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National Framework for Corporate Social Responsibility in Georgia

Recommendations to the Georgian Government





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A National Framework for Corporate Social Responsibility in Georgia

Recommendations to the Georgian Government

Tbilisi, 2024

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The project is implemented by the Consortium led by the Konrad-Adenauer-Stiftung (KAS) and composed of the following CSOs: Center for Strategic Research and Development of Georgia (CSRDG), Civil Society Institute (CSI), Center for Training and Consultancy (CTC), Education Development and Employment Center (EDEC), and Institute for European Politics (IEP).

The Document has been prepared by:

Giorgi Papava

Davit Maisuradze

Catherine Heaney

Audronė Alijošiutė-Paulauskienė

Lela Khoperia

Appendix by: Tomás Sercovich

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Europäische Politik

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Executive Summary

The purpose of this policy document is to assess the initiatives driving corporate social responsibility (CSR) and sustainability in Georgia and to formulate recommendations for the Georgian government in this sphere. The document delves into Georgia's current landscape concerning CSR, juxtaposing it with the experiences of European states to extract best practices.

The first part of this document explores the global and national backdrop of corporate social responsibility, while the second part is devoted to the discussion of the current situation and international experience pertaining to the focal areas of CSR. In particular, the increased regulation in Europe on CSR, including its extension to supply chains outside of the EU, is considered. The document concludes that, in Europe, where there is a pre-existing culture of promoting CSR, compliance with new regulations and laws is stronger. To date, in preparing for an enabling environment for CSR in Georgia, Ireland has been identified as a strong model for embedding a culture of CSR.

In Georgia, three key strategic areas have been identified to bolster CSR: fortifying cooperation between governmental bodies and key stakeholders, fostering policies that endorse CSR and sustainability within the private sector and cultivating the competencies of stakeholders involved in CSR.

The study of the current situation in Georgia revealed several critical observations regarding the integration of corporate social responsibility (CSR) in the private sector in line with international standards. Firstly, the practice remains underdeveloped. Secondly, there is an absence of a cohesive state policy to drive this integration. Lastly, a general lack of societal awareness persists regarding CSR and its attendant positive impacts.

Notably, the most advanced state policy regarding the incorporation of CSR into corporate operations resides within the financial sector. The National Bank of Georgia, in its pursuit to foster a green economy and augment private sector participation, has crafted a Sustainable Finance Taxonomy. Additionally, the financial sector stands unique in mandating commercial banks to furnish Environmental, Social, and Governance (ESG) reports. These reports, formulated by the National Bank for Financial Institutions, encompass social and environmental impact assessments, incorporating information on risk identification, management, and mitigation concerning ESG matters.

Another pivotal governmental initiative aimed at fostering corporate sustainability involves the enactment of a new law governing public procurement in June 2023. This legislation delineates the establishment of a sustainable public procurement system within Georgia. Mandated compliance with sustainability criteria across four priority sectors in public procurement will commence from 2025. Moreover, the country exhibits a less developed landscape regarding tax instruments that promote sustainability. Notably, among the mechanisms fostering sustainability lies the avenue of companies engaging in charitable activities.

The formulation of state policies aimed at supporting CSR, alongside initiatives directed at fostering environmental responsibility and advancing green economy activities within the private sector, finds provision within several state strategies and action plans. Additionally, Georgia employs mechanisms such as Extended Producer Responsibility (EPR) and Environmental Impact Assessment (EIA) obligations to address pertinent concerns.

The National Human Rights Protection Strategy of Georgia for 2022-2030 incorporates efforts to promote the adoption of international CSR standards within private sector operations. This strategy addresses challenges pertinent to human rights protection within the business sector and endeavors to fortify relevant standards ensuring human rights protection within companies. Notably, specific actions within this strategy have yet to be expressly defined.

However, notwithstanding the aforementioned initiatives, the establishment and implementation of corporate social responsibility in Georgia necessitate the development of a unified state policy. This policy should be grounded in coordinated efforts and the application of suitable supportive tools. Equally important is the imperative to heighten awareness among stakeholders engaged in corporate social responsibility endeavors and to augment their skill sets. The document outlines recommendations for the Georgian government to formulate a policy advocating CSR promotion, taking into account identified challenges within Georgia and insights gleaned from international practices. Furthermore, the document underscores the pivotal roles of other key players such as trade unions, business associations, educational institutions, and civil society organizations in this domain.

Recommendations:

- It is imperative for Georgia to **institute a comprehensive Corporate Social Responsibility (CSR) Action Plan** as a foundational framework for systematically integrating and advancing CSR practices across sectors. Simultaneously, **sustaining the CSR Stakeholders Forum** stands pivotal in fostering collaboration among government bodies, businesses, academia, civil society, and international entities. This forum's continuity will ensure ongoing dialogue, knowledge-sharing, and collective decision-making, serving as a linchpin in formulating, implementing, and evaluating CSR policies and initiatives.
- A critical step in coordinating the implementation of corporate social responsibility involves **establishing a dedicated government unit tasked with overseeing CSR initiatives**. Identifying the appropriate administrative placement for such a unit within the state administrative framework is essential. In the context of Georgia, establishing this unit within the Ministry of Economy and Sustainable Development is a viable option, necessitating close collaboration with other ministries overseeing social welfare, healthcare, environmental protection, and related concerns. Equally crucial is the appointment of adequately qualified and knowledgeable personnel to staff this unit effectively.
- **Fostering dialogue among stakeholders** is of paramount significance. To facilitate and formalize such dialogue, it is imperative for the state to establish an inter-institutional council comprising

representatives from the business, civil, and public sectors, as well as local governments. Involving stakeholders in the development of CSR enhances the transparency and credibility of the process. This document underscores the importance for Georgia not only to establish a dedicated government unit tasked with coordinating activities for CSR promotion but also to form a council representing diverse interests across various sectors. Collaboratively devising an action plan with input from such a council is crucial. Additionally, ensuring state support for existing dialogue platforms is essential.

- Given the recognized necessity to craft a governmental strategy for advancing Corporate Social Responsibility (CSR) in Georgia, it is imperative to institute a system for monitoring and evaluating its progress. Essential to this endeavor is the **annual monitoring of activities delineated within the action plan**. The CSR coordinating body should be tasked with issuing an annual report detailing the implementation of the action plan and evaluating the hurdles encountered in fostering CSR. Furthermore, the involvement of the Georgian Parliament in overseeing the execution of this process is highly recommended.
- Drawing insights from international practices regarding **systems of tax incentives aimed at bolstering sustainability in companies**, specific directions were delineated. These encompass setting preferential rates for the consumption of renewable energy, establishing target emission rates for the industrial sector, and implementing varied tax rates to incentivize compliance with environmental standards.
- The promotion of corporate social responsibility necessitates **robust support for small and medium-sized enterprises (SMEs)**. State support for enterprises venturing into CSR can manifest in diverse forms, including financial incentives such as grants. In tandem with existing CSR competitions, the establishment of new competitions, particularly at the regional level, specifically geared toward promoting corporate social responsibility, becomes imperative. It holds significance to develop orientation programs and professional training initiatives tailored for SMEs. These programs should encompass methodologies and strategies for integrating CSR into SME operations, empowering their employees with new skills and knowledge.
- Addressing issues within **state-owned enterprises (SOEs)** hinges significantly on instating corporate social responsibility standards in their operations. Resolving challenges encountered by state-owned enterprises—such as political influence, inefficient management practices, subjective employee recruitment processes, and violations of environmental standards—can be achieved through state-led CSR initiatives. These may include the implementation of corporate governance code for SOEs, codes of ethics, and other frameworks enhancing accountability. Ensuring financial transparency concerning budget allocations also emerges as a pivotal aspect of this process.
- Despite the incorporation of green economy development provisions in numerous state strategies, as well as the establishment of mechanisms like Extended Producer Responsibility (EPR) and Environmental Impact Assessment (EIA), Georgia lacks a cohesive, unified **strategic vision for transitioning to a green economy**. Thus, the initial step necessitates formulating a comprehensive

state vision in this domain. Additionally, fostering mechanisms for green financing and investment attraction emerges as a critical need. Integrating green criteria into existing financing instruments of Enterprise Georgia stands out as an essential measure to involve small and medium producers in the green economy.

- Considering that Georgia's legal framework for public procurement aligns with international standards and EU legislation, the effective application of the government's policy becomes paramount in ensuring the successful **execution of the sustainable public procurement system**. This necessitates: (1) leveraging a decentralized system for public procurement in Georgia, incorporating inter-agency coordination and fostering skill development among personnel; (2) developing an intricate mechanism to thoroughly assess companies' sustainable practices and detect instances of 'greenwashing'; (3) identifying additional sectors wielding substantial long-term impact and progressively expanding sustainability regulations within their public procurement processes.
- **Integrating corporate social responsibility (CSR) into higher education curricula** is pivotal for ensuring its sustained implementation and fostering new knowledge in this domain. Similarly, embedding CSR education within secondary schools and vocational training centers is essential. Educating students about CSR will significantly raise awareness among the younger generation, nurturing them into skilled professionals. Concurrently, fostering research endeavors in the realm of corporate social responsibility is imperative. The convergence of teaching, research, and practical applications will serve as a vital catalyst for CSR development in Georgia.
- **Heightening awareness regarding CSR** holds significant importance for both business entities and society at large. CSR plays a pivotal role in shaping a company's brand image, enhancing appeal to customers, employees, and investors, and contributing to overall business success. To amplify awareness about CSR, organizing communication campaigns, seminars, conferences, and roundtable discussions in collaboration with universities and expert organizations is crucial. Soliciting feedback through citizen surveys, conducting training sessions for public agencies and local government staff, hosting informational sessions regarding environmental protection for state agencies and citizens, and establishing a panel of CSR ambassadors—comprising well-known figures—to disseminate information about CSR's significance are essential measures.
- Facilitating the implementation of CSR practices necessitates the **exchange of best practices among organizations**. Organizing CSR competitions is instrumental in promoting the sharing of these best practices. The state should actively encourage and participate in such competitions, possibly granting accolades to winning companies directly from state political figures, thereby underscoring the competitions' significance. State agencies and state-owned enterprises should lead by example, demonstrating best practices for private companies to emulate and implement CSR standards. Given that the state is the largest employer in Georgia, setting a precedent for CSR implementation, particularly concerning labor rights protection, holds paramount importance.

Moreover, establishing online platforms where both Georgian and foreign companies can share their experiences would further enrich the dissemination of CSR best practices.

- The realm of **sustainability transparency and sustainability reporting** in Georgia's private sector lags behind. Gradual development in this domain necessitates determining the companies where sustainability reporting should be obligatory. A country action plan for sustainability reporting should be developed and introduced. Supporting the private sector in this endeavor involves crafting a sustainable development reporting guidelines aligned with international standards. Furthermore, assisting companies in honing relevant skills and competencies becomes essential for successful implementation. Considering Georgia's commitment under the EU Association Agreement to approximate its institutions and policies with those of the EU, it would be necessary to ensure that the country action plan introduces the required actions, resources, and timelines for adoption of the requirements of the recent EU Corporate Sustainability Reporting Directive, as well as the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). It is important to note that non-EU companies will also have to follow the new rules. Namely, non-EU companies with substantial activity in the EU market will have to follow equivalent reporting rules.
- At the state level in Georgia, there exists no mandate for **introducing sustainability due diligence mechanisms** aimed at evaluating and managing the adverse impacts of companies' activities, except within the financial sector. Promoting the proliferation of this mechanism within the country entails formulating a voluntary system and guidelines for companies to assess and manage negative impacts in adherence to international and EU standards, especially in initial stages. Crafting an appropriate regulatory framework specifically targeting large companies operating in high-impact sectors like mineral extraction and agriculture becomes pertinent.
- **Fostering the adoption of international standards of corporate social responsibility within Georgia** underscores several key points identified through an exploration of international practices. First, setting an example for private companies by incorporating international standards in state enterprises emerges as crucial. Second, considering the feasibility of implementing the Extractive Industries Transparency Initiative (EITI) standard for companies involved in mineral resource extraction within Georgia while identifying high-risk sectors is imperative. Finally, ensuring Georgia's accession to the OECD guidelines for multinational enterprises remains an essential step in aligning with international CSR norms.

I. Introduction

Corporate social responsibility (CSR) and sustainability hold immeasurable significance in the contemporary world, bearing crucial weight for both corporate operations and nations striving towards sustainable development objectives while confronting global challenges.

Within Georgia, the lineage of corporate social responsibility, defined as the obligation of businesses to society, boasts a lengthy heritage. Predating the formal terminology and conceptualization, Georgian entrepreneurs during the 19th century made multifaceted and pivotal contributions to societal progress and issue resolution.

Regrettably, this tradition was disrupted by the Soviet occupation and the suppression of private sector. Since the conclusion of the 20th century, coinciding with Georgia's restoration of independence and the reinvigoration of business activities, corporate responsibility has been vigorously and dynamically solidifying its presence within the nation. Georgian enterprises are increasingly endeavoring to align their operations with international business standards and embrace the ethos of corporate responsibility.

In the modern sense, corporate social responsibility is the company's responsibility for the impact that its decisions and activities have on the natural environment, economic systems and people, that is, on its own employees, customers, suppliers, partners, local communities and society in general.. It hinges on stringent adherence to legal frameworks and entails businesses voluntarily assuming greater responsibilities than mandated by law, while also conforming to loftier international benchmarks delineating responsible and sustainable business conduct.¹

¹ This definition is grounded in the criteria outlined by leading international bodies and standards, including those established by the European Commission, the ISO 26000 Corporate Social Responsibility (CSR) standard, the United Nations, and the OECD.

The foundational facets of corporate social responsibility encompass several key domains: safeguarding human rights, fostering responsible relationships with employees and upholding labor rights, environmental protection, bolstering community welfare, safeguarding consumer rights and ensuring responsible consumer relations, promoting sustainable supply chain management, combating corruption, upholding business ethics, advocating for robust corporate governance, facilitating stakeholder engagement, ensuring transparency, and comprehensive reporting.

Simultaneously, the evolving societal landscape introduces fresh challenges and requisites that impel businesses to adapt, thereby ushering in new themes and concerns under the purview of corporate responsibility.

Due to its intricate and multifaceted nature, corporate responsibility holds the potential to contribute significantly to development and issue resolution across diverse domains.

For companies, embracing corporate responsibility yields manifold benefits. These include improved reputation and public trust, heightened appeal to both customers and prospective employees, improved access to financial resources, adept risk management, competitive edge, and access to new markets. Ultimately, these facets culminate in bolstering individual company success and financial performance, while also fostering economic development within the nation and addressing extensive regional and global challenges.

At the national level, fostering responsible and sustainable business practices is regarded as pivotal in promoting sustainable and inclusive economic growth within a country. This approach not only augments societal well-being by more effectively addressing social and environmental challenges but also bolsters the nation's competitiveness and allure for international investment.

The integral role of the private sector in attaining the Sustainable Development Goals is widely acknowledged, emphasizing that these goals hinge significantly on corporate engagement and responsibility.

Consequently, nurturing the advancement of CSR holds relevance and significance across all societal domains. While the private sector assumes a leading role in this trajectory, active involvement from other stakeholders—civil and international organizations, business associations, trade unions, consumers, and national governments—is imperative. Their concerted efforts and facilitation of initiatives create an enabling environment for the cultivation of corporate responsibility.

National governments have a major role to play in supporting corporate responsibility. Thoughtfully crafted government policies and initiatives significantly aid the development of responsible business practices within a country. Hence, governments worldwide are actively steering initiatives in this direction. Many countries have formulated state policies advocating CSR, devised comprehensive strategies and action plans, and established various governmental agencies, specialized committees, and councils to oversee and coordinate CSR-related matters.

As Georgia strides towards accelerated European integration, aligning the endeavors of Georgian companies with European standards assumes paramount importance, where corporate responsibility and sustainability take center stage. Hence, advocating for the development of corporate social responsibility at the state level emerges as a critical agenda. It is important for the state to formulate unified policies, regulations, and initiatives that incentivize the integration of sustainability considerations into private sector operations while fostering the adoption of appropriate standards.

The primary objective of this document is to delineate the key initiatives aimed at advancing corporate social responsibility (CSR) in Georgia and to provide recommendations to the Government of Georgia.

The formulation of this document entailed a long and complex process, steered under the guidance and coordination of the Center for Strategic Research and Development of Georgia (CSRDG). A team comprising both Georgian and European experts led this endeavor, deliberately adopting an interdisciplinary approach. The working group comprised specialists proficient in economics, law, corporate responsibility, and sustainability. The group considered perspectives from Georgia, Eastern Europe, and Western Europe, fostering a comprehensive outlook.

To ensure this document wasn't solely a product of desk research, it was imperative to actively engage key stakeholders and conduct

extensive consultations. In line with global best practices, the CSRDG initiated the establishment of the "CSR Stakeholder Forum" in 2022, facilitating inclusive participation and collaboration among relevant stakeholders.

Members of the Working Group:

***Papava Giorgi**, Lead Economist and Head of Private Sector Development Research Center at ISET Policy Institute*

***Davit Maisuradze**, Associate Professor, Director of Corporate and Commercial Centre at Ilia State University*

***Catherine Heaney**, Chair of DHR Communications, Former Chairperson of the CSR Stakeholder Forum Ireland,*

***Audronė Alijošiūtė-Paulauskienė**, Lithuanian Responsible Business Association (LAVA), Board member; Novaturas group, Sustainability Manager*

***Lela Khoperia**, Center for Strategic Research and Development of Georgia (CSRDG), Head of the Program on Promoting Corporate Social Responsibility*

The Stakeholders Forum for Corporate Social Responsibility and Sustainability (CSR)

The CSR Stakeholders Forum is a vision-driven, independent, informal, voluntary initiative that brings together numerous stakeholders and creates a platform for dialogue and cooperation on issues related to policy and practice of Corporate Social Responsibility.

Currently the Forum brings together multiple stakeholders from private, civil, and public sectors such as: civil and international organizations, business associations, private sector representatives, educational/academic establishments, employee unions, public law legal entities, and government agencies.

The Forum's mission is to contribute to multi-stakeholder dialogue on CSR and promote CSR-enabling policy and an institutional environment to facilitate Georgia's sustainable development and European integration.

In line with this mission, the Forum has following objectives:

1. Contribute to the creation and implementation of framework policies that support CSR through multi-stakeholder dialogue and close cooperation with government agencies.
2. Foster implementation of international standards on responsible business conduct and corporate sustainability at the national level.
3. Encourage business involvement in fulfilling national agenda on Sustainable Development Goals (SDGs).
4. Foster stakeholder dialogue and cooperation on CSR issues.
5. Facilitate a national-level acknowledgement of the importance of responsible business operations for sustainable development of the country and its European integration.
6. Raise awareness of CSR initiatives and best practices in Georgia.

The establishment of multi-stakeholder advisory bodies on CSR policy issues is a widely adopted practice in Western developed countries, particularly within the European Union. Tripartite consultative bodies focusing on corporate responsibility, comprising representatives from the private, civil, and public sectors, have been instituted in various years across Germany, Ireland, Denmark, the Czech Republic, Spain, France, and Canada.

The experience of Ireland holds particular significance and proves to be applicable to the Georgian context, a country that, despite its many differences, shares commonalities with Ireland. Both nations are relatively small countries situated on the periphery of Europe, relying on international relationships with markets and investors to sustain economic growth. Ireland has witnessed noteworthy economic expansion and development in recent decades. The Irish CSR Stakeholder Forum served as a foundational model for the Georgian

Forum, with due consideration given to the experiences of other European countries, alongside the unique nuances of the Georgian context.

See more about CSR Stakeholders Forum at: <https://csrgeorgia.com/en/csr-forum?>

The expert working group, in collaboration with the CSR Stakeholder Forum, dedicated a year to crafting this document, conducting workshops and consultations. The resulting insights, recommendations, and perspectives gathered from these interactions are comprehensively incorporated within this paper. Consequently, the document endeavors to encapsulate and represent the vision and standpoint of all interested parties in Georgia to the fullest extent feasible.

This paper undertakes an extensive examination, encompassing an assessment of the policy and overarching trends within the European Union, alongside a review of the diverse experiences of individual European nations in advancing and nurturing corporate responsibility at a national level. Additionally, it delves into Georgia's socio-economic landscape and strategic objectives, scrutinizing both ongoing initiatives and those implemented in the realm of corporate responsibility within the country. Drawing from this analysis, it presents holistic recommendations tailored for the Georgian government, outlining policies and measures to fortify corporate responsibility, while accentuating the roles of other stakeholders such as educational institutions, business associations, representatives from the private sector, and civil organizations.

Functioning as a roadmap, this document aims to guide the Georgian government and all concerned parties toward the trajectory of corporate social responsibility development. Its intent is to serve as the foundational groundwork upon which the Government of Georgia can construct a unified policy, a definitive strategy, and an actionable plan supporting corporate social responsibility.

This document has been developed with the support of the European Union and the Konrad-Adenauer-Stiftung through the "Civil Society STAR Initiative: CSOs as Sustainable, Transparent, Accountable and Resilient Development Actors in Georgia" project. The initiative was initiated and coordinated by the Centre for Strategic Research and Development of Georgia.

II. Global and Local Context for Corporate Social Responsibility

1. What is Corporate Social Responsibility?

Corporate social responsibility (CSR) is a concept that originated in the mid-20th century and refers to the responsibilities that companies have to their stakeholders beyond maximising profits. While there is no one agreed-upon definition of CSR, it generally refers to how a company's considers the social, environmental, and economic impacts of its activities and to act in the best interests of its stakeholders, including employees, customers, suppliers, the community, and the environment². The period after World War II and the 1950s can be considered a time of adaptation and changing attitudes towards the discussion of corporate social responsibility. There were also times when few corporate actions went beyond philanthropic activities³. However, more recent definitions have expanded to include various activities, such as ethical business practices, environmental sustainability, and social justice⁴.

CSR frameworks can define the culture of an organisation: their impacts tend to be felt and understood within an organisation or community. CSR impacts are not always measured, and seldom viewed as drivers for profits and investment. CSR activities go beyond compliance and address the deeper needs of employees and the wider community. As such, engagement on CSR programmes can drive employee motivation and commitment, creating an internal culture of social and environmental awareness.

It is important to distinguish CSR from another term getting much global attention - an environmental, social, and governance (ESG) framework. ESG refers to a set of criteria that investors use to evaluate companies on sustainability and societal impact factors. Critically, ESG is metrics driven using targets – in such areas as carbon reduction and equality, diversity, and inclusion (EDI) statistics - in annual reporting. Flammer finds that 75% of the largest asset managers in the world now consider ESG factors

² Carroll, A. B., The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 1991, 34(4), 39-48

³ Carroll, A.B. A History of Corporate Social Responsibility: Concepts and Practices, In book: *The Oxford Handbook of Corporate Social Responsibility* Chapter 2, 2008

⁴ Banerjee, S. B., Iyer, E. S., & Kashyap, R. K. (2008). Corporate social responsibility: A review and conceptual framework. *Journal of business ethics*, 87(S1), 129-143

in their investment process.⁵ ESG investing has gained popularity in the European Union due to several factors, such as growing awareness among investors that environmental and social factors significantly impact a company's financial performance. Also, the EU has been taking steps to integrate sustainability into its financial system through various regulations that will be discussed later.

CSR and ESG are similar, but different, frameworks. They can be used together as strategies to create a more responsible and sustainable business. CSR can be used to build awareness and highlight goals within a business and is a more qualitative measurement. At the same time, ESG provides metrics that can instill confidence in investors and the broader market. Therefore, environmental, social and governance references are commonly used when companies incorporate CSR activities into their business processes. This interplay between CSR and ESG has resulted in some variation in the terminology used to describe these frameworks. The OECD uses the term "responsible business conduct" while terms such as responsible business and sustainable business are used interchangeably. Regardless of what language is used, linking CSR with ESG reporting, is the likely trajectory for responsible business development into the future.

2. Why CSR is important and its benefits for the states/societies, companies

First of all, corporate social responsibility benefits the government and society at large. CSR can help to address social and environmental issues that governments may not have the resources or expertise to tackle alone.

This highly correlates to sustainable development – the term coined in Brundtland Report in 1987. It defined sustainable development as "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs"⁶. Later the term was institutionalised in the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992.

Kolk argues that CSR can play a critical role in promoting sustainable development, whose sole purpose is to benefit society and the environment.⁷ For example, companies can invest in renewable energy, reduce their carbon footprint, and promote sustainable supply chain practices, all of which can help to address climate change and reduce environmental degradation. In addition, companies can engage in socially responsible activities, such as investing in education and healthcare, supporting local communities, promoting human rights, enabling ethical business practices, and empowering women, all of which contribute to social and economic development.

⁵ Flammer, C. (2017). Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach. *Management Science*, 63(11), 3570-3584

⁶ World Commission on Environment and Development. (1987). *Our Common Future*. Oxford University Press

⁷ Kolk, A. (2016). The social responsibility of international business: From ethics and the environment to CSR and sustainable development. *Journal of World Business*, 51(1), 23-34

The Sustainable Development Goals and CSR

The UN Sustainable Development Goals (SDGs) were adopted by 193 countries in 2015 to end poverty; protect the planet; and ensure prosperity across the globe through a new, sustainable development approach.

While signed by governments, the goals depend on business and civil society to work collaboratively to achieve the 169 targets that underpin the SDGs.

CSR has been identified by individual companies as a framework through which they can support the attainment of the SDG targets, with many opting to focus on a small number of goals to inform the direction of their CSR approach. Meanwhile, some governments have aligned national CSR plans around the SDGs: In India, national CSR regulations have been put in place to support the delivery of the SDGs.⁸

The UN Global Compact,⁹ whose objective is to drive business awareness and action on the SDGs, has a global membership of 13,000 companies who are required to support promotion of the SDGs through their business activities.

However, CSR is important for companies themselves. Companies can build trust and credibility with customers, investors, staff and other stakeholders by adopting responsible business practices. This can help to reduce risk and increase savings especially related to environmental impacts¹⁰, support in attraction and retaining of talents, especially younger, environmentally conscious generation¹¹, also spur innovation¹², develop positive brand image and consumer trust¹³.

Increasingly, CSR is being used within public service organisations to drive compliance with SDG and the EU's 2030 Climate Target Plan.¹⁴ Green procurement and strengthened Equality, Diversity and Inclusion (EDI) policies in the workplace are among the areas where public services have used the CSR framework to move beyond compliance.

⁸ KPMG. GC Network India, [Sustainable Development Goals \(SDGs\): Leveraging CSR to achieve SDGs](#). First Sustainable Development Goals (SDGs) Summit 2017

⁹ <https://unglobalcompact.org/participation>

¹⁰ Burritt, R. L., & Schaltegger, S. (2019). Sustainable entrepreneurship and accounting: A synthesis. *Accounting, Auditing & Accountability Journal*, 32(5), 1295-1329

¹¹ Luo, X., & Bhattacharya, C. B. (2019). Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing*, 83(5), 1-20

¹² Fassin, Y., Van Rossem, A., & Buelens, M. (2015). Small-business owner-managers' perceptions of business ethics and CSR-related concepts. *Journal of Business Ethics*, 127(3), 531-545.

¹³ Kim, Y., Lee, H., & Noh, M. (2015). The impact of corporate social responsibility on consumer trust: The case of organic food. *Journal of Food Products Marketing*, 21(6), 683-697

¹⁴ EU Commission website: [Delivering the European Green Deal](#)

3. Brief overview of the European and global context regarding CSR

The EU has been at the forefront of promoting CSR through its policies and initiatives. In 2011, the EU published a renewed strategy for CSR to harmonise and elevate CSR practice across member states. Under this plan, each member state was invited to produce national CSR action plans.

Since then, the EU has produced a range of additional policy instruments to embed CSR practice, including the EU Sustainable Finance Taxonomy, the EU Green Deal, and the Corporate Sustainability Reporting Directive. In June 2023, the European Parliament passed the Corporate Sustainability Due Diligence Directive which is the most far-reaching EU policy on CSR. Under this directive companies will be required to establish due diligence procedures to address adverse impacts of their actions on human rights and the environment, including along their value chains worldwide.

These policies encourage companies to adopt environmentally sustainable and socially-responsible practices and disclose their performance to stakeholders. The European context of CSR is also characterised by strong stakeholder engagement, with companies seeking to involve stakeholders in their decision-making processes. This approach is based on the recognition that stakeholders significantly impact the company's operations and, therefore, must be involved in shaping its CSR policies. Moreover, European businesses are often subject to pressure from civil society, investors, and regulators to adopt CSR practices. This pressure has led to the adoption of CSR policies, such as supply chain management, environmental management, and employee rights. The EU recognises the link between business and human rights, and in promoting CSR, it endorses the UN's Guiding Principles on Business and Human Rights. These principles were adopted by the UN Human Rights Council in 2011 and state that business enterprises are specialised organs of society, which requires them to comply with all applicable laws and to respect human rights.

Meanwhile, CSR practices in Asia are often driven by the need to comply with regulations and avoid reputational risks rather than a desire to be socially responsible¹⁵. According to Shetty, CSR is still in its early stages in Asia, with many businesses lacking a clear understanding of its benefits.¹⁶ However, there is evidence that CSR practices in Asia are improving. Many companies now realise the benefits of CSR, including increased customer loyalty, improved employee morale, and enhanced reputation. Moreover, regional governments are beginning to introduce policies and regulations promoting CSR, such as the Thai government's "Sufficiency Economy" approach, which encourages businesses to adopt sustainable practices.¹⁷

¹⁵ Masuda, A. D., Takahashi, R., & Hashimoto, H. (2020). Drivers of corporate social responsibility activities in Japan: A comparison between large and small- and medium-sized enterprises. *Corporate Social Responsibility and Environmental Management*, 27(6), 2652-2665

¹⁶ Shetty, A. (2016). Corporate social responsibility in Asia: A systematic review of the literature. *Journal of Management and Sustainability*, 6(3), 51-64

¹⁷ Ritthiruangdej, P. (2018). Corporate social responsibility practices in Thailand: A content analysis of company websites. *Kasetsart Journal of Social Sciences*, 39(2), 225-232

In North America, CSR practices are largely driven by market forces and stakeholder pressure, rather than government regulation. Companies in North America are increasingly adopting CSR practices as a means of differentiating themselves in a highly competitive market. According to a study by the Harvard Business Review, 20% of Fortune 500 companies had a chief sustainability officer in 2020, up from just 2% in 2004. The American context of CSR is characterised by a focus on shareholder value, with many companies regarding CSR as a means of improving their financial performance. This mainly translates through environmental, social and governance (ESG) ratings and investments. This approach has focused on CSR initiatives with a clear financial return, such as energy efficiency and waste reduction.

According to a survey by KPMG¹⁸ (2020), 87% of the largest European companies report on their CSR performance, compared to 78% in North America and 53% in Asia. The discrepancy between countries is closely linked to development and regulation. Richard Welford's research "Corporate Social Responsibility in Europe, North America and Asia"¹⁹ exposed noteworthy links between culture and CSR policies. CSR-related policies are often found in countries with social democratic traditions, such as Germany, Norway and Canada. He also discovered connections between CSR and economic development - the more developed the country, the likelier it is to engage in CSR policies. This phenomenon is still clearly visible in the current post-pandemic world.

Case study: CSR in the Baltic States and Eastern Europe Partnership countries

The United Nations (UN) played a significant role in the introduction and promotion of corporate social responsibility (CSR) in the Baltic States. The CSR concept was introduced through the UN Global Compact in the early 2000s. In Estonia, the Responsible Business Forum in Estonia (RBF) was formed in 2005, and in Lithuania, the National Responsible Business Network was formed in 2004. These informal networks aimed to discuss the adoption of values that support CSR goals and to participate in UN Global Compact activities. These networks later became formal organizations. In Latvia, a memorandum on the principles of CSR in Latvia was signed in 2010 by the initiative of the Employers Confederation of Latvia (LDDK), and the LDDK established a CSR platform.

With the support of EU funds, all Baltic States developed National Action Plans (NAPs) to promote CSR since 2008. These NAPs aimed to enhance competitiveness, improve civil governance, and complement public social and environmental policies by ensuring the benefits of business entities. The NAPs included the following actions:

- Disseminating best CSR practices
- Developing learning and training activities on CSR for businesses

¹⁸ KPMG. [Sustainable Insight: The Corporate Reporting Landscape](#), 2020.

¹⁹ Welford, R. (2004). Corporate social responsibility in Europe, North America and Asia: 2004 survey results. Business for Social Responsibility

- Establishing a CSR award scheme
- Raising awareness of CSR

These actions were a precondition for businesses to develop their CSR capacities and report on their achievements. The role of the government was essential in managing these funds and cooperating with stakeholders.

An assessment of the political-regulatory, economic, and social environment, as well as the policies in place to promote CSR, indicated that the Baltic States are advancing in the right direction. It is important to stress that local CSR networks have also played an important role in raising awareness of CSR and building a CSR community network, as well as cooperating with national governments for the development and implementation of NAPs²⁰. These networks, such as CSR Latvia, the Responsible Business Forum in Estonia, and the Lithuanian Sustainable Business Association, play an important role in the sustainable development of businesses in the Baltic states. These organizations are the most important and relevant stakeholders for the discussion with government on regulatory developments in 2023 when the transposition of the EU Directive on Corporate Sustainability Reporting (CSRD) takes place.

In 2021, CSR became an increasingly important issue for businesses worldwide. The COVID-19 pandemic has highlighted CSR's importance in all those regions. Many companies are called upon to support their employees, customers, and communities during the crisis. Moreover, the growing concern over climate change and social inequality has pressured companies to adopt sustainable and socially responsible practices.

Governments worldwide are taking steps to address global threats and issues through regulations and policy initiatives. For example, the European Union, USA, and Australia have set a target of net-zero greenhouse gas emissions by 2050, China has pledged to become carbon-neutral by 2060. Such pledges translate to other regulations and pressures for businesses to adapt to the changing environment. However, many more regulations and initiatives govern CSR actions.

²⁰ [Assessment of corporate social responsibility performance and state promotion policies : a case study of the Baltic states. Journal of business economics and management.](#) - Vilnius : VTGU Publ. House "Technika", ISSN 2029-4433, ZDB-ID 2400520-4. - Vol. 21.2020, 4, p. 1203-1224.

4. Main developments, trends and standards concerning CSR

Corporate sustainability reporting has gained immense importance in recent years as more stakeholders demand robust and reliable reporting frameworks.

EU law requires all large companies and listed companies (except listed micro-enterprises) to disclose information on their risks and opportunities arising from social and environmental issues and the impacts of their activities on people and the environment.

On 21 April 2021, European Parliament put forward a Proposal for a Corporate Sustainability Reporting Directive (CSRD), amending the Non-Financial Reporting Directive (NFRD). The CSRD is shaping the European sustainability reporting framework by proposing the creation of European Sustainability Reporting Standards (ESRS). On 5 January 2023, the Corporate Sustainability Reporting Directive entered into force and will strengthen the rules about the social and environmental information companies have to report. A broader set of large companies and listed SMEs will now be required to report on sustainability – approximately 50 000 companies in total on topics such as climate change, pollution, biodiversity, workforce, communities, end users, business conduct etc. It is important to note that external reporting (auditing) evaluation will be required. The CSRD and the ESRS together will allow for the first time to have sustainability and financial reporting on an equal footing, inviting entities to move beyond compliance in the European Union.

Another regulation is related to green (sustainable investments), which are gaining momentum in the EU. Sustainable Finance Disclosure Regulation (SFDR) governs market participants and their actions to disclose ESG aspects of their investments. It came into force in March 2021 to address the issue of greenwashing and ensure that financial market participants disclose information on the sustainability aspects of their investments. The SFDR applies to various financial market participants, including investment managers, investment advisers, and insurance and pension providers. It requires financial market participants to disclose information on the environmental, social, and governance (ESG) factors of their investments and how they integrate ESG risks into their investment decision-making processes.

Another important regulation is EU Taxonomy, which defines a minimum criterion for environmentally sustainable economic activities. It came into effect in July 2020, providing a classification system for sustainable economic activities to guide investment towards environmentally sustainable projects. It applies to companies in the EU and financial market participants who must disclose the proportion of their investments that align with the taxonomy. The taxonomy is important because it creates a common language and framework for sustainable investment, which helps to increase transparency, reduce greenwashing, and promote sustainable economic growth.

EU instruments to support CSR

Instrument	What it means
<p>Directive on corporate sustainability due diligence</p>	<p>On 23 February 2022, the European Commission adopted a proposal for a Directive on corporate sustainability due diligence. The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance. The new rules will require businesses to address adverse impacts of their actions, including in their value chains inside and outside Europe.</p> <p>The core elements of this duty are identifying, bringing to an end, preventing, mitigating and accounting for negative human rights and environmental impacts in the company's own operations, their subsidiaries and their value chains. In addition, certain large companies need to have a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement. Directors are incentivised to contribute to sustainability and climate change mitigation goals.</p> <p>The Directive was approved by the European Parliament and will become applicable to EU member states. The Directive will apply to all EU large companies, as well as large non-EU companies that are active in the single market.</p> <p>Full details: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en</p>
<p>Corporate Sustainability Reporting Directive</p>	<p>On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. This new directive modernises and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability.</p> <p>The new rules give investors and other stakeholders access to the information they need to assess investment risks arising from climate change and other sustainability issues. The rules are also</p>

	<p>expected to create a culture of transparency about the impact of companies on people and the environment. Companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.</p> <p>Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS). The draft standards are developed by the <u>EFRAG, previously known as the European Financial Reporting Advisory Group</u>, an independent body bringing together various stakeholders. The standards will be tailored to EU policies, while building on and contributing to international standardisation initiatives.</p> <p>Full details: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en</p>
<p>European Green Deal</p>	<p>The European Green Deal set the blueprint for this transformational change.</p> <p>All 27 EU Member States committed to turning the EU into the first climate neutral continent by 2050. To get there, they pledged to reduce emissions by at least 55% by 2030.</p> <p>Full details: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en</p>
<p>Taxonomy Regulation</p>	<p>The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes the basis for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.</p> <p>The publication of the first delegated act was accompanied by the adoption of a Commission Communication on ‘EU taxonomy, corporate sustainability reporting, sustainability preferences and fiduciary duties: Directing finance towards the European green</p>

deal that aimed at delivering key messages on how the sustainable finance toolbox facilitates access to finance for the transition.

A Delegated Act supplementing Article 8 of the Taxonomy Regulation was published in the Official Journal on 10 December 2021 and is applicable since January 2022. This delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.

On 9 March 2022, the Commission adopted a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. It was published in the Official Journal on 15 July 2022 and will apply as of January 2023. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future. The complementary delegated act builds on the Commission Communication referred to above and on the assessment of nuclear energy mentioned below.

The European Union's regulatory developments indicate a global trend towards promoting corporate sustainability and guiding investment towards sustainable economic activities. By requiring companies and financial market participants to disclose information on their social and environmental impacts, these regulations aim to increase transparency and reduce greenwashing, ultimately promoting sustainable practices and informed investment decisions. Creating European Sustainability Reporting Standards (ESRS) and the taxonomy for sustainable economic activities will provide a common language and framework for sustainable investment. The full-scale effects of these regulations will take a few years to show fully; however, many businesses operating in the EU that were unfamiliar with CSR are starting to learn about its importance.

Summary list of European and Global policy frameworks for CSR

- [A renewed EU strategy 2011-14 for corporate social responsibility](#)
- [Action plan on human rights and democracy \(2015-2019\)](#)
- [Communication on the next steps for a sustainable European Future](#)
- [Reflection paper: towards a sustainable Europe by 2030](#)
- [Directive 2014/95/EU on non-financial reporting](#)
- [United Nations global compact](#)
- [United Nations guiding principles on business and human Rights](#)
- [UN 2030 agenda for sustainable development](#)
- [ISO 26000 guidance standard on social responsibility](#)
- [OECD guidelines for multinational enterprises](#)
- [OECD due diligence guidance for responsible business conduct](#)
- [Social policy principles for multinational enterprises](#) by the International Labour Organisation

5. CSR at a national and organisational levels

While, increasingly, CSR practice and ESG reporting will be influenced by legislative requirements, mostly emanating from the EU, governments – throughout the globe – have, in some shape of form, developed policies and objectives to encourage more responsible business. Within the European Union, many member states have developed CSR action plans, while in countries, such as India, legislation has been used as a policy instrument.

In the main, national policies have used the ‘carrot rather than stick’ approach to CSR engagement. Sharing best practice, encouraging the development of CSR networks and creating an enabling environment for CSR – through education and awareness – have dominated the government-led CSR approach. Award programmes to call-out companies performing well in the CSR space, as well as voluntary CSR qualifying standards have emerged, some of which are supported by governments.

Case Study: The development of a CSR infrastructure in Ireland

Ireland's CSR infrastructure was established in response to the EU's 2011 strategy for CSR, which set about aligning European and global approaches to CSR. This strategy stressed the importance of enhancing the visibility of CSR and disseminating good practices, through the integration of CSR into education, training, and research. Under this strategy, the EU invited Member States to develop their own plans and priority actions to promote CSR, with reference to internationally recognised CSR principles and guidelines and in cooperation with enterprises and other stakeholders.

In its 2013 Action Plan for Jobs, the Irish Government undertook to develop and publish a National Plan on Corporate Social Responsibility. The First National Plan 'Good for Business, Good for the Community' was published in 2014. This plan set out the general framework for CSR in Ireland; how CSR can contribute positively to a company's business; and outlined the key principles and objectives which underpinned the Government's approach to CSR. The plan represented a milestone in raising the profile of CSR in Ireland.

Ireland's second CSR action plan was published in June 2017. 'Towards Responsible Business' Ireland's set out over seventeen actions across four goals: (i) awareness (ii) access (iii) support; and (iv) policy alignment. Underpinning the plan was an ambition for Ireland to be recognised as a 'centre of Excellence for responsible and sustainable business practice through the adoption of best practice in CSR'. The plan, and its ambition, was developed following extensive consultation with key business stakeholders, business representative organisations and relevant government departments and agencies.

To accompany both the 2014 and 2017 plans, the Irish Government established the CSR Stakeholder Forum to help drive the implementation of the national plans.

The CSR Stakeholder Forum has acted as a business-led, voluntary body with representatives from business, civil society and government. The chairperson is appointed by the minister with responsibility for enterprise / business. The primary goal of the forum has been to raise awareness of CSR and grow CSR activity within business in Ireland, working in partnership with business, civil society and government to deliver on the actions of the National Plan.

Over two terms, Ireland's CSR forum has delivered the following:

- Development of the csrhub.ie website as a dedicated national CSR resource, supported by an active social media presence to highlight good CSR practice.
- The development of a panel of active CSR ambassadors within the business community.
- Collation of almost 100 best practice case studies from the private and public sectors.
- Establishment of a CSR Annual CEO/Leaders' Breakfast event

- Promotion of CSR peer learning amongst businesses through SME outreach events.
- Establishment of a Public Sector CSR Network.
- Establishment of the virtual CSR Network for businesses and organisations interested in CSR and the Forum’s work.
- Promotion of opportunities for the private and public sector to partner on impactful initiatives that align with public policy.

While Ireland did commence work on a new CSR plan for 2021 onwards, consultation work was halted due to the pandemic.

In 2023, following the commencement of the EU’s Corporate Social Responsibility Directive, a national consultation commenced on how business can be supported. Furthermore, a new ‘Responsible Business’ initiative has been launched, including national outreach and a communications programme. The precise shape of new CSR forum to be determined, based on needs of business as compliance accelerates.

As is often the case, business have developed ahead of government policy. Those who are most impacted by the EU’s directives and instruments to promote CSR and ESG already have clear systems in place for sustainable practice and associated reporting. The models for developing and reporting CSR vary, but ultimately, successful approaches are built on a ‘systems approach’ whereby actions are connected across the business, and no action causes another to fail or to produce unforeseen economic or social harms. A systems approach enable joined up thinking and limit overlap or counterproductive actions. To achieve a systems approach, business must consider its diverse and multiple stakeholders. The Nesting Hierarchy of Systems²¹ is a useful tool through which business can identify and prioritise stakeholder engagement, and impacts.

The following offers a summary of the broad frameworks that can inform systems approaches to CSR:

Sustainable Development Goals:

Since their launch in 2015, the Sustainable Development Goals are the KPIs for the planet to 2030, and they position business as a vital partner to achieving sustainable development. The Goals offer business with framework to inform the design, delivery and communication of their sustainable and responsible business practices.

As already highlighted in this document, many businesses focus on specific goals that are impacted or are central to their business model.

²¹ Thatcher, A and Yeow P. Human factors for a sustainable future, 2016

Graphic 1:



The Doughnut Model

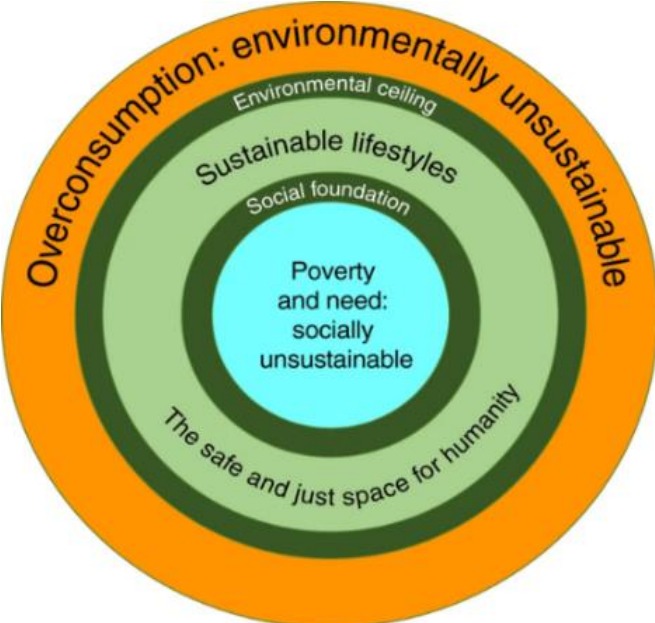
The SDGs provide an extremely broad canvass in which to consider sustainability. Therefore, at a macro level, the doughnut economic model²² offers a model for business to situate their development, considering the Global Goals.²³ Unlike circular economy model²⁴, a key consideration of doughnut economics is the place of humanity in the execution of activity.

²² Deal. DEAL. (n.d.). Retrieved March 13, 2023, from <https://doughnuteconomics.org/>.

²³ Raworth, K., A Safe and Just Space for Humanity Oxfam Discussion Paper, February 2012

²⁴ Agency, E. P. (n.d.). *The circular economy*. Environmental Protection Agency. Retrieved March 13, 2023, from <https://www.epa.ie/environment-and-you/circular-economy/>.

Graphic 2:



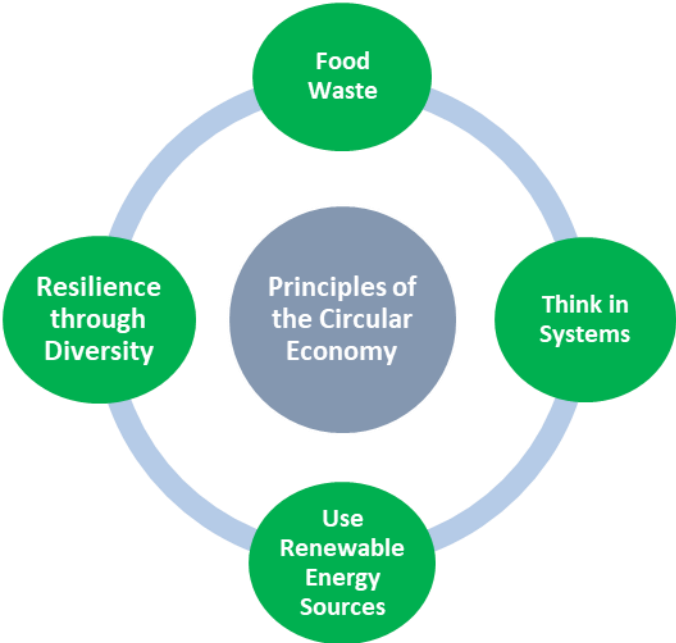
In assessing responsible practice in the context of the doughnut model, actions that fall outside the green doughnut are those requiring significant transformation to ensure that social foundations and economic ceilings are not overstepped.

Visualising sustainability at through the doughnut economic model can demonstrate how certain actions, even those aligned with the SDGs, if viewed in isolation might have negative consequences for another aspect of sustainability.

Circular Economy

The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended. In practice, it implies reducing waste to a minimum. The model is popular in food production and food retail sectors.

Graphic 3:

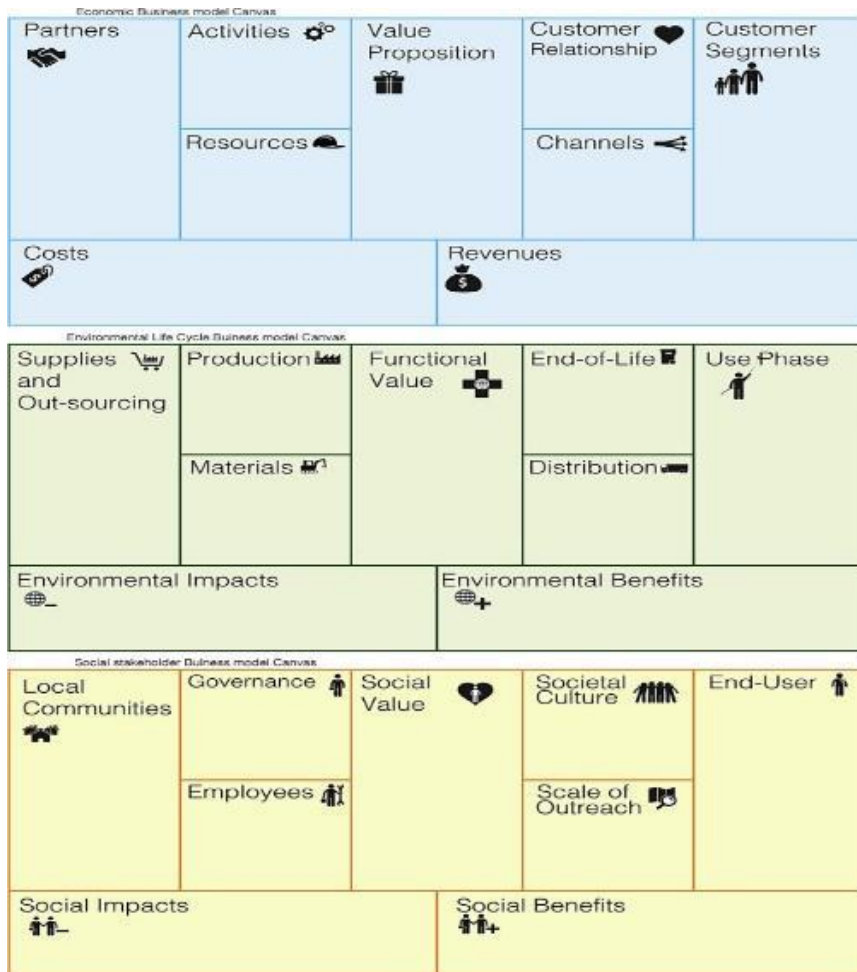


Triple layer Model

The approach extends the original business model canvas by adding two layers: an environmental layer based on a lifecycle perspective and a social layer based on a stakeholder perspective. When taken together, the three layers of the business model make more explicit how a business generates multiple types of value – economic, environmental and social. Visually representing a business model through this canvas tool supports developing and communicating a more holistic and integrated view of a business model; which also supports creatively innovating towards more sustainable business models and measurement.²⁵

²⁵ YouTube. (2020, February 12). *5.2 dr. Steve Kennedy: Triple layered business model canvas*. YouTube. Retrieved March 14, 2023, from <https://www.youtube.com/watch?v=DpnbqBD8bVA>.

Graphic 4:



6. Georgian Context for CSR

In Georgia, the concept of corporate social responsibility (CSR) is relatively new. Despite the efforts of civil society organizations to research and advocate for its implementation over the years, there remains insufficient knowledge about CSR and its positive effects both within society and business organizations.

In the case of Georgia, it can be observed that the state lacks a unified policy for implementing CSR standards. While individual activities undertaken by the government align with CSR topics, there is no centralized coordination for CSR implementation. For instance, in 2015, the Government of Georgia initiated the process of recognizing the UN Sustainable Development Goals (SDGs) in national policy. All 17 SDGs and 93 tasks were identified as national priorities. With the assistance of international and local experts, a matrix for the implementation of these goals was developed, outlining the tasks Georgia

should accomplish by 2030. These SDGs serve as a framework for businesses, guiding them on how to plan CSR strategies and which indicators to be accountable for.²⁶

Additionally, the Interagency Human Rights Council was established by Resolution No. 551 of the Government of Georgia on December 13, 2016. Among its tasks is the development and implementation of unified state policy for human rights protection and the creation, review, and submission of action plans for human rights protection to the government for approval.²⁷ These action plans encompass chapters addressing the interaction between human rights and business. For instance, Chapter 24 of the 2016-2017 Government Action Plan for Human Rights in Georgia focuses on business and human rights,²⁸ and Chapter 25 of the 2018-2020 action plan addresses the same topic.²⁹

The action plans outlined by the Human Rights Interagency Council encompass several key obligations. These include promoting the advancement of human rights protection and corporate social responsibility within the business sector, raising awareness, and formulating a cohesive policy on business and human rights protection, ensuring its effective implementation. Additionally, the action plans address human rights protection concerns in the state procurement process, ensuring their consideration at both incentive and mandatory levels.³⁰

Moreover, the Parliament of Georgia approved the National Human Rights Protection Strategy of Georgia (2022-2030) on March 23, 2023. This strategy aims to strengthen the legal foundation and national mechanisms supporting labour rights in accordance with international standards and the protection of human rights by enterprises to enhance social well-being.³¹

Furthermore, Georgia is actively engaged in promoting a green economy, crucial for sustainable economic development. In 2016, Georgia joined the Green Growth Declaration of the Organization for Economic Co-operation and Development (OECD).³²

The strategic document "Georgia 2020" outlined various aspects of CSR, including the protection of employee rights, the adoption of modern technologies focused on environmental preservation, and the advancement of the green economy.³³

The Association Agreement with the European Union mandates responsible business activities. Articles 231e, 239g of Chapter 13 (Trade and Sustainable Development) and Articles 348, 349i, 352 of Chapter

²⁶ For more information, please visit: <https://csrgeorgia.com/ka/csr-in-georgia/public-policy?id=0>.

²⁷ Resolution of the Government of Georgia N 551, December 13, 2016, [On Establishing Human Rights Council and Approving its Status](#), Article 3.

²⁸ Resolution of the Government of Georgia N338, July 21, 2016, [On the Approval of the Government Action Plan for the Protection of Human Rights](#).

²⁹ Government of Georgia, [Human Rights Action Plan for 2018-2020](#)

³⁰ For more information, please visit: <https://csrgeorgia.com/ka/csr-in-georgia/public-policy?id=1>.

³¹ [National Human Rights Protection Strategy of Georgia for 2022-2030](#), p. 19-22.

³² For more information, please visit: <https://csrgeorgia.com/ka/csr-in-georgia/public-policy?id=2>

³³ Resolution of the Government of Georgia N400, June 17, 2014, [on the approval of the strategy of socio-economic development of Georgia "Georgia 2020" and some related measures](#).

14 (Employment, Social Policy, and Equal Opportunities) of the Agreement address corporate responsibility issues, including environmental protection and consumer rights.³⁴

Despite these initiatives, the implementation of CSR in Georgia lacks coordination. Consequently, civil society has taken the lead, uniting businesses, the civil sector, and individual state organizations around CSR principles. Notable among these organizations is the "Center for Strategic Research and Development of Georgia" (CSRDG), which has promoted CSR in Georgia for about two decades. CSRDG has initiated programs such as Meliora, the Georgian responsible business competition, the CSR media competition "Journalists for Corporate Social Responsibility," and the Georgian Pro Bono Network. Additionally, CSRDG developed the first Georgian guide on CSR and designed a training course on CSR for universities.

In 2022, CSRDG initiated the CSR Stakeholder Forum, bringing together over 40 organizations from various sectors to facilitate dialogue and cooperation on corporate responsibility and sustainability issues.

Moreover, CSR education in Georgian universities commenced in 2011, with courses such as "Corporate Social Responsibility" offered at more than 10 universities, including Ilia State University, Ivane Javakhishvili Tbilisi State University, Caucasus University, University of Georgia, and Grigol Robakidze University. These courses cover business administration, public relations, communication, and tourism, addressing topics such as "Business Social Responsibility and Ethics," "Corporate Social Responsibility," and "Business Ethics and Corporate Social Responsibility."³⁵

Civil society initiatives, such as the Global Compact Network Georgia (GCNG), have played a significant role in advancing CSR. Established in 2006, GCNG supports the ten principles of the Global Compact and contributes to the implementation of the United Nations Development Goals in Georgia.³⁶

Furthermore, the National Bank of Georgia has introduced initiatives supporting sustainable finance since 2017, following its affiliation with the Sustainable Banking Network (SBN). The National Bank of Georgia promotes the role of the financial sector in the country's sustainable development and advocates for the development of a green, social, and sustainable finance framework. This framework emphasizes the consideration and management of social and environmental issues and related risks by financial sector and capital market participants. "Sustainable financing", according to the European Union Commission, combines two important parts: (1) channelling finances to projects that will contribute to sustainable and inclusive growth; and (2) improving financial stability by considering environmental, social and governance (ESG) factors in investment decision-making.³⁷

³⁴ See: <https://csrgeorgia.com/ka/csr-in-georgia/public-policy?id=3>.

³⁵ For more information, please visit: <https://csrgeorgia.com/ka/csr-in-georgia/csr-education-in-georgia>.

³⁶ For more information, please visit: <https://unglobalcompact.ge/msoflios-umskhvilesi-qseli-pasukhismgebliani-da-mdgradi-biznesistvis/>.

³⁷ For more information, please visit: <https://shorturl.at/fpwT5>

Legislative changes have also been implemented, such as the new law "On Public Procurement" in 2023.³⁸ This law, aligned with European legislation, will enable Georgian companies to access the European procurement market, encouraging the adoption of green and sustainable business practices. Different parts of the new law will be phased in between 2025 and 2029. Based on the decision of the EU-Georgia Association Council of 22 July 2022, the EU procurement market for contracts exceeding EUR 144,000 is also open to Georgian companies. This will provide additional motivation for Georgian companies to implement green and sustainable business practices in their activities.³⁹

Notably, the introduction of CSR is vital for small and medium-sized enterprises (SMEs). Implementing CSR in SMEs enhances their sustainability, effectiveness, and competitiveness. Research indicates that CSR implementation in small and medium-sized companies is a less costly process compared to larger corporations due to their smaller workforce and more adaptable organizational structure. In particular, small and medium-sized companies have fewer employees and it is easier for them to develop a corporate culture; Small and medium-sized businesses are creative and innovative, they have a less formal and bureaucratic organizational structure, as a result of which they can more easily and quickly adapt to changed circumstances.⁴⁰

Additionally, governance reporting, a form of non-financial reporting, has been introduced in Georgia. This reporting, as outlined in the Georgian Law "On Accounting, Reporting and Auditing," includes information essential for assessing the impact of the entity's activities on environmental protection, social issues, employment, human rights protection, and anti-corruption measures (Article 7, Clause 8 of the named law)⁴¹. While the practice of submitting reports is relatively recent, refining the reporting form and establishing uniform practices will enhance the quality of statistics and analysis.

Lastly, it is important to highlight that the Tax Code of Georgia actively encourages charitable activities, providing an additional incentive for organizations to engage in philanthropy. According to Article 9 of the Tax Code, charitable activities are explicitly excluded from the category of economic activities. Article 97, Paragraph 2 of the Tax Code specifies that organizations engaged in economic activities are subject to profit tax, except for expenses or payments related to charitable activities or grant agreements.⁴² Additionally, Article 98 (Third Prima) of the Tax Code exempts gratuitous supply of goods/services and transfer of funds, such as donations made to charities during a calendar year, from profit tax, provided it does not exceed 10 percent of net profit. Therefore, within the limits defined by the law, organizations participating in charitable activities are exempted from taxes. It is crucial to

³⁸ [Law "On Public Procurement"](#), published on 27.02.2023, Parliament of Georgia.

³⁹ For more information, please visit: https://www.eeas.europa.eu/delegations/georgia/new-business-opportunities-georgian-companies-access-eu%E2%80%99s-public-procurement_en

⁴⁰ Lela Khopheria, Elene Chkheidze, [Corporate social responsibility guide for small and medium-sized companies](#), 2018, CSRDG, p. 15.

⁴¹ Law of Georgia "[On Accounting, Reporting and Auditing](#)", Article 7, publication date 24/06/2016, Parliament of Georgia

⁴² [Tax Code of Georgia](#), Article 97.2, publication date 12/10/2010, Parliament of Georgia.

emphasize that organizations must allocate financial resources to qualified charitable organizations, recognized under the Tax Code of Georgia, to carry out tax-free charitable activities effectively.

In conclusion, discussing the Georgian context of CSR in comparison to international examples is essential. This comparison facilitates the formulation of recommendations for state, private, and civil organizations, aiding the introduction of CSR in Georgia.

III. Key areas of CSR enabling policy in Georgia

This section provides recommendations intended to assist the Georgian government in establishing an institutional framework for corporate social responsibility (CSR). It examines pertinent initiatives from European Union countries and highlights instances of cohesive state policies promoting CSR across various European nations. The formulated recommendations draw extensively from the aforementioned examples and analyses. The material is organized around three principal objectives, aiming to streamline the implementation process facilitated by the presented recommendations.

The first objective pertains to strengthening cooperation between governmental bodies and key stakeholders. This includes discussions on the establishment of a dedicated institutional body /unit within the state responsible for promoting corporate social responsibility, the establishment of effective dialogue mechanisms among all concerned parties, and instituting systems for monitoring CSR progress and assessing its impacts. Further details on these aspects can be found in the corresponding chapter.

The second objective focuses on fostering policies that advocate CSR and sustainability within the private sector. It addresses issues such as promoting the adoption of CSR by small and medium-sized enterprises, employing fiscal incentives to encourage CSR practices, incorporating sustainability criteria into the public procurement process, integrating CSR within state-owned enterprises, and encouraging a green economy and environmental responsibility in the private sector.

The third objective pertains to sharing experiences and fostering the competencies of stakeholders engaged in CSR. To achieve this objective, considerations such as integrating CSR education into higher educational programs, enhancing awareness of CSR, disseminating best practices, motivating companies to adopt CSR, advocating for sustainability reporting and sustainability due diligence, and encouraging the implementation of key international standards are addressed.

Objective 1. Ensure the coordination of the development of CSR between state institutions and various stakeholders

1.1 Creation of government unit responsible for CSR development and build Government Officials' Capacity to Support CSR/ RBC

In order to instate corporate social responsibility principles, it is pivotal to examine the practices of various countries. Typically, European countries establish councils that embody equal representation from state, civil, business, and educational entities to facilitate cooperation in implementing corporate social responsibility. Concurrently, they institute specific government units/agencies tasked with executing measures for CSR integration.

These designated government units play a crucial role in devising and executing the CSR action plan, coordinating and engaging pertinent government bodies, and identifying resources while delineating responsibilities. Frequently, these agencies or units serve as the focal point for the dialogue platform between parties, staffed by relevant organizations under the purview of a state body. Nonetheless, irrespective of whether these designated units stem from a particular ministry, it remains imperative to involve other state entities in their operational processes. The implementation of the CSR-promoting action plan should not be solely attributed to a single agency or governmental unit; instead, the involvement of all state bodies in this endeavor is essential.

The National Action Plan of the Czech Republic (2016-2018) delineates the presence of a Corporate Social Responsibility Coordinating body, represented by the Czech Ministry of Industry and Trade, orchestrating cooperation among public and private entities.⁴³ Within this framework, the Czech Ministry of Industry and Trade oversees the Czech Quality Council, with one of its representatives appointed as the council's chairman. Notably, the action plan places significant emphasis on business opinions, involves multiple ministries, and fosters collaboration with the academic sphere.⁴⁴ Moreover, it expressly designates not only the Ministry of Industry and Trade but also the Ministry of Labor and Social Affairs, the Ministry of Internal Affairs, the Ministry of Regional Development, the Ministry of Environment, and the Ministry of Education, Sports, and Youth, alongside non-governmental organizations, associations, and civil platforms as executors of action plan obligations. For instance, information exchange regarding corporate social responsibility's best practices is envisaged in the action plan, involving ministries, the Quality Council, and civil society organizations in equal measure for its implementation.⁴⁵

⁴³ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 17.

⁴⁴ Ibid, p. 7.

⁴⁵ ibid, p. 16.

In Ireland, the Department of Enterprise and Innovation (DEI), a constituent of the Ministry of Enterprise, Trade, and Employment, shoulders the governmental responsibility for introducing and advancing corporate social responsibility. Prior to formulating the new action plan, the DEI conducted an evaluative study encompassing 1,400 business organizations, indicating a heightened awareness of CSR within these entities. ⁴⁶ Notably, the CSR Stakeholder Forum, alongside the Department of Entrepreneurship and Innovation, is highlighted as a key entity responsible for implementing nearly all commitments outlined in the Action Plan.

In Germany, the Ministry of Labor and Social Affairs assumes the mandate for corporate social responsibility implementation. This agency spearheads the development of both the CSR strategy and the action plan, fostering collaboration with other state entities, the private sector, and civil society throughout the process. ⁴⁷

The Ukrainian action plan for corporate social responsibility highlights the pivotal role of the Ministry of Economic Development and Trade, yet underscores the significance of involving other governmental bodies and civil actors in executing the plan. Notably, the plan outlines the development and execution of national and regional action plans to support sustainable development goals, achieved through collaboration with diverse stakeholders such as the Ministry of Regional Development, the Ministry of Finance, local governing bodies in Kyiv, business associations, UN organizations in Ukraine, and enterprises. ⁴⁸

It is noteworthy that in European countries, the fostering corporate social responsibility typically fall under state authority. While civil society initiatives hold considerable significance, the establishment of a CSR coordinating unit within governmental structures remains essential for the sustainable adoption of CSR standards. Without such coordination, the involvement of state agencies, civil organizations, and businesses in this process may lack enduring sustainability.

Recommendations

- **Establishment of Dedicated Governmental Unit for CSR:** The states reviewed within this document highlight the significance of a dedicated governmental unit to oversee integration of CSR. Therefore, for Georgia, establishing a unit responsible for CSR implementation or assigning this role to an existing governmental body holds paramount importance.
- **Inter-ministry coordination:** From Georgia's standpoint, the option of establishing a CSR coordinating unit within the Ministry of Economy and Sustainable Development emerges. However, it necessitates close collaboration with other ministries, notably those concerning social,

⁴⁶ [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#), p. 10.

⁴⁷ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government](#), 2010, p. 4.

⁴⁸ [Ukraine Action Plan on CSR 2020](#), p. 3.

health, environmental protection, finance, and education. Alternatively, a unit or agency could operate under the joint coordination of both the Ministry of Economy and Sustainable Development and the Ministry of IDPs from Occupied Territories, Labor, Health, and Social Affairs of Georgia.

- **Training Staff of the CSR Unit:** The establishment of a governmental unit tasked with CSR promotion demands the provision of training and relevant retraining programs for its employees. It's imperative not only to create such a unit but also to ensure its staffing with highly qualified personnel.
- **Engaging wide spectrum of Stakeholders:** Finally, beyond the creation of a dedicated unit, active collaboration among other state agencies, civil society, and private sector representatives with this agency during the development and execution of the action plan is crucial.

1.2 Promotion and facilitation of the stakeholder dialogue and cross-sector partnership on sustainability issues

The promotion of corporate social responsibility hinges upon the coordination and collaboration among stakeholders. For instance, effective implementation of CSR enabling policy necessitates alignment between businesses, the state, the civil sector, research organizations, and universities. Such collaboration not only allows for a comprehensive exploration of CSR's scope and its positive impacts but also fosters the development of inter-institutional strategies for its execution.

In establishing a formalized platform for stakeholder dialogue, the state often institutes an inter-institutional council comprising representatives from executive and legislative authorities, business organizations, the civil sector, and higher education institutions. This council assumes the responsibility of formulating a strategy and action plan, setting a timeframe for its implementation. However, variations exist among different states regarding the format and structure of these dialogues.

Similarly, in Georgia, the creation of inter-departmental councils is a customary practice for orchestrating and overseeing various issues. Notable examples include the Criminal Justice Reform Interagency Coordinating Council, the Interagency Coordinating Council for Implementation of Private Law Reform, and Interagency Coordinating Commission on International Humanitarian Law etc.⁴⁹ These councils are entrusted with developing strategies and action plans, while individuals involved in these councils actively participate in executing the outlined plans.

Currently, in Georgia exists a "CSR Stakeholder Forum," established by CSRDG with the support from the European Union, encompassing business organizations, associations, state institutions, universities,

⁴⁹ For additional information please visit: <https://justice.gov.ge/?m=articles&lang=1&id=zlsL3zZDi0>.

and the civil sector. This collaboration aims to facilitate the adoption of corporate social responsibility practices by involving both the state and interested entities.

To actively engage businesses in sustainable development goal implementation, the European Commission proposed establishing the EU Multistakeholder Forum on CSR. This forum aimed to advocate transparency and opportunities for practicing and implementing corporate social responsibility. Launched in 2002, the Forum was an innovative initiative, uniting employers, trade unions, civil society, and business organizations. The Commission emphasizes that stakeholder involvement is pivotal for the acceptance and credibility of corporate social responsibility. The European Union's success in CSR stems from businesses and civil society perceiving CSR principles as integral to their operations.⁵⁰

Ukraine's 2020 Action Plan on the Implementation of State Policies Promoting Responsible Business Activities extends support to the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. It also encourages constructive engagement of stakeholders in the extractive industry sector and endeavors to foster responsible agricultural supply chains.

To foster dialogue between stakeholders Ukraine's 2020 action plan incorporates seminars and training sessions on socially responsible business policies designed for state bodies and local self-government representatives.⁵¹ Additionally, the plan includes provisions for involving business organizations and state sector representatives in information and educational campaigns aimed at encouraging ethically sound decisions and combatting corrupt practices.⁵²

Germany's National CSR Forum stands out as a highly effective CSR coordinating body. Its success is attributed significantly to the diverse representation of stakeholders within the Forum. The engagement of various stakeholder groups enables sustained dialogue, a crucial element for CSR implementation. Among its key functions, the Forum supports the German government in executing the CSR action plan.⁵³

To achieve international business success and showcase "German quality," the German government actively employs educational initiatives and encourages involvement from interested parties—business organizations, nonprofit entities, and professional associations—to enhance cooperation among stakeholders. These activities serve as drivers for policy dialogue.⁵⁴ Additionally, the government's action plan underscores several directions of promoting stakeholder dialogue and engagement, such as supporting gender equality in the workplace, fostering cultural dialogue in multinational corporations,

⁵⁰ European Commission, Directorate-General for Employment, Social Affairs and Inclusion, *EU Multi-Stakeholder Forum on Corporate Social Responsibility : CSR EMS Forum*, Publications Office, 2004.

⁵¹ [Ukraine Action Plan on CSR 2020](#), p. 5.

⁵² *ibid*, p. 6.

⁵³ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government, 2010](#), p. 22-23

⁵⁴ *ibid*, p. 11-12.

diversifying social aspects within business organizations, and advocating for underrepresented and marginalized groups in corporations.⁵⁵

Ireland's National Action Plan for Corporate Social Responsibility (2017-2020) highlights the establishment of the Ireland CSR Stakeholder Forum in 2014 as a significant milestone in promoting CSR implementation. The forum serves as a primary avenue for executing CSR initiatives. It operates through various sub-groups that convene regularly to focus on specific issues.⁵⁶ As part of its planned activities, the forum intended to create a panel of CSR ambassadors to speak at business events in Ireland.⁵⁷ Furthermore, the CSR Forum supports business organizations operating in Ireland in their CSR endeavors and encourages participation in the Chambers Ireland annual CSR Awards.⁵⁸

The Platform of CSR Stakeholders in the Czech Republic constitutes a voluntary coalition of legal entities actively engaged in social responsibility implementation. This platform serves as a forum for specialized interest organizations, supporting the advancement of CSR concepts. Forum members contribute to goal-setting and prioritizing platform initiatives, enabling the exchange of experiences, information gathering on CSR mechanisms, and consolidating best practices. The Forum actively participates in implementing the corporate social responsibility action plan, welcoming participation from interested business organizations. The Czech Quality Council, specializing in CSR and sustainable development, oversees the platform's activities and outcomes, operating under the coordination of the Ministry of Industry and Trade.⁵⁹

In Spain, numerous initiatives have been enacted over recent decades to promote corporate social responsibility at both the state administration and autonomous region levels. The initial move took place in December 2002 when the Parliament established a technical committee of experts within the Ministry of Labor and Social Affairs to compile a report on corporate social responsibility. Subsequently, in 2005, a parliamentary sub-committee was formed in Spain specifically to investigate corporate social responsibility with the intent of fostering its adoption.

In the same year, the Forum of Experts on Corporate Social Responsibility was founded to examine existing policies in this domain. Two years later, the inaugural meeting of the social dialogue panel convened, seeking input for promoting CSR practices and delineating the roles of trade associations and business organizations in this endeavor. Subsequent to these efforts, the Spain State Council for Corporate Social Responsibility (CERSE) emerged in 2008, established in line with the recommendations from the Parliament, the Expert Forum, and the Social Dialogue Panel. CERSE serves

⁵⁵ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government, 2010](#), p. 18-20.

⁵⁶ [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#), p. 9.

⁵⁷ *ibid*, p. 12.

⁵⁸ *ibid*, p. 14.

⁵⁹ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 18.

as an advisory body to the Ministry of Employment and Social Security, analyzing the evolution of corporate social responsibility within Spain and across the EU countries.⁶⁰

Comprising four distinct groups, CERSE is an inter-institutional council. It includes 14 members from employers' organizations, 14 from trade associations, another 14 representing well-established CSR organizations, and a final 14 representing various public administrations. The council aims to cultivate social responsibility among companies, particularly providing support to small and medium enterprises. The council membership composition undergoes revision every four years.⁶¹

The Nordic Strategy on Corporate Social Responsibility (2012) champions communication on sustainability issues via dialogue and cooperative formats. The Nordic Council of Ministers acknowledges stakeholders' rights to request diverse information for various purposes. Renowned for fostering trust, stakeholder dialogue, and balancing economic competition with social welfare and environmental protection, the Nordic countries continue to use CSR as a catalyst to incentivize responsible business conduct.⁶²

Recommendations

- **Establishment of Inclusive CSR Coordinating Council:** There's a vital need to create a council encompassing diverse stakeholders from various business sectors and society. Stakeholder engagement is crucial to align the action plan with different groups' interests and ensure their active involvement in implementation. Following Georgian practice, establishing an inter-departmental coordination council, with its secretariat managed by the state agency responsible for CSR implementation, is imperative. Subgroups should be formed to address specific tasks outlined in the action plan.
- **Collaboration for Action Plan Development:** Development of an action plan aligned with international standards requires collaboration among interested parties. Initiatives to enhance gender equality and involve civil society in decision-making processes, aligned with recommendations from bodies like the European Commission, should be incorporated into the plan.
- **Support for CSR Stakeholder Forum:** Active government support for the existing stakeholder dialogue platform, the "Georgian CSR Stakeholder Forum," is crucial. Leveraging this forum ensures robust participation from all involved parties.

⁶⁰ [Spanish Strategy for Corporate Social Responsibility, 2014-2020](#), p. 13-14.

⁶¹ *ibid*, p. 22-23

⁶² [Nordic Strategy for Corporate Social Responsibility, 2012](#), p. 14.

1.3 Ensure monitoring of CSR progress at country level – tracking CSR status

A crucial element in evaluating the advancement of incorporating corporate social responsibility within the private sector is the state's oversight of this process, forming an integral part of the efficient coordination of CSR policy.

Facilitating the introduction of corporate social responsibility by the government and concurrently overseeing the private sector's endeavors in this realm serve to elevate standards and stimulate CSR initiatives among companies.

Moreover, evaluating the country-level progress in CSR aids in identifying prevailing trends and challenges, forming the foundation for tailored policies that cater to private sector needs.

As previously mentioned, Georgia lacks a unified policy guiding corporate social responsibility development, thereby lacking a cohesive vision for monitoring this process at the state level. Monitoring CSR introduction remains primarily within the ambit of supervising individual strategies and action plans.

For instance, activities promoting CSR implementation from 2022 to 2030 are embedded within Georgia's National Human Rights Strategy, thereby subject to the supervisory mechanisms delineated in the document.

The Parliament of Georgia assumes a vital role in ensuring accountability aligned with the goals and objectives outlined in the strategy. Through its thematic committees, the Parliament oversees the conducted activities and addresses challenges arising in this process. The National Bank of Georgia is also actively involved in monitoring the trajectory of corporate social responsibility. Notably, the financial sector in Georgia possesses a relatively advanced sustainable reporting system, serving as the foundation for the National Bank's publication of the sustainable financing report. This report encompasses the monitoring of activities undertaken by financial companies and the assessment of future plans.

The significance of monitoring development of responsible business practices finds further validation in the review of experiences from EU countries.

In Germany, the principal document governing CSR state policy is the National Action Plan on Business and Human Rights. This document outlines the monitoring of activities outlined in the action plan by all involved agencies and organizations.

To assess progress in CSR implementation, the Action Plan calls for the establishment of a permanent inter-departmental committee by the government. This committee is tasked with evaluating the effectiveness of implemented measures and developing recommendations to further promote this process.

Furthermore, evaluating progress in implementing human rights and risk assessment standards within companies involves an annual private sector survey. This survey aims for both quantitative assessment and qualitative analysis of companies' adherence to these standards. The qualitative study includes assessing the effectiveness of measures implemented and identifying challenges. Companies falling short of the standards outlined in the action plan have an opportunity to provide explanations for non-compliance. ⁶³

Examining Ireland's practice of monitoring progress towards CSR implementation also presents interesting insights.

Ireland's Action Plan for Promoting Corporate Social Responsibility 2017-2020 underscores the importance of monitoring progress in this realm. Firstly, it is noteworthy that the CSR Stakeholder Forum is instrumental in overseeing the execution of activities outlined in the plan and ensuring their alignment with contemporary challenges. Additionally, the Forum conducts an annual assessment of the Irish National Action Plan's implementation progress in the field of CSR. This assessment involves surveying businesses to gauge achieved progress and evaluating the government's role in facilitating policy. Furthermore, one of the action plan's initiatives involves monitoring best practices and analyzing trends in the CSR domain. In this context, the responsible agency actively quantifies the extent of CSR activities and conducts a comprehensive study of best practices within Ireland's private sector. Another aspect of the supervisory process is the scrutiny of information accessibility regarding CSR in small and medium-sized enterprises, including their implemented activities and management systems in this domain. To facilitate this, the action plan incorporates the use of the CSR online platform. ⁶⁴

Recommendations

- **Annual Monitoring of CSR Policy Implementation:** In light of Georgia's current CSR policy development status and international experience, it is advisable to mandate annual monitoring of activities outlined in the CSR policy action plan. The agency responsible for CSR policy implementation should assess the effectiveness of activities conducted by all involved stakeholders and ensure alignment with planned objectives. Publishing an annual report detailing implementation progress is crucial for transparency.
- **Identification of Obstacles and Recommendations:** Following the assessment, it's crucial to identify obstacles hindering responsible business development and formulate recommendations to overcome these challenges.

⁶³ The Federal Government of Germany (2017) [National Action Plan Implementation of the UN Guiding Principles on Business and Human Rights 2016–2020](#)

⁶⁴ [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#).

- **Parliament's Supervisory Role:** Given the oversight role of the Parliament of Georgia, active participation in supervising CSR policy implementation is recommended. Monitoring results and annual reports should be submitted to the Parliament for review.
- **Annual Survey for Monitoring:** Drawing from international evaluation practices, an additional tool for monitoring CSR policy implementation is an annual survey assessing progress within companies. This survey should encompass quantitative indicators, effectiveness evaluation components, and challenges encountered.

Objective 2. Develop measures for promoting CSR and sustainability

In the context of introducing corporate social responsibility, initiating an active information campaign about CSR holds paramount importance. Disseminating information about CSR practices serves to enhance awareness of corporate social responsibility within society and among business organizations. For instance, in 2018, CSRDG launched the Georgia's Responsible Business Awards Meliora—an annual contest acclaimed as one of the foremost event in the realm of responsible business in the country. Moreover, in the same year, CSRDG instituted the CSR media competition "Journalists for Corporate Social Responsibility." Both competitions play pivotal roles in advocating responsible business initiatives and disseminating information pertaining to CSR.

The integration of corporate social responsibility is equally significant at the level of small and medium-sized enterprises (SMEs), contributing to the sustainability and efficacy of their operations. Simultaneously, this incorporation can mitigate the costs associated with utilizing natural resources in the activities of SMEs. Implementing corporate social responsibility within SMEs has the potential to bolster their competitiveness and foster the emergence of new opportunities. Corporate social responsibility, among other aspects, encompasses the improvement of working conditions for employees, community relations, environmental protection, and customer interactions.

While acknowledging that the adoption of corporate social responsibility entails expenses, research affirms that implementing CSR in small and medium-sized companies is comparatively less costly than in larger entities. Notably, SMEs, characterized by a smaller workforce, find it more feasible to cultivate a corporate culture. Their inherent characteristics of creativity, innovation, and a less formal, bureaucratic organizational structure enable them to adapt to changing circumstances with greater ease and speed.⁶⁵

⁶⁵ [Lela Khopheria, Elene Chkhaidze, Corporate social responsibility guide for small and medium-sized companies](#), 2018, CSRDG, p. 15.

2.1 Analysis of fiscal incentives (tax relief, rewards and simplification) to Promote Corporate Social Responsibility

To bolster CSR initiatives within companies, it is essential for the state to devise appropriate incentive mechanisms. Tax benefits, subsidies, and grant schemes are instrumental in economically encouraging enterprises to embrace social responsibility. The formulation of support mechanisms pertaining to social responsibility within tax policy can be delineated across several avenues.

Firstly, tax incentives aimed at fostering environmental initiatives and environmentally sustainable practices are pivotal. For instance, such mechanisms might encompass incentives for investments in renewable energy or endeavors focused on mitigating greenhouse gas emissions.

Another facet involves incentivizing charitable endeavors. Tax benefits established in this domain incentivize companies to engage in charitable activities, thereby fostering social welfare and community development.

Moreover, government-driven encouragement of corporate social responsibility holds particular significance for small and medium-sized enterprises. These enterprises, with fewer resources compared to larger corporations, necessitate greater support in this sphere.

Mechanisms for encouraging environmental measures in Georgia are relatively less developed. The Integrated National Energy and Climate Plan of Georgia outlines policies aimed at curbing greenhouse gas emissions, boosting renewable energy generation, advocating energy efficiency, and fortifying energy system interconnections. The document also outlines future plans to develop state support systems fostering energy efficiency in the industrial sector, encompassing financial and tax benefits⁶⁶.

Additionally, the Tax Code of Georgia incorporates a system of benefits to financially support charitable activities by companies. This entails the provision of tax benefits for charitable activities involving monetary donations or the provision of goods or services to entities holding charitable status.

An important challenge in implementing CSR measures in the private sector is the limited adoption of these activities by small and medium-sized enterprises. A survey conducted by the Global Compact Network Georgia on private sector involvement in achieving Sustainable Development Goals revealed that over 60% of large companies engage in social responsibility projects, while 85% of small enterprises reported non-implementation⁶⁷. Hence, it is imperative to consider involving small and medium-sized enterprises in the development of fiscal instruments.

⁶⁶ [National Integrated Energy and Climate Plan of Georgia](#) (2022), Ministry of Economy and Sustainable Development of Georgia

⁶⁷ Global Compact Network Georgia (2020), [Private Sector Contribution to Georgia's 2020 Voluntary National Review on Sustainable Development Goals](#)

The United Kingdom boasts a well-structured system that provides incentives for environmental initiatives within the private sector. It has formulated various environmental tax schemes tailored for enterprises of diverse types and sizes. These measures aim to encourage energy conservation measures and environmental compliance not only among large enterprises but also among smaller energy-conserving companies.

To incentivize reductions in energy consumption and emissions, the UK has devised strategies to lower the climate change tax rate. The Climate Change Levy, imposed on enterprises with substantial energy consumption across industrial, commercial, agricultural, and public sectors, offers a flexible tariff structure. Under certain conditions, enterprises can secure preferential rates (through a climate change agreement with the Environmental Protection Agency) as an incentive. Companies with high energy consumption can benefit from tariff reductions by signing voluntary agreements aimed at curbing energy use and greenhouse gas emissions. These agreements set energy efficiency and emission targets, rewarding compliant companies with tax rebates on the climate change levy.

The Greenhouse Gas Emissions Trading Scheme serves as another tool to incentivize environmental action within companies. This UK government-developed system sets a cap on total emissions, enabling companies to trade surplus limits after reducing their greenhouse gas emissions. Furthermore, tax incentives are available for companies purchasing energy-efficient technology, adding another facet to encourage environmental policy.

In waste management, besides the country-imposed tax, additional levies are charged for using landfill spaces. Notably, tax rates vary significantly based on waste categories. To promote recycling, incineration, or waste reuse, the system allows companies to receive tax benefits.

Moreover, the United Kingdom imposes a tax on the utilization of plastic packaging that contains less than 30% recycled plastic. Companies using environmentally considerate packaging can be exempted from this tax, emphasizing principles of environmental protection.⁶⁸

To explore fiscal schemes encouraging sustainable practices, Ireland presents interesting instruments. The Accelerated Capital Allowance (ACA) tax scheme, for instance, allows individual traders, farmers, or companies to deduct the full cost of energy-efficient equipment from their profits, reducing taxable income. This instrument actively encourages investments in energy-efficient technologies.⁶⁹

Moreover, Ireland has devised a range of fiscal support mechanisms. Notably, the Irish Agency's Green Transformation Fund encompasses the Climate Planning Fund for Business and the Enterprise Emissions Reduction Investment Fund. The Climate Planning Fund focuses on pivotal instruments, including grants for developing sustainable strategies and action plans, engaging green service companies and environmental experts, and fostering strategic initiatives. On the other hand, the

⁶⁸ Environmental taxes, reliefs and schemes for businesses, GOV.UK, Accessed 08.04.2023
<https://www.gov.uk/green-taxes-and-reliefs/print>

⁶⁹ Sustainable Energy Authority of Ireland (2023), [Accelerated Capital Allowance](#)

Emissions Reduction Investment Fund encourages innovation and research in sustainability and decarbonization by offering investment opportunities in energy and environmental impact monitoring systems, decarbonization processes, and carbon reduction technologies.

Additionally, the Sustainable Energy Authority of Ireland offers support for investments in energy-efficient systems, providing entrepreneurs opportunities for grants up to three million euros. Furthermore, the Support Scheme for Renewable Heat developed by the Authority targets various sectors, including commercial, industrial, agricultural, district heating, public, and other non-domestic heat consumers.⁷⁰

When considering international experiences in incentivizing charitable activities among companies, it's noteworthy that many countries have systems offering tax relief for charitable contributions. These systems provide tax benefits for the direct activities of charitable organizations and incentivize donors contributing to these organizations. In several OECD countries, charitable donations are deductible from taxable income.⁷¹

Encouraging environmental principles and developing appropriate fiscal or tax schemes supporting enterprises in meeting environmental standards are vital for fostering corporate social responsibility in Georgian companies.

Recommendations

- **Supporting Renewable Energy Adoption in Georgia:** Considering Georgia's early stage of sustainable energy consumption and its commitments under the Association Agreement and the European Energy Union to increase renewable energy's share, developing support mechanisms for the private sector becomes crucial. International practice indicates that tax incentives are highly effective. Therefore, establishing preferential tariffs for enterprises—encouraging the use of wind and solar energy—is vital to enhance Georgia's renewable energy share.
- **Developing financial incentives to stimulate energy efficiency measures in the private sector:** Additionally, the energy efficiency action plan should include specific financial tools to stimulate the private sector. Designating instruments for promoting energy efficiency in industry and crafting a system of tax benefits are essential in this regard.
- **Implementing Emissions Regulation Mechanisms in Industry:** An essential facet of environmental activities involves implementing an efficient emissions regulation mechanism for the industrial sector, outlined in the Fourth National Environmental Action Programme of Georgia. Encouraging emissions reduction in enterprises by setting target indicators and adjusting tariffs accordingly is imperative.

⁷⁰ Citizens Information (2023), [Supports for businesses going green](#).

⁷¹ OECD (2020), [Taxation and Philanthropy, OECD Tax Policy Studies](#), No. 27, OECD Publishing, Paris.

- **Supporting Corporate Social Responsibility in Small and Medium Enterprises (SMEs):** Acknowledging that corporate social responsibility in Georgia mainly resides in large enterprises, and considering that small and medium enterprises contributed 53% to the total added value in 2021,⁷² supporting these smaller enterprises is crucial to attain sustainable development goals and foster social responsibility in the private sector. Integrating CSR into the activities of small and medium enterprises is vital for their development in this aspect.

2.2 Promoting CSR among SMEs

The significance of corporate social responsibility (CSR) for small and medium-sized enterprises (SMEs) is substantial. SMEs involved in extraction and production often consume substantial energy and minerals, emit greenhouse gases, generate significant waste, and heavily rely on natural resources, resulting in adverse impacts on society and the environment. Therefore, it is crucial to incorporate CSR standards into the operations of these SMEs.⁷³

In recent years, global attention has increasingly focused on implementing CSR in SMEs. The European Union actively advocates for responsible and sustainable approaches in SMEs. SMEs possess unique characteristics that warrant specific attention, although establishing a direct link between a company's financial and social indicators is less straightforward.⁷⁴

Furthermore, integrating corporate sustainability and responsibility into the tourism sector companies is particularly crucial.⁷⁵ Given the prevalence of numerous small and medium-sized companies in Georgia's tourism industry, sustaining a qualified workforce becomes paramount. Employees' recommendation of their organization to potential recruits also depends on their perception of their employer's worthiness. Implementing CSR can substantially impact eliminating toxic workplace environments.

Expanding the example from the tourism sector to small and medium-sized food and household goods stores in Georgia reveals similar challenges, especially regarding young employees and students. Often,

⁷² National Statistics Office of Georgia, [Business Sector in Georgia \(2022\)](#) Statistical Publication

⁷³ Charles Baah, Yaw Agyabeng-Mensah, Ebenezer Afum, Caleb Amankwaa Kumi, [Do circular economy practices accelerate CSR participation of SMEs in a stakeholder-pressured era? A network theory perspective](#), Journal of Cleaner Production, Volume 394, 2023, 136348, ISSN 0959-6526

⁷⁴ Solon Magrizos, Eleni Apospori, Marylyn Carrigan, Rosalind Jones, [Is CSR the panacea for SMEs? A study of socially responsible SMEs during economic crisis](#), European Management Journal, Volume 39, Issue 2, 2021, Pages 291-303, ISSN 0263-2373.

⁷⁵ Erhan Boğan, Bekir Bora Dedeoğlu, [The influence of corporate social responsibility in hospitality establishments on students' level of commitment and intention to recommend](#), Journal of Hospitality, Leisure, Sport & Tourism Education, Volume 25, 2019, 100205, ISSN 1473-8376.

these stores face social media-driven dissemination of labor rights violations and negative customer feedback. Adopting CSR standards can serve as a mechanism to mitigate or eliminate these challenges.

The implementation of CSR by a company represents a social contract between the company and communities, enhancing the legitimacy of its operations.⁷⁶ Research demonstrates that by implementing CSR and addressing the interests of key stakeholders, small and medium-sized companies can develop their organizational culture, retain top talent, enhance their reputation, and strengthen customer loyalty.⁷⁷

Simultaneously, according to researchers, the business advantages of corporate social responsibility (CSR) manifest only under specific conditions, notably when:

- CSR is integrated into the company's purpose.
- CSR forms a part of the company's strategy.
- CSR is directed towards the primary stakeholders of the company.
- Information regarding CSR is effectively disseminated.
- CSR focuses on shareholder profit or is proactively implemented.⁷⁸

Spain's 2014-2020 strategy on corporate social responsibility underscores the importance of integrating CSR in small and medium-sized enterprises (SMEs). Additionally, this strategy emphasizes importance of the adoption of CSR standards by self-employed individuals. It proposes guidance programs by the Ministry of Employment and Social Security aimed at SMEs, offering comprehensive information on CSR.⁷⁹ The strategy advocates for simplification of public procurement procedures to enable SME participation, thereby enhancing their financial sustainability. While advocating shared social, environmental, human rights, and ethical standards in public procurement, it also ensures that the scale of these standards does not disadvantage SMEs compared to large corporations.⁸⁰

Ireland's 2017-2020 National Action Plan on Corporate Social Responsibility facilitates online information portal (<http://csrtool.csrhub.ie/>) specifically tailored for SMEs. A noteworthy 60% of SMEs utilizing this online resource for procurement chose resources with lower environmental impact.⁸¹ Additionally, 46% of these SMEs actively promote work-life balance for their employees. This online resource, an initiative by the CSR Forum in collaboration with the Department of Enterprise and

⁷⁶ Nor Hadi, Udin Udin, [Testing the Effectiveness of CSR Dimensions for Small Business Entrepreneurs](#), Journal of Open Innovation: Technology, Market, and Complexity, Volume 7, Issue 1, 2021, 6, ISSN 2199-8531.

⁷⁷ Nathaly Aya Pastrana, Krishnamurthy Sriramesh, [Corporate Social Responsibility: Perceptions and practices among SMEs in Colombia](#), Public Relations Review, Volume 40, Issue 1, 2014, Pages 14-24, ISSN 0363-8111.

⁷⁸ Solon Magrizos, Eleni Apospori, Marylyn Carrigan, Rosalind Jones, [Is CSR the panacea for SMEs? A study of socially responsible SMEs during economic crisis](#), European Management Journal, Volume 39, Issue 2, 2021, Pages 291-303, ISSN 0263-2373.

⁷⁹ [Spanish Strategy for Corporate Social Responsibility](#), 2014-2020, p. 33

⁸⁰ *ibid*, p. 44

⁸¹ [Ireland's National Action Plan on Corporate Social Responsibility](#) 2017-2020, p. 22.

Innovation, aims to educate SMEs and micro-enterprises about CSR principles and their practical implementation.⁸²

The National Action Plan of the Czech Republic (2016-2018) recognizes corporate social responsibility (CSR) as a significant challenge for small and medium-sized enterprises (SMEs), often viewed as a form of charitable activity. Consequently, less informed SMEs tend to overlook CSR in their core business operations. The Czech action plan proposes specialized roadmaps for SMEs, featuring specific good practices as examples. Furthermore, it highlights the importance of the Doing Business Responsibly award for companies adhering to CSR standards.⁸³ Additionally, the plan introduces the Governor's Corporate Social Responsibility Award, targeting SMEs, aiming to increase awareness among this sector.⁸⁴

Highlighting the economic significance of SMEs, which contribute to 38% of the Czech GDP and employ 61% of the workforce, the Czech Action Plan stresses that CSR is not solely relevant to large enterprises but holds substantial importance for SMEs and local communities due to their significant economic role in the country.⁸⁵

Moreover, the Czech action plan emphasizes the integration of CSR principles into the procurement process. It promotes active collaboration between public administration and stakeholders to facilitate the participation of SMEs in public procurement.⁸⁶

The Italian action plan underscores the necessity of state and public intervention to embed CSR standards into the operations of SMEs. Such intervention can manifest in various forms, including incentives, rewards, simplification of procedures, and financial bonuses, ultimately aiming to contribute to the creation of additional social and economic value.⁸⁷

Recommendations

- **Expanding CSR Contest Reach and Impact:** Promote prominent CSR contests in Georgia is essential. While existing CSR contests like the Georgia's Responsible Business Awards Meliora (organized by the Center for Strategic Research and Development Georgia) and the Corporate Sustainability Award (organized by the UN Global Compact Network Georgia) are accessible to small and medium-sized enterprises, their impact can be expanded. Initiating similar competitions at the regional level, targeting enterprises in municipalities, can significantly increase CSR awareness and involvement among smaller companies.

⁸² [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#), p. 19.

⁸³ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 14.

⁸⁴ *ibid*, p. 60-61

⁸⁵ *ibid*, p. 12

⁸⁶ *ibid*, p. 25.

⁸⁷ Italy National Action Plan on CSR 2012-2014, Dr. ssa Maria Benedetta Francesconi, Ministry of Economic Development, General Directorate for Industrial Policy and Competitiveness, p. 4.

- **Tailored Orientation Programs for SMEs:** Establish orientation programs tailored for small and medium-sized enterprises, focusing on cost-effective ways and methods to implement CSR practices.
- **Specialized Training Programs for SME Representatives:** Develop specialized training programs specifically designed for representatives of small and medium-sized enterprises. Offering these programs for free or subsidized by the government would assist in facilitating CSR implementation among these businesses in Georgia.
- **Support for International Certifications:** Aid small and medium-sized companies in acquiring international certifications (e.g., ISO 14000, ISO 45001, B Corps certificate, etc.) by providing grants and funding for consulting services. This support can enhance their product exports and integration into global supply chains.
- **Awareness Campaign for SMEs:** Initiate an active awareness campaign highlighting the economic advantages of implementing CSR practices for small and medium-sized companies.
- **Financial Assistance for CSR Integration:** Prioritize financial assistance and grants from state agencies for small and medium-sized enterprises that have integrated corporate social responsibility standards into their operations.

2.3 Embedding corporate responsibility in state-owned companies

In the context of Georgia, state-owned enterprises stand out as one of the most vulnerable sectors concerning the implementation of corporate social responsibility (CSR). Various studies have uncovered significant challenges within these enterprises, ranging from indications of corruption and nepotism to labor rights violations, unfair remuneration, and inefficiency. Implementing CSR principles within state enterprises could serve as a pathway to address these multifaceted issues. Some state-owned enterprises, such as JSC "Georgian Railway," JSC "Georgian Oil and Gas Corporation," and LLC "Georgian Amelioration," have developed their codes of ethics. In 2021, JSC "State Electric System of Georgia" established a Supervisory Board staffed with independent members.⁸⁸ However, these isolated initiatives are insufficient to remedy the overall problematic scenario in this sector. The challenges faced by state-owned enterprises necessitate a comprehensive approach, of which corporate responsibility can be a fundamental component.

Georgia, akin to the former socialist republics of Eastern Europe, inherited ailing Soviet-era enterprises characterized by corruption and rigid bureaucracy.

⁸⁸ [Report on Corporate Governance Practices of State Enterprises in Georgia](#), Ministry of Finance of Georgia, 2021, p. 24-40.

In most state-owned enterprises, robust accountability mechanisms, unified coordination, and well-developed corporate management standards are lacking. Moreover, these enterprises rely on state budget subsidies.⁸⁹ State enterprises confront a multitude of challenges, including political interference, inefficient management, financial unviability, limited societal awareness, biased employee recruitment practices, disregard for environmental protection standards, and other issues that could potentially be addressed through CSR practices.⁹⁰ Furthermore, the management of state-owned enterprises by the decentralized and opaque state apparatus raises concerns, complicating effective governance and administration within these enterprises.

Regarding state enterprises, it's essential to highlight their management of state property, representing common public assets, thus broadening their sphere of stakeholders. State-owned enterprises (SOEs) often serve diverse purposes unrelated to profit generation, unlike commercial entities primarily focused on financial gain. The goals for establishing SOEs can vary widely—such as providing public services, market price regulation, addressing unemployment, managing strategic assets, and fulfilling other specific mandates.

Corporate social responsibility can be viewed as a mechanism addressing governance challenges within these enterprises and an avenue for effective state-led management. Implementing CSR in state-owned enterprises contributes to fostering transparency, enhancing accountability, adopting unbiased employee selection criteria, involving employee interests in decision-making, adhering to environmental standards, and addressing other significant concerns.

CSR's role in relation to state enterprises includes:

- Enhancing transparency in business operations
- Elevating financial reporting standards within state enterprises, thereby reinforcing accountability
- Advocating for improved working conditions for employees
- Advancing environmental protection standards, a pivotal CSR focus area
- Strengthening corporate governance mechanisms, safeguarding the rights of minority shareholders and stakeholders, and diversifying governing bodies
- Bolstering the independence of the Supervisory Board, advocating for independent members from diverse stakeholder groups

⁸⁹ Maisuradze et al., *State Enterprises in Georgia (Existing Legal Regulation, Challenges and Recommendations)*, 2018, Iliia State University Publishing House, p. 14-18.

⁹⁰ For more information, please see: IDFI (2014), [State-owned enterprises in Georgia and their efficiency-Analysis of Agriculture Sector](#); Association of Young Lawyers of Georgia (2015), [Transparency and Accountability of State-Based Enterprises](#); Transparency International - Georgia (2016), [State Enterprises of Georgia: Transparency, Accountability and Corruption Prevention](#); Young Lawyers Association of Georgia (GYLA) and Institute for Development Freedom of Information (IDFI), 2016, [Governance, Transparency and Accountability of State-Owned Enterprises in Georgia](#); State Audit Service (2015), [Audit of the effectiveness of management and disposal of state enterprises](#).

- Fostering openness in disseminating company and business-related information, promoting separation of ownership and management
- Correlating positively with decreased financial risks and improved financial metrics
- Building trust, reducing information asymmetry, and fostering a positive company image
- Enhancing managerial discretion, thereby increasing political independence.⁹¹

In the "Report on Corporate Management Practices of State-Owned Enterprises in Georgia," paragraph 7 of Article 3 in the Annex to the Corporate Management Code of State-Owned Enterprises identifies one of the main corporate management principles as integrating sustainable development issues into the enterprise's long-term strategic development plan. These include environmental protection, social and governance (ESG) issues.⁹² Article 19 of the same document mandates that enterprises disclose information to stakeholders regarding their actions and corporate governance matters, including publishing relevant information on their websites and in their annual reports according to ESG compliance standards.⁹³ Specifically, compliance with ESG standards should encompass human resources policy development, formulation of safe and healthy workplace policies for employees, and implementation of environmental protection standards aligned with international benchmarks.

This report also assesses the management systems and activities of several key state enterprises, unveiling gender imbalances among other deficiencies. Notably, JSC "Georgian Railways," JSC "Georgian Oil and Gas Corporation," LLC "Engurhesi," and LLC "Georgian Amelioration" lack female members in their supervisory boards. In contrast, JSC "Partnership Fund" includes one woman among its eight board members, while JSC "Georgian Oil and Gas Corporation" has one woman director among its five-member board of directors.

Recommendations

- **Enactment and Enforcement of Corporate Governance Code:** It's imperative to enact and enforce the corporate governance code for state enterprises. Developing a code of corporate governance by a governmental body, such as the Ministry of Finance, as previously discussed, is vital. However, the crucial aspect lies in its practical implementation. Implementing the corporate governance code on a "comply or explain" basis will foster the adoption of corporate governance standards and, consequently, corporate social responsibility in state-owned enterprises.
- **Code of Ethics for State owned enterprises:** In tandem with crafting the corporate management code, establishing a code of ethics is essential. A dedicated code of ethics is crucial to eradicate signs

⁹¹ Maisuradze, Davit, Narmania, Giorgi, Lazishvili, Magda, Tkeshelashvili, Mariam and Shakiashvili, Irakli. ["Is Corporate Social Responsibility \(CSR\) a New Alternative to Governance Challenges of State-Owned Enterprises \(SOEs\)?"](#) Central European Journal of Public Policy, vol.14, no.2, 3920, p. 40-42.

⁹² [Report on Corporate Governance Practices of State Enterprises in Georgia](#), Ministry of Finance of Georgia, 2021, p. 43.

⁹³ *ibid*, p. 58.

of nepotism and corruption. Similar to the corporate governance code, the Georgian government has the capacity to create a code of ethics.

- **Defining Environmental Standards:** Defining stringent environmental standards for state enterprises is necessary. Such standards could be included in the corporate governance code or developed as a separate document. Regardless, state-owned enterprises should exemplify high environmental standards for commercial enterprises to follow.
- **Corporate Management Code:** The establishment of a corporate management code for state enterprises should be prioritized in the council's action plan. To develop this code, an interdisciplinary group consisting of professionals from various fields (representatives of the Council's subgroup) could be formed.
- **Prioritize Specific Action Plans for State Enterprises:** It's crucial for state enterprises to delineate and implement specific, not just overarching, activities. For instance, initiatives like promoting gender equality in governing bodies or fortifying labor rights protection can be initial undertakings.
- **Transparency and Reporting Standards for Budgetary Funds:** Given that a significant portion of state enterprises are subsidized from the budget, essentially utilizing budgetary funds, it becomes crucial to implement transparency and reporting standards concerning budget fund allocation. Transparency should encompass aspects like financial and performance disclosures, enterprise objectives and their execution status, remuneration details of the supervisory board and executive management, selection policies of supervisory board members, and related matters.⁹⁴

2.4 Green economy and encouraging business to embed environmental responsibility

The green economy constitutes a vital aspect of sustainable development, advocating for prudent utilization of natural resources, curtailing environmental harm, fostering sustainable consumption and production methods, and enticing eco-friendly investments. The progression of the green economy necessitates multifaceted involvement from both the state, private sector, and society at large.

Various sectors in Georgia, such as industry, tourism, transport, construction, energy, agriculture, solid waste management, forestry, and biodiversity, are integral components of the green economy.⁹⁵

Ensuring private sector engagement is imperative for fostering the green economy. Enterprises significantly impact the environment through resource consumption, environmental degradation, greenhouse gas emissions, waste generation, and other facets. Moreover, investors and financial

⁹⁴ [OECD Guidelines on Corporate Governance of state-Owned Enterprises](#), 2015 edition, p. 24.

⁹⁵ Ministry of Economy and Sustainable Development of Georgia (2020), [Small and medium entrepreneurship development strategy of Georgia for 2021-2025](#).

institutions serve as funding sources for sustainable businesses, while manufacturers contribute to innovative sustainable technology development.

Georgia's green economy development is entrenched within several state strategic documents. Notably, these encompass the National Document for Sustainable Development Goals, the Association Agreement with the European Union, the Fourth National Environmental Action Program of Georgia (2022-2026), the Small and Medium Enterprise Development Strategy of Georgia, and the National Waste Management Strategy 2016-2030.

In 2016, Georgia acceded to the OECD Declaration on Green Growth, catalyzing efforts by the Ministry of Economy and Sustainable Development to craft a green economy policy document and a green growth strategy. These endeavors aim to modernize Georgia's economy by pivoting toward sustainable and green development principles.

The EU-Georgia association agreement mandates both parties to bolster cooperation on environmental issues to accomplish sustainable development and foster a green economy.

The 2021-2025 SME Development Strategy of Georgia stands as a significant policy framework in advancing the green economy's evolution and encouraging private sector involvement. Within this strategy, the development of the green economy is a designated priority, aiming to promote the integration of environmental initiatives into entrepreneurial activities.

Per the strategy, a primary hurdle in executing green economy responsibilities in entrepreneurship is the dearth of financial resources. Limited access to green finance impedes entrepreneurs from investing in environmental technologies. Furthermore, awareness among small and medium enterprises about the benefits of the green economy and existing or anticipated regulations remains low.

SME Development Strategy emphasizes the advancement of the green economy by endorsing eco-innovation approaches, enhancing the accessibility of green financing, formulating suitable legal frameworks, supporting ecotourism, and heightening environmental awareness among these entrepreneurs.

In 2021, the volume of green loans surged by 48% compared to the prior year, constituting 3.2% of the total credit portfolio.⁹⁶

Moreover, the OECD SME Policy Index serves as a means to evaluate Georgia's progress in green economy development. According to the 2020 report, despite ongoing efforts to involve small and medium producers in the green economy, it remains imperative to expand support mechanisms to drive further advancements. To this end, emphasis is placed on integrating the green component in SME

⁹⁶ Ministry of Economy and Sustainable Development of Georgia (2023), [2021-2025 Strategy of Small and Medium Enterprises of Georgia, 2022, Action Plan Annual Report](#).

development strategies of “Enterprise Georgia’s” and exploring opportunities to incorporate green criteria into existing funding instruments.⁹⁷

Given waste management's significant role in green economy development, it's crucial to delve into activities outlined by the national waste management strategy. A pivotal aspect is the Extended Producer's Responsibility mechanism detailed in the waste management code, holding producers responsible for their products even after consumption. Georgia has embraced four technical regulations governing waste management concerning mineral oils, tires, electrical and electronic devices, and batteries and accumulators. In shaping private sector responsibilities for green economy development, the environmental impact assessment (EIA) mandate stands as a multifaceted mechanism. EIA aims to evaluate planned activities, considering their environmental impact. Sectors subject to EIA are defined in the environmental assessment code, primarily focusing on infrastructure projects, mineral extraction, electricity production, and other related sectors.

Furthermore, to foster green economy development and bolster private sector engagement, the National Bank has devised a Sustainable Finance Taxonomy. This framework encompasses green, social, and sustainable development directions, aiming to bolster the sustainable financing market's growth.⁹⁸

As Georgia's green economy development aligns with international recommendations and EU principles, it's essential to explore policies and priority directions in EU states for incentivizing private sector responsibility toward the green economy.

The European Union's green economy evolution centers on policy initiatives outlined in the European Green Deal. This comprehensive document targets holistic economic development and policy formulation aligned with climate-related objectives. Its initiatives span various directions encompassing climate, environment, energy, transport, industry, agriculture, and sustainable financing.⁹⁹

When examining Germany's framework for promoting sustainable economic development and corporate sustainability, several key directions merit attention. The first initiative involves financing specific sectors to encourage sustainable economic activity. A prime example is the steel production where the government supports low-carbon, carbon-neutral, and zero-carbon steel production.

The second initiative targets sustainable resource consumption and the advancement of a circular economy. Within this context, "Lightweighting" technologies—reducing product weight—benefit from government support through mechanisms provided by the Ministry of Economy. This initiative entails fostering cross-industry knowledge platforms and targeted funding.

⁹⁷OECD (2020), [SME Policy Index: Eastern Partner Countries 2020](#)

⁹⁸ National Bank of Georgia (2022), [Sustainable Finance Taxonomy](#)

⁹⁹ European Council (2019), [European Green Deal](#).

Another initiative revolves around supporting innovations and digitalization for sustainable development, entailing financing innovative technologies and start-ups.

Promoting climate change awareness and clean energy constitutes another direction, integrating considerations of energy consumption and efficiency into economic growth. For instance, the German Ministry of Economy offers consultancy and funding programs for enhancing companies' energy efficiency. Additionally, developing energy labeling aims to spur innovation and augment demand for energy-efficient products. Furthermore, eco-design regulations in this sphere positively impact user well-being and foster efficient energy and resource use.¹⁰⁰

Recommendations

- **Formulation of Unified Strategic Vision for Green Economy:** For the development of the green economy in Georgia, it's crucial to acknowledge the absence of a unified strategic vision for the country's transition to a green economy. Hence, the primary step should involve formulating a strategic policy vision, identifying challenges and needs associated with this transition, and outlining pertinent measures. This entails establishing mechanisms to involve the private sector and garner government support.
- **Integration of Green Entrepreneurship Criteria:** Aligning with recommendations from the OECD SME Policy Index, it's advisable to integrate criteria for green entrepreneurship into “Enterprise Georgia's” activities and financing mechanisms. Considering international practices, there's a demonstrated need for both advisory and financial support mechanisms to be developed as part of support mechanisms.
- **Crafting Strategies for Green Financing:** Acknowledging the pivotal role of the private sector in financing the shift to a green economy, the government should craft strategies and regulatory mechanisms to attract green financing and investments. Simultaneously, fostering the development of green public investments becomes pivotal in incentivizing the private sector.

2.5 Integration of sustainability criteria into public procurement

One of the tools for achieving sustainable development goals and promoting corporate sustainability involves integrating sustainability components into public procurement. Given that government procurement holds a substantial stake in the economy, leveraging sustainable public procurement tools contributes significantly to enhancing the ecological and social environment, fostering the development of more sustainable products, and services offered by the private sector.

¹⁰⁰ Federal Ministry for Economic Affairs and Energy (2021), [Towards a sustainable economy. Second report on sustainability.](#)

Sustainable public procurement encompasses evaluating societal and economic benefits while addressing the demand for goods, services, labor, and utilities. It incorporates economic, social, and environmental aspects. The economic facet involves considering total lifecycle costs, prioritizing the most cost-effective proposal. The social aspect integrates concerns related to human rights protection and labor law principles. Meanwhile, the environmental aspect aims to address issues like dispersion, climate change, and responsible utilization of natural resources.¹⁰¹ Through selecting goods, services, and labor with a minimal environmental impact in public procurement, governments can significantly contribute to fulfilling the Sustainable Development Goals.

In general, the primary challenges regarding sustainable public procurement pertain to:

- Public perception that environmentally friendly products and services come with higher costs.
- Insufficient technical knowledge among civil servants concerning the integration of environmental and social standards into the procurement process.
- Lack of mechanisms for evaluating and monitoring the outcomes of sustainable procurement.¹⁰²

In Georgia, the integration of sustainability aspects into public procurement is rooted in the commitments outlined in the EU-Georgia Association Agreement. In this regard, Georgia must ensure the development of an appropriate legislative framework and effective enforcement mechanisms.

The necessity to embed the sustainability component in public procurement aligns with the country's drive toward sustainable development, given the public sector's significance. In 2022, state agencies' purchases amounted to approximately 10.3% of the country's gross domestic product.¹⁰³

The introduction of sustainable products and services in Georgia's public procurement commenced in 2019. Consequently, mechanisms for legally regulating sustainable public procurement were incorporated into the new law on public procurement.

Furthermore, a pivotal step taken in 2022 was the government's decree approving the implementation principles of energy-efficient public procurement and setting national monetary thresholds. Integrating energy efficiency components into public procurement aims to encourage purchasing highly energy-efficient facilities and reducing overall energy consumption.

A significant stride in advancing sustainable public procurement was marked by the adoption of a new law on public procurement in June 2023. The law aims to promote sustainable development by considering the environmental, social, and economic aspects of public procurement. As per this law, purchasing authorities have the authority to compel economic operators to adhere to social,

¹⁰¹ State Procurement Agency, 2023, [Activity Report for 2022](#).

¹⁰² OECD, 2015, [Going Green: Best Practices for Sustainable Procurement](#).

¹⁰³ State Procurement Agency Report, 2023

environmental, and labor norms to achieve sustainable development goals. Additionally, sustainability criteria are factored into determining procurement conditions.

To facilitate the implementation of sustainability criteria in public procurement, the Government of Georgia was directed to adopt, by January 1, 2025, a resolution outlining the methodology and procedure for mandatorily considering sustainable development aspects in procurement conditions. This resolution will cover the CPV codes corresponding to the procurement objects (goods, services, work), along with procedural characteristics. The Government's draft resolution defines four priority areas where sustainable development characteristics must be considered: toner cartridges, ink/paint cartridges, printers and plotters, and cleaning and polishing products.

Supported by the EU4Environment project, a sustainable public procurement guide for Georgia has been developed to assist both purchasing organizations and economic operators in the implementation and enforcement of the new law and the associated resolution.¹⁰⁴

Given that Georgia's adoption of sustainable public procurement aligns with EU laws and norms, it's crucial to explore the existing systems and mechanisms in EU countries for developing sustainable public procurement. In the European Union's drive to integrate sustainable development goals into public procurement, a significant milestone was the incorporation of sustainable procurement principles into the EU Public Procurement Directive in 2014. This incorporation prompted countries to actively utilize these tools in their public procurement processes.

Germany has established a task force on sustainable procurement, focused on devising social and environmental requirements within the public procurement system. Additionally, initiatives like the formation of the Alliance for Sustainable Development Practices and the creation of the Federal Administration's Sustainability Measurement Program have been employed. The Alliance comprises representatives from public procurement agencies, aiming to exchange experiences and propagate good practices. Simultaneously, governmental efforts aim to enhance knowledge and expertise on sustainable procurement practices within public agencies.

It's crucial to highlight that Germany's public procurement system integrates social aspects alongside environmental considerations. The German government has instituted additional legal requirements within the public procurement law:

- Inclusion of high energy efficiency standards in technical specifications for sectors with high energy consumption;
- Mandatory division of tenders into suitable lots to promote the participation of small and medium enterprises;
- Adherence to the law on minimum wages as a prerequisite for companies aiming to secure public contracts.¹⁰⁵

¹⁰⁴ EU4Environment, 2023, [Sustainable Public Procurement Reforms and Practices in Georgia](#)

¹⁰⁵ OECD, 2019, [Public Procurement in Germany, OECD Public Governance Reviews](#)

In Ireland, the development of sustainable public procurement involves considerations for both green procurement and social responsibility. The country has established a Strategic Procurement Working Group, focused on disseminating best practices and sharing information regarding sustainability in public procurement. Moreover, a high-level working group has been formed to encourage the engagement of small and medium enterprises in public procurement processes.¹⁰⁶

In summary, Georgia has developed a legal and regulatory framework aligned with international practices, marking the partial initiation of the sustainable public procurement system, with plans for gradual expansion. An essential step in this trajectory is the enactment of the new law, ensuring the integration of sustainable public procurement criteria in four priority areas from 2025. Considering these aspects, the effective implementation of a sustainable public procurement system in Georgia necessitates the following factors to be considered.

Recommendations

- **Inter-Agency Coordination:** After reviewing international practices, the need for robust inter-agency coordination was recognized to effectively utilize sustainable public procurement. Given Georgia's decentralized procurement system involving numerous purchasing organizations, creating a platform for these bodies to collaborate, share experiences, and develop their skills is crucial for implementing an efficient sustainable procurement system.
- **Personnel Training:** The effective integration of sustainability in public procurement relies on enhancing the knowledge and skills of qualified personnel. This is especially critical due to the operation of numerous small purchasing organizations facing a shortage of qualified staff.¹⁰⁷ Georgia should utilize existing tools such as manuals, training programs, and strategies to enhance specialized knowledge and qualifications in sustainable public procurement.
- **Measuring Impact:** Measuring the results of integrating sustainability into public procurement is vital. In OECD countries, 69% evaluate purchases made using sustainability criteria.¹⁰⁸ After implementing new regulations, Georgia should evaluate the impacts of sustainable public procurement, assessing its contributions to promoting sustainable development goals and progress in environmental, social, and economic aspects.
- **Raising Awareness:** Addressing the perception of high costs associated with ecological products and services is crucial. Emphasizing that sustainable public procurement, considering total life cycle costs and incentivizing the purchase of quality goods, can reduce costs and enhance technology is essential. Public awareness campaigns about the positive outcomes of sustainable public procurement are necessary.

¹⁰⁶ Government of Ireland, 2017

¹⁰⁷ EU4Environment, 2023, [Sustainable Public Procurement Reforms and Practices in Georgia](#)

¹⁰⁸ OECD, 2023, [Green Public Procurement](#).

- **Eco-Labeling System:** Developing an effective eco-labeling system is important for the successful development of sustainable public procurement tools. Georgia's system is less developed due to the absence of a national eco-labeling system.¹⁰⁹ Implementing an effective eco-labeling system is pivotal for effective sustainable public procurement.
- **Expansion Strategy:** Identifying additional sectors with high impact and gradually extending the regulations on public procurement beyond the current four products is essential. Developing an action plan/strategy for sustainable public procurement, outlining the list of products and relevant deadlines for regulation dissemination, will ensure a consistent and effective implementation process.
- **Effective Implementation and Monitoring:** Ensuring effective implementation of the sustainable public procurement system in identified sectors requires mechanisms for comprehensive evaluation of companies' sustainable activities and detecting greenwashing. The government's developed system should incorporate measures for assessing difficulty in public procurement, verifying data reliability, and monitoring the process closely.

Objective 3: Providing Knowledge, Information, Raising Awareness, and Capacity Building on CSR

Ensuring the sustainability of CSR implementation necessitates a robust educational and research foundation. These educational and research endeavors should be tailored to business organizations, addressing their practical needs while aiding in future planning and cost reduction by enhancing operational efficiency.

Similar to earlier chapters, referencing the European experience allows for a comparison with Georgian practices, offering a clearer understanding of its significance. Analyzing best practices serves as an effective advocacy tool for CSR standards, facilitating the incorporation of corporate social responsibility principles into Georgian companies' operations. The exchange of experiences between states and businesses plays a crucial role in effectively implementing CSR initiatives.

3.1 Encouraging Introduction of CSR in the curricula of higher educational institutions

For the promotion and comprehensive understanding of corporate social responsibility (CSR), integrating CSR into the curriculum of higher education institutions is vital. Teaching CSR in universities plays a pivotal role in shaping students' perspectives and understanding of ethical business practices.

¹⁰⁹ EU4Environment, 2021, [Assessment of the existing eco-labeling systems in Georgia](#).

Introducing corporate social responsibility at the university level can take various forms. Typically, universities aim to equip students with life skills and prepare them to achieve their objectives while upholding a strong work ethic, logical thinking, and ethical conduct. Furthermore, universities serve as catalysts for societal change by fostering research that generates new knowledge, innovations, and advancements in technology, often geared towards public benefit.¹¹⁰

In the context of Georgian universities, the incorporation of corporate social responsibility is evident across undergraduate and graduate levels. However, CSR is predominantly part of business administration, public relations, communications, and tourism programs, encompassing around 10 universities in Georgia—both private and state institutions.

Courses addressing corporate social responsibility may differ in titles, such as "Business Responsibility and Ethics," "Business Ethics," or "Business Ethics and Corporate Social Responsibility." Overall, Georgian higher education programs align with the core principles of corporate social responsibility outlined in this document, emphasizing the importance of adhering to CSR standards in business practices.

Numerous studies have highlighted students' acknowledgment of ethical standards in business and the importance of ethical education in business studies. However, it's essential to clarify that the primary objective of corporate social responsibility (CSR) education isn't merely to cultivate ethical awareness in students. Instead, it aims to mold future professionals, managers, or employees who comprehend the significance of responsible business practices, comprehend the positive outcomes for companies, and understand the specific ways CSR principles can be integrated into corporate activities, thereby fostering a positive transformation.

To enhance the effectiveness of CSR education, diverse methodologies can be employed. These include adopting activity-oriented approaches in teaching CSR to bridge theory and practice, allowing lecturers greater autonomy in the teaching process, providing ongoing training and professional development for lecturers, transferring accumulated knowledge to students, and equipping students with specialized competencies.¹¹¹

Furthermore, competencies acquired through CSR education are highly sought after by businesses aspiring to incorporate CSR in their operations. Hence, teaching CSR not only enhances students' employability but also encourages the introduction of better corporate practices¹¹². Companies led by Masters of Business Administration typically exhibit better performance in CSR initiatives, viewing

¹¹⁰ Robert L. Heath, Damion Waymer, [University Engagement for Enlightening CSR: Serving Hegemony or Seeking Constructive Change](#), *Public Relations Review*, Volume 47, Issue 1, 2021, 101958, ISSN 0363-8111.

¹¹¹ K. Ceulemans, M. De Prins, [Teacher's manual and method for SD integration in curricula](#), *Journal of Cleaner Production*, Volume 18, Issue 7, 2010, Pages 645-651, ISSN 0959-6526.

¹¹² Francisca Castilla-Polo, Ana Licerán-Gutiérrez, M. del Consuelo Ruiz-Rodríguez, [The adoption of corporate social responsibility active learning methodology with management accounting students](#), *The International Journal of Management Education*, Volume 20, Issue 1, 2022, 100613, ISSN 1472-8117

CSR not as a cost but as an avenue to enhance their corporate image and reputation.¹¹³ Moreover, CSR education contributes to the personal moral and ethical development of students.¹¹⁴

Germany's CSR action plan underscores the necessity of value-based economic education, integrating ethical and environmental aspects to foster business acumen and competencies. Thus, understanding sustainable socio-economic development across all educational levels is crucial. The action plan advocates an interdisciplinary approach to CSR as an essential subject for multi-stakeholder study. Full realization of CSR hinges on close integration between teaching, research, and practical application. The plan sets forth goals to teach CSR and economic skills in secondary schools, vocational training centers, and universities in Germany, promoting CSR research and teaching through interdisciplinary local and international research networks. Moreover, it proposes the award of academic scholarships for outstanding students, funded by enterprises, aimed at enhancing CSR teaching and research efforts.¹¹⁵

The composition of the working group outlined in Ukraine's action plan is intriguing, featuring representation from the National Academy of Sciences and the National University of Law of Yaroslav the Wise. Furthermore, the action plan underscores the implementation of responsible education management within the university sphere¹¹⁶

Spain's action plan places significant emphasis on integrating corporate social responsibility (CSR) into education, particularly in terms of fostering responsible action, training professionals in socially responsible management skills, and conducting research. The aim is to shape the thinking and actions of present and future generations. The plan highlights the importance of teaching individuals from a young age to contribute personally to future generations' well-being and to encourage actions leading to a more sustainable economic model for society. It stresses the need for tailored learning materials and approaches at different educational levels, considering the diverse objectives of various stakeholders. The plan also advocates for the creation of interdisciplinary research networks to bridge theory and practice, the establishment of university departments dedicated to CSR, and the introduction of postgraduate studies and research in this field. Special attention is directed towards teaching social responsibility in schools, universities, and vocational training centers.¹¹⁷

¹¹³ Helin Sun, Jia Zhu, Tao Wang, Yue Wang, [MBA CEOs and corporate social responsibility: Empirical evidence from China](#), Journal of Cleaner Production, Volume 290, 2021, 125801, ISSN 0959-6526.

¹¹⁴ Fabio Pizzutilo, Elisabetta Venezia, [On the maturity of social responsibility and sustainability integration in higher education institutions: Descriptive criteria and conceptual framework](#), The International Journal of Management Education, Volume 19, Issue 3, 2021, 100515, ISSN 1472-8117.

¹¹⁵ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government, 2010](#), 83. 12-14.

¹¹⁶ Ukraine's 2020 action plan on CSR ([On approval of the action plan for the implementation of the Concept of implementation of state policy in the field of promoting the development of socially responsible business in Ukraine for the period up to 2030](#)).

¹¹⁷ [Spanish Strategy for Corporate Social Responsibility, 2014-2020](#), p. 34-35.

The Czech Action Plan focuses on raising awareness among young people nationwide about corporate social responsibility. It proposes conducting research competitions in CSR to identify top pupils and students across the country. Additionally, the plan aims to enhance CSR knowledge in primary and secondary schools and vocational training centers. It underscores the significance of synergy between academia and businesses in the realm of CSR, proposing workshops, conferences, and other collaborative means to foster this collaboration.¹¹⁸

Recommendations

- **Integrating CSR into Education:** It's essential to incorporate corporate social responsibility into the curriculum of secondary schools, vocational training centers, and universities. To foster CSR awareness among young individuals, leveraging contests and competitions can be a highly effective tool.
- **Strategic Implementation Plan:** The Ministry of Education should develop a detailed action plan dedicated to integrating corporate social responsibility into secondary school programs. A CSR manual tailored for secondary schools should be developed. It would be beneficial to commence teaching this subject in a pilot mode before expanding it nationwide.
- **Promoting Research and Practical Application:** Research initiatives focusing on corporate social responsibility are pivotal for its progress and practical application. The synergy between teaching, research, and practical implementation will significantly contribute to CSR development in Georgia. Introducing grant competitions specifically focused on corporate social responsibility by the state would be advantageous for CSR research. Encouraging enterprises to participate in these initiatives by contributing their co-funding to CSR research would yield long-term benefits by reducing costs and enhancing competitiveness in their business activities.

3.2 Awareness rising, providing knowledge and information on CSR to companies and society

Providing information on corporate social responsibility holds equal significance for both companies and society. Companies can apply received information within their business activities. Heightening public awareness serves to augment the accountability of business organizations, as society demands higher standards of engagement from them.

Corporate social responsibility (CSR) is integral to shaping a company's brand and reputation, cultivating customer and employee loyalty, attracting investors, and fostering business success. Hence,

¹¹⁸ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 58.

CSR holds significance not only as a concept of public importance but also as a crucial aspect of specific business importance.¹¹⁹

Raising awareness about corporate responsibility can be expressed through various channels. It can manifest via social media, educational endeavors, the creation and dissemination of informational materials, and the formulation and execution of a targeted agenda by the business organization and its employees.

From the perspective of heightening awareness, comprehending the benefits of corporate social responsibility for companies is crucial. For instance, it is widely believed that implementing corporate social responsibility positively impacts a company's competitiveness, reputation, innovation, stakeholder involvement in decision-making, and other factors extensively debated and accepted in academic literature.¹²⁰

States employ diverse methodologies to enhance awareness of corporate social responsibility.

Spain's 2014-2020 strategy for corporate social responsibility includes periodic consultations with citizens to assess the degree of CSR implementation in the country. The data collected can be utilized by both private and public entities in crafting annual action plans.¹²¹ CSR significantly enhances a company's appeal to consumers and investors, aiding in employee retention and recruitment.

The outlined action plan emphasizes various avenues for promoting awareness of corporate social responsibility, such as leveraging social media, organizing educational initiatives, distributing informational materials, and orchestrating diverse events and activities.

In 2020, Ukraine approved an action plan for implementing state policy concerning responsible business practices. This plan prioritizes heightening awareness about environmental conservation, sustainable utilization of natural resources, and preserving biodiversity in alignment with international obligations. It involves conducting seminars and training sessions for public and local agencies on socially responsible business policies. Additionally, the plan encompasses informational and educational campaigns, meetings, and calls for ethical action against corrupt practices.¹²²

Ireland's National Action Plan on Corporate Social Responsibility for 2017-2020 aims to facilitate organizations and employees in comprehending responsible business practices in the country. It

¹¹⁹ Some argue that CSR initiatives primarily serve the interests of the company by enhancing its reputation, improving employee morale, and potentially increasing profitability. Ultimately, the effectiveness and impact of CSR initiatives vary widely depending on how they are implemented and the extent to which they genuinely address societal needs while aligning with business goals.

¹²⁰ Vishwanathan, Pushpika & Oosterhout, Hans & Heugens, Pursey & Duran, Patricio & Essen, Marc. (2019). Strategic CSR: A Concept Building Meta-Analysis. *Journal of Management Studies*. 10.1111/joms.12514.

¹²¹ [Spanish Strategy for Corporate Social Responsibility, 2014-2020](#), p. 33.

¹²² [Ukraine's 2020 action plan on CSRF \(On approval of the action plan for the implementation of the Concept of implementation of state policy in the field of promoting the development of socially responsible business in Ukraine for the period up to 2030\)](#), p. 2-6.

outlines the formation of a panel comprising CSR ambassadors who will speak at various business events nationwide. The plan also introduces CSR awards—bronze, silver, gold, and platinum categories—and supports the CSR website (<https://www.csrhub.com/>) by updating and categorizing information.¹²³

Examining the Czech Republic's approach, the CSR awareness campaign involves polling target groups on issues such as human rights, personal and family life, and maintaining work-life balance. Additionally, the action plan aims to foster CSR awareness among the youth by organizing competitions focused on identifying the best student contributions in the form of short stories, essays, theses, and dissertations on corporate social responsibility.¹²⁴ CSR offers an opportunity to enrich the business and management landscape by fostering synergy between academia and business practices through conferences and workshops. To heighten awareness, initiatives include environmental protection campaigns and enhancing information transparency for consumers.¹²⁵

In the Czech Republic, organizations demonstrating active engagement in corporate social responsibility receive recognition through awards. Since 2009, the National CSR Award has been bestowed annually to representatives from both the business and public sectors. The Minister of Industry and Trade lends support to programs like the Czech National Quality Award and the National Corporate Social Responsibility Award.¹²⁶

Germany's CSR strategy also encompasses awareness-raising activities. It involves engagement with the general public, particularly consumers and investors, to elevate awareness regarding corporate social responsibility.¹²⁷

The Italian National Action Plan for 2012-2014 prioritizes increasing knowledge and awareness of CSR. This involves disseminating information on CSR implementation in company management, highlighting its strategic significance among enterprises and young individuals. Furthermore, the plan focuses on informing citizens and consumers about companies' responsible business activities to prevent unfair business practices and conducts information and training sessions for business organizations.¹²⁸

¹²³ [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#), p. 12.

¹²⁴ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 59.

¹²⁵ *ibid.*, p. 71.

¹²⁶ *Ibid.* P. 60

¹²⁷ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government](#), 2010, p. 11.

¹²⁸ Italy National Action Plan on CSR 2012-2014, Dr. ssa Maria Benedetta Francesconi, Ministry of Economic Development, General Directorate for Industrial Policy and Competitiveness, p. 2-3

Recommendations

- **Enhancing Awareness:** Organizing communication campaigns, seminars, conferences, and roundtable discussions in collaboration with universities and expert organizations is crucial to enhance awareness about CSR.
- **Engaging Citizens through Feedback Mechanisms:** Engaging citizens through polling and gathering feedback is imperative for implementing and monitoring corporate social responsibility activities. Conducting a survey assessing citizens' knowledge of CSR could be coordinated by a government agency responsible for CSR or a stakeholder council.
- **Training Public Servants:** Organizing training sessions and meetings for employees of public agencies and local governments is particularly vital to heighten awareness about corporate responsibility.
- **Promoting Environmental Awareness:** Both state agencies and citizens should arrange informational meetings about environmental protection to promote awareness of environmental issues, including sustainable resource utilization, waste management, greenhouse gas emission reduction, and biodiversity preservation.
- **Establishing CSR Ambassadors' Panel:** Establishing a panel of CSR ambassadors comprising public figures to engage with students, company representatives, and local residents in both urban and rural areas can effectively communicate the significance of CSR.
- **Developing Information Materials and Manuals:** Developing information materials, manuals, and conducting training sessions and seminars for companies on corporate responsibility issues are essential. Collaboration between relevant state agencies, educational institutions, and expert organizations is pivotal in this effort.
- **Promoting information web platform CSR Hub:** Supporting and promoting the website <https://csrgeorgia.com> is crucial. Ensuring that citizens and companies are aware of this platform will serve as an additional resource for them to delve deeper into understanding corporate social responsibility.

3.3 Sharing best practices and motivating companies

Regarding corporate social responsibility, it holds significant importance to generalize best practices and disseminate information. Generalizing best practices offers a prime opportunity to encourage companies to share experiences from other business entities and endeavor to integrate these practices into their own operations.

Aligned with the document's objectives, we have highlighted the primary positive outcomes of corporate social responsibility for companies, which are most effectively showcased through the sharing of best practices:

- Corporate social responsibility plays a pivotal role in retaining employees and safeguarding their rights, thereby positively impacting the company's long-term strategy.
- It enhances cash generation as consumers demonstrate willingness to pay more for products from socially responsible brands.
- CSR contributes positively to environmental protection standards, motivating companies to optimize energy use for greater outcomes.
- It aids companies in boosting competitiveness. Research indicates that companies prioritizing social responsibility not only enhance their public image but also create new market opportunities to attract a broader customer base.¹²⁹
- Furthermore, corporate social responsibility heightens accountability and transparency towards investors.

Various states employ different methods to incentivize companies to adopt CSR and share best practices. For instance, the German government conducts informational campaigns to encourage businesses to adhere to the United Nations' Principles for Responsible Investment. Simultaneously, it endeavors to bolster public agencies and enterprises to align with the UN Global Compact or utilize other internationally recognized tools in sustainable development and corporate responsibility.¹³⁰ The German Federal Government's Action Plan also includes provisions to further incentivize CSR implementation by supporting a diverse work environment and assisting employees in achieving a better balance between work and family commitments.¹³¹

Spain's Action Plan underscores good governance and transparency as key elements to fortify exemplary practices. Ethical conduct and transparency ought to serve as hallmark traits of socially responsible companies. The supervisory board and governing bodies play a pivotal role in implementing responsible business practices. Typically, the integration of corporate social responsibility serves as a motivating factor for investors, shareholders, customers, and employees. Additionally, this approach,

¹²⁹ Several examples can be given to introduce corporate social responsibility. In particular, Google's activities are aimed at protecting its employees and the environment. The company offers employees free meals at work and free access to campus cafes, kitchens and other dining options. In terms of environmental protection, the company promotes renewable energy sources and investing in sustainable offices. LEGO aims to fully switch to the production of recyclable products that meet environmental standards by 2030. TOMS pursues a different form of social responsibility. In particular, Toms donates a significant portion of its profits to charities that support physical and mental health initiatives and educational opportunities. Also, for every pair of shoes purchased, Toms donates a pair of shoes. To date, Toms has given away 95 million pairs of shoes for free to people in need.

¹³⁰ [National Strategy for Corporate Social Responsibility – Action Plan for CSR – of the German Federal Government, 2010](#), p. 22.

¹³¹ Ibid p. 18.

as highlighted in the action plan, cultivates a positive image for Spain and bolsters trust from other nations toward the country.

As per the Spanish action plan, allowing enterprises to define monitoring indicators tailored to their activities is deemed an expression of good practice. These indicators facilitate gauging progress toward CSR implementation. The CSR reports voluntarily produced by companies aren't mere documents but serve as a means to publicly disclose their considerations regarding social and environmental protection contexts.

Furthermore, Spain's action plan emphasizes combating instances of unfair competition, tax evasion, and corruption by instilling ethical standards and promoting transparency within businesses. It advocates for state support in endorsing ethical codes and international initiatives aimed at mitigating such challenges.¹³²

Another illustration of sharing good practices through Spain's Action Plan is the implementation of the 2013-2016 Strategy for Entrepreneurship and Youth Employment by the Ministry of Employment and Social Security. This strategy encompassed 100 pathways to integrate young individuals into the labor market. It included provisions for recognizing both state and private organizations, granting them the status of entities responsible for youth employment. The primary aim of this strategy was to raise awareness about such enterprises, thereby facilitating and motivating the proliferation of commendable practices.¹³³

Annex four of the Irish Action Plan compiles various examples of good practice that companies seeking to implement corporate social responsibility can adopt. These examples correlate with significant economic benefits for companies, typically serving as an additional motivating factor for CSR implementation. Some of the highlighted good practices encompass:

- Enhancing employment conditions (inclusive of bonus and pension schemes, health benefits, sports and social perks, etc.)
- Advocating for equality and diversity (encompassing proactive gender policies and employing individuals with disabilities)
- Prioritizing employee health and safety (establishing acceptable working conditions, implementing support services for employees, etc.)
- Strengthening customer relations (such as instituting a code of conduct, considering customer feedback, conducting quality audits, engaging in stakeholder consultations, etc.)
- Integrating corporate social responsibility modules into business school, university, and educational institution curricula
- Adopting transparency standards and proactive policies to reduce CO2 emissions.¹³⁴

¹³² [Spanish Strategy for Corporate Social Responsibility, 2014-2020](#), p. 35-36.

¹³³ *ibid*, p. 16

¹³⁴ [Ireland's National Action Plan on Corporate Social Responsibility 2017-2020](#), Appendix Four

The Czech action plan aims to boost companies' motivation by emphasizing the significance of CSR concerning public procurement and product sales. For instance, the plan envisions creating an educational program to fulfill this objective. The Ministry of Regional Development and the Ministry of Internal Affairs, in collaboration with the directly accountable agency, are anticipated to play pivotal roles in developing this educational program.¹³⁵

Recommendations

- **Promoting CSR Competitions and Participation:** To foster the sharing and implementation of good CSR practices, creating motivating circumstances is crucial. The state should endorse and actively participate in CSR competitions initiated by civil and private organizations, potentially through direct recognition by state political officials or organizing such competitions itself.
- **Setting a State Example in CSR Implementation:** State agencies and enterprises should serve as models for private companies by adhering to and implementing CSR standards. This includes integrating environmental management systems into operations, offering family-compatible working conditions, and conducting CSR-related training for employees. CSR topics (encompassing environmental protection, employee rights, gender balance etc.) should be reflected in the published reports of public agencies.
- **Encouraging CSR Strategy Development and Reporting:** Enterprises adhering to CSR standards should develop and publish specific CSR strategies, along with annual reports on CSR considerations and monitoring of implemented initiatives. The government Unit responsible for CSR coordination at the national level can actively assist in implementation after an initial commitment from interested companies.
- **Facilitating Information Sharing among Enterprises:** Sharing information and experiences among enterprises is crucial for CSR implementation. Organizing workshops and creating online platforms for sharing best practices can facilitate this exchange. Involving both Georgian and foreign companies in these platforms enables the sharing of international expertise, with coordination by the state enhancing their legitimacy and facilitating inclusion of foreign companies when necessary.

3.4 Promoting transparency on sustainability issues and sustainability reporting

Within the pursuit of sustainable development goals, establishing a sustainability reporting system becomes pivotal in engaging the private sector and assessing companies' activities in this realm. The

¹³⁵ [National Action Plan for Corporate Social Responsibility in the Czech Republic 2016-2018](#), p. 29.

corporate responsibility/sustainability report encompasses details on the company's influence across economic, environmental, and social spheres.

In recent years, there has been a shift from voluntary reporting by companies toward an inclination to adopt legal regulations governing social and environmental reporting in business operations.

Overall, corporate sustainability reporting contributes to fostering sustainable practices within companies, enhancing brand image and reputation, and stimulating investments and financing. At the state level, a robust reporting system offers an opportunity to appraise the private sector's role in sustainable development and foster a more sustainable and competitive business landscape.¹³⁶ Notably, in the pursuit of attracting investments, the evolving field of sustainable finance places increased emphasis on environmental, social, and governance factors in investment decision-making processes.

In Georgia, a significant step toward developing a sustainability reporting system was the 2016 adoption of the Law of Georgia "On Accounting, Reporting, and Auditing." This legislation mandated certain companies to submit management reports, incorporating aspects of non-financial reporting.

As per the law, the submission of non-financial statements is compulsory solely for public interest entities (PIEs) falling within the size category of the first tier of enterprises, maintaining an average of more than 500 employees during the reporting period. Non-financial reporting aims to present information on environmental protection, social issues, employment, human rights protection, and anti-corruption efforts.¹³⁷ Entities such as commercial banks, microfinance organizations, and insurance companies are classified as public interest entities. While the law defines constituent elements of the report, it does not establish a mandatory structure for these sections.

Moreover, in 2018, the Service for Accounting, Reporting, and Auditing Supervision developed the "Guidelines on Governance Reporting," a recommendatory document. This guide aims to streamline the preparation of governance statements and assist stakeholders in aligning their statements with best practices and international standards.¹³⁸

Moreover, the 2023-2026 strategy outlined by the Service for Accounting, Reporting, and Auditing Supervision of the Ministry of Finance outlines the developmental trajectory for sustainability reporting. In accordance with the EU-Georgia Association Agreement and the principle of dynamically converging Georgian legislation with EU norms, the Service intends to initiate legislative changes to introduce new reporting regulations. This includes selecting, translating, and implementing the

¹³⁶ United Nations Conference on Trade and Development (2022), [Tackling the Sustainability Reporting Challenge: A Policy Guide](#).

¹³⁷ Legislative Herald of Georgia (2016), [Law of Georgia "On Accounting, Reporting, and Auditing."](#)

¹³⁸ Service for Accounting, Reporting and Auditing Supervision (2018), [Guide for preparing Governance Report](#)

international standard for corporate sustainability reporting, aligning with the requirements of the new corporate sustainability reporting directive (CSRD).¹³⁹

State-level regulation has notably progressed further in promoting sustainable reporting within the financial sector. Foremost, the National Bank of Georgia (NBG) annually publishes a Sustainable Finance Status Report. This report encompasses details about sustainability initiatives and forthcoming plans, an overview of environmental, social, and governance (ESG) reporting by commercial banks, and trends in green and sustainable bond issuance.¹⁴⁰

Among the state's regulatory instruments for sustainability reporting, a crucial initiative is developing by the National Bank of Georgia Sustainable Finance Taxonomy that provides a classification system for identifying activities that deliver on key climate, green, social, or sustainability objectives. Alongside Taxonomy, the approval of the regulation for sustainable finance reporting by commercial banks stands out. This regulation delineates the classification of green, social, and sustainable loans, along with corresponding loan reporting requisites. It obligates commercial banks to provide information on green loans in both monthly reports and annual ESG reports. To promote consistent, harmonized, and comparable disclosure of environmental, social, and governance issues by commercial banks and financial institutions, the National Bank has formulated reporting and disclosure principles and developed templates.¹⁴¹ The introduction of this instrument significantly enhances information transparency and encourages sustainable financing in banks' operations, thereby fostering overall market development in this domain.

ESG issues are also incorporated within the Corporate Governance Code for commercial banks and issuers of public securities. These documents entail the consideration of sustainability-related ESG issues in corporate strategy, risk management, and ESG reporting requirements. According to the Corporate Governance Code, the reporting form for ESG issues has been integrated into the Pillar 3 annual report, facilitating the disclosure of ESG concerns within it.¹⁴²

Generally, given that sustainability reporting for most companies is voluntary, there exists relatively low engagement across the sector in publishing reports.

Encouraging the development of sustainability reporting in companies necessitates the creation of incentive mechanisms. In Georgia, various incentive tools tied to company recognition exist. For instance, the Best Annual Report and Transparency Awards (BARTA), conducted by the World Bank, in partnership with the Accounting Reform's Stakeholders' Foundation and with the support of European Union, stands as one such example.¹⁴³ Another initiative includes the annual recognition

¹³⁹ [Service for Accounting, Reporting and Auditing Supervision \(2023\), Strategy for 2023-2026.](#)

¹⁴⁰ National Bank of Georgia (2023), [Sustainable Financing Report](#), 2022; National Bank of Georgia (2023), [Environmental, Social and Governance \(ESG\) Reporting and Disclosure.](#)

¹⁴¹ National Bank of Georgia (2023), [ESG Reporting and Disclosure](#)

¹⁴² National Bank of Georgia (2023), [Sustainable Financing Report](#), 2022

¹⁴³ <https://www.barta.ge/>

through the Georgia's Responsible Business Awards, Meliora, conducted by the Center for Strategic Research and Development of Georgia (CSR DG) with the support of EU and Konrad Adenauer Foundation. This Awards Scheme encompasses a Transparency and Reporting category focusing on corporate responsibility and sustainability reporting.¹⁴⁴

Furthermore, plans are underway to develop the legal framework and guidelines for sustainability reporting in collaboration with key stakeholders including the National Bank of Georgia, the Global Compact Network Georgia, the Institute of Sustainable Development, and the Accounting, Reporting, and Audit Supervision Service.¹⁴⁵

In summary, the policy aimed at developing a sustainability reporting system in Georgia predominantly centers on the public interest sector. In other sectors, companies' commitment to sustainable activities is voluntary and contingent upon individual company policies.

Internationally, the most prevalent tool for reporting is the Global Reporting Initiative (GRI) reporting system. Compliance with this standard ensures quality, reliability, verifiability, and comparability of the information presented.¹⁴⁶ Encouraging and supporting reporting in line with international standards (GRI Standards) within the country is thus imperative.

Since 2014, the directive on non-financial reporting has mandated certain types of large companies to prepare reports on selected social and environmental issues.¹⁴⁷ Recently, in 2023, the European Union adopted a new directive on corporate sustainability reporting, broadening the scope of the 2014 directive. This expanded directive (CSRD) entails reporting obligations for all large companies and certain small and medium-sized businesses. Detailed reporting standards have been developed within this directive.¹⁴⁸ In EU countries, this directive signifies a broader obligation for more companies to report according to a unified standard, providing investors and stakeholders with more comprehensive information regarding sustainability performance of the companies.

Broadly speaking, distinct approaches among countries exist concerning the mandate to ensure the transparency on social and environmental aspects within a company's operations. For instance, in Germany, sustainability reporting is regulated by the Sustainability Code. This code delineates report development standards, comprising 20 evaluation criteria and minimum reporting requirements. It facilitates a direct comparison of corporate responsibility activities across companies. While the

¹⁴⁴ https://meliora.ge/ka/categories/csr_communication

¹⁴⁵ Accounting, Reporting and Audit Supervision Service (2021), regarding the field of sustainability reporting, a memorandum of cooperation was signed, retrieved 09.08.2023 <https://saras.gov.ge/ka/News/Detail/2508>

¹⁴⁶ GRI (2021), [A Short Introduction to the GRI Standards](https://www.globalreporting.org/standards/), GRI Standards for Sustainability Reporting: <https://www.globalreporting.org/standards/>

¹⁴⁷ CSR Hub (2023), [Main CSR Themes: Transparency and Reporting](#)

¹⁴⁸ Official Journal of the European Union (2022), [Directive \(EU\) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation \(EU\) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting](#), EUR-Lex

framework outlined in the Code is applicable to organizations of all sizes and types, it is binding only for specific companies.¹⁴⁹

Similarly, in France, aligning with European Union regulations, certain companies are mandated to submit environmental/sustainability reports. These obligations encompass multiple facets, including furnishing information on non-financial activities, executing compliance plans, and requiring financial market participants to consider climate change and biodiversity in their sustainability risk policies.

Moreover, amendments to the Green Industry Law, approved by the French National Assembly, necessitate all companies to develop climate and sustainability strategies. The innovation lies in ensuring shareholders' involvement in endorsing planned company activities and the annual preparation of relevant reports.¹⁵⁰ Consequently, these proposed changes in France significantly broaden the scope of sustainability reporting obligations.

Advancing the sustainability reporting system within a country holds dual importance: fostering corporate social responsibility in companies and incentivizing green investments while ensuring compliance with international standards and evolving EU legislative changes. Nevertheless, it's essential to note that preparing sustainability reports poses substantial challenges for many organizations.

Recommendations

- **Enhancing Sustainability Reporting Analysis and Capacity Building:** To advance sustainability reporting in Georgia, an initial step involves analyzing existing initiatives, evaluating companies' capacities, and identifying those for whom reporting in this realm could become mandatory. Ensuring the engagement of all stakeholders in the development process of the sustainability reporting system, as well as in government-planned activities or regulatory framework development, is pivotal.
- **Gradual Introduction of Mandatory Reporting:** Given the less developed state of the country's regulatory system for sustainability reporting, a gradual introduction of mandatory reporting becomes crucial. This approach grants companies sufficient time to cultivate skills aligning with new requirements.
- **Formulation of Sustainability Reporting Guidelines and Skills Development Support:** Supporting the private sector necessitates the formulation of sustainability reporting guidelines adhering to international standards. Additionally, aiding companies in fostering pertinent skills and competencies proves instrumental.

¹⁴⁹ The Federal Government of Germany (2021), [German Sustainable Development Strategy](#)

¹⁵⁰ McNally, F. (2023), [France adopts mandatory Say on Climate Law](#), Responsible Investor, accessed on 09.08.2023.

- **Encouraging Voluntary Non-Financial Reporting:** Encouraging voluntary non-financial reporting in the private sector can be facilitated through tools such as information campaigns, award schemes, grants, and other incentivizing activities. These mechanisms aim to stimulate and inspire private sector engagement in sustainability reporting voluntarily.

3.5 Encouraging Introduction of CSR in the curricula of higher educational institutions

Another avenue for integrating sustainable development concerns into private sector activities involves incorporating human rights and environmental issues into companies' management systems. This approach contributes significantly to the cultivation of more sustainable and responsible business practices. Embracing sustainability within corporate governance principles and executing due diligence to assess the negative impacts of organizational activities are fundamental in identifying and mitigating adverse effects on social and environmental spheres.

According to the OECD definition, the sustainability due diligence entail a process of identifying, preventing, mitigating, and being accountable for potential adverse effects on employment, human rights, the environment, corruption, and consumers. At the national and regional levels, this tool's development has transcended mere accountability for impacts generated within companies' operations, extending to encompass their supply chains and business partnerships.¹⁵¹

Corporate responsibility for averting and addressing negative impacts on human rights found inclusion in the 2011 UN Guiding Principles on Business and Human Rights. Subsequently, this concern was integrated into the OECD Guidelines for Multinational Enterprises. Additionally, it's noteworthy that as of 2021, the principles of sustainability due diligence have been incorporated into the universal standards of the Global Reporting Initiative (GRI).¹⁵²

According to the GRI international standard, the corporate sustainability due diligence encompasses the following:

- Incorporating responsible business practices into the company's policies and governance system.
- Identifying and assessing actual and potential negative impacts associated with enterprise operations, products, and services.
- Mitigating, preventing, or reducing these impacts, and monitoring the activities and their resultant outcomes.
- Communicating the outcomes of these actions and providing information to stakeholders.¹⁵³

¹⁵¹ GRI (2023), [Corporate sustainability due diligence policies and sustainability reporting, A state-of-play report by the GRI Policy team](#)

¹⁵² Ibid.

¹⁵³ Ibid.

Regarding the prevention and management of adverse effects stemming from companies' activities, it's crucial to highlight that the non-financial segment of management reporting encompasses an analysis of entity activity risks. This section scrutinizes the company's business relationships, potential adverse effects of products and services, and outlines risk management methodologies.¹⁵⁴

Furthermore, the National Bank of Georgia's Principles for Reporting on ESG Issues focus on the social and environmental aspects. Aligned with international standards, these principles necessitate financial institutions to conduct social and environmental impact assessments, encompassing the disclosure of information on identifying, managing, and mitigating risks associated with ESG issues.¹⁵⁵

Additionally, within the corporate governance code for commercial banks and the corporate governance code for issuers of securities, the risk management section emphasizes the assessment of non-financial risks, including environmental and social risks. These codes underscore the process of identifying social and governance risks and evaluating their impact.¹⁵⁶ Analogous to commercial bank regulations, the corporate governance code for issuers of public securities also mandates compliance with sustainability requirements, emphasizing the integration of ESG issues within organizational strategies and risk management systems.¹⁵⁷

In this regard, the National Strategy for the Protection of Human Rights of Georgia (2022-2030) warrants attention. An objective of this strategy is to bolster business and human rights standards, focusing on aligning international standards with legislation.¹⁵⁸

Contrasting with Georgia, the European Union has instituted a more intricate regulatory system for managing social and environmental impacts. A notable innovation is the Proposal for the directive on corporate sustainability due diligence sanctioned by the European Commission in 2022. This directive is set to be implemented two years following approval by the European Parliament and the Council. It necessitates companies to prevent, eliminate, or diminish adverse impacts. This entails devising and implementing a prevention action plan, assessing the impacts of business partners and the company's supply chain, and supporting compliance for partner small and medium enterprises in meeting these requirements.¹⁵⁹

The obligation to evaluate and manage risks associated with negative impacts on human rights and environment will specifically apply to certain companies. These encompass two groups of

¹⁵⁴ SARAS, [Guide on preparing Governance Report](#), 2018

¹⁵⁵ [National Bank of Georgia \(2020\), ESG Reporting and Disclosure Principles](#)

¹⁵⁶ Legislative Herald of Georgia (2018), Order of the President of the National Bank of Georgia No. 215/04 - [Approving the Corporate Governance Code of Commercial Banks](#)

¹⁵⁷ Legislative Herald of Georgia (2021), Order of the President of the National Bank of Georgia No. 172/04 - [On the Approval of the Corporate Governance Code for Issuers of Public Securities](#)

¹⁵⁸ Legislative Herald of Georgia (2023), [Resolution of the Parliament of Georgia on the Approval of the "National Strategy for the Protection of Human Rights of Georgia \(for 2022-2030\)"](#).

¹⁵⁹ Spinaci, S. (2023), [Corporate sustainability due diligence, How to integrate human rights and environmental concerns in value chains](#), Briefing - EU Legislation in Progress, European Parliament.

organizations: first, companies with over 500 employees and an annual turnover exceeding 150 million euros, and second, companies operating in high-impact sectors (textiles, agriculture, natural mineral extraction, etc.) with over 250 employees and an annual turnover surpassing 40 million euros. Moreover, the directive extends to companies from non-EU regions operating within the EU, matching the criteria outlined for the first or second group. This directive is anticipated to cover approximately 13,000 companies within the EU and 4,000 companies outside the EU, collectively responsible for producing two-thirds of the EU's entire output.¹⁶⁰

Simultaneously, it's crucial to note that although international standards are voluntary, EU countries have begun developing national legislative frameworks in recent years. While these regulations align with international standards, disparities exist in their scope, covered risks, enforcement, and obligations. This fragmentation among countries has prompted the creation of a unified legal framework within the European Union.¹⁶¹

Given the evolution from voluntary systems to regulatory structures regarding corporate sustainability due diligence, examining the existing systems in EU countries offers intriguing insights.

In 2017, France took the lead as the first country in the EU and globally to enact sustainability due diligence legislation. This tool is obligatory solely for large companies with over 5,000 employees within the EU and exceeding 10,000 employees globally. The scope of this regulation encompasses activities under both direct and indirect control, encompassing all contractors and suppliers. The regulation mandates the formulation of a suitable plan targeting human rights, health, safety, and environmental protection to mitigate or diminish identified risks. Importantly, France lacks penalty mechanisms for non-compliance with these obligations, a decision made by the Constitutional Court.

Germany, in 2021, also instituted a law necessitating companies to conduct assessments of negative impacts. This law applies to companies with over 3,000 employees (with plans to reduce this requirement to 1,000 employees by 2024). The regulations encompass the operations of the company and its supply chain. The legislation outlines a risk management system to identify, prevent, and minimize human rights violations and environmental harm. Notably, the German system includes provisions for administrative fines in case of obligation breaches.¹⁶²

In summary, the tools employed by states for conducting negative impact assessments and fostering robust corporate governance primarily target large enterprises. Comparatively, when juxtaposed with the French and German regulations, the criteria outlined in the draft of the new EU directive imply the inclusion of a larger number of companies. Importantly, two years post the directive's adoption,

¹⁶⁰ European Commission (2022), [Corporate sustainability due diligence: Fostering sustainability in corporate governance and management systems](#)

¹⁶¹ Spinaci, S. (2023), [Corporate sustainability due diligence, How to integrate human rights and environmental concerns in value chains](#), Briefing - EU Legislation in Progress, European Parliament.

¹⁶² Ibid.

member states will be mandated to align with EU legislation regarding sustainability due diligence and enact relevant regulations at the national level.

Recommendations

- **Assessing Feasibility of Sustainability Due Diligence Implementation:** Assessing the feasibility of implementing sustainability due diligence beyond the financial sector is crucial in Georgia. This involves evaluating the potential for utilizing this tool across other sectors of business activities within the country.
- **Informing Private Sector about sustainability due diligence Mechanisms:** Informing private sector representatives about the advantages of implementing management responsibility mechanisms to prevent negative impacts on human rights and the environment within corporate governance is imperative
- **Establishment of Unified Voluntary State Standard:** To further stimulate the integration of this practice into corporate management, it's pivotal to establish a unified voluntary state standard that aligns with international standards and is readily accessible to all interested parties.
- **Identification of Large Companies for Sustainability Due Diligence:** In addressing the obligation of corporate sustainability due diligence, it is crucial to initially identify large companies operating within high-impact sectors (such as mineral extraction, agriculture, etc.). With their active participation, an appropriate legal framework should be developed.

3.6 Promoting introduction of main international standards on Responsible Business Conduct/Corporate Social Responsibility

With corporate responsibility and sustainability gaining prominence on the global stage, international organizations have initiated the development and enhancement of tools in this realm. A pivotal stride was made with development of the ISO 26000 Social Responsibility Standard by the International Organization for Standardization (ISO) in 2010. Subsequently, in 2011, the OECD updated its Guidelines for Multinational Enterprises (MNE Guidelines), and the United Nations ratified the resolution "Guiding Principles on Business and Human Rights" (UNGP). Notably, the OECD revisited its Guidelines for Multinational Enterprises in 2023. Additionally, a significant international benchmark is the unified Sustainability Reporting Standards devised by the Global Reporting Initiative (GRI). The Extractive Industries Transparency Initiative (EITI) has also devised a suite of sustainability standards tailored for extractive activities.

The ISO 26000 guideline stands as a voluntary, non-certifiable standard offering directives and recommendations for fostering the social responsibility of organizations. Crucially, this standard

applies to organizations of all sizes, types, and locations, extending its scope beyond the private sector. Encompassing seven key domains—organizational governance, human rights, labor practices, environmental protection, fair operating practices, consumer issues, and community involvement and development—the ISO 26000 presents detailed guidelines on 37 social responsibility issues across these seven domains.¹⁶³

In the realm of corporate responsibility development, a pivotal document is the "Guidelines for Multinational Enterprises on Responsible Business Conduct" set forth by the Organization for Economic Cooperation and Development (OECD). This document proffers voluntary principles and recommendations for integrating social responsibility into business practices. It covers a spectrum ranging from human rights, labor rights, environmental preservation, and anti-corruption measures to consumer protection, poverty alleviation, science and technology, competition, and taxation.

Unlike the ISO 26000 standard, the OECD guidelines hold recognition at the state level, thereby eliciting specific obligations from respective countries. While voluntary for the private sector, upon ratification, states commit to fostering the implementation of these principles within state-owned enterprises operating within their territories and to establish National Contact Points. Currently adopted by 51 countries, comprising 38 OECD members and 13 partners,¹⁶⁴ these guidelines encompass European, Latin American, and African nations. Notably, Ukraine stands among the adherent members.

Examining sustainability in business practices leads to another pivotal document, the "UN Guiding Principles on Business and Human Rights." This manual centers on regulating the management of human rights infringements within the private sector, based on three core tenets: the state's responsibility to safeguard human rights, corporate responsibility to uphold human rights, and the access to remedy for victims of business-related human rights abuses.¹⁶⁵ Consequently, the "UN Guiding Principles on Business and Human Rights" provides a common ground for governments and business representatives to advocate, execute, and assess responsible business practices.

Focusing on the challenges related to transparency and non-financial reporting, the Global Reporting Initiative (GRI) offers a uniform standard for sustainability impact measurement and reporting. This standard is applicable to organizations of any size, type, or location and spans social, economic, and environmental dimensions. Updated in 2021, the GRI standards represent the most widely accepted format in the sphere of sustainability reporting globally.¹⁶⁶

The GRI standards comprise (i) universal standards addressing the responsibility for preventing and managing negative impacts on human rights and the environment; (ii) sector-specific standards

¹⁶³ International Organization for Standardization (2010), [ISO 26000: Guidance on Social Responsibility](#)

¹⁶⁴ OECD (2011), [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#)

¹⁶⁵ United Nations (2011) [Guiding Principles on Business and Human Rights](#)

¹⁶⁶ Global Reporting Initiative, [GRI Sustainability Reporting Standards](#)

fostering consistent reporting of sector-specific impacts; and (iii) thematic standards aligned with the updated universal standards, incorporating the principles for disclosing information pertinent to specific topics.¹⁶⁷

Additionally, a set of sustainability standards has been crafted for the mineral extraction sector based on the Extractive Industries Transparency Initiative (EITI). The EITI Global Standard contributes to the sustainability and transparency of companies engaged in oil, gas, and mineral resource extraction. Furthermore, the mandate for information disclosure under this standard extends across the entire value chain, encompassing mining licenses, contract agreements, corporate ownership, fiscal and legal arrangements, natural resource extraction, taxation, contributions to the economy (including employment and societal benefits).¹⁶⁸

In Georgia, an important mechanism between 2018-2020 to promote the adoption of international standards in the realm of corporate responsibility and sustainability was the government's action plan for human rights protection. Notably, the activities outlined in the action plan involved developing a unified policy for business and human rights protection and raising awareness about this matter in society. This underscores the necessity of considering relevant standards. The action plan aimed to ensure Georgia's compliance with the OECD MNE Guidelines, including the formation of a dedicated working group. Additionally, it intended to establish a specialized thematic subgroup to enforce the UN Guiding Principles on Business and Human Rights. Pertaining to these standards, the plan focused on fostering an internal guidance document, organizing training sessions, and workshops to promote its implementation.¹⁶⁹

Moreover, Georgia's National Strategy for 2022-2030 on Human Rights Protection, adopted in 2023, encompasses a segment addressing business and human rights. This highlights the need to address specific challenges concerning human rights protection within the business sector and take suitable measures to ensure human rights safeguarding in companies. The strategy aims to fortify the foundational standards of business and human rights, although detailed actions have not yet been outlined.

Regarding the ISO 26000 social responsibility standard, it was officially recognized in Georgia in 2013. Consequently, companies have the opportunity to integrate international principles into their corporate governance practices. Furthermore, the UN Global Compact and the Global Reporting Initiative developed a guide titled "Making the Connection: Guidelines for the Global Reporting

¹⁶⁷ GRI (2021), [A Short Introduction to the GRI Standards](#)

¹⁶⁸ The Extractive Industries Transparency Initiative (EITI) [Global Standard for Good Governance in the Extractive Industries for Gas, Oil and Mineral Resources](#), 2023

¹⁶⁹ Legislative Herald of Georgia (2018), [On the approval of the governmental action plan for the protection of human rights \(for 2018-2020\)](#).

Initiative and the UN Global Compact Communication on Progress."¹⁷⁰ This document provides instructions on considerations to be addressed by companies utilizing these mechanisms, contributing to increased awareness within the private sector about these matters.

Another pivotal tool in this sphere is the UN Global Compact initiative, wherein Georgia collaborates alongside 170 countries. This initiative unites companies, UN agencies, professional associations, public organizations, and governmental bodies, advocating for the advancement of sustainable and socially responsible practices. It has formulated 10 principles governing responsible business in human rights, labor rights, environmental protection, and anti-corruption. As a voluntary initiative, the Global Compact fosters public reporting, due diligence, collaboration, and the exchange of experiences, ensuring adherence to the 10 Principles of Responsible Business and fostering cooperation in achieving the Sustainable Development Goals.¹⁷¹

As for the Extractive Industries Transparency Initiative (EITI), it's noteworthy that Georgia isn't a participant. Hence, it hasn't developed tools to promote the standards formulated within this initiative. Additionally, the involvement of regional countries in this initiative is notable. Armenia joined in 2017, while Azerbaijan, a member since 2007, suspended its Council membership in 2017 due to non-compliance, leading to its withdrawal. Since 2013, Ukraine has also joined. Among European nations, Germany, the Netherlands, Norway, and Great Britain are EITI members.¹⁷²

Analyzing the CSR policies of EU countries highlights a strong emphasis on promoting social responsibility standards at the state level. In Germany, CSR policy is integrated into the Corporate Social Responsibility Action Plan and the Action Plan for Implementing the UN Guiding Principles on Business and Human Rights. These plans aim to ensure accessibility of UN standards to all stakeholders, fostering business sustainability. Germany's policy largely focuses on raising awareness and bolstering competencies across all sectors. However, there's a discussion around implementing sector risk analyses and developing specific initiatives for high-risk sectors. Notably, the legal foundation for CSR development in Germany includes the ILO Declaration on Multinational Enterprises, OECD Guidelines, Declaration on Human Rights, UN Guiding Principles on Business and Human Rights, and ISO26000 standard.¹⁷³ The state provisions both policy instruments and supportive mechanisms to encourage the integration of international standards within companies' activities.

Contrasting with other nations, France has a wealth of experience in regulating corporate social responsibility. It has established a CSR platform to implement CSR policies and support stakeholders. In 2017, France adopted an action plan for UN Guiding Principles on Business and Human Rights

¹⁷⁰ [Making the Connection: Guidelines for the Global Reporting Initiative and the UN Global Compact Communication on Progress.](#)

¹⁷¹ United Nations Global Compact: <https://unglobalcompact.org/>

¹⁷² [Government Policy to Stimulate International Responsible Business Conduct](#), Commissioned by Ministry of Foreign Affairs of the Netherlands, 2018

¹⁷³ Ministry of Foreign Affairs of the Netherland (2018), [Government policy to stimulate international responsible business conduct](#)

implementation. Its CSR policy leans on the OECD Guidelines for Multinational Enterprises, ILO standards, ISO26000, Global Reporting Initiative (GRI), and UN standards. France also conducts awareness-raising activities to back CSR implementation, including promoting responsible business standards and labeling tools. A dedicated working group addressing responsible business etiquette has been operational in France since 2010.¹⁷⁴

The review of EU countries' experiences identified several mechanisms supporting the proliferation of international CSR standards. These encompass integrating these standards into state strategic documents, fostering awareness in the private sector, and aiding standard implementation within companies.

While Georgia's inclusion of CSR issues in governmental action plans and human rights protection strategies marks a step towards state-level policy determination, there's a need for additional measures to advance this domain.

Recommendations

- **Stimulating uptake of CSR-related standards:** To stimulate the uptake of CSR-related standards among Georgia's private sector, initial steps involve disseminating pertinent information to companies and enhancing competencies among both employers and employees.
- **Assessment and Implementation of Corporate Responsibility in High-Risk Sectors:** Aligning with the observed global trend, it is advisable to assess high-risk sectors in Georgia and bolster the implementation of corporate responsibility principles in their activities based on this research.
- **Integrate international CSR/sustainability standards in state enterprises:** For the promotion of international CSR/sustainability standards within the private sector, it's crucial to integrate this framework within state enterprises, setting a benchmark for other companies to follow suit.
- **Adoption of the EITI Standard:** Given the challenges encountered by companies engaged in mineral resource extraction in Georgia, it's prudent for the country to facilitate the adoption of the EITI standard. Embracing the EITI standard would fortify transparency and accountability within these companies.
- **Adherence to OECD Guidelines for Multinational Enterprises:** Furthermore, it's imperative to secure Georgia's adhering to the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, as outlined in the 2018-2020 action plan for human rights protection.

¹⁷⁴ Ministry of Foreign Affairs of the Netherland (2018), [Government policy to stimulate international responsible business conduct](#).

CSR in Georgia – A perspective on implementation and consolidation of responsible business

Tomás Sercovich, CEO, Business in the Community Ireland

Based on international best practice, below are some actions for recommendation to be considered as part of an Acton plan for further implementation and consolidation of responsible business practices in Georgia. These are top-line ideas and more information on concrete examples of its implementation in other countries can be provided:

- Annual business survey to track intent, implementation and impact of responsible business practice across large and small/medium enterprises to determine which are the key areas of awareness/Acton of businesses when it comes to sustainability/CSR, what are the main barriers or enablers of change and what supports are required. This survey or other reports could specifically look at issues such as:
 - setting of science-based targets for climate
 - Publication of net zero climate transition plans
 - Application of TCD and TFD guidelines for disclosure of nature and climate related risks
 - Compliance with EU CSR regulation and ESRS standards
 - Tracking of B Corp certifications, Eco Vadis ratings, relevant ISO standards, etc.
- Annual consumer sentiment survey on attitudes towards CSR/responsible behaviors, to determine how aware consumers are of responsible business practices, what do consumers value when purchasing goods and services, which areas or dimensions of responsible business practice would be most relevant to them and test behaviours, whether consumers would pay more for a “responsible” product or service and what habits are changing because of the awareness of responsible business practices.
- Annual business case studies publication, drawing on different sectors and themes of responsible business practice.
- Annual report by Government on policies and initiatives set in place to promote, encourage and regulate responsible business practices (Such as the Irish CSR Check report) including

best practice case studies from different government departments and agencies and focusing on various dimensions on responsible business practice.

- Annual accountability exercise on the implementation of the OEC Guidelines for Multinational Enterprises and report on cases notified by the National Contact Point – if relevant.
- Development, publication and promotion of a National Action Plan on Business and Human Rights and set-up of a multi-stakeholder implementation group for tracking awareness, impact and results. As part of this work, consider implementing the Corporate Human Rights Benchmark process to assess the preparedness of companies on human rights issues, based on the UN Guiding Principles of protect, respect and remedy.
- Continuation of the Meliora business awards and further implementation of new categories to reflect and recognise best in class actions by business of different sectors, sizes and in different themes.
- Actions to raise awareness, provide guidance, information, toolkits and documentation/templates for business on responsible and sustainable practices – Creation of a Resource Centre that will act as a reservoir of information and will also issue regular updates via newsletters, webinars, regional events, etc.
- Actions to offer training for business – be it via an agreement with a reputable local university or training centre or via partnerships with international experts. Training also to be provided to key civil servants, business associations, members of Parliament, etc.
- Actions to incorporate CSR/Sustainability in the strategies and agendas of key government agencies that promote inward investment into Georgia as well as exports of Georgian products and services to overseas markets.
- Incorporation of responsible business practices/sustainability in commercial agreements with other countries.
- Development of a national CSR/responsible business certification scheme for business, with a focus on export markets to showcase sustainability attributes of products and services. Connect the “Made in Georgia” brand with sustainability/CSR.
- Actions to specifically “lead by example” from a government perspective, through the creation of a working group for state-owned enterprises to raise their awareness, share data and best practices and publish information on their strategies and models for responsible business/CSR. This can include key sector companies that have state ownership such as rail, post, telecommunications, healthcare, etc.

- Actions to encourage the take-up of responsible business practices at the city level – encouraging cities to organise forums that bring together businesses and can look at tackling specific sustainability issues together such as litter/waste, dereliction, etc.
- Actions to promote corporate giving and volunteering, through the implementation of a national day of giving/volunteering where companies of different sectors and sizes come together to take time off to give back to communities. Tracking and measuring how much was donated and hours volunteered can encourage others to follow, generate a competitive spirit among businesses and expand the impact. Similar approaches can be taken to promote workplace wellbeing, workplace diversity and inclusion, environmental best practices, for example a national day of coming to work by public transport, etc.
- Promotion of the UN Sustainable development Goals and the role of business in contributing to the achievement of the goals via initiatives such as “S G Champions”, guidance for business and recognition of the contribution of business to the sustainable development agenda.

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The Centre for Strategic Research and Development of Georgia (CSR DG)

#5, Iovel Jebashvili I Exit, 0177, Tbilisi, Georgia

office@csrdg.ge

(99532) 2 30 90 19

www.csrdg.ge

www.csrgeorgia.com