together with other Union bodies, to develop a set of due diligence guidelines and also to specify adequate measures for the effectiveness of due diligence strategies. Evaluation should be done through external audits and monitored thanks to the publication of evaluation reports. Publication of the results will increase transparency and boost involvement of stakeholders, trade unions, and other workers' representatives. Last but not least, the Commission has proposed a liability regime for enterprises to be held accountable for their violations. The victims of these violations will obtain an effective remedy in accordance with national law.

Hereafter I will directly cite some parts of the Articles stipulated in the Directive:

> "This Directive is aimed at ensuring that undertakings under its scope operating in the internal market fulfil their duty to respect human rights, the environment and good governance and do not cause or contribute to potential or actual adverse impacts on human rights, the environment and good governance through their own activities or those directly linked to their operations, products or services by a business relationship or in their value chains, and that they prevent and mitigate those adverse impacts.
>
> This Directive lays down the value chain due diligence obligations of undertakings under its scope, namely to take all proportionate and commensurate measures and make efforts within their means to prevent adverse impacts on human rights, the environment and good governance from occurring in their value chains, and to properly address such adverse impacts when they occur. The exercise of due diligence requires undertakings to identify, assess, prevent, cease, mitigate, monitor, communicate, account for, address and remediate the potential and/or actual adverse impacts on human rights, the environment and good governance that their own activities and those of their value chains and business relationships may pose. By coordinating safeguards for the protection of human rights, the environment and good governance, those due diligence requirements are aimed at improving the functioning of the internal market.
>
> This Directive further aims to ensure that undertakings can be held accountable and liable in accordance with national law for the adverse impacts on human rights, the environment and good governance that they cause or to which they contribute in their value chain, and aims to ensure that victims have access to legal remedies.

Member States shall provide for proportionate sanctions applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those sanctions are enforced.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by ... [within 24 months after the entry into force of this Directive]. They shall immediately inform the Commission thereof." (European Parliament, 2021)

The effort of the European Parliament and the European Commission in establishing a legally binding regulation seems to be on the right track, but we need to see how much it will take to really implement the Directive. Every party involved, from the corporations to the stakeholders, from the governments to the international institutions, must demonstrate to be reliable and to do their part.

In the attempt to strengthen foreign corporate accountability, due diligence legislation will face some governance challenges such as failure of meeting constant reporting obligations, poor monitoring of states, limited involvement of stakeholders and complications in establishing legal liability for the responsible parties. These governance challenges need to be surpassed in order to avoid "accountability traps" that have already hampered previous supply chain regulations.

Transnational Corporations nowadays control half of the global exports, almost one-third of world GDP and one-fourth of global employment, but still, according to international law, they enjoy a limited legal liability for the negative environmental and social impacts caused by their subsidiaries or supplier. This is the main reason why European Union is moving towards applying a binding EU directive on corporate accountability which will possibly be more comprehensive and efficient in its scope. The reason why previous attempts of international regulations or conventions on corporate accountability for human rights and environment have failed is that many states resisted the implementation of such rules, and the main explanatory fact is that states are economic actors themselves. So, it is very difficult to enforce an international legislation in such states with poor regulation, corruption, and lax enforcement.

In conclusion, the ultimate solution is to give less authority to private actors, mandatory due diligence to be implemented and controlled by member states and avoiding private certifications or auditing on corporates' reports. Many authors agree on the fact that the existence of legal liability and access to remedy are necessary for enforcing the legislation, and companies that breach their due diligence obligations would be taken to European courts. (Schilling-Vacaflor & Lenschow, 2021)

5.1.2.1 The duty of due diligence in Italy

Before analyzing the specific case of this country, it is useful to underline the fact that, within EU, company law rules are still under national law. So, the point at issue is how the European Union and the "supranational CSR duties" along with "due diligence requirements" could be suitable with national company law.

The report analysis conducted by the Policy Department for Citizens' Rights and Constitutional Affairs (2020) provides the following statement about the case of Italy and its due diligence requirements: "Italy does not lay down a notion of due diligence in mandatory legislation and no piece of legislation expressly provides for a mandatory due diligence process. The most relevant and effective legislation, adopted at national level, in line with the UN Guiding Principles consists of two Legislative decrees: first, Legislative Decree 231/2001 (*Decreto Legislativo 8 giugno 2001, n.231*), which strongly incentivizes the adoption of the so-called "231 Model", which concerns some risk mitigation measures in case a company were to be found as having committed a crime. Correctly adopting and implementing this model can allow these companies to escape administrative liability and avoid a range of penalties if they commit an offense listed in the legislative decree. The decree is binding. Second, Legislative Decree n. 254/2016 on the communication of non-financial information, transposes the NFR Directive"(NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020) as explained in the previous Table 1.

While in the context of soft law, Italy embraces "the Italian National action plan on business and human rights" (*Piano Azione Nazionale impresa e diritti umani* (PAN)) which includes social and employee concerns, human rights, and sustainability. The issue here is that the Italian PAN is non-binding and it only describes a "due diligence mechanism" based on voluntary basis. The action plan does not provide specific measures to be adopted.

In conclusion, the PAN is functional but "mandatory due diligence measures should be introduced". As stated in the report: "The current legislation on due diligence supports the development and implementation of CSR strategies in a very limited way: since due diligence is mainly about reporting, this appears insufficient to support the development of effective CSR strategies in the corporate community. The NFR Directive, for instance, does not provide for an obligation of due diligence, duty of care or monitoring, but only focuses on transparency. For these reasons, both the NFR Directive and the Italian transposition decree of such a Directive cannot be considered as exhaustive.” (NOTI, MUCCIARELLI, ANGELICI, POZZA, & PILLININI, 2020)

Among other EU countries, the only member state which should be taken as an example is France. In 2017, the country adopted the law on the duty of vigilance. It is the only national legislation applicable across all sectors and it requires all large French enterprises to adopt due diligence in all their business operations, including contractors and suppliers. The French law asks companies to create a vigilance plan in collaboration with trade unions which should include “a mapping of risks, regular risk assessment procedures, mitigation and prevention actions, an alert mechanism and a monitoring mechanism.” (Zamfir, 2020) Moreover, companies that do not comply with the law are liable to sanctions and payment of damages.

Up to date, the French economic system has made great progress since implementation of the Law, but a wide EU piece of legislation is needed to spread due diligence practice faster across the Union. (Zamfir, 2020)

CHAPTER 2

SOCIAL ENTREPRENEURSHIP

1. Defining the concept

The concept of Social Entrepreneurship is much newer than CSR and it has gained momentum specially in recent years. In general, Social Entrepreneurship encourages entrepreneurs to pursue benefits for the society rather than simply maximizing their individual profits. It is referred to as "an altruistic form of capitalism that does not evaluate all human activities in business terms."

Historically, the first time the term "social entrepreneurship" appeared was in the years 1996-1997, but much of the analysis starts with the 21st century.

Before examining the definitions of Social Entrepreneurship, it is useful to first understand what entrepreneurship is.

Schumpeter described the entrepreneur as an innovator because he/she creates new goods and methods of production in an industry (1934). Originally the expression derives from the French "entreprendre" which means "to undertake". At the beginning of their existence, entrepreneurs were explorers who were employed by the French military and they accomplished risky or dangerous jobs. This is the reason why the same term later was used to define people who take risks and face uncertainty in order to make innovative decisions. A more recent definition of the concept is: "Entrepreneurship is when you act upon opportunities and ideas and transform them into value for others. The value that is created can be financial, cultural, or social." (Bacigalupo, Kampylis, Punie, & Brande, 2016)

Entrepreneurial thinking is not concerned with predicting cause and effect. Instead, the entrepreneur is looking at what resources and opportunities are available, what problems could and should be solved with those resources and taking small actions to produce an effect over time. There is no need to predict an effect because the entrepreneur as an activist is creating the effect.

Generally, entrepreneurship is also defined as the process of seeking, from a time period 1 to a time period 2, to make business profits by using innovation and facing risk. Now, the same concept of entrepreneurship should be adapted to the "social" component. We can say that "a person is a social entrepreneur during a period from t1 to t2 if and only if that person attempts during that period to make business profits in society by innovation in the face of risk". (Tan, Williams, & Tan, 2005)

The profits mentioned above does not include only cash but also "intangible profits", for example improved health, less environmental pollution, or every other intangible benefit for the society. In this regard, some researchers have tried to write down all the possible levels of altruism of a social entrepreneur who has to choose as his primary goal between making profits for society or making profits for himself. As a result, they defined a "continuum of social entrepreneurs in six descending degrees of altruism:

1) The person who attempts to innovatively profit society alone, in a way that involves that society, at risk of personal loss.

2) The person who attempts to innovatively profit society alone, in a way that involves that society, at risk of foregoing personal profit.

3) The person who attempts to innovatively profit society by profiting himself, in a way that involves that society, at risk of incurring personal loss.

4) The person who attempts to innovatively profit society by profiting himself, in a way that involves that society, at risk of forgoing personal profit.

5) The person who attempts to innovatively profit himself by profiting society, in a way that involves that society, at risk of personal loss.

6) The person who attempts to innovatively profit himself by profiting society, in a way that involves that society, at risk of foregoing personal profit."(Tan, Williams, & Tan, 2005)

As we can see, the different levels of altruism depend on both whether the primary goal is to benefit society and if the organization is willing to risk loss or risk profits that it would have gained.

Another description of Social Entrepreneurship will be reported here to end this first paragraph, and which will introduce our next topic: social innovation. Social entrepreneurship can be defined as entrepreneurship that points to find innovative solutions to unsolved social problems. Thus, it is closely associated with social innovation processes, aimed at improving people's lives by promoting social changes (OECD, 2010).

2. Social Enterprise and Social Innovation

The term social enterprise (SE) has become popular recently as referring to organizations which focus on current critical societal challenges. However, there are different perspectives on what a SE finally is.

SEs are inspired by a social mission and find innovative means to deal with issues such as high unemployment rates and social exclusion, climate change or economic inequalities. SEs foster sustainable development and induce systemic change towards a more inclusive society. (Grieco, 2015)

Social enterprises initially emerged as organizations that aimed satisfying some new societal needs that derived from changes in demographics, higher migratory workforce and all the consequences of globalization. Our economy and competitive labor market have become more complex and society faces more uncertainty and instability. These issues are in part tackled by SEs.

Traditional business models should be modified because, the way of increasing profits at the cost of social welfare, does not work anymore and the institutions are not able to address all the emerging social and environmental challenges alone. This is what pushes business to become socially responsible.

The general definition of SE is an organization focused on creating social value instead of concentrating on personal and shareholder wealth (Grieco, 2015). However, the debate is whether these organizations are for-profit or nonprofit. There are supporters for both sides: those who define SEs as nonprofit initiatives searching for alternative funding strategies and those who see SEs as for-profits taking innovative actions towards social objectives. The real matter is how to measure the level of importance that SEs place on the social mission. In both cases, social entrepreneurs need to adopt an innovative approach for new products, services and processes to solve existing issues, and doing so, they also reinvent the traditional business environment they operate in.

The key characteristic of SEs is that they base their governance on democracy and solidarity principles. They care for the quality of employment and services to their members and customers even at the cost of lowering their profit margins. Differently from traditional business models, SEs include all their members (workers, customers, volunteers) in governance decisions and give them ownership rights. Based on these assumptions, Grieco (2015) identified four groups of SEs:

- “Social cooperatives: member-owned organizations focused on social value creation,
- Mutual societies: autonomous association of persons united voluntarily for the primary purpose of satisfying their common needs (eg in the insurance, providence, health and banking sectors),
- Associations: lasting organization for a particular purpose that can be cultural or recreational and serves a wider societal group, and
- Foundations: organizations that involve the use of endowments, managed by legal entities, and created to accomplish goals of the benefit of a specific group.” (Grieco, 2015)

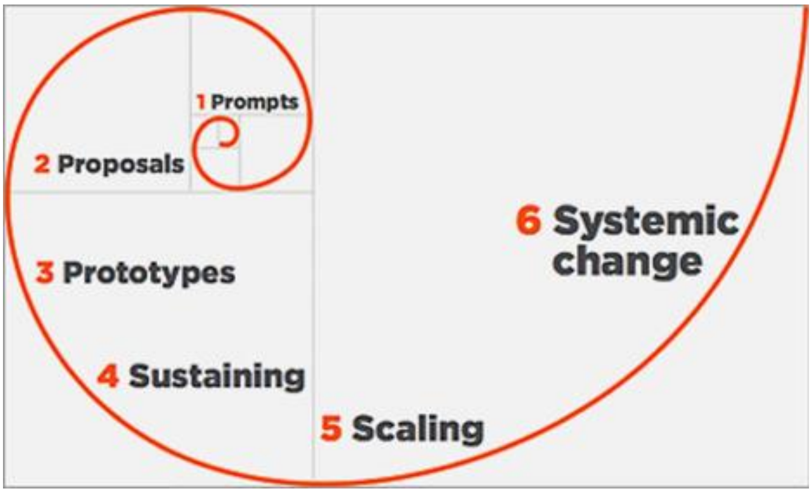
Summing up, a SE is a financially sustainable economic venture that is engaged in bringing a positive social impact. Its mission can be achieved in many ways based on different organizational forms, designs and strategies. (Grieco, 2015)

2.1 Social Innovation

A social innovation model is not trying to create more innovation, but instead it focuses on knowing the stages of the innovation process and intervening in the specific phases to change the expected results. Basically, social innovation is based on cooperation.

Hereafter, I will propose a social innovation model developed by R. Murray, J. Caulier-Grice, and G. Mulgan (2010). In the picture below, you can notice that the model is represented with a spiral shape which highlights the growing levels of the various stages.

Figure 2. Stages of social innovation developed by Murray, Caulier-Grice, and Mulgan.



(Murray, Caulier-Grice, & Mulgan, 2010)

1. Prompts, stimuli and diagnoses:

It is not always obvious to recognize a social problem. Depending on the societal perceptions, an issue can be seen as a problem in one society or country, but it may be accepted in another. In this initial phase, some parameters for the urgency of social change should be considered such as poor performance or outdated processes. These should be the stimuli necessary to come to a diagnosis to finally cure, not only the symptoms, but also the root causes.

2. Proposals and ideas:

This second phase is concentrated with finding ideas and proposing solutions. Collaboration and creativity are crucial to boost the process, and methods such as design thinking, crowd sourcing or competitions can help.

3. Prototypes:

This stage is focused on bringing the ideas proposed into practice. It is necessary to test prototypes in smaller projects so that it comes easier to adapt to the situation while learning.

4. Sustaining:

This stage tries to implement the tested concept into the organization through sustainable processes and structures. It means defining a new business model paying attention to the governance system, financial sustainability, and performance measurement.

5. Scaling and wide distribution:

In order to spread social innovation, this step is fundamental. The organization collaborates with a large network of people and also state institutions or foundations which contribute with funds facilitating future advancement.

6. Systemic change:

The final stage comes with a change in the system: this means that a social innovation should become part of the system and, for this to happen, it has to change society. Not all these innovations achieve the final step alone, but they are supported by others such as technological changes. Modifying the system requires also supporting institutions as mentioned before: they may intervene with new laws and norms, new associations or the creation of new professions.

(Caulier-Grice, Davies, Patrick, & Norman, 2012)

We have learned that social innovation goes through different phases. In practice, it might not always be that simple to define in which phase an organization is. So, the question is, how to manage social innovation and how to do this in a structured, planned, and goal-oriented way. First of all, we should recapitulate key aspects of general innovation management. Define strategic goals. You have to know where you want to go with your organization. If your organization is not ready for disruption or revolutionary ideas, you might focus on evolution first. Also, you need to know your potentials and chances. Second, internal connection of the collaborators. You have to create a climate for innovation that favors ideas and suggestions.

Additionally, you need resources, capacities, and procedures to implement innovation in your organization. Third, integrate external resources and extend the search field. Innovation will not happen only within your organization. The more your organization is connected and able to exchange information, the more you will get opportunities for innovation. Finally, activation of information and know-how from constituents. Especially your beneficiaries can be great sources for innovation. So, you should open up for ideas and experiences from beneficiaries, donors, and partners.

Based on these general assumptions, there are three success factors that you should pay attention to: planning, team members, and communication. Managing social innovation means particularly managing uncertainty and risk. It is difficult, and mostly very costly, to plan innovation. But that does not mean that everything has to be left to coincidence. Especially in a nonprofit environment, where you deal with people's needs, and you use donor money, today's popular mantra of "fail fast, fail often" is the wrong advice. The more you go into direction of innovation, the better you should be prepared. Planning in terms of social innovation includes knowing the cornerstones of your project. What are the costs of the process? What is the time frame? And what are the competencies, responsibilities, and tasks?

These decisions do not compromise the room for flexibility, risk, or strange ideas. But someone has to decide where the milestones are, where the point of no return is, which ideas should be further elaborated, or when the budget is used up. The second success factor are the team members. Great teams think alike, one says. But how do you build a great team? It is not about all team members having the same opinions, attitudes, education, or know-how.

In fact, diversity is a strong fertilizer of innovation. But you as a leader should be aware of the strengths and abilities of your team. Tests such as strengths finders help to better understand who is good for which task. Finally, never stop communicating. Start with the team. But even more important, talk and listen to your constituents. If you have a great theory of change, don't keep it to yourself. If you share it with others, you might get helpful ideas to improve the theory of change or to pay attention to unintended results you did not think of so far. Additionally, the best promotion for your innovation is when others talk about it. Open access to stories, transparency on results, and actuality in context facilitate to spread the word.

To conclude, social innovation itself cannot be planned. But the processes around need to be managed in order to respect the interests of the constituents and to reduce the risk for your organization.

3. Social entrepreneurship for Corporations

Up to this point, we analyzed the social sphere, but social entrepreneurship can be for corporations too. Big companies who want to form a strong strategic corporate citizenship, they focus on what we can call "Corporate Social Entrepreneurship" (CSE).

A valuable definition of CSE proposed is "the process of extending the firm's domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value." (Austin, Leonard, Reficco, & Wei-Skillern, 2006)

The point to underline here is that businesses have always been historically engaged in charitable work, but Corporate Social Entrepreneurship is not only about convincing businesses to be socially responsible.

The main goal is to make companies think about why they should invest more in the social field. There are certain elements that influence the firms' decisions such as the changing expectations of stakeholders and the public in general. Having great relationships with the community, being certified by some international standards or establishing a corporate foundation is not enough. Businesses should have a greater active role in tackling social problems like poverty, lack of education and crime. If this assumption is satisfied, consumers will favor these companies and they will be also ready to pay a premium for products made in "environmentally and socially responsible ways". This is a worthy reason to invest in the social sector: generating social value creates business value. When firms are ready to raise their standards in terms of social actions, they must rethink and redesign themselves in terms of structure, strategies, leadership, and the whole system. (Austin, Leonard, Reficco, & Wei-Skillern, 2006)

4. Business models for SE

When an entrepreneur starts thinking about his business model, he should think carefully about each component of its plan.

Firstly, the value proposition, which is the main business idea or what he offers to his customers/beneficiaries. Secondly, who are the customers that are going to buy the product or service and who are the beneficiaries. Next, he thinks about how to reach them and how to promote his product or service. He should pay attention to his competitors to have a clearer picture and finally start setting the goals and strategies. Once he knows the objectives, he must find all the key resources needed to achieve them. When the model starts functioning, the business will start receiving revenues and possibly making profits. The monitoring of resources, activities, partners, and cash coming in and going out is a continuous process that should never end.

The original "Business Model Canvas" proposed by Osterwalder and Pigneur (Osterwalder & Pigneur, 2010) represents nine different elements that describe in detail how the structure of a business functions and how the elements interact among them to finally boil down to the profits of the organization. These elements include: customer value proposition, segments, customer relationships, channels, key resources, key activities, partners, costs and revenues. My objective here is not to explain in detail each element, but just to prepare the ground for presenting a new proposed form of Business Model Canvas.

The authors A. Joyce, R. Paquin and Y. Pigneur elaborated what they called "the triple layered business model canvas". It is an integration of the original Business Model Canvas which adds two layers, one following a "lifecycle approach" and the other following a "stakeholder approach". This innovative tool should help entrepreneurs design more sustainable business models.

The objective of the authors is to sustain companies that are willing to redesign their current business model with a more innovative and sustainable one.

As per definition, "the business model creates, delivers and captures value" (Osterwalder & Pigneur, 2010), but this time in multiple forms and from different perspectives. The new version of the canvas attempts to build a model which takes into consideration the economic, environmental and social perspectives simultaneously. The two new layers take into account the environmental and the social issues respectively. This should be a better way, since the business model covers the financial aspect, but it should not be merely reduced to it.

Following the original definition stated in the book *Business Model Generation* (Osterwalder & Pigneur, 2010), the authors proposed a new definition for sustainable business model: “the rationale of how an organization creates, delivers and captures economic, environmental and social forms of value simultaneously.” (Joyce, Paquin, & Pigneur, 2015)

The main driver that pushed towards a redefinition of the concept is that the original canvas is strictly built on a “profits first philosophy”. This means that the business components are calibrated so that the revenues exceed the costs only from a financial perspective.

The new “triple bottom line approach” allows for the inclusion of other performance indicators. The latter should be created and measured on a case by case basis for each company, depending on the different types of value the focus is on. The value propositions should suit sustainability which means reducing or eliminating the negative impacts and possibly creating positive ones.

In the new canvas, the original vertical structure is respected but the terms “revenues” and “costs” are replaced with “benefits” and “impacts” respectively. Each new layer has a bottom line that allows evaluating business performance from the environmental and social perspective. The two integrations of the canvas are called “environmental life cycle business model layer” and “social stakeholders business model layer”.

1. Environmental life cycle business model canvas

This model sustains the creation of products and services with environmental benefits, reducing resource usage and waste. The Life Cycle Assessment (LCA) approach used here is a standard procedure included in the ISO standards which assesses environmental impacts linked to all the stages of a product or service (extraction of raw materials, production, distribution, use and disposal) based on different environmental impact indicators. Five common indicators implemented in life cycle assessments are: climate change, ecosystems quality, human health, resource depletion and water use.

In line with the original canvas, the environmental life cycle business model also includes nine elements:

1. Functional value:

it corresponds to the output of the system and it is based on the functional unit. This functional unit is described as the service performance in quantitative terms.

2. Materials:

the materials used vary from one company to another. They can be physical materials for manufacturers or consumables or assets for service providers.

3. Production:

actions taken by the firm to create value.

4. Supplies and Outsourcing:

include all the materials and activities outsourced.

5. Distribution:

the act of delivering the value proposition through the channels.

6. Use phase:

it is the stage when the customer consumes the product and gets the value proposition. In this case, some of the value is hold by the consumables.

7. End-of-life:

the phase when the customer decides to stop consumption of the value proposition. For tangible products, we have the following options: remanufacturing, recycling, disassembly, incineration or disposal. For services, this means managing correctly the assets used to provide the services.

8. Environmental impacts:

using many indicators to evaluate the effects of human activities on the earth.

9. Environmental benefits:

trying to find out the improvements made in the environment and the conditions for life on earth. This usually relates to the savings or reductions that have a positive impact on the environment.

In conclusion, evaluating the quantitative and qualitative environmental indicators is not straightforward since they are not generic as the quantitative financial monetary indicator. Each enterprise chooses its own assortment of measures suitable for its own sustainability objections. (Joyce, Paquin, & Pigneur, 2015)

2. Social stakeholder business model canvas

This second added layer to the original canvas is part of the social dimension of doing business. We have already analyzed previously different ways how organizations make efforts towards sustainability with CSR, social entrepreneurship and Benefit corporations, but here the goal is to design a tool that is practical and directly intervenes in the company's structure. The authors created a social business model that puts stakeholders in the spotlight for value maximization.

According to Freeman’s stakeholder approach (Freeman, 1984), an organization has as its main objective the maximization of interests of all its stakeholders: employees, shareholders, customers, suppliers, community, and governmental institutions. Based on this assumption, later authors have proposed social impact indicators for five stakeholder groups. They are divided in workers, consumers, local community, society and value chain actors. Each category has its own indicators based on the necessities of the context.

The stakeholder business model again respects the structure of the original canvas and the nine elements are chosen from a stakeholder viewpoint. Here follows the list of the elements:

1. Social value:

How the company intends to create benefits for its stakeholders. This value must go beyond the economic one.

2. Employees:

The company should pay attention to its working force, their conditions and the opportunities offered for workers’ personal growth. Some basic aspects to take into consideration are health and safety measures, human rights, employees’ wellness and ensuring diversity within the workplace.

3. Governance:

The firm should carefully decide its organizational structure and its leadership style because they influence the way its mission is achieved. Choosing between a hierarchical approach and a flat structure really makes a difference.

4. Local communities and suppliers:

Relationships with communities and suppliers should be safeguarded no matter the physical distance.

5. Societal culture:

The company should try to make a positive impact in the societal culture in which it operates, for example by encouraging diversity.

6. Scale of outreach:

This is linked to the channels and distribution elements. The degree of outreach represents how much deep the company can build its connections and how it can break ethical and cultural barriers.

7. End-users:

In this stage the company should evaluate how the value proposition satisfies the needs of its end-users and how much it improves their quality of life.

8. Social impacts:

This is a crucial point for the company to find the right indicators for measuring its impact on society. Some examples might be: cultural heritage, health and safety, community engagement, fair competition, respect of intellectual property rights.

9. Social benefits:

how the company ameliorates people’s quality of life. It can be assessed based on improvements made in health nourishment, freedom, emotional state, welfare etc.…

As for the environmental canvas, also the social model should be kept quite flexible and each organization chooses the indicators that better suit the social challenges tackled.

In conclusion, the innovative triple layered business model canvas it is a powerful tool because it offers a pragmatic representation of the elements involved and offers the opportunity to have a clearer picture of the whole system. Moreover, it can act as a validation instrument since it makes possible to balance costs versus revenues and impacts versus benefits. By associating the elements vertically across the three different layers, entrepreneurs can find out relationships that would remain overlooked otherwise.

Optimistically, the new canvas will contribute to changing the businessmen’s mindset from a growth ideal to a new pattern of sustainable prosperousness.

(Joyce, Paquin, & Pigneur, 2015)

Besides the innovate triple layered business model canvas described above, here are some examples of business model frameworks used more frequently by social enterprises:

1. Cross-Compensation: One group of customers pays for the service. Profits from this group are used to subsidize the service for another, underserved group.

2. Fee for Service: Beneficiaries pay directly for the goods or services provided by the social enterprise.

3. Employment and skills training: The core purpose is to provide living wages, skills development, and job training to the beneficiaries: the employees.

4. Market Intermediary: The social enterprise acts as an intermediary, or distributor, to an expanded market. The beneficiaries are the suppliers of the product and/or service that is being distributed to an international market.

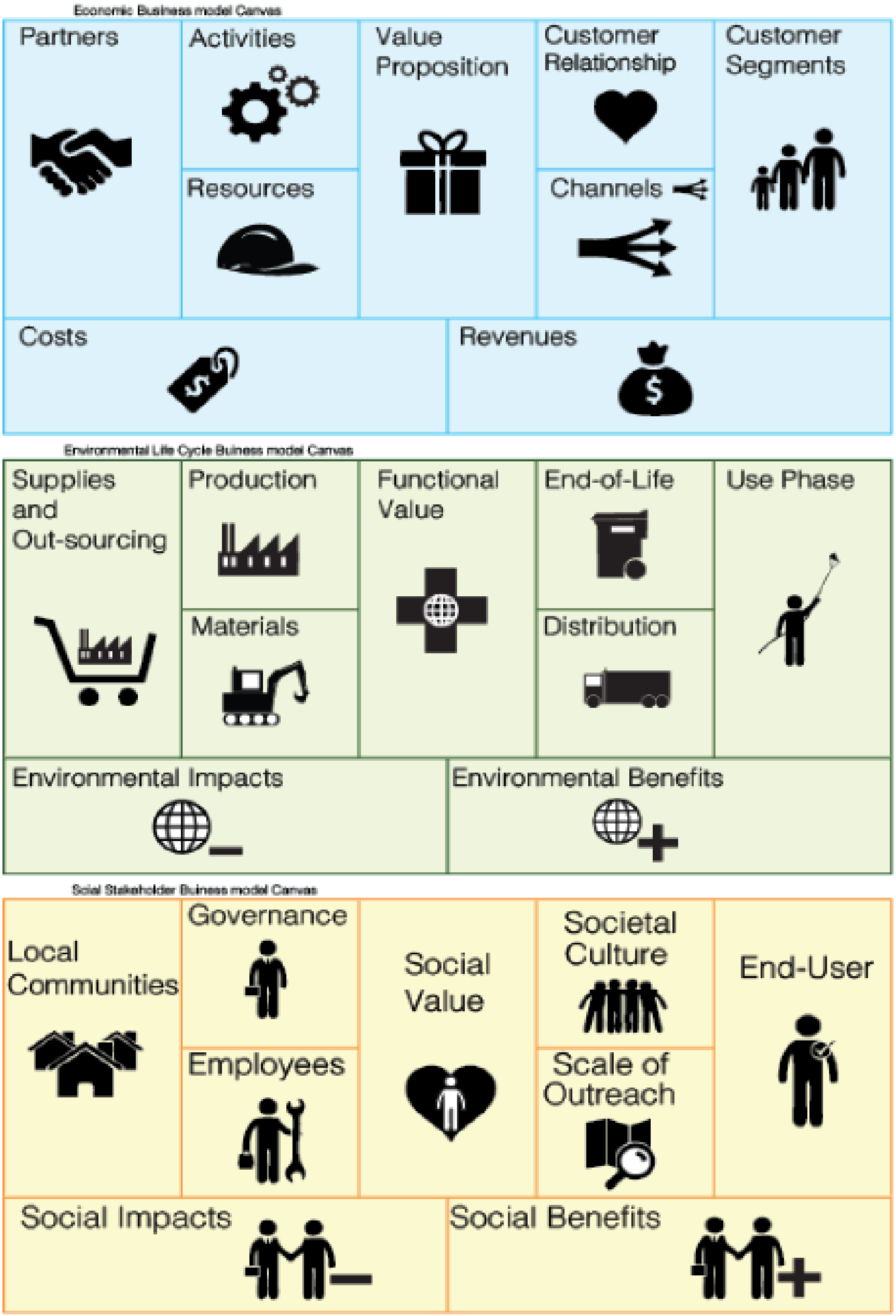
5. Market Connector: The social enterprise facilitates trade relationships between beneficiaries and new markets.

6. Independent Support: The social enterprise delivers a product or service to an external market that is separate from the beneficiary and social impact generated. Funds are used to support social programs to the beneficiary.

7. Cooperative: A for-profit or non-profit business that is owned by its members who also use its services, providing virtually any type of goods or services.

(Sedge, 2018)

Figure 3. Triple layered business model canvas (Joyce, Paquin, & Pigneur, 2015, p. 27)



5. Social Enterprises in Europe

There is a diversified panorama about how social enterprises are defined and accepted throughout the European Union. Even if SEs are not well-known, they have the attention of policy makers. Since 2011, when the European Commission adopted the "Social Business Initiative" (SBI), the majority of EU member states introduced new legislations and policies for encouraging social enterprise development.

According to the SBI communication, a social enterprise involves three dimensions: an economic/entrepreneurial dimension since it drives commercial activities, a social dimension because its main goal is achieving a common societal good and an inclusive governance-ownership dimension because the organizational structure should match their mission. After setting this general context, two EU-level legislations where adopted: the EuSEF regulation, which settled a "European label for social enterprise funds", and the EaSI regulation, which established the rules for the EU funding program for Employment and Social Innovation. (Borzaga, et al., 2020)

The following table is taken from the report of the European Commission mentioned above which describes how the three dimensions of SEs are made operative across EU.

Table 3 The concept of SE based on the SBI (Borzaga, et al., 2020)

Main dimension	General definition	Minimum requirements
Entrepreneurial/ economic dimension[2]	**Stable and continuous production of goods and services** > Revenues are generated mainly from both the direct sale of goods and services to private users or members and public contracts. **(At least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets)** > Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, to become sustainable, SEs normally also use production factors that typically function in the monetary economy.	SEs must be market-oriented (incidence of trading should be ideally above 25%).
Social dimension	**The aim pursued is explicitly social. The product supplied/ activities run have a social/general interest connotation** > The types of services offered or activities run can vary significantly from place to place, depending on unmet needs arising at the local level or in some cases even in a global context.	Primacy of social aim must be clearly established by national legislations, the statutes of SEs or other relevant documents.
Inclusive governance-ownership dimension	**Inclusive and participatory governance model** > All concerned stakeholders are involved, regardless of the legal form. > The profit distribution constraint (especially on assets) guarantees that the enterprise's social purpose is safeguarded.	The governance and/or organisational structure of SEs must ensure that the interests of all concerned stakeholders are duly represented in decision-making processes.

The report tried to frame the concept of social enterprise, but in reality, the term is frequently interchanged with others such as “social and solidarity economy”, “social entrepreneurship” and “social innovation”. If social entrepreneurship means creating the right setting for social enterprises, then the two concepts explain each other. However, sometimes the situation is more complicated since the social enterprise may refer to a larger set of actions intended for a positive social change and, in this case, also includes a conventional company which takes Corporate Social Responsibility initiatives without the necessity to found a social enterprise.

In EU, the countries that have the highest level of political and legal acceptance and a large degree of self-recognition about the concept of SE are Italy and Ireland. While examples of countries where the term is often confused with others such CSR, social entrepreneurship and social innovation are Denmark, Norway, Netherlands, Sweden, Estonia, Iceland, and Cyprus. (Borzaga, et al., 2020)

5.1 Different legal statuses and forms embraced by SEs

The organizational form of social enterprises in Europe vary according to the different national legal systems. Therefore, SEs can be categorized in five groups: some of them enjoy a legal status solely for SEs while others just possess a public benefit status. The following table taken from the European Commission’s report explains each case in detail.

Table 4 Legal statuses/forms adopted by SEs (Borzaga, et al., 2020)

Type of SE	Description	Legal form/status exclusively for SE	Countries
Institutionalised SE	Through a legal form designed specifically for SEs with a broad focus (different fields of activity of general interest)	Yes	Belgium, France, Germany, Greece, Italy, Latvia, Spain, United Kingdom
Institutionalised SE	Through a legal form designed specifically for SEs with a specific focus on work integration	Yes	Czech Republic, Greece, Hungary, Poland, Portugal
Institutionalised SE	Through an SE status (different fields of activity of general interest)	Yes	Bulgaria, Croatia, Denmark, France, Greece, Italy, Luxembourg, Portugal, Romania, Slovakia, Slovenia,
Institutionalised SE	Through a WISE status	Yes	Albania, Austria, Belgium,[7] Bulgaria, Croatia, Finland, France, Germany, Lithuania, Luxembourg, Poland, Romania, Serbia, Slovakia, Slovenia, Spain
Organisation with a public benefit status	Status that relates to a tax-privileged organisation that exists for public benefit	No	Albania,[8] Austria, Bulgaria, Czech Republic,[9] Estonia, Finland, France, Germany, Hungary, Latvia, Malta, Netherlands, Poland, Romania,[10] Sweden, Turkey (non-exhaustive list)
***De facto* SE**	Organisation that fulfils the criteria set by the EU operational definition of SE, but uses a legal form not specific to social enterprises (e.g., association, cooperative, conventional enterprise)	No	All countries

Generally, to get the "public benefit status", a company should have a legal form that aims to a social purpose for the interest of the public, its distribution of profits is prohibited and most of the time, it faces stricter reporting conditions compared to conventional for-profit organizations. This status makes firms enjoy tax relief benefits and other advantages.

On the other hand, many EU countries recognize the WISE ("Work Integration Social Enterprise") status to many legal forms as long as at least 30% of the working people is represented by "disadvantaged individuals or persons with disabilities". In some countries such as Finland and Lithuania, only the organizations that are active in the work integration of disadvantaged persons are qualified to acquire the social enterprise status. (Borzaga, et al., 2020)

5.1.1 The case of Italy

As we have mentioned in the previous paragraph, Italy is among the few member countries in which social enterprises are widely taken into consideration by policymakers and researchers.

The report published by the European Commission identifies three sources for the SE definition in the Italian legislation: the Law on Social Cooperatives (381/1991), the Legislative Decree on SEs (155/2006) and the Reform of the Third Sector and SE (106/2016). Here it is what they stated: “They closely match the EU operational definition. While law 381 envisages two sectors (welfare services and work integration), law 155 enlarges the fields of activity and introduces a total non-profit distribution constraint. The reform explicitly refers to the SE qualification, further enlarges the fields, and envisages the possibility that private enterprise and public authority representatives are appointed to the board without chairing it.” (Borzaga, et al., 2020)

Generally, the background of SE evolution in Italy is based on solidarity and collectivistic ideals of “associative, mutual and cooperative organizations in the fields of labor, agriculture, healthcare, retailing, credit, educational and recreational activities.” (Borzaga, et al., 2020)

As of 2017, in Italy the estimated number of SEs was 102,461 and the estimated number of employees was 894,800. This data was classified as highly reliable. Regarding the public grants supporting these SEs, certain regions have introduced programs to finance innovative start-ups, also corporate foundations and incubators are activated to fund and sustain social and environmental directed initiatives.

Some examples of Italian institutions providing resources for social enterprises are the venture philanthropy fund OltreVenture, different Italian banking groups such as Banca Intesa, Unicredit, UBI Banca, and purposely made institutions such as Banca Etica and CGM Finance. In 2012, the total amount of social bonds issued by UBI Banca was 20 million EUR which served to develop social projects bringing value to local communities.

Moreover, in Italy, social cooperatives with the SE status are exempted from payment of corporate tax (IRES), some of them receive a VAT rate reduction or they have the social insurance costs covered for the disadvantaged workers that they have integrated. Also donors receive benefits such as tax advantages or VAT exemption.

In conclusion, we can say that the Italian ecosystem is quite well-balanced compared to other EU members which enables social enterprises to prosper. (Borzaga, et al., 2020)

5.2 Trends and future opportunities

Although social enterprise development has made a considerable improvement since the past years, SEs are still vulnerable entities. The reason why, is because they heavily rely on national and local policies and EU's welfare system which often experience policy changes and cuts in public spending.

Those who support these kinds of initiatives are convinced that SEs can contribute to innovation, democratizing and turning the welfare system more efficient. This is also an opportunity to create new ways of delivering public services different from public and private for-profit organizations.

On the other hand, opponents believe that SEs are more an excuse for public agencies who strip down the welfare state. According to this view, social enterprises are not independent bodies guided by the "citizens' active mobilization", but instead they are wanted to execute public authorities' agenda.

This is the justification for the social enterprise definition to include different legal types, actions, and target segments. Generally, in EU, the Social Business Initiative operational definition has made the SE concept clearer and more accepted widely across the region. Higher recognition means greater demand for services delivered by social enterprises. Society is the biggest influencer because it is generally more "socially conscious": individuals pay attention to responsible consumption, considering local, organic, and fair products. Also, firms pay more attention to their Corporate Social Responsibility initiatives and shareholders show consideration for ethical concerns.

In conclusion, we should mention that the role of municipalities in supporting SEs has increased against the national public policies. More and more public tasks have been transferred from national governments to local ones, which are ready to collaborate with social enterprises in response to many questions. Local authorities are more flexible in exploring social innovation.

In this regard, the European Commission proposed in a mandate to develop a "European Action Plan for Social Economy" to support social innovation. This important political acknowledgement will be a favorable circumstance for the evolution of SEs and their ecosystems. This action plan will include the "European Social Fund Plus" and the "InvestEU Fund" which comprise supporting measures in the form of non-repayable and repayable finance devoted to the social and circular economy. (Borzaga, et al., 2020)

CHAPTER 3

SUSTAINABLE DEVELOPMENT

1. Introduction

Sustainable Development (SD as I will refer in this paper) is a term widely used nowadays. Despite the great attention it has gained, people still struggle to define its meaning and how this can be translated from theory to practice. In order to understand the concept of Sustainable Development, we have to generally define the two words that compose it: “development” and “sustainable”.

Development is a quite general term to which have been associated multiple interpretations. One of the early definitions describe it as an evolutionary process in which the human capacity expands in terms of setting up new structures, solving problems, adjusting to continuous change. Todaro and Smith define development as “a multidimensional process that involves major changes in social structures, attitudes, and institutions, as well as economic growth, reduction of inequality, and eradication of absolute poverty.” (Todaro & Smith, 2006)

Sustainability is a wide concept as well. Literally, it means the ability to preserve some process or outcome over time. This meaning nowadays refers more to developing and maintaining a healthy economic, social, and ecological system for human development.

As per the previous definitions, the term Sustainable Development would indicate development that is possible to carry on indefinitely or for a given time period. This is a very general description which allows for many interpretations and perspectives. Although many definitions of Sustainable Development have been formulated, the most commonly used is the one suggested by the Brundtland Commission Report which defines SD as “development that meets the needs of current generation without compromising the ability of future generations to meet their own needs.” (Brundtland, 1987)

Sustainable Development is a complex system where society is constantly in touch with the environment trying to improve its living standards without threatening the earth’s ecosystems and provoking damages such as water and air pollution or deforestation.

People’s awareness about the current discussed issue is very important: the population keeps growing but the natural resources available in order to satisfy their needs are not. This statement implies that societies understand the situation and start using resources wisely to guarantee an equilibrium among economic development, environmental integrity, and social well-being.

One valuable contribution worth mentioning here is defining "sustainability" as a state and "sustainable development" as the process for achieving this state. (Gray, 2010)

2. The evolution of the concept

The current paragraph will try to depict how the concept of Sustainable Development evolved through the years and how it achieved the current popularity.

The dilemma about whether the earth's limited resources will be able to support the continually growing of the human population dates back to the 1800s with the "Malthusian population theory". The theory stated that population is growing at a much higher rate than the natural resources progression and that there is high chance for the exhaustion of the latter. Initially, there was the idea that technological development would help avoid this problem, but we have seen nowadays that this is not the solution.

In general, the crucial moment was when the international community understood that development and the environment should not be analysed as distinct issues, but they should be handled with a mutually beneficial method.

The first step taken was by the World Commission on Environment and Development who made a call for Sustainable Development in the Brundtland Report already mentioned before. (Brundtland, 1987)

The next move was made by the United Nations Conference on Environment and Development (UNCED) in 1992 with the Rio Earth Summit. The UNCED came out with the "Agenda 21" where it underlined the importance of SD for the international community and suggested that national strategies should be planned to support economic, social, and environmental facets.

After 10 years, in 2002, the Rio+10 was held in Johannesburg to check the advancement made after the Rio Earth Summit implementation. In this occasion the "Johannesburg plan" was launched with the aim to enforce the Agenda 21 operations.

In 2012, the United Nations Conference on Sustainable Development (UNCSD) held the Rio+20. This time the attention was on "green economy" and "institutional framework". In this occasion, also the new "Sustainable Development Goals" were designated to be effective from 2015. (Mensah, 2019)

3. The Sustainable Development Goals

The SDGs were a continuation of the MDGs. The “Millennium Development Goals” were the first global mobilisation towards the achievement of some essential social priorities worldwide. After 15 years on action, from 2000 to 2015, the eight MDGs had not completely reached their objectives, so the SDGs were introduced to follow up the development plan.

The SDGs are also referred as “the 2030 Agenda” ratified by the United Nations, came to effect in January 2016, and they represent a call to action to protect the planet, end poverty and guarantee people’s wellbeing. They are embraced by 193 countries and their focus is supporting economic development, guarantee social inclusion and take care of the environment. The following figure represents the 17 goals in detail.

Figure 4. The SDGs (United Nations, 2021)

The SDGs point at five global topics overall, known as the five Ps: People, Planet, Prosperity, Peace and Partnerships. All the goals are designed to deal with the root causes of poverty, including hunger, health, education, gender equality, water and sanitation, energy, economic growth, industry, innovation & infrastructure, inequalities, sustainable cities and communities, consumption & production, climate change, natural resources, peace, and justice.

It is clear that the goals are interconnected and some of them are even complementary. This means that, while addressing one goal, another one can be solved. For example, tackling the problem of climate change can produce benefits for health, biodiversity, or clean energy. Some authors suggest that countries should define which are their primary targets, based on their priorities and resources available, to focus on those specific goals that are more stimulant while trying to complete the whole agenda.

On the other hand, some of the goals might present trade-offs and pressure for different parties. Sometimes it becomes challenging to make choices that satisfy everyone. Most of the cases end up with some winners and some losers. For instance, if deforestation occurs in order to increase agricultural production and secure more food, then biodiversity is endangered. (Mensah, 2019)

The following table shows a scale proposed by Dr. Joachim H. Spangenberg. The scale helps giving scores to goals and to evaluate how one goal might influence another one in a positive or negative way. It is a great tool for assessing goals' impacts in practice. (Spangenberg, 2018)

Table 5. Goals scoring (Spangenberg, 2018)

GOALS SCORING
The influence of one Sustainable Development Goal or target on another can be summarized with this simple scale.

Interaction	Name	Explanation	Example
+3	Indivisible	Inextricably linked to the achievement of another goal.	Ending all forms of discrimination against women and girls is indivisible from ensuring women's full and effective participation and equal opportunities for leadership.
+2	Reinforcing	Aids the achievement of another goal.	Providing access to electricity reinforces water-pumping and irrigation systems. Strengthening the capacity to adapt to climate-related hazards reduces losses caused by disasters.
+1	Enabling	Creates conditions that further another goal.	Providing electricity access in rural homes enables education, because it makes it possible to do homework at night with electric lighting.
0	Consistent	No significant positive or negative interactions.	Ensuring education for all does not interact significantly with infrastructure development or conservation of ocean ecosystems.
–1	Constraining	Limits options on another goal.	Improved water efficiency can constrain agricultural irrigation. Reducing climate change can constrain the options for energy access.
–2	Counteracting	Clashes with another goal.	Boosting consumption for growth can counteract waste reduction and climate mitigation.
–3	Cancelling	Makes it impossible to reach another goal.	Fully ensuring public transparency and democratic accountability cannot be combined with national-security goals. Full protection of natural reserves excludes public access for recreation.

Moreover, there might be conflicting interests among stakeholders and the SDGs targets. This is the reason why appropriate indicators and monitoring systems should be implemented at the national level to guard accountability and responsibility of countries in fulfilling the agenda. The indicators are universal and implemented worldwide with data available in the World Bank's databases. The following table shows some of them.

Table 6. SDGs and corresponding indicators (Barbier & Burgess, 2019, p. 298)

The 17 sustainable development goals.

Goal[a]	Target description[a]	Indicator[b]
1. No Poverty	End poverty in all its forms, everywhere	Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)
2. Zero Hunger	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	Prevalence of undernourishment (% of population)
3. Good Health and Well Being	Ensure healthy lives and promote well-being for all at all ages	Births attended by skilled health staff (% of total)
4. Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Adolescents out of school (% of lower secondary school age)
5. Gender Equality	Achieve gender equality and empower all women and girls	Proportion of seats held by women in national parliament (%)
6. Clean Water and Sanitation	Ensure available and sustainable management of water and sanitation for all	People using at least basic drinking water services (% of population)
7. Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all	Access to clean fuels and technologies for cooking (% of population)
8. Good Jobs and Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	Adjusted net national income per capita (annual % growth)
9. Industry, Innovation and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Manufacturing, value added (% of GDP)
10. Reduced Inequalities	Reduce inequality within and among countries	GINI Index (World Bank estimates)
11. Sustainable Cities and Communities	Make cities and human settlements inclusive, safe, resilient and sustainable	PM2.5 air population, population exposed to levels exceeding WHO guideline value (% of total)
12. Responsible Consumption and Production	Ensure sustainable consumption and production patterns	Adjusted net savings: excluding particulate emissions damage (% of GNI)
13. Climate Action	Take urgent action to combat climate change and its impacts	CO_2 emissions (metric tons per capita)
14. Life Below Water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Total fisheries production (10^6 metric tons)
15. Life on Land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss	Forest area (10^6 km^2)
16. Peace, Justice and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	Completeness of birth registration (%)
17. Partnerships for the Goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Debt service to exports (%)

Source: [a]United Nations. *Sustainable Development Goals: 17 Goals to Transform our World*. Available at http://www.un.org/sustainabledevelopment/sustainable-development-goals/.
[b] World Bank, *Sustainable Development Goals (SDGs)*. Available at http://databank.worldbank.org/data/source/sustainable-development-goals-(sdgs).

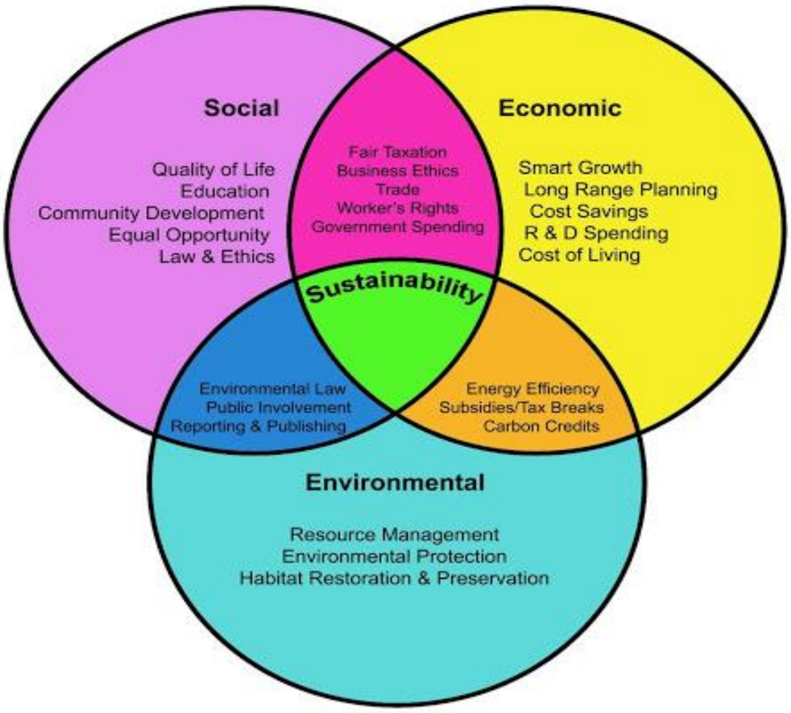
The above table shows one example of indicator for each sustainable development goal. All countries that are engaged in sustainability and follow specific goals, they must use these and other indicators proposed by the United Nations as metrics for assessing their achievements. (United Nations, 2021)

In conclusion, as the pursuit of SDGs presents several costs and challenges, the United Nations encourage good governance and participation in all countries. They promote inclusive education, regulation, and efficient resource allocation in all the states. Some authors suggest that UN should include not only governments, but also other stakeholders, such as the private sector and NGOs, to hold all responsible entities liable. (Barbier & Burgess, 2019)

4. How the environment, society and economy are interconnected

In the following graph, we can analyse the factors that are included in each sphere (social, economic, and environmental) and how they are interconnected among them influencing sustainability.

Figure 5. The three spheres of sustainability (WANAMAKER, 2020)



When the factors involved in each sphere are exercised in the correct way, at the end, everyone wins in terms of sustainability.

Society expects from the economic sphere fair taxation, correct business ethics, respect of human rights, while at the same time the population engages in respecting the environment and building a circular economy where resources and energy are used efficiently.

From the economic point of view, the country manages a system of production that satisfies current consumption without compromising future needs. From the social point of view, we must underline the fact that people are a priority. Society enjoys a system which helps reducing poverty without jeopardizing environmental preservation and economic stability. Achieving social sustainability means offering good standards of living, proper healthcare, better education, gender equality and human rights. Lastly, environmental sustainability implies ecosystem integrity: people must adjust their developing initiatives based on the natural limits to growth. (Mensah, 2019)

A much more detailed analysis of the path towards sustainable development goals was done by the UN Global Compact initiative. This special initiative was launched in 2000 by the UN Secretary-General with the intent to create a global movement of sustainable companies and stakeholders. In 2020, after 20 years of operation, the UN Global Compact had more than 10,000 companies and 3,000 non-business signatories based in over 160 countries. In Italy, around 235 businesses are involved.

The UN Global Compact created a principles-based approach to help achieving the SDGs. It set up a system to drive change globally in three steps: firstly, bringing innovation and forming a leadership mindset through the Ten Principles, secondly, scaling it globally to build awareness in all the three spheres and finally, creating and supporting an environment that enables businesses to push for change.

The Ten Principles of the UN Global Compact are designed in a universal way to be implemented into businesses' policies and to drive corporate responsibility. These principles focus on four main categories: human rights, labour, environment, and anti-corruption. Here follows the list of the ten principles.

Human rights:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour:

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment:

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption:

10. Businesses should work against all forms of corruption, including extortion and bribery.

(UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020)

In the research conducted by UN Global Compact and DNV GL, an independent provider of sustainability and risk management services, the findings show that business participants of the global compact have made a lot of progress, but there is still a lot of space for improvement, especially in the need to reach the Sustainable Development Goals by 2030. The organizations that participated in the research interviews are all well-known globally and have a high impact in this journey towards sustainability. I will mention here some of them: ABB, Bayer, BMW Brilliance, Huawei, L'Oréal, Nestlé etc…

Up to date, more than 90 per cent of surveyed companies have implemented the Ten Principles and have corporate policies in place. 73 per cent of them state that, following the UN Global Compact principles, it is how they take action towards achieving SDGs and they increased public trust. However, there is a broad agreement among the community that policy is not enough, and companies need to apply the Ten Principles into their strategies and operations. Unfortunately, only 46 per cent are embedding the SDGs into their core business and only 37 per cent are designing business models that contribute to the SDGs. The report also states that "57 per cent of companies are measuring the impact of their own operations but very few extend this to suppliers (13%), raw materials (10%) and into product use (10%). Importantly, only 31 per cent are tracking the negative impact. Moreover, there remains a key gap in analysing impacts across the Ten Principles. While 62 per cent of companies conduct environmental impact assessments, only 18 percent of companies conduct impact assessments for human rights, 25 per cent conduct them for anti-corruption and 29 per cent conduct them for labour rights." (UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020) Generally, among the CEOs' opinions surveyed in 2020, the majority believes that their industry is moving too slowly to achieve SDGs by 2030 and corporate goals are generally not sufficiently ambitious. Many companies still struggle to identify how to implement the SDGs, such as reduced inequalities, gender equality, peace and justice. Companies need better guidance on measuring and reporting their impact on delivering the social SDGs. To deliver system-level change, common ambitions and aligned actions need to be implemented by a majority of companies within a sector or system. (UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020)

Although the wide range of issues tackled by the SDGs, the two most important ones are human and labour rights. The labour principles of the UN Global Compact (Principles 3, 4, 5 and 6) are supported by the International Labour Organization (ILO) and state that companies should advocate the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. Despite the progress made in the past years, working conditions are not worthy of decent labour: 24.9 million people are trapped in forced labour, 152 million children are estimated to be in child labour, 80 per cent of countries violate the right to collective bargaining, 54 countries deny or constrain freedom of speech and assembly and hundreds of millions of people suffer from discrimination in the world of work.

Over the past years, the UN Global Compact has called up businesses to put greater emphasis on respecting human rights and fundamental principles and rights at work by influencing their supply chains and taking collective action to address decent work deficits. Goal 8 (Decent Work and Economic Growth) of SDGs is of essential value to leaving no one behind, as decent work is essential to achieve a sustainable and equal society. (UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020)

From the research conducted by the UN Global Compact, it emerges that the most common actions taken by companies to implement Corporate Responsibility within their strategies and operations are: publicly communicate commitment to corporate responsibility, communicate commitment to an internal audience, establish/adjust policies to incorporate vision and goals, set measurable sustainability goals, and include values into their codes of conduct.

On the other side, UN Global Compact proposes some steps to follow in order to accelerate the transition towards sustainable development. First of all, businesses should use more standardized metrics backed by science in order to avoid fragmentation of reporting using different frameworks. Secondly, they should focus more on the present and short-term performance in order to deliver results and not only losing sight with broad ambitions. Digitalization is of extreme importance and obviously businesses should implement it to improve their connectivity across the value chain, and finally there is a need for a multi-stakeholder collaboration: companies and organizations alone cannot lead a system-level change, so all the stakeholders involved should be held responsible and invited to collaborate.

In conclusion, we can see progress in certain fields, for instance extreme poverty and child mortality had been reduced by half and access to electricity in the least developed countries had doubled. Despite this, social inequalities are widening for more than 70 per cent of the global population, aggravating the risk of divisions and obstructing economic and social development. Growth and rising employment are largely carried by low-paid, low-quality and low-security jobs, with more than half the world's population (4 billion people) not covered by any social safety net. The category who suffers the most are women: according to the World Economic Forum's 2020 Gender Gap Report, it would take 257 years to achieve economic gender parity. (World Economic Forum, 2019)

Meantime, global warming and overconsumption continued to prove the limits of the Earth's natural resources, threatening the health, well-being and livelihoods of millions of people. The World Health Organization announced that air pollution alone already caused 7 million deaths annually and global hunger was on the rise again due to climate change.

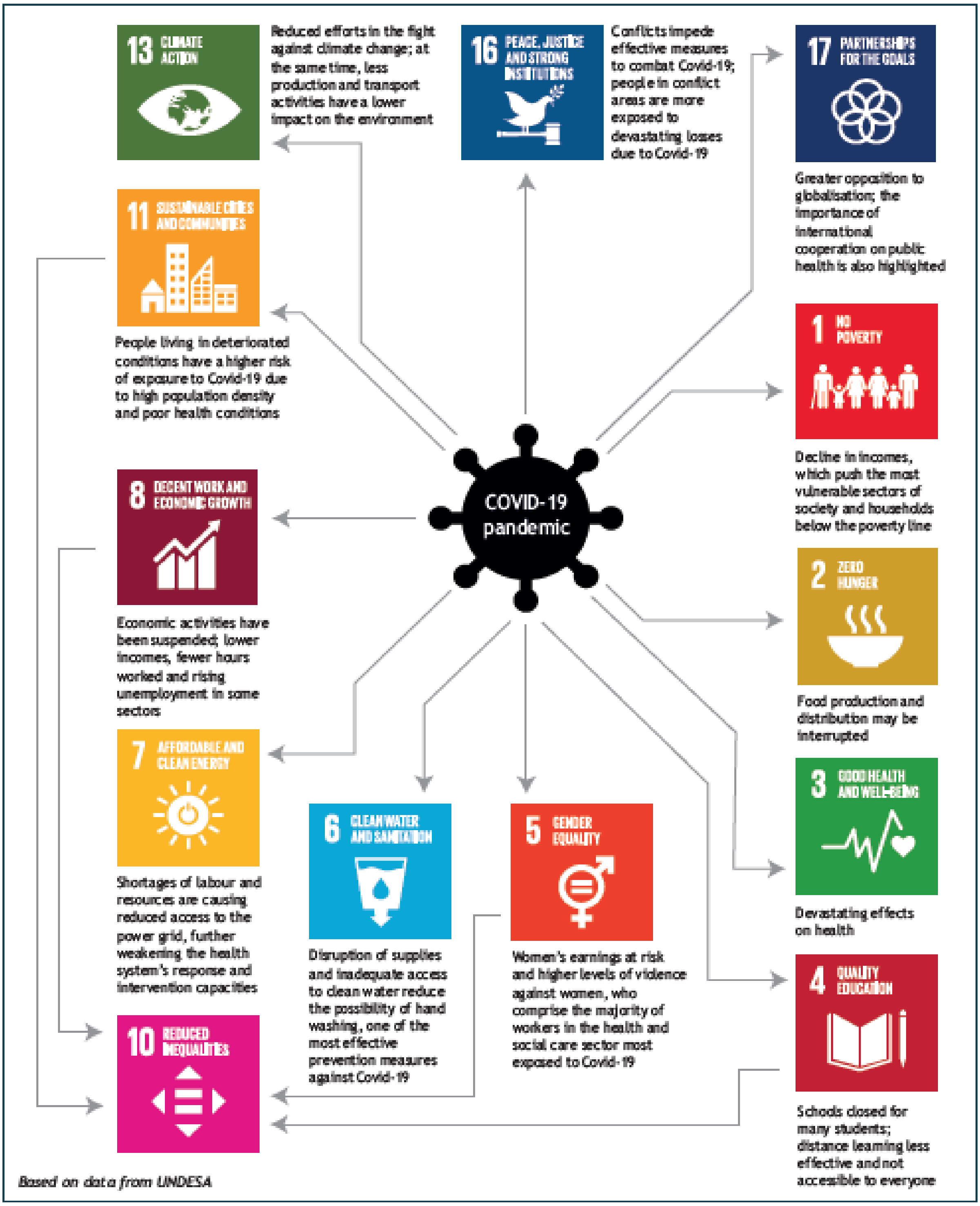
Then the diffusion of COVID-19 pandemic and the coronavirus spread across the world, once more showed the weaknesses of our system. The fact that we failed to create a sustainable system and a socially just world before the pandemic, it worsens the current situation, and it will take longer to globally recover. The virus has put the global economy under shock, aggravating even more already existing inequalities. The International Monetary Fund (IMF) predicts that the "Great Lock-Down" recession could shrink the global economy by more than 3 per cent and this would push millions of people into extreme poverty, overturning the last twenty years of poverty reduction. The UN report asserts that "at the end of the second quarter of 2020, the equivalent of 305 million full-time jobs had been lost, with ILO warning that about 1.6 billion people in the informal sector could be at high risk of losing their jobs due to COVID-19, many of them being women living in extreme poverty without any rights or social protection." (UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020)

The European Commission has promoted several initiatives in line with the 2030 Agenda and since 2019, it has established some policy guidelines to support sustainable development which include the European Green Deal (EGD). The EDG suggests "a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the EU’s natural capital, and protect the health and wellbeing of citizens from environment-related risks and impacts. At the same time, this transition must be just and inclusive. It must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges. Since it will bring substantial change, active public participation and confidence in the transition is paramount if polices are to work and be accepted”. (Italian Alliance for Sustainable Development, 2020)

The European Green Deal should be adopted as an important growth strategy to be apply in the next ten years, along with other initiatives such as the “European Pillar of Social Rights”. The Commission underlines that “social justice is the foundation of the European social market economy and is at the heart of our Union”, and that “the Pillar is a strategy to ensure that the transition to climate neutrality, digitalisation and demographic change are socially just and equitable”. (Italian Alliance for Sustainable Development, 2020)

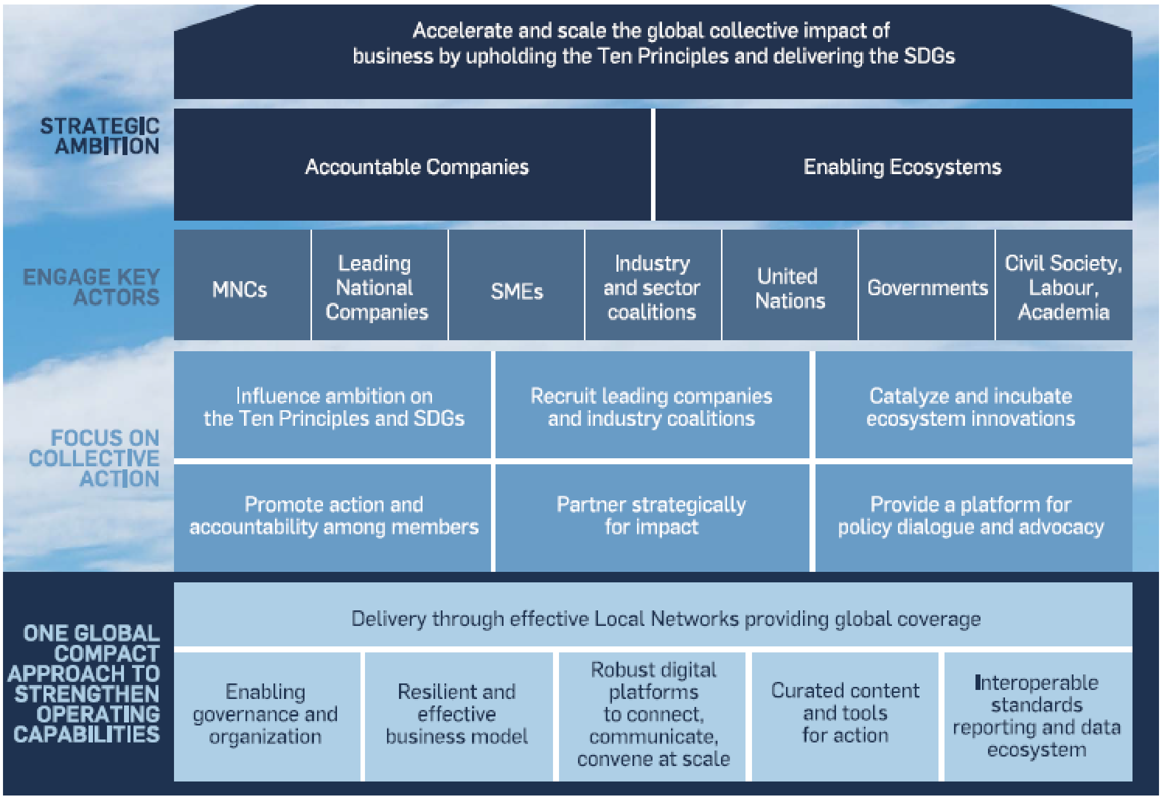
The following figure shows the impacts of the pandemic on some SDG as analysed by the ASviS (“Alleanza Italiana per lo Sviluppo Sostenibile”).

Figure 6. Impact of the pandemic on some SDGs of the 2030 Agenda (Italian Alliance for Sustainable Development, 2020, p. 14)



On the same line, the UN Global Compact has come up with a strategy to be applied in the current and the next two years (2021-2023) to push even more attention on the sustainable development agenda while recovering from the pandemic. Its strategic purpose is to "accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the SDGs through accountable companies and ecosystems that enable change." (UN Global Compact, 2021). The organization is working on attracting more and more participants and on demonstrating that their accountability and application of the Ten Principles leads to higher contribution for the SDGs. It aims to create a balanced growth of local and regional networks that will help to reach a global coverage. It will also focus on prioritizing some specific issues for which the Global Compact wants to become a leading model: "these include Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Climate Action (SDG 13), Peace, Justice and Strong Institutions (SDG 16), and Partnerships (SDG 17)" (UN Global Compact, 2021). Among its principal targets there are Multinational Corporations and Small and Medium Enterprises from which it requests higher commitment and a collective action. The UN Global Compact is working on the CoP (Communication on Progress) reporting that will help the organization to keep track on the progress made. This tool facilitates confrontation with the companies and provides an aggregate view of the impact generated. Finally, it pushes on a higher engagement with other UN Agencies to improve the obtained results. (UN Global Compact, 2021)

Figure 7. UN Global Compact Strategy framework (UN Global Compact, 2021)



In conclusion, this pandemic taught us some essential lessons that we must keep in mind when rebuilding our economies: the human population is totally interconnected and interdependent, and without solidarity, primarily with those most vulnerable among us, we all lose. To start the recovery all together, we need to re-establish trust in businesses and institutions, which was a little bit lost during the pandemic due to a feeling of distrust and uncertainty in the system. Despite the gravity of the situation, people still believe in a positive change in the long-run, and they are optimistic about future innovations and "improvements in how we work, live and treat each other" (UN Global Compact & DNV GL, Uniting Business in the Decade of Action. Building on 20 Years of Progress, 2020).

It goes without saying that the right path to a socio-economic recuperation is sustainable innovation, and this should not be seen only as part of companies' strategies and policies, but it should become a leadership style within all organizations. Sustainability should become part of every organization's culture, a shared vision and set of behaviours that will lead to long-term prosperity.

When talking about "traditional innovations", usually the principal focus is on the economic dimension for the maximization of financial outcome, while the social and environmental issues are secondary. "Green innovations" are those primarily focused on environmental concerns, but they lack attention for the social dimension. "Social innovations" instead focus their attention only on society's issues while leaving the environment behind. "Sustainable innovations" are the right solution which allow for a balanced approach and consideration of all the three dimensions: social, environmental, and economic. (Silvestre & Tirca, 2018)

The world is not on track to achieve the 2030 Agenda for Sustainable Development. The converging crises of climate change, a deadly pandemic, worsening social and economic inequality and unchecked corruption, have been aggravated by a shrink of global cooperation.

More now than ever, there is a need for the business community to engage with Governments, civil society, and the United Nations to address these challenges. Businesses are in a unique position to show leadership by raising their ambition and using their resources, scale, and agility to shift the world onto a 1.5°C trajectory, reduce global inequalities and achieve the SDGs.

The UN Global Compact 2021 Leaders Summit virtually convening on the 15th and 16th June 2021 aims to elevate ambition for strategic collective action by engaging more than 25,000 leaders and sustainability professionals. A global online event that mobilizes and connects thousands of business leaders, policy makers, civil society, and academia representatives, from all over the world, to take action on the Sustainable Development Goals. Together they exchange knowledge, take stock of progress, highlight areas for greater influence, and inspire collective action to make lasting change. (UN Global Compact Leaders Summit 2021) (UN Global Compact Leaders Summit, 2021)

By the same token, during the EU Social Summit 2021 held on the 7th and 8th of May, the European Commission and the European Parliament agreed on the need to reform the Stability and Growth Pact and, on the 7th of May 2021 at the Porto Social Summit, a new policy for the European Pillar of Social Rights Action Plan was signed for quality jobs, fighting against poverty and social inequalities. On this special day in Porto, Portugal, EU leaders and social partners came together and committed to building a strong social Europe. They agreed on concrete steps to make the principles of the European Pillar of Social Rights a reality. In particular, they agreed that by 2030 at least 78% of people aged 20 to 64 should be in employment, at least 60% of all adults should participate in training every year, and the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children.

Among the leaders' speeches, principally the President of the European Commission Ursula von der Leyen and the European Parliament President David Sassoli, it clearly emerged the willingness for a positive change and the necessity to leave no one behind. (Commission and Portuguese Presidency announce Social Summit in Porto, 2021)

CHAPTER 4

THE CASE OF SOUTH AFRICA

1. Country overview

South Africa is a fascinating country with a complicated history and a mix of cultures. The country is divided into 9 provinces with a population of approximately 60 million, and with a nominal GDP of USD 368.135 billion (2018). It is the 31st world economy, the most developed of the entire African continent.

South Africa can count on a developed legal and financial sector, communications, transport, and energy. The post-apartheid South African government made many efforts to reduce its high reliance on the exploitation of natural resources, and today has one of the most diverse economies on the continent, playing a leading role in the development of the African economy.

The country has a strategic position to offer competitive advantages that cannot be found in the rest of the African economic scenario. It shows a high potential for economic growth, despite the recent low levels of growth also due to the global economic crisis, and plays a strategic role in Sub-Saharan Africa, both from a commercial point of view and from the point of view of the supply of partnership opportunities.

It is part of the association of the 5 largest emerging economies, known as BRICS, and a member of the G20. It plays a leading role in the African Union (AU), an association of 55 countries on the continent, and is part of the free trade union, called SADC, signed between 14 Sub-Saharan African countries. (South Africa, 2021)

The South African Constitution, which is the main source of legislation, stipulates that the national, provincial and local levels should work together, creating a cooperative governance system. Particularly relevant is Article 1, which establishes the characteristics of the newly formed Republic "the government must strive to create a free, non-racial, non-sexist, democratic and united country".

In light of the foregoing and of the large space enjoyed by human rights in the Charter, it is clear that the Constitution of South Africa, approved in 1996 and entered into force in February 1997, is one of the most progressive and innovative in the world.

The population of South Africa was 59.62 million in mid-year of 2020, with an overall growth rate of around 1.3% per year. Of these, about 26% live in the province of Gauteng, which represents the largest portion. According to Statistics South Africa (Stats SA), life expectancy at birth is 62.5 years for males and 68.5 years for women, due to the high AIDS-related death rate. It is estimated that about 46% are under the age of 25, while only 5.68% exceed the 65-year-old cohort. The predominant ethnicity is represented by the Black African (80.8%), while the white population represents 7.8%. 11.4% are collectively made up of Coloured, Asians and Indians. The population of Italian origin now reaches the third generation and counts about 70,000 people. (Statistics South Africa, 2020)

South Africa, like other developing countries, is characterized by a strong inequality in the distribution of wealth. Stats SA's latest available estimate for the Gini coefficient, which measures relative wealth, shows an improvement as the income inequality indicator went from 0.72 in 2006 to 0.68 in 2015. Despite the positive change, the progress made so far is still insufficient and South Africa is one of the countries with the greatest inequalities in the world. In particular, while the gap between population groups has narrowed as a result of the rise of the middle class, inequality within these groups has increased.

Since 1994, the South African government has introduced a series of reforms aimed at reducing the inequalities inherited from the Apartheid regime. At the moment, public spending on social protection represents the third item of expenditure in terms of investment, after education - at all levels - and health care.

From a non-monetary metric perspective, the introduction of a so-called "social wage" represents one of the government's major efforts to improve the lives of the poor and reduce their cost of living. It includes a range of social protection measures such as free basic health care, free education, housing, provision of free basic services - water, electricity, sanitation - as well as grants to support the elderly and children.

COVID-19 is having a heavy influence on South Africa’s economy. The World Bank estimates that the economy contracted by 7% in 2020, as the pandemic impacted both external demand and domestic activity as the government enforced containment measures. This harsh contraction is estimated to increase poverty by 2 million people (living below the poverty line for upper-middle income countries, $5.5 per day in 2011 Purchasing Power Parity exchange rates, PPP).

South Africa encountered the pandemic after various years of low growth. In 2019, the economy grew by 0.2% while in 2018 it was 0.8%. The endurance of the pandemic at the global and domestic levels will continue to restrain the economic recovery during the first half of 2021. Gross domestic product growth is expected to rebound to 3% in 2021. Commodity prices remain important for South Africa, a major net exporter of minerals and net importer of oil. In order to stimulate economic growth and employment, the country needs to strengthen investments, including foreign direct investment.

The World Bank has established a Country Partnership Framework (CPF) for South Africa for the years 2021-2025 which proposes strategies for a new socio-economic transformation model of the country. It involves many stakeholders, comprising the government and the private sector. Together they promote competition and improved business environment for sustainable growth, helping SMEs in skills development to support job creation. (The World Bank In South Africa, 2021)

Africa is taking the first steps towards promoting free trade within the continent. At the beginning of 2018, more than 50 countries belonging to the African Union signed the AFCFTA (African Continental Free Trade Agreement), a framework agreement for a progressive liberalization of intra-African trade in goods and services. The need for a free trade agreement is evident from the numbers of intra-African trade. To date, the share of trade within Africa on the continent's total trade is by far a minority compared to trade with external partners. The EU qualifies as the first trading partner for Africa (30% of total trade), followed closely by Asia. The trade recorded within the African continent corresponds to about one third of that with Europe, thus limiting the potential for developing internal value chains, exploiting economies of scale and complementarity.

The EU actively supports the AFCFTA in order to reach, in the long term, a continent-continent free trade agreement between the EU and Africa. Looking instead at the short term, the economic potential for external actors, which emerge from the development of an African free trade area, concerns for example the possibility of obtaining supplies at lower prices (if intra-African integration succeeds in building economies of scale) and to transfer knowledge and technology.

The Italian community is one of the most integrated within the country. The Italian culture, industry, design, lifestyle, and cuisine enjoy great prestige, providing Italian entrepreneurs with great opportunities for growth in the country. Some examples of Italian direct investments in South Africa we can mention are CNHI / Iveco, Enel Green Power, Ariston Thermo Group, ENI, Ansaldo Energia, Fata Epc, Building Energy, Terni Energia, Smeg, Luxottica, Pirelli.

These companies are added to others that have been an integral part of the South African production system for long time ago, including Ferrero, Duferco, Maccaferri, Bonfiglioli.

2. SDGs in South Africa

South Africa was one of the early supporters of the 2030 Agenda for Sustainable Development and its commitment was a leading example for the entire continent’s development goals.

In 1994, South Africa’s development planning started with the “Reconstruction and Development Programme” (RDP) which main purpose was to ultimately eliminate all the results of the Apartheid and build a democratic, non-racial, and non-sexist society. RDP included a social transformation programme which aimed to secure human rights, basic needs, and poverty eradication. In 1996, the programme was upgraded with a new macroeconomic policy called “Growth, Employment and Redistribution”. This policy focused on improving human resources, increasing civil society’s participation in the democratic institutions, and supporting South Africa’s integration into the global economy.

In 2011, the National Planning Commission (NPC) published a report on the progress made by the country since 1994. The report showed disheartening realities: high levels of unemployment, low quality of education especially for black South Africans, low quality infrastructure, high exploitation of natural resources, weak health system and faulty public services. The government reacted by adopting the National Development Plan (NDP) in 2012. The NDP focused on nine areas: creating employment; expanding infrastructure; transitioning to a low-carbon economy; transforming urban and rural communities; improving education and training; ensuring quality healthcare; building a capable state; fighting corruption and improving accountability; and consolidating social cohesion.

The NDP aims to eliminate poverty and reduce inequality by 2030 by reducing the proportion of households with monthly income below R419 (approximately 25 Euros) per person from 39% to zero and to reduce the Gini coefficient from 0.69 to 0.60. To reduce the effects of poverty in the short term, the NDP made some proposals:

- “Introduce active labour market policies and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people.
- Strengthen primary health-care services, broaden district-based health programmes, such as community health worker and midwife programmes.

- Expand welfare services and public employment schemes, enabling the state to service and support poor communities, especially those with high levels of crime and violence.
- Improve the quality of education in underperforming schools and in further education and training colleges.
- Promote mixed housing strategies and more compact urban development to aid with access to services." (STATS SA, 2019)

Accordingly, South Africa's National Development Plan has a high convergence with the Agenda 2030 SDGs. The Department of Planning, Monitoring and Evaluation (DPME) and the UN Development Programme (UNDP) agree on the fact that 74% of the SDGs targets are directly approached by the NDP, and other sectoral programmes address 19% of the remaining targets.

In 2013, South Africa, as member of the African Union (AU), contributed by outlining eight long-term development goals for the entire continent. Subsequently, these goals were described in the seven aspirations of the AU's Agenda 2063.

Stats SA, the statistical department of SA's government, in collaboration with the DPME, originated the SDGs Country report for South Africa, last updated in 2019. According to the document, the country is able to report on 64% of the indicators, which means 128 of 199 taken into consideration in the study. It cannot respond for all the targets due to a lack of indicators or reliable national data. (STATS SA, 2019)

Trialogue is a consulting firm with over 20 years of experience in corporate responsibility, business sustainability and corporate social investment (CSI). They have broad experience working with clients in the private and public sectors to boost the development and business results of their socioeconomic programmes. Trialogue is present in South Africa for more than twenty years, specifically in the cities of Cape Town and Johannesburg. They help their clients through their publications, knowledge hub, conferences and webinars, as well as their advisory services in CSI, integrated thinking, monitoring and evaluation, and client reporting. (About Trialogue, 2020)

According to the Trialogue research conducted in 2020, 59% of the South African companies surveyed have integrated the SDGs into the organizations' strategy, while 54% have applied the NDP into their strategies. Out of 17 UN SDGs, companies are engaging with only 7 of them approximately. 52% of the companies surveyed do no use the UN global indicators. This is a clear sign that firms need to participate more and focus on those sustainable development targets that are in line with the NDP and the BBBEE (Broad Based Black Economic Empowerment) legislation.

Among the private sector, there are many initiatives taken which fight every day for a just and sustainable society. One example worth mentioning is “The Justice Desk”, an award-winning human rights organisation, which operates in South Africa, Zambia, and Zimbabwe. It empowers people to understand and defend their rights in order to build safer and more equal communities. The non-profit organization, which works primarily in township areas and vulnerable communities, equips people with the skills and platforms to lead their own change, and focuses primarily on gender-based violence, children’s rights, and human rights education. It offers mentorship and self-defence classes to young girls who have been subjected to gender-based violence (GBV) and mobilises national governments and international mechanisms to implement strategies for GBV prevention. Founded in 2013, up to the year 2020 it benefited around 350.000 people. Another example is “SECTION27” “a public-interest law centre that aims to achieve substantive equality and social justice in South Africa. Guided by the principles and values of the Constitution, SECTION27 uses law, advocacy, legal literacy, research, and community mobilisation to advance the rights of access to healthcare services, basic education, and sufficient food. The promotion of rights, equality, and dignity as well as the principles of governance and accountability underpin its work. Its mission is to achieve systemic change and expand access to justice for marginalised and vulnerable citizens.” (The Trialogue Business in Society Handbook 2020)

3. CSR in South Africa

It is commonly agreed that South Africa has three major societal issues: poverty, inequality, and unemployment. With both extreme wealth and extreme poverty, South Africa is the first most unequal nation in the world. The reason for this is due to a history of division, oppression, and the prioritising of a few at the expense of many.

Corporate Social Responsibility projects in South Africa should thus keep in mind these major problems if they are to be meaningful and effective. The good thing is that there are many people and organizations in the country, including many government organizations, NPOs and companies who are deeply invested in the wellbeing of the society and the future of the country.

CSR CULTURE IN SOUTH AFRICA

Despite attempts since 1994 of the South African government to create a nation that caters for all, the country has since become more unequal, many government officials corrupted, the State less effective in delivering services such as health, housing, education and employment and many people more vulnerable than ever.

South Africa has a conscious population who understands its own rights and the rights of others and Corporate Social Responsibility has thus gained traction over the years as stakeholder demands have increased and limitations of government and civil society to address complex societal issues have been acknowledged.

In addition, more and more businesses realize that their sustained success depends on their ability to address the problems that threaten the sustainability and development of their regions and the country.

The result of this has been a growing pool of funds dedicated towards Corporate Social Responsibility, matched by a rapidly growing number of organizations looking for Corporate Social Investment (CSI) funding, some impactful and trustworthy and others not. It is therefore important, when conducting a CSR initiative, for it to be effective and meaningful, to have knowledge of one’s partners in the project and to partner with people with the same aims as your organization.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Since 2003 the Black Economic Empowerment programme has been implemented in the country. The purpose of the programme is to ensure the racial reformation of the private economy which has historically privileged white people. The legislation is complex and requires medium to large enterprises to comply with a BEE scorecard that takes into account factors such as ownership, management and control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. Often companies’ CSR budgets are directed towards improving their BEE scorecards. For instance, if a company is lacking in its contribution towards skills development, they may fund education bursaries or build a technical college to augment their score.

Black Economic Empowerment was initially criticised for the way in which it favoured just a small group of black individuals and in 2007 Broad-Based Black Economic Empowerment

(BBBEE) was implemented with a view towards expanding the number of people that benefited from the legislation.

The South African government is focusing on a series of measures to support the industry to make the country more competitive, by encouraging value-added production projects, so that, for example, the raw materials in which the country is rich are processed in South Africa before export. South Africa has a developed market, with significant growth potential and easy access to other African markets, a reliable capital market and financial institutions, good communication and transport infrastructures, lower labour costs than industrialized countries, availability of energy and raw materials at low costs, effective macroeconomic policies.

The entrepreneur who intends to start a direct or indirect investment project in South Africa does not need to work with a local partner. However, it should be considered that an integral part of South Africa's development strategy is represented by the Broad-Based Black Economic Empowerment to promote the entry of the Black majority in the development of the country. The BBBEE represents a policy of strengthening the economy of people of colour, through seven key elements: ownership, job creation, local content, management control, preferential procurement, development and internal training within the company and social development. For a foreign investor, starting a joint venture with a company that already has a good BBBEE ranking means accessing various incentives and ensuring better expansion in the local private, but above all public, market. (Bettella, Scarso, & Cavallin, 2016)

The BBBEE approach is very comprehensive, supported by large bureaucratic infrastructure, it has changed the way firms do business in South Africa. Still, this approach is different and one of a kind from any other country. South Africa is the role example of how a strong government policy can have an impact in creating an enabling environment for CSR. On the other hand, in the South African business culture, CSR is more interpreted as CSI (Corporate Social Investment). This is due to the fact that people prefer to see corporates' investments bringing benefits to the society rather than just holding them responsible for their actions. A strategic CSI is the key balance for maximising benefits for both the business and social development. Therefore, CSI programmes should uphold national government policies and adjust their projects to national goals and priorities.

The BBBEE Act is a complete framework of policies, procedures, legal requirements, codes of good practice and scorecards including punitive measurements, such as heavy fines and even the possibility of imprisonment for non-compliance or partial compliance. The Codes include targets for BBBEE compliance and the progress is measured following the BBBEE scorecard which contains different targets for each of the seven elements.

For a company to be able to participate to government and public entity tenders, the BBBEE status is a requirement. In other cases, this status allows firms to obtain licenses, and among the private sector, more and more companies require their suppliers to have a minimum BBBEE rating. For instance, according to the BBBEE Codes, companies must prioritize skills development and they are required to spend 6% of their payroll on it.

Apart from the BBBEE legislation, the development of a network of auditing, training and licensing experts in the country is contributing to the monitoring and evolution of sustainable development. (Mersham & Skinner, 2016)

THE KING REPORTS

The main documents which guide corporate ethics are the King Reports on Corporate Governance issued by the King Committee on Corporate Governance. The first report (King I) was published in 1994 and ever since the King Reports have been updated three times with King II (2002), King III (2009) and King IV (2016) replacing one another. They are not legally binding documents nor mandatory, instead they represent guidelines for good corporate governance.

The King documents have not been enforced through legislation, but they require companies listed on the Johannesburg Stock Exchange (JSE) to follow an "apply or explain" approach where JSE-listed companies who do not follow the guide are asked to account publicly for why they don't do so. This is an attempt to make companies introduce CSR guidelines to be part of their corporate governance. Furthermore, in 2004 the JSE launched its Socially Responsible Investment (SRI) Index, encouraging investors to support ethical companies and firms who follow a triple-bottom line approach taking economic, social and environmental initiatives. The Reports push the organizations to produce an integrated report which covers both financial and sustainability aspects according to the Global Reporting Initiative's Sustainability Reporting Guidelines. The latest reviewed version of guidelines is more accessible to all types of entities across all sectors, public, private and non-profit. (King Report on Corporate Governance, 2020)

The Reports have generally been cited globally as benchmark progressive documents for Corporate Governance incorporating factors of social responsibility, discipline, transparency, fairness, independence, and accountability. (Mersham & Skinner, 2016)

Moreover, the African Institute of Corporate Citizenship (AICC), a non-governmental organization established in 2001 in South Africa, it is committed to promoting responsible growth and competitiveness by changing the way companies do business in Africa. Its mission is to promote responsible growth and competitiveness throughout certain African countries and make corporate citizenship an integral part of companies' governance. It emphasizes the importance of transparency and of non-financial reporting. It is a clear proof of South Africa's leadership role in CSR practice and policies throughout the entire continent. Its Africa Corporate Sustainability Forum (ACSF) is an international multi-stakeholder platform which facilitates learning and exchange of best practices. Their core values are integrity, hard work, diligence, wisdom, impartiality, and team spirit. (About AICC, 2017)

TRANSNATIONAL CORPORATIONS AND THE PROTECTION OF LABOUR RIGHTS IN THE COUNTRY

South Africa is member of the SADC (Southern African Development Community), a transnational organization founded in 1980. In 2003, SADC has established "the Charter on Fundamental Social Rights" with basic norms, standards, and protocols. "The main objectives of SADC are to achieve development, peace and security, and economic growth, to alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, and support the socially disadvantaged through regional integration, built on democratic principles and equitable and sustainable development." (SADC Overview, 2012) Currently the organization counts 16 member states covering a population of more than 350 million.

The SADC applies a set of principles and guidelines for transnational labour relations across the interested region. Unfortunately, they are not legally binding, but are based on a voluntary and soft-law approach. "Member states are encouraged to ensure the harmonisation of political and socio-economic plans; develop economic, social and cultural ties; participate fully in the implementation of SADC projects; develop policies that can lead to the elimination of obstacles to the free movement of people, labour, capital, goods and services; promote the development of human resources, and aid the development, transfer and mastery of technology." (Smit, 2015)

The Charter on Fundamental Social Rights requires member states to ratify the ILO core conventions and to take the necessary steps to implement them. "The main objectives of this charter are to:

- Ensure the retention of the tripartite structure of the three social partners, namely, governments, and employers' and workers' organisations;
- Promote the formulation and harmonisation of legal, economic and social policies and programmes that contribute to the creation of productive employment opportunities and the generation of income in member states;
- Promote labour policies, practices and measures that facilitate labour mobility, remove distortions in labour markets, enhance industrial harmony and increase productivity in member states;
- Provide a framework for regional co-operation in the collection and dissemination of labour market information;
- Promote the establishment and harmonisation of social security schemes;
- Harmonise regulations relating to health and safety standards at work places across the region, and
- Promote the development of institutional capacities as well as vocational and technical skills in the region." (Smit, 2015)

Despite this huge effort, the charter cannot be enforced by law and there is no supervisory mechanism to hold accountable members for any breach. Moreover, member states are required to publish reports on their progress regarding the charter, but it is not specified which actions to be taken in case of noncompliance. These are the key points that must be changed. A soft-law approach cannot work without a sanction to call upon. One way to reinforce the impact of the SADC Treaty, Protocol and Charter is to implement them in Transnational Corporations and International Framework Agreements. (Smit, 2015)

Referring to the specific case of South Africa, its Constitution includes provisions that regulate how international law is adopted in its domestic law and establishes labour rights as fundamental rights. Moreover, the country has already ratified the eight core conventions of the ILO, but ratification does not mean implementation: there is still a lot of space for improvement.

CORPORATE SOCIAL INITIATIVES

Across South Africa, Corporate Social Initiatives are underway. Here just a few examples of projects, companies and organizations involved in the sector:

Michele Ferrero Entrepreneurial Project (MFEP) represents the philanthropic spirit of the Ferrero multinational. This project comes after the Ferrero Social Enterprises founded in Cameroon, India, and South Africa. In 2009, a modern production plant was built in Walkerville in Gauteng, one of the South African regions with high rates of unemployment, and an area characterized by a low level of urbanization. This created job opportunities and carried out humanitarian initiatives aimed at safeguarding the health, educational and social development of the young. The Ferrero plant not only produces products for the domestic market, but also for the whole free trade area known as SADC (Southern African Development Community). In 2017, Ferrero unveiled its Primary Healthcare Centre in Walkerville, outside Johannesburg. The facility is based on the grounds of the Ferrero Production Plant and offers medical assistance free of charge to about 400 Ferrero plant staff, their children, and family members. In 2019, the MFEP in South Africa decided to support the construction of a sports center at the Laerskool De Deur primary school, situated about 12 km far from the Ferrero plant. More than a third of its over 1,300 pupils benefit from the National School Nutrition Program that provides one nutritious meal to pupils of needy families. Due to the covid-19 pandemic, the inauguration of the Laerskool De Deur sports center had to be postponed to 2021, and it will be implemented as soon as health conditions in the country will allow it. (Ferrero in South Africa, 2021)

The AgriBusiness Development department it is also very important. It supports six model Agrifarms promoting hazelnut cultivation in Chile, Argentina, Georgia, South Africa, Australia, and Serbia, employing around 3,000 people (372 in South Africa). These Agrifarms are essential for reaching farmers with agricultural and social best practices and for supporting the development of third parties in the sector. Another goal of the AgriBusiness Development is to promote sustainability along the hazelnut supply chain, as agricultural and social good practices. Implementation of good practices ensures technologies are applied to the cultivation of hazelnuts, with a clear intention to spread the know-how. Thanks to the Hazelnut Ferrero Farming Values (FFV) program, the company firmly encourages capacity building and capability improvements along with human rights protection and good agricultural practices. Practically, the FFV program aims at increasing the quantity and quality of hazelnuts while respecting the environment, tracking all the hazelnuts bought from the farms to the factories, and preventing child labour and ensuring decent working and living conditions for all the farmworkers. (Ferrero Group, 2019)

BHP Billiton Development Trust South Africa, the CSR arm of mining giant BHP Billiton, a world-leading resources company which extracts and processes minerals, oil and gas, with more than 80,000 employees and contractors, implements, coordinates and manages various sustainable development initiatives in the fields of education and training, capacity building, socio economic development and health care. Particularly, BHP Billiton Energy Coal South Africa has established different mechanisms to protect the environment, to enhance the safeness and security of their employees, to support the community and to empower individuals (including women) to participate and profit from local mining and energy activities. Their code of conduct includes principles and guidelines protecting health and safety of their workers, promoting workplace equality and inclusion, respecting human rights in line with "United Nations Universal Declaration of Human Rights", "UN Guiding Principles on Business and Human Rights", "Ten Principles of the UN Global Compact", the International Council of Mining and Metals indigenous peoples and mining position statement and the "Voluntary Principles on Security and Human Rights", caring about the environment, working with governments on corruption, trade controls and conflict of interests. These are the main CSR topics tackled by the company among other Sustainability targets. (Billiton, 2018)

Founded in 1969 by an entrepreneur of Italian origins, Giovanni Ravazzotti, Italtile Limited is a proudly South African manufacturer, franchisor, and retailer of tiles, bathroom ware and other related home-finishing products. The first Italtile stores opened in Cape town and Durban in 1972, while now The Group's retail brands include CTM, Italtile Retail, TopT and U-Light, represented through a total network of 203 stores, including six online webstores. The retail operation is strategically supported by a vertically integrated supply chain comprising key manufacturers and import operations and an extensive property portfolio. In 2019, Italtile celebrated 50 years of achievement and in 2020 proclaimed its acquisition of a 25.1% of stake in Easylife Kitchens, reaching a system-wide turnover of R9.3 billion (around 555 million euros). (Italtile Limited, 2020)

The company's brand pillars are Sustainability, Design, Value and Quality which are represented via its luxurious eight Italtile showrooms across South Africa and the International offices in Italy, Spain, and China. (Italtile, 2021) Italtile products are accredited with internationally renowned, environmentally friendly trademarks and Italtile is committed to minimising the impact of its business on the environment by minimising their reliance on non-renewable resources. They are committed to reducing energy and water requirements, minimising, recycling and managing waste production, increasing usage of environmentally friendly products, and benefiting local communities.

Ceramics producer Italtile has many corporate social initiatives including:

- Nelson Mandela Children’s Hospital: Italtile equipped the hospital with R3.5 million (around 209,000 euros) of sanitary appliances,
- Wet Nose Joint Venture in Gauteng: Italtile donates all of its outdated fabric signage to Wet Nose Animal Rescue,
- Wiele 500, a Commercial Project where Italtile hosted a wine auction in aid of Wiele 500, an organization supporting paraplegics.

The Social and Ethics Committee of the company met three times during the financial year ended 30 of June 2020. The Committee’s responsibility is to ensure that the business activities are in line with the Companies Act and the principles of King IV, which include “monitoring the Group’s activities with regard to matters relating to: social and economic development; good corporate citizenship, including the Group's promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed, and record of sponsorship, donations and charitable giving; following the environment, health and public safety; consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and labour and employment. Moreover, the Committee is monitoring the Group's performance and interaction with its stakeholders and ensuring that this interaction is guided by the Constitution, Bill of Rights, the UN Global Compact and the UN Sustainable Development Goals (SDGs); it determines clearly articulated ethical standards and ensures that the Group takes measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the Group; and finally, it provides effective leadership based on an ethical foundation and ensure that the Company is and is seen to be a responsible corporate citizen.” (Italtile Limited, 2020)

The Committee has adapted its strategy according to the UN SDGs and guarantees that social, environmental and governance issues are regularly measured and reported. For instance, the company has contributed to the “Stop Rhino Poaching Project” for which it has donated R3 million (almost 179,000 euros) and other corporate responsibility project are dedicated to education and schools. Moreover, the company respects the Carbon Tax requirements.

During Covid-19 pandemic, the company continued its training activities on e-learning mode and carried on coaching and mentoring programs to improve employees' skills and knowledge, while also caring for staff safety and wellness applying their Employee Wellness Programme.

Various OHS committees and Internal Audit inspections are regularly conducted in stores and factories of the company, no serious injuries on duty have been reported during the reporting period. This is an important achievement to mention since world figures are awful: 2.78 million workers die from work related injuries and diseases every year (7,500 per day) and approximately 60% of the world's labour force lacks protection if they are injured or become ill as a result of their work. (ILO, 2019)

The Social and Ethics Committee Chairman Khoza declared to be satisfied by the Group's overall performance in all its aspects. (Italtile Limited, 2020)

The South African Breweries (SAB) is a brewing company born over a century ago in Johannesburg. The quality of its beers has brought the company to become the second largest brewer in the world today. Starting from South Africa, SAB is now present across different continents thanks to its early commitment into building a sustainable business that would develop and benefit the communities in which it operates. Even before the establishment of democracy in South Africa, the company was one step ahead in empowering people. SAB is part of the AB InBev family, their success comes thanks to their sustainable investments, creating employment opportunities across South Africa and urging on tangible economic growth. (The South African Breweries, 2020)

In June 2010, the company launched a global program called "Ten Priorities, One Future" which established the top sustainable development priorities for tackling environmental and social issues. The ten priorities are listed below:

1. More Beer using Less Water: aimed at reducing the amount of water required to produce one liter of beer;
2. Discouraging Irresponsible Drinking;
3. Reducing energy and carbon footprints in order to lower greenhouse gas emissions;
4. Decreasing packaging weight, reusing bottles, encouraging recycling;
5. Working towards zero waste operations according to the principles of reduce, reuse, recycle;
6. Building Supply Chains respecting Company's Values And Commitment;

7. Benefiting communities to relieve poverty: in 2011, SAB donated R14 million (more than 830,000 euros) to environmental initiatives, local sports development and welfare projects;
8. Contributing to the Reduction of HIV/Aids by raising awareness through campaigns;
9. Respecting Human Rights; and
10. Transparency in sustainable development reporting of the company. (The South African Breweries, 2013)

The Company's philosophy is preserving the products origin and improving lives across the country: in fact, it uses local resources for producing beers that are 97% locally sourced, from the ingredients to the bottle of glass locally made. Among its initiatives, SAB has now realized 20,000 taverns in South Africa through which it has stimulated the township economy and empowered many black entrepreneurs, mainly women. Up to date, SAB employs around 5,700 people and it regularly participates to programs and funds which assist SMEs, create employment opportunities, and support the BBBEE implementation across the country. Currently, the Company is a level 4 BBBEE contributor and their doctrine is based on the idea of giving more to the people than what it takes back. They pay great attention to their supply chain and try to leave the lowest impact on the environment. Their breweries rely on renewable energy sources and 100% recyclable product packaging. (The South African Breweries, 2020)

SAB and its holding company AB InBev are working on the achievement of some UN Sustainable Development Goals by 2025 and their focus is on: smart agriculture, which is focused getting locally sourced ingredients from sustainable farms; water stewardship for responsible water consumption; circular packaging for its glass bottles to be 100% recyclable; climate action, adopting renewable energy to power the facilities in order to reduce the carbon footprint by 25%; and smart drinking, for which the company tries to raise awareness among the young for responsible and moderate consumption of alcohol. (The South African Breweries, 2020)

During the lockdown period due to the pandemic, South African government prohibited the sale and consumption of alcohol in the country. This caused damage to the industry and SAB company suffered as well. In response to this event, this year the company is introducing the "Industry Responsible Trading Programme" which will reward retailers who support the reduction of harmful consumption of alcohol. SAB is asking to alcohol retailers to actively participate in this programme and promote responsible consumption within their communities. The responsible retailers will be awarded with a reputation label that is a silver, gold or platinum status based on their level of proactiveness in decreasing the harmful consumption of alcohol and related risks in their outlets. (The South African Breweries, 2021)

Another great Italian excellence is Enertronica Santerno S.p.A., a multinational company listed on the Milan Stock Exchange and headquartered in Bologna, working in the energy and power electronics sectors. The great potential of the company comes from the recent merger made in 2019 between Enertronica S.p.A and Elettronica Santerno S.p.A. The Multinational is now present across 150 countries, with branches also in Midrand-South Africa. It is a leader in manufacturing motor drives and inverters for applications in the Industrial Automation and the Solar Energy industries. Enertronica Santerno owns advanced technologies and constantly participates in research programs together with the most important European scientific institutes and Italian universities. The company's strengths are innovation, quality, advanced technological solutions, and eco-sustainable approach. It is a Multinational with high respect for its employees, stakeholders, suppliers, paying attention to safety and protection in the working environment. It focuses on maximizing customer satisfaction and on reducing energy waste with a constant regard to sustainable progress. (Enertronica Santerno, 2019)

During the seminar held online on the 20th of May 2021 and organized by Andersen, a Tax and Legal Services company expanded worldwide, with the collaboration of the magazine "Africa & Affari", "the Bridge Africa-Europe" project was presented. This project aims to support the development of sustainable businesses in their set-up and operations in both continents. This seminar was focused on Renewable Energy with specific reference to South Africa, Namibia, and Zambia. The key speakers of the event were the Ambassadors of the countries involved; also, African and European companies operating in the sector, and investors were invited. Strategic ideas, initiatives in developing new renewable energy technologies and opportunities to expand and be active in worldwide markets were raised during the event. Since I got the opportunity to participate at the conference, in this circumstance I learned about the company Enertronica Santerno. Luigi Guerra, the country manager for South Africa, made a short presentation of the company and their organization. He highlighted the main reasons why they choose South Africa for their sustainable investments which are: market policy stability, a strong regulatory environment, a sophisticated financial sector, they saw a strong solar potential in the country, and attractive tariffs for their business. He said that their main goal is transferring knowledge to local employees and respecting the BBBEE requirements across all the chain. They pay attention to their recruitment policies, the management of socio-economic development initiatives and specifically to their human resources development. (Andersen Tax & Legal, 2021)

Among the panelists of the event, the director of the Tshwane School for Business and Society (TSB), the first Business School in South Africa located in Pretoria, Kobus Jonker, presented the International Certificate in Impact Entrepreneurship. This international program run by TSB in partnership with the E4Impact Foundation and the Catholic University of Milan aims at training the next generation of impact entrepreneurs. These are individuals who create profitable businesses that bring social, economic, and environmental development to their community, with specific focus on agribusiness, automotive and renewable industries. This is a unique opportunity to get in touch with entrepreneurs and experts of different continents and learn different perspectives on how to scale a business in a sustainable and responsible manner. (Jonker, 2021)

To sum up, South Africa is still a developing country, but with a great potential. Since it serves as a gateway for the entire African continent, it is one of the principal business partners of Europe and Italy. All the richer and developed countries that do business in South Africa should pay attention not to harm the environment and society, but instead help this country to raise up with transfer of knowledge and technologies. It is responsibility of the states to monitor the transnational operations in order to complement the poorer countries' bad governance, weak enforcement of regulations and in many cases corruption.

CONCLUSION

We have seen how through the years the concept of Corporate Social Responsibility has moved from a voluntary and philanthropic initiative to a mandatory action written down in a piece of legislation. In recent years, CSR and Sustainable Development are hot topics worldwide. Generally, companies have engaged in sustainable initiatives and tried to demonstrate their commitment through non-financial reports in terms of social and environmental concerns. However, enterprises need to really “walk the talk” and bring concrete results, not just written fancy Codes of Conduct, only because they are in fashion and help increase company’s visibility and reputation.

Thanks to the international organizations such as ILO, OECD and UN, the situation has improved globally in terms of economic development, but still a lot has to be done to reach a fair and equal development with no negative impacts on the society or the environment.

According to statistics, only 9% of the materials used globally are reused, while all the other is wasted and goes dispersed into the environment. This is just one number taken as an example, but very significant for stimulating action: we know that resources are scarce and limited, so we must change the way businesses operate and exploit them.

Preserving the environment goes hand in hand with people’s well-being. People deserve a healthy and secure environment and not only in nature, but everywhere. This leads my discussion to highlight the working conditions and health issues of employees. Despite the declarations on the principles and the workers’ rights of the ILO, or the SDGs promoting decent work and other initiatives taken by the United Nations and the Organisation for Economic Co-operation and Development, globally, millions of people and children still suffer from forced labour, child labour and other related injustices. This is even more painful and irritating when it happens under the control of suppliers or contractors that work for big transnational corporations and well-known brands.

For many years governments and institutions tried to understand up to which point responsibility and accountability of corporations extended, but they never came up with a clear and comprehensive solution. In the European Union, the Non-Financial Disclosure Directive (NFD) which invites companies to publish non-financial information was an important step to increase transparency in the system and especially towards stakeholders and investors. In April 2021, the European Commission adopted a proposal for a new Corporate Sustainability Reporting Directive (CSRD), expected to come into force in 2024, which would amend the existing reporting requirements of the NFRD and will involve up to 50,000 firms to follow detailed and mandatory reporting standards. The proposal extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises). It requests the audit of reported information by a third party in an attempt to bring sustainability reporting on a level with financial reporting. It introduces more detailed reporting requirements, and a requisite to report according to mandatory EU sustainability reporting standards. This proposal it is clearly an important step, but it does not solve the problem of accountability.

Here we come to the most awaited and crucial argument that gives meaning to the entire discussion: mandatory due diligence on human rights and the environment. In March 2021, the European Parliament has approved the Commission's proposal on the Corporate Due Diligence and Corporate Accountability Directive. This new legislation will increase responsibility and accountability of any type of enterprises, no matter the size or the sector. Moreover, there will be a liability regime where companies will be sanctioned for any breach of their due diligence obligations. I believe this is a valuable initiative for which we will see the true impact once it will be efficiently implemented across all Member States. In order to reach this purpose, the companies, governments and civil societies must collaborate and take a collective action.

In this sense, the concepts of Sustainability and Sustainable Development seem to serve the purpose and to lead change in society making people feel more responsible in every sphere.

Moreover, the pressure of the pandemic increased the urgency for positive change and pushed people into action. Due to Covid-19, CEOs understood even more the importance of CSR and above all the health and working conditions of their employees and everyone related to them. In this "Decade of Action" towards achieving the SDGs by 2030, we need to create a collective ambition and governments should not only sign papers and leave the work to civil society initiatives, but they should politically engage in. On the other side, business can create systems and more opportunities bringing benefits to the society and the environment.

To sum up, the concept of Corporate Social Responsibility is still being studied and reviewed and the notion of Sustainability as well, especially after the current pandemic crisis. Apart from all the legislations, directives, regulations, and principles, which for sure are crucial in understanding, monitoring and enforcing corporate responsibilities, we need more leaders who put the society's interests before their owns. They need to change their short-term oriented corporate governance into a long-term Environmental, Social, Governance (ESG).

Acting responsibly is no longer a choice or a competitive advantage, but a business imperative. Responsible business is good business and "good business is for a good society".

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