



Master Thesis

Corporate Social Responsibility – Competitive Advantage for Companies Operating in an International Environment

Study programme: N0413A050030 International Management

Author: **Bc. Karolína Dolejšová**

Thesis Supervisors: Ing. Karina Tatek Benetti, Ph.D.
Department of Economic Statistics

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Master Thesis Assignment Form

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Name and surname: **Bc. Karolína Dolejšová**
Identification number: E21000393
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Consultant: Renata Hrnčířová, Financial Chief Officer, MOCCA, spol. s r. o.

Thesis Supervisors: Ing. Karina Tatek Benetti, Ph.D.
Department of Economic Statistics

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doc. Ing. Aleš Kocourek, Ph.D.
Dean

L.S.

doc. Ing. Kateřina Maršíková, Ph.D.
study programme guarantor

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Společenská odpovědnost firem jako konkurenční výhoda pro společnosti působící v mezinárodním prostředí

Anotace

Diplomová práce se zaměřuje na téma společenské odpovědnosti firem (CSR) a její konkurenční výhody pro společnosti působící v mezinárodním prostředí. Důraz je kladen na vliv implementace CSR a její aplikaci v kontextu konkurenční výhody společnosti. Hlavním cílem práce je zhodnotit výsledky analýzy současného stavu a prozkoumat implementaci konceptu CSR do praktického fungování konkrétní společnosti, označované jako "Společnost X", ve srovnání s její mateřskou společností. Dílčím cílem je navrhnout doporučení pro zvýšení efektivity CSR a konkurenční výhody ve vybrané společnosti. Teoretická část poskytuje přehled literární teorie týkající se CSR, udržitelnosti, mezinárodního prostředí a konkurenční výhody. Dále vytváří teoretický rámec tří pilířů CSR v souvislosti s komunikací a reportováním CSR. V praktické části je nejprve stručně představena Společnost X a její mateřská společnost, následuje analýza firemních politik CSR a srovnávací analýza. V závěru práce je uveden návrh na zlepšení v oblasti tří pilířů CSR Společnosti X, včetně doporučení pro lepší komunikaci a reportování CSR a následné vyhodnocení jejich možné účinnosti.

Klíčová slova

Společenská odpovědnost firem, konkurenční výhoda, udržitelnost, tři pilíře CSR

Corporate Social Responsibility as a Competitive Advantage for Companies Operating in an International Environment

Annotation

The thesis deals with the topic of corporate social responsibility of a company operating in the international environment and its competitive advantage. The emphasis is on the impact of CSR implementation and its application in the context of a company's competitive advantage. The main objective of the thesis is to evaluate the results of the analysis of the current situation and to examine the implementation of the CSR concept in the practical operation of a specific company for the request referred to as "Company X" in comparison with its parent company. The secondary objective is to propose recommendations for increasing the selected company's CSR effectiveness and competitive advantage. The theoretical part provides a review of literature theory related to CSR, sustainability, international environment and competitive advantage. It also develops a theoretical framework of the three pillars of CSR with CSR communication and reporting. The practical part first briefly introduces Company X and its parent company, followed by an analysis of its CSR policies and a comparative analysis. The thesis concludes with a proposal for improvements in the three CSR pillars of Company X, including recommendations for better CSR communication and reporting, followed by an evaluation of their potential effectiveness.

Key Words

Corporate Social Responsibility, competitive advantage, sustainability, triple-bottom-line

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List of Abbreviations and Symbols

3P	Profit, People, Planet
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, social and corporate governance
GRI	Global Reporting Initiative
ISO	International Organization for Standardization
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
PR	Public relations

Introduction

Corporate social responsibility (CSR) has emerged as a fundamental framework beyond profit-centric approaches in the current business environment. This thesis seeks to delve into and investigate the complex domain of CSR, examining its development, theoretical basis, practical consequences, and the complicated relationship between ethical business strategies and social influence. In light of the tricky global challenges confronting companies, corporate social responsibility has transformed from a simple ethical concern to a crucial component of strategic decision-making. This master thesis explores CSR from various angles to thoroughly understand its significance, challenges, and capacity to advance sustainable and ethical business behaviours in today's society.

The concept of corporate social responsibility is gaining popularity in modern society, where individuals are expected to prioritise the well-being of people and the planet. Profit is a significant motivation and goal for organisations, but focusing exclusively on financial growth will not lead to long-term success. There is a growing emphasis on personal and environmental welfare among the public, who anticipate that organisations they engage with will share these values. The generation that is currently entering the workforce has new expectations of business and the responsibilities that go with it. That generation is gradually forcing companies to do good for the benefit of society. Corporate social responsibility alone is not capable of solving the world's problems. However, CSR is a way and a tool for corporations to make profits while benefiting society.

The master thesis consists of two parts. The first theoretical part defines the concept of CSR based on a literature review, as well as international standards or guidelines that regulate and control CSR activities and a description of CSR communication and reporting. This part also presents the relationship between CSR and competitive advantage and the latest trends of CSR in international business. The second practical part, where at the beginning, the author describes the features of the selected company, which has been kept anonymous by the request. Based on this request, the author uses a working name to refer to the chosen company and identifies it as "**Company X**". The following section provides a detailed description of the CSR policies of the parent company and its subsidiary Company

X. By examining three main areas of CSR, communicating and reporting CSR activities, a comparative study is conducted to assess Company X's implementation of the parent company's CSR framework. Recommendations are then made to remedy the identified CSR deficiencies in Company X, followed by an evaluation of these proposed measures and an identification of the main contribution of the thesis.

The main goal of the thesis is to evaluate the results of the current situation analysis and comparative analysis of the CSR concept, based on the three areas of CSR, its communication and reporting, in the practice of **Company X and its parent company**, where the parent company operates globally and the Company X (subsidiary) in the Czech Republic. Following this, the section describes the data collection process used to examine the selected organisation's current state. Subsequently, the results of the analysis of CSR's impact as a competitive advantage on the chosen company are evaluated.

The thesis also has secondary objectives, which include formulating an appropriate recommendation for Company X to increase the effectiveness of its CSR. Additionally, it outlines the competitive advantages that CSR brings to the company and the surrounding environment.

Various methods are used to meet the primary objective, including a thorough search of relevant literature, secondary research on the participating companies, face-to-face meetings with key stakeholders from the selected Company X, the administration of a quick questionnaire - five questions on CSR via Google form to the team members of Company X, and comparative analysis.

Literature research gathers basic information as a tool for the practical part of the thesis. Secondary research and conducting in-person interviews with select stakeholders are instrumental in presenting an overview of Company X and its current CSR standings across economic, social, and environmental pillars, and the same applies to the parent company.

1 Theoretical Background and Context of CSR

This section delves into corporate social responsibility's historical background and contextual elements. The objective is to present insights into the historical foundations and contextual aspects, including definitions and theoretical frameworks of CSR, which have influenced the rise and evolution of CSR implementation. Through this examination, the author sets the stage for a deeper analysis of the multifaceted dimensions of CSR in the following chapters.

Corporate Social Responsibility is a concept that refers to a company's or organisation's commitment to operating ethically and sustainably. CSR involves companies going above and beyond their legal duties to show their commitment to the environment and society through voluntary actions. CSR is a concept that is more than just one-size-fits-all, as different organisations may have varying priorities and unique initiatives. Demonstrating a dedication to sustainability and ethical practices provides a platform for companies to exhibit their values, resulting in long-term business growth, improved customer loyalty, and a positive public image. (Givz, 2023)

Corporate Social Responsibility (CSR) is the act of companies engaging in social responsibility projects, environmental projects and internal company values. The projects that businesses invest in should reflect their corporate values. (Prodigium, 2022)

These values can be related to climate change, social responsibility, community impact, charity work, and anything else that has an external positive impact. CSR used to be used more to impress shareholders, but in recent years, it has become an important selling point to employees, potential employees and existing and potential customers. (Prodigium, 2022)

Its goals include defining and evaluating the business's impact, managing stakeholder relationships, planning long-term and short-term objectives, organising personnel, forming opinions, and controlling the assumptions found in strategic plans, among other things. A CSR strategy is also, or mostly, a collection of

particular values that apply to the entire company and are evident in every project and business procedure. (White Leaf, 2023)

In recent years, there has been an increasing prevalence of customers interested in the production process and the impact a product or service has on society and the environment. (Investopedia, 2022)

According to Vericast (2021) and its consumer intel report, 52% of millennials want to shop with brands that match their values. Millennials willing to pay more for a brand committed to sustainability create 63%, and a mind-blowing 72% of millennials with children are loyal to brands that practice ethical or environmentally progressive business practices.

Despite consumer intel report and the current worldwide discussion around social responsibility, a large part of the public still lacks a basic understanding of the concept or even don't know what it means. Everyone in society should understand the costs involved in buying any good or service and avoid making decisions based solely on price, which, for many, has always been the main factor in making decisions. (Investopedia, 2022)

Today, however, navigating the multitude of trademarks and certifications is much more challenging than ensuring that our products have not fundamentally harmed the planet or society. Many of these certifications and trademarks are less incredible than they may seem at first sight, and recognising them can sometimes be very challenging. Resource scarcity and pollution are becoming an increasing problem due to climate change and globalisation. This leads to higher demands on society and increasing pressure to disclose information not only economically (financially) but also socially and, above all, environmentally. (Wipo Magazine, 2022)

1.1 History of CSR

There is a long and varied history behind the concept of corporate social responsibility. Formal literature on corporate social responsibility emerged predominantly in the 20th century, particularly within the past fifty years. Moreover,

evidence suggests that CSR ideology has been applied to various regions worldwide, particularly in developed nations. (Carroll, 1999)

Throughout the past few decades, CSR has served as a mechanism for companies to raise social welfare and cultivate a positive brand image. The evolution of modern management principles and CSR efforts can be traced back to the twentieth century, with their development gaining strength in the early 1950s. (Thomas, 2023)

It includes everything from philanthropic responsibility to environmental sustainability and all the company's internal operations in between, such as ethical working practices. The roots of the concept, now known as CSR, have a long and extensive history dating back to the Industrial Revolution. (Everfi, 2023)

The welfare and productivity of workers became an increasing concern for industrialists in the middle and late 18th centuries (Everfi, 2023). Particularly in the United States, there was growing criticism of the expanding factory system, working conditions, and the employment of women and children. Reformers agreed that the current employment structures were a factor in social issues such as poverty and labour conflicts. This led to an increased emphasis on socially responsible conduct. However, during that period, the industrial and welfare advancement initiatives were seen as a form of business foresight. (Thomas, 2023)

In the late 18th century and early 19th century, the concept of philanthropy started to develop. This period saw the steel industry flourishing, with Andrew Carnegie emerging as a prominent figure. Carnegie, well known for his generous donations towards scientific and educational aspirations, played a significant role in shaping the philanthropic establishment of the time. (ACCP, 2023)

Oil industry entrepreneur John D. Rockefeller was a business billionaire who followed Carnegie's footsteps. Because Rockefeller donated more than 500 million dollars to scientific, religious, and educational institutions. (ACCP, 2023)

In 1914, Frederick Goff, a well-known Cleveland banker, founded the first foundation in the world called the Cleveland Foundation. Its goal was to strengthen the community by accepting gifts from multiple donors instead of one super-rich donor.

Another purpose of the foundation was to assess and respond to the community's needs collectively. (ACCP, 2023)

The term “corporate social responsibility” was first used in 1953 by American economist Howard Bowen in his book *Social Responsibilities of the Businessman*. For this reason, **Bowen is often called “the father of corporate social responsibility”**. However, ethical businesses had existed for more than a century before that. (Carroll, 2009)

CSR was developed as a management concept in 1971, with the introduction of the idea of a social contract between business and society by the Committee for Economic Development. This contract underlined the belief that companies operate with the public's approval and, as a result, are responsible for addressing societal needs. (ACCP, 2023)

During the 1980s, there was a noticeable growth in corporate social responsibility, with an increasing number of companies integrating social concerns into their operations and showing greater attentiveness to the demands of stakeholders. (Thomas, 2023)

In the 2000s, CSR started to veer slightly toward sustainable practices and environmental responsibility. Its strategies began to focus on positive environmental performance, which only became more critical and expected. (Thomas, 2023)

It has continued to evolve over the past two decades and falls under corporate citizenship. More than ever, social and environmental performance is at the centre of attention (ACCP, 2023). However, the 2000s also mean concerns about the environment, which is getting worse due to business operations, such as carbon use and waste production. CSR aims to reduce the negative impact. (Thomas, 2023)

1.2 Definition of Corporate Social Responsibility

Corporate Social Responsibility has been incorporated as a part of current business practices. It has revealed that business decisions can significantly impact society, the economy and the environment. (Givz, 2023). Organisations practising CSR are

aware of their interactions with the environment. They carefully evaluate and address the consequences of their actions, reflecting a responsible approach to decision-making. (Asbury, Ball, 2016)

There are similarities between different organisations, but their understanding of CSR is quite different. For example, ISO, the World Bank and the European Commission offer various definitions of the concept.

International Organization for Standardization, 2010 defines CSR as the: *"...responsibility of an organisation in relation to the impact of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including the health and well-being of the society; takes into account the expectations of stakeholders; complies with applicable law while being consistent with international standards of behaviour; is integrated throughout the organisation and implemented in its relationships".*

The ISO definition provides a complex framework that encourages organisations to consider and actively manage their social and environmental impacts.

Meanwhile, **the World Bank notes that CSR is now perceived as** *"... essential to a good business strategy, helping reduce investment risks and enhancing business profits by improving transparency and accountability. It is about working together - with government, with civil society, and with the community - to improve the lives of millions of people by making growth more inclusive"* instead of social assistance or philanthropy. (World Bank, 2013)

The European Commission has defined CSR as the *"... responsibility of enterprises for their impact on society. Following the law, companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations. To maximise the creation of shared value for their owners/shareholders and civil society at large and to identify, prevent and mitigate possible adverse impacts"*. (European Commission, 2019)

While the World Bank highlights that CSR is integral to inclusive growth and risk management, the European Commission strongly emphasises regulatory compliance and integrating different societal concerns into business strategies. Both definitions agree that CSR extends beyond only profit-making. It requires a comprehensive approach considering business operations' broader environmental and social consequences.

Despite the similarities between the European Commission and ISO definitions, it is essential to recognise that no one-specified definition of Corporate Social Responsibility exists. (Investopedia, 2022)

Generally, the concept refers to how companies incorporate themselves into the economic, environmental, and social areas, establish their operational procedures within the organisation, enhance the well-being of society, and generate economic prosperity. (Keys, Malnight, Graaf, 2009). So, the concept of CSR can be used as a starting point for understanding sustainable development.

1.3 Related Concepts

Other concepts based on similar principles or directly related to CSR include corporate citizenship, sustainable development, business ethics, and corporate philanthropy.

A very well-known concept is **Corporate Citizenship**, which some experts consider a competing concept or, on the contrary, an equivalent to CSR. According to Carroll (1999), who regarded corporate citizenship as one of the areas of CSR, the original idea was to care for the well-being of society. In his original theory, he initially named this area the philanthropic side of CSR. Mádlová (2010) also believes corporate citizenship is part of the CSR concept. On the other hand, Ferrel, Hult, and Maignan (1999) consider these concepts to be identical and their names to be equivalents. The authors' different use of the names is also due to their geographical delimitation. Corporate Citizenship is more commonly used in Anglo-Saxon countries, historically focused on philanthropic activities. In Europe in Europe, the term CSR is more likely to be encountered, as Kunz (2012) notes.

Another often confused concept is **Sustainable Development**, which was first defined in 1987 by the World Commission on Environment and Development as a mode of development that allows the needs of the present generation to be met without compromising the needs of future generations. (World Commission on Environment and Development, 1987)

1.4 Theoretical Frameworks in CSR

When assessing the impact of CSR on competitiveness, businesses and researchers often turn to established frameworks and models that provide a structured approach to measuring and analysing these complex relationships. Several prominent frameworks guide organisations in assessing the effectiveness of their CSR initiatives and understanding how these initiatives contribute to their competitive advantage.

Having examined the complex relationship between corporate social responsibility (CSR) and competitive advantage, the focus now shifts to understanding the underlying theories that form the basis of CSR practice. Along this path, various important theories represent comprehensive frameworks that guide organisations in promoting responsible behaviour: the **Triple Bottom Line**, the **Stakeholder Theory** and **Carroll's CSR pyramid**. Carroll's pyramid forms the basis of the fundamental theory of CSR, while the triple bottom-line theory represents a more modern approach to CSR.

1.4.1 Carroll's CSR Pyramid

Archie Carroll initially introduced his four-part definition of the CSR Pyramid in 1979, which was later expanded into its well-known pyramid structure in 1991. Carroll's CSR pyramid is still one of the most popular business CSR theories today due to its simplicity and ability to stand the test of time. (Greenly, 2023)

According to Carroll, companies must consider the economic, legal, ethical, and philanthropic (discretionary) categories of business performance to fulfil the full spectrum of their responsibilities to society effectively. The basis of the framework

or structure that helps to determine and define the nature of corporate responsibility to the community in which it operates includes the four responsibilities discussed above. (Carroll, 1991)

Picture 1, by Carroll (1991), shows the first tier of the pyramid, which is **economic responsibility**, and it determines how the firm fulfils its primary purpose, which is to create and maximise profit and keep the firm functional in the long run.

The second tier, **legal responsibilities**, is determined by the state. It ensures that society moves only within the limits set by law. Legal liability is judicially enforceable and seeks to provide a fair, competitive, and economic environment. (Carroll, 1991)

The third tier is **ethical responsibility**. This extends legal responsibility and is based on the values of the society in which the company operates. The ethical and moral standards that fall here are not enforceable, and the company is not subject to sanctions for breaching them. However, they can negatively affect consumer behaviour towards the company. These standards are not written, but they respond to new needs in society more quickly than laws. (Carroll, 1991)

Suppose a company does more for society than just obeying legal and ethical standards. In that case, it is described as **philanthropic responsibility**, and it is the tier at the top of the pyramid. In this case, the company contributes to charitable causes and purposefully improves and develops the surrounding community. (Carroll, 1991)

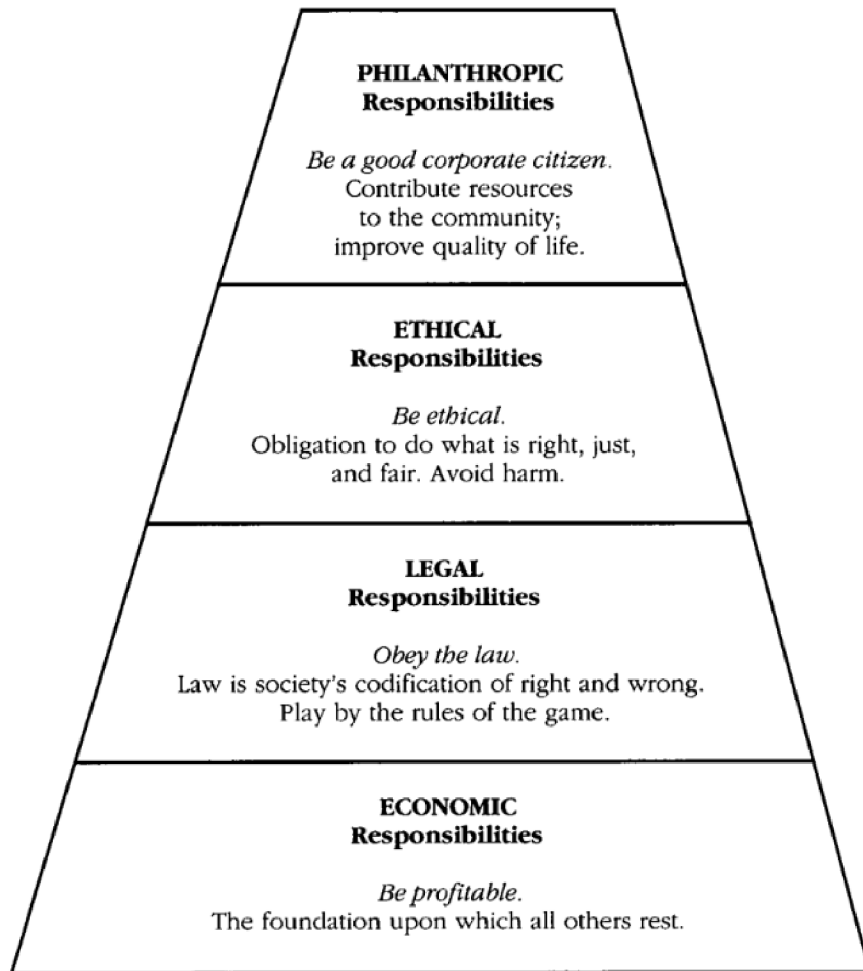


Figure 1: The pyramid of CSR

Source: Carroll, 1991

Picture 1 illustrated Carroll's CSR pyramid model, showcasing the four categories in a hierarchical order without being mutually exclusive. Economic responsibility is foundational in the pyramid, highlighting its significance in business operations. The CSR pyramid model suggests that businesses should take into account decisions, actions, policies, and practices in meeting all four components. While philanthropic and ethical responsibilities are encouraged and anticipated in the concept of CSR, economic and legal responsibilities are considered mandatory. (Carroll, 2016)

These objectives are integrated into a single concept despite the potential problems or apparent unavailability of simultaneous achievement of goals at each level of this hierarchical structure. The aim is, therefore, to become a benevolent corporation that complies with ethical, legal and social standards while maximising its financial profits. (Carroll, 1991)

1.4.2 3P – Triple-Bottom-Line

Social responsibility is not uniformly defined, but all definitions are linked by the idea of managing three areas, which are defined as the principle of **sustainability**. The **Triple-bottom line** principle is made up of three "P's". These three elements consist of **people, planet, profit** were invented in 1994 by British entrepreneur and writer John Elkington (Ezop, 2006). Each of these P's elements refers to one pillar/area of CSR: **social, economic, and environmental**. By combining all of these elements, a business may grow and prosper while supporting the building of a sustainable future. This can be seen below in picture number 2. (RMA, 2016)

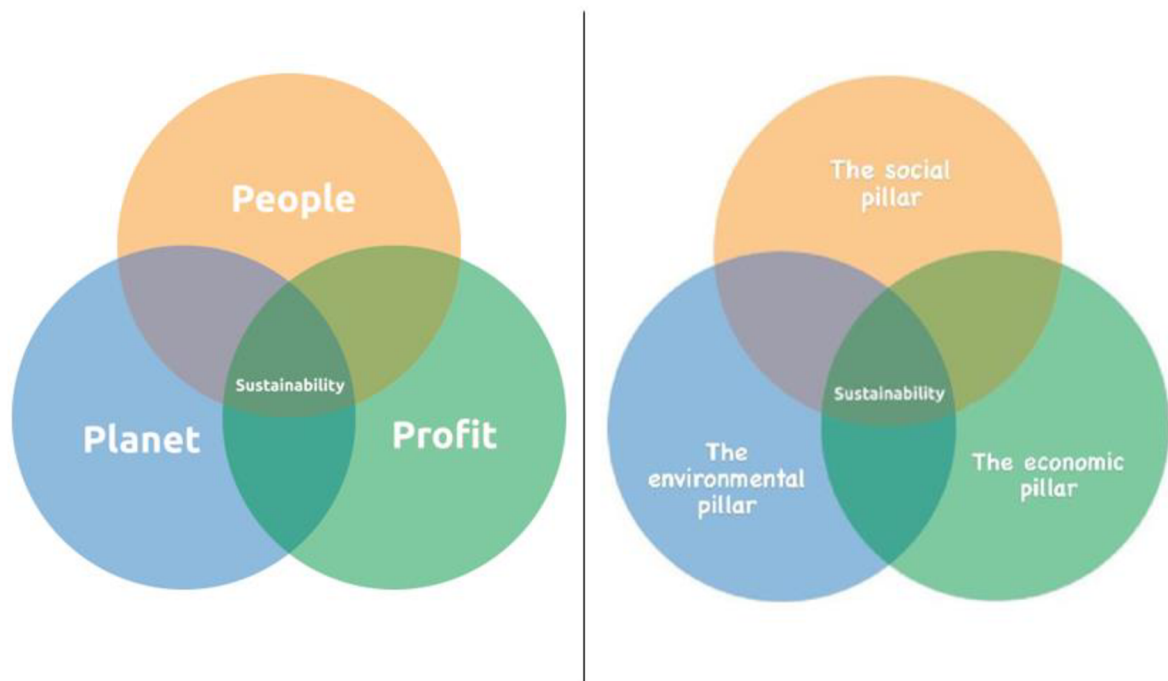


Figure 2: Triple-Bottom-Line
Source: own based on (RMA, 2016)

Figure 2 shows that achieving sustainability requires implementing and adhering to principles covering all three areas. Both CSR and sustainability are firmly based on the same fundamental pillars.

The **social pillar (people)** can include employees and unions within the corporate environment and the media, non-profit and educational institutions, and the public within the company's external environment. The **economic pillar (profit)** includes

markets, customers, suppliers, business partners, consumers, competitors, government institutions and contractual partners. The **environmental pillar (planet)** comprises the public, governmental institutions, movements and institutions concerned with the environment and ecological issues. (Ezop, 2006)

The **social pillar** is primarily built on compliance with human rights legislation, workplace regulations, and the prohibition of discrimination (A Beautiful Green, 2023). Another important aspect of this pillar is the proper functioning of families, communities, public institutions, and society. The social area also stands for societal acceptance, the development of culture, the upholding of traditions, and the proper understanding of what it means to be a human being. (Jáčová, Horák, 2015)

The **environmental aspect** of the CSR strategy includes environmental issues and the company's environmental impact. Organisations frequently prioritise this pillar first when faced with climate emergencies. (A Beautiful Green, 2023)

Kunz (2012) further states that the company's management must realise that its responsibility in the environmental area must be applied inside the company and in the external environment, which the company influences through its own operations. Companies should try to eliminate all the negative impacts, primarily through a systematic, proactive policy in the area. In addition, the company should also let the general public know about its actions.

Businesses engaged in manufacturing and non-manufacturing are responsible for the environment. Effective corporate environmental policies can also influence the consumer behaviour of employees within the company and in their households. (Kunz, 2012)

The **economic pillar** is not about making a profit at any cost but about improving economic competitiveness and economic development. Instead, it focuses on the sustainability of the business, ensuring that it is built on a solid foundation that creates resilience. In the face of the recent pandemic and global challenges, business resilience has become essential to managing adversity. Economics is a relatively stable and efficient tool to ensure the viability of sustainable investments in the public and private sectors, to translate research results related to sustainable

development issues into production and everyday life, and to influence consumer decision-making at all levels, among other things. The economic pillar includes mechanisms that immediately enable a fully functioning market, with all its benefits, to protect the environment rather than threaten or degrade it. This pillar affects the capital structure of an organisation. (A Beautiful Green, 2023; Jáčová, Horák, 2015)

Table 1 lists CSR categories, assigned into the three main areas/pillars of CSR (economic, social, and environmental), and particular examples of CSR activities within each area/pillar. For instance, financial accountability mainly influences shareholders, clients, and proprietors, as these categories will experience substantial consequences if the business is not financially sustainable or compliant with legal obligations.

Table 1: Three main areas/pillars of CSR

CSR area	CSR Category	What it includes	Examples of CSR activities
Economic area/pillar	Leadership, vision, and values	<ul style="list-style-type: none"> - Defining setting the corporate purpose, values, and vision - Translating this into policies and procedures - Putting it into practice, including empowering and embedding - Ethical leadership and championing 	<ul style="list-style-type: none"> - Publishing financial and non-financial information - Business ethics principles and their implementation in practice - The provision of clear and accurate information about products and services - Adherence to ethics principles when advertising (as released by the Advertising Board)
	Marketplace activities	<ul style="list-style-type: none"> - Responsible customer relations, including marketing and advertising - Product responsibility - Using CSR product labelling - Ethical competition - Making markets work for all 	<ul style="list-style-type: none"> - CSR introduction into supplier sourcing processes - Early payment for products/services, - Reliability, protection of data and information
	Supply chain activities	<ul style="list-style-type: none"> - Being a fair customer - Driving social and environmental standards through the supply chain - Promoting social and economic inclusion via the supply chain 	<ul style="list-style-type: none"> - Customer satisfaction survey - A personal approach towards customers - Efficiently resolving complaints - Loyalty programs - After-sales service - Barrier-free access to stores, accessibility of websites
	Stakeholder engagement	<ul style="list-style-type: none"> - Mapping key stakeholders and their main concerns - Stakeholder consultation - Responding to and managing stakeholders - Transparent reporting and communication 	<ul style="list-style-type: none"> - The provision of premium and safe products to customers while using quality certification systems and quality standards

Social area/pillar	Workforce activities	<ul style="list-style-type: none"> - Employee communication and representation - Ensuring employability and skills development - Diversity and equality - Responsibility/fair remuneration - Work-life balance - Health, safety, well-being - Responsible restructuring 	<ul style="list-style-type: none"> - Employee satisfaction surveys, keeping records about employee complaints - Training sessions and workshops - Personal development plans - Employment of people with disabilities, students, seniors - Flexible work hours, work from home
	Community activities	<ul style="list-style-type: none"> - Financial donations - Volunteering employee time - Giving gifts in kind - Being a good neighbour - Employment and local infrastructure development - Social integration 	<ul style="list-style-type: none"> - Psychological consultations - Financial or material support, the provision of services at a discount or for free - Benefit events with the involvement of employees - Banquets or breakfasts - Connection with the local community or partnerships with non-profit organisations
Environmental area/pillar	Environmental activities	<ul style="list-style-type: none"> - Resource and energy use - Recycling program - Pollution and waste management - Environmental product responsibility - Transport planning - Restriction of the use of dangerous chemicals - Compliance with norms and standards - Packaging materials 	<ul style="list-style-type: none"> - The use of solar energy, biomass - The sorting and recycling of paper, plastic, glass - Printing on both sides of paper, using returnable barrels for drinking water - Transport optimisation through efficient logistics - Reducing packaging materials and more frequent use of eco-friendly packaging materials

Source: own based on: (Blowfield, Murray, 2019; Jáčová, Horák, 2015)

All of these activities, as shown in Table 1, contribute to the company's CSR efforts and positively impact society, the environment, and various stakeholders. Companies often tailor their CSR initiatives to fit their core values, industry, and the specific needs of the communities in which they operate.

Companies focus their strategies on economic, social, and environmental pillars within the sustainable development framework. Based on these critical themes, action plans are developed to ensure a comprehensive approach. Despite apparent differences, these pillars are related, highlighting the need for equal emphasis on investment. A responsible company strives for economic sustainability while upholding environmental and social responsibility. The legitimacy and progress of CSR policy depend on these fundamental principles, which underline their integral role in driving responsible corporate behaviour.

1.4.3 The Stakeholder Theory - Examines Interests and Influences

CSR and stakeholder theory emphasise the significance of considering the broader societal impacts when carrying out business activities. (PG, 2020). With the growing social and environmental awareness among customers, businesses are shifting towards a more customer-oriented approach. Incorporating CSR is crucial in providing exceptional customer service, leading to significant transformations and advantages for the company and the social-environmental sector. (Carroll, 1999)

Stakeholder theory deals with business ethics, morals and values in managing the stakeholders involved in a project or organisation. It aims to maximise the interactions between stakeholders to increase the overall effectiveness of the project or organisation. The theory finds application in various essential domains, including project management, corporate social responsibility, and strategic management. (PG, 2020)

Stakeholder theory emphasises the individual connections between a company and its diverse stakeholders, such as government, competitors, customers, employees, suppliers, and other interested parties, as shown in figure 3 below.

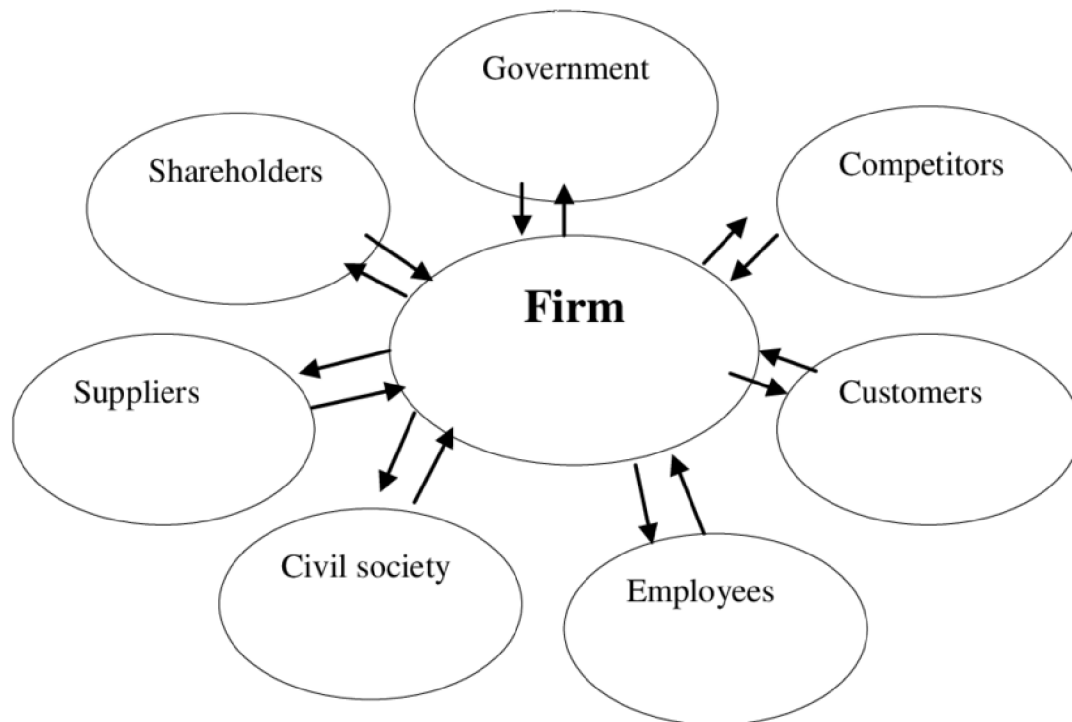


Figure 3: Stakeholder theory of firm
 Source: Crane and Matten, 2007

It points out that an organisation needs to be responsible for generating value for the numerous stakeholders impacted by its business activities and choices. The theory highlights managers' need to assume accountability towards diverse stakeholders to protect their interests. It operates based on three distinct perspectives of the firm, mentioned by authors Bonnafous-Boucher and Rendtorff (2016):

- stakeholders who have an impact on the business operations of the enterprise,
- how these interconnections affect key stakeholders and the organisation,
- how key stakeholders' views influence the success of the firm's strategic actions.

For long-term success, businesses must subsequently create strategies that acceptably engage with essential stakeholders and increase their efficiency and effectiveness. (PG, 2020)

According to stakeholder theory, a company is only successful if it benefits its stakeholders. This benefit can come in various forms, not just financial. For instance, when employees feel valued as stakeholders, they will put in more effort and be more productive. As a result, companies will experience higher rates of customer and employee loyalty. Productivity increases translate into better customer-served goods and services. Increased customer loyalty follows from such improvements, especially since they are among the numerous stakeholders the business considers when making decisions. (PG, 2020)

Stakeholder engagement is a key aspect of the effectiveness of CSR programmes. Organisations could only achieve their CSR objectives with the involvement, knowledge, skills, and loyalty of several stakeholders. The fact that a business is accountable to all stakeholders and that business actions affect the interests of these stakeholders is one of the critical components of CSR. (PG, 2020)

The combination of the two aspects, that is, CSR as ethical management and a focus on stakeholder requirements, leads to the need to address the concerns of external stakeholders who significantly impact the company through ethical principles, hence the emphasis on social responsibility. Managers also have a responsibility to ensure that the business operates ethically. It is essential to realise that the company itself is becoming an individual subject in the marketplace, and people consider its behaviour ethical or unethical. (Stachowicz – Staunusch, Amann, 2018)

Stakeholder theory is a comprehensive framework highlighting the interrelated and interacting relationships between a company and its various stakeholders.

1.5 The Relationship Between CSR and Competitive Advantage

The essence of the relationship between CSR and competitive advantage lies in the strategic alignment of responsible business practices with current market expectations (Ndemena, Qutieshat, 2022). This relationship manifests itself across different sectors and global markets as companies recognise the multifaceted

benefits that CSR can bring regarding reputation, customer loyalty, talent acquisition, risk reduction, innovation and differentiation (Nguyen, 2021). The effectiveness of this relationship varies depending on the industry context, specific CSR initiatives and alignment with stakeholder expectations. (Ndemena, Qutieshat, 2022)

Globalisation, with its focus on cross-border trade, global supply chains or transnational cooperation, raises concerns about corporate social responsibility in the areas of environment, health and safety. CSR is influential in determining the impact of businesses on local communities and working conditions, as well as finding ways to protect and improve public goods. This issue is more likely relevant for companies that focus on exports. (Blowfield, Murray, 2019)

Larry Fink, the CEO of BlackRock, the world's largest asset manager, asserts that in order to attain sustainable profits, a company must take into account the needs and expectations of various stakeholders. These stakeholders encompass customers, employees, suppliers, and the communities in which the business operates. By prioritising the interests of these various groups, a company can build a strong base for long-term success and profitability. (PRI, 2020)

The impact of competition on corporate social responsibility (CSR) is seen from different perspectives. The traditional view suggests that competition may reduce CSR as firms prioritise short-term survival over long-term investment in activities such as work safety due to financial constraints and declining profit margins. (PRI, 2020)

On the contrary, two opposing perspectives propose the possibility of competition enhancing corporate social responsibility. The stakeholder perspective highlights the significance of corporate effectiveness being dependent on unspoken agreements with stakeholders who are not shareholders, thus necessitating trust. Competition forces companies to reinforce these connections by allocating resources towards CSR initiatives, thereby fostering stakeholder trust. On the other hand, the product differentiation approach asserts that firms can use CSR to distinguish their offerings in competitive markets, as these markets perceive CSR as

a favourable indication that augments customer loyalty and pricing influence. (PRI, 2020)

In order to evaluate these perspectives, the study analysed how competition laws from 47 different countries influenced the CSR initiatives of 1,800 manufacturing companies from 2002 to 2015. The research findings indicated that strict competition laws were associated with increased levels of CSR, aligning with stakeholder opinions and strategies for product distinction. This implies that, in general, stronger competition urges companies to allocate more significant resources towards CSR efforts to strengthen stakeholder trust and product uniqueness. (PRI, 2020)

The meaning of CSR covers various aspects, including social, environmental and economic dimensions. Companies that adopt and effectively implement responsible business practices can gain several **competitive** advantages through CSR (Blowfield, Murray, 2019). The author Paul Hohnen (2007) describes these significant advantages as:

- **positive brand image** - participating in CSR initiatives aids in the establishment of favourable brand perception for the company. Consumers frequently exhibit a preference for supporting businesses that prioritise social responsibility, and a strong CSR standing can enhance brand loyalty and foster trust among customers,
- **stakeholder relations** – maintaining positive relationships with customers, employees, investors, and the local community is critical. By having shown a commitment to ethical business conduct, CSR has the potential to increase stakeholder satisfaction and loyalty,
- **market differentiation** – CSR activities have the potential to set apart products and services within the marketplace. Consumers tend to stick towards companies that align with their values, granting socially responsible businesses a competitive edge in pricing and market dominance,
- **risk management** - CSR can help companies manage and reduce the risks associated with social and environmental issues. By addressing these issues proactively, companies can avoid potential damage to their reputation and financial stability,

- **employee engagement and retention** - employees often appreciate working for socially responsible organisations. CSR programmes have the potential to improve the organisational environment, increase employee motivation and attract and retain highly skilled employees,
- **innovation and product development** – CSR serves as a driving force for companies to innovate to deal with environmental and social challenges. This innovative approach often results in developing new products and services that address sustainability concerns, creating opportunities for companies to tap into new markets and revenue streams,
- **community development** - companies can play a role in developing the communities in which they operate. CSR activities, such as philanthropy and community outreach programmes, can contribute to social and economic development, thereby enhancing the community's overall well-being,
- **operational efficiency and cost savings** - companies are encouraged by CSR to innovate in their processes, which results in cost savings and increased operational efficiency. Implementing sustainable practices can reduce waste, energy consumption and overall operating costs,
- **legal and regulatory compliance** - companies prioritising CSR are often more attentive to legal and regulatory requirements. Compliance with ethical and socially responsible practices can help companies avoid legal problems and regulatory sanctions,
- **long-term business success** - a commitment to CSR is often linked to focusing on long-term sustainability rather than short-term profits. This perspective can lead to strategic decisions that benefit the long-term sustainability and success of the business,
- **global reputation** - news and information spread quickly in a connected world. Companies with strong CSR practices can build a positive global reputation and attract international customers and investors.

As Paul Hohnen (2007) mentioned, monitoring certain company activities is more accessible thanks to communication technologies like the Internet. This can make it easier to manage, edit and report within. The media can view the public's perception of corporate practices positively or negatively. Within corporate social

responsibility, technological advancements offer opportunities for improving business partnerships.

Customers and investors usually show a keen interest in supporting ethical corporate practices. Also, frequently seek additional information on handling risks and taking advantage of opportunities related to social and environmental matters. In such instances, CSR can also increase market responsiveness and shareholder value. (Hohnen, 2007)

Corporate social responsibility is essential to a carefully planned corporate approach to increasing the company's value and gaining a sustainable competitive advantage in the marketplace. (White Leaf, 2023)

1.5.1 CSR as One of the Competitive Advantages in International Business

CSR is considered part of building competitive advantage in today's global competitive environment. This concept is beginning to work in favour of the company because it gives it a competitive advantage over its competitors by setting the price of goods and services and the conditions of their production differently. Putting CSR into practice improves relations with customers, local communities, partners and authorities. The company broadens its customer base and differentiates itself from competitors by doing so. (Marakova, Wolak-Tuzimek, Tuckova, 2021)

Consequently, CSR is a moral instruction and a strategic imperative for businesses seeking a competitive advantage. By including CSR in business strategies, companies can improve brand reputation, attract top talent, mitigate risk, foster innovation and ultimately achieve sustainable long-term success in today's competitive marketplace. (Sadalia, 2021)

The author of this master's thesis has included in this subchapter some examples from international researchers who have addressed CSR as one of the competitive advantages.

A model study by Polish researchers confirmed that CSR influences corporate image, consumer attitudes towards the company, behaviour in line with social expectations, and employee knowledge and skills. Companies that support the CSR concept gain a competitive advantage over other competitors in the market. (Marakova, Wolak-Tuzimek, Tuckova, 2021)

Spanish research led by Bernal-Conesa 2017, concluded that organisations with a strategic orientation towards innovation focus on improving their internal organisational capabilities to be more competitive in a globalised environment. Companies need to adopt formalised CSR practices to encourage product and process innovation, as these benefit competitiveness. And like Polish researchers, Spanish researchers believe that CSR strategies improve the competitive environment of technology companies. (Marakova, Wolak-Tuzimek, Tuckova, 2021)

On the other hand, not all researchers confirm a positive relationship between CSR and corporate advantage.

This different conclusion is driven by American researchers Timbate and Kyu Park, who studied the relationship between CSR and enterprise goodwill. As a result, the authors find no relation and no significant changes between CSR and the growth of share profits, as seen by investors. Based on that, American scientists say putting CSR into practice reflects a commitment to undertake activities that benefit society, which does not necessarily enhance a company's reputation or competitive advantage. (Marakova, Wolak-Tuzimek, Tuckova, 2021)

1.5.2 Corporate Social Responsibility Aspect, the Benefits and Criticism

The role of Corporate Social Responsibility (CSR) has recently changed from a marketing tool to an important aspect of corporate behaviour. An increasing number of relevant stakeholders in many industries around the world are valuing, requiring and implementing sustainable practices. (Idowu, 2013)

There are advantages and disadvantages for a company that behaves socially responsibly. Some theorists agree with the concept of CSR, and some are strongly opposed. Still, the current development of this issue is more in its favour, and most

of the research already done agrees that CSR activities bring benefits to the company.

The benefits of responsible business can be seen from the organisation's or its stakeholders' perspective. They will have different meanings for each stakeholder group. A breakdown of the main benefits by stakeholder group is provided by Pavlík and Bělčík (2010), as shown in table 2. Influencing factors include the size of the business, the business sector or the type of CSR activities the company undertakes. From a customer perspective, an increase in the quality of products or services, product and service innovation, and thus a more comprehensive range of products and services are considered positive benefits for stakeholders. Businesses are more concerned about the satisfaction and safety of their employees, and working conditions and the environment are improved. From a citizen's viewpoint, the benefits can be a better environment. Companies themselves, in particular, benefit from a responsible approach. If this were not the case, inappropriate choices of activities would be made.

Table 2: Benefits of CSR

Group	Main advantages
Clients / Customers	<ul style="list-style-type: none"> - Improving the quality of products/services purchased - Innovation by organisations leading to a broader range of products and services
Employees	<ul style="list-style-type: none"> -Improving the working environment -Increasing care for employees, development of their qualifications
Suppliers	<ul style="list-style-type: none"> - Streamlining and making transparent the supplier-customer - Positive pressure to improve supplier service quality
Citizens of particular areas	<ul style="list-style-type: none"> - Improving the environment in the region - Improving social relations in the region
Public sector	<ul style="list-style-type: none"> - Improving the quality and accessibility of public services (thanks to financial and capacity support from CSR practitioners) - Saving financial resources
Organisations applying CSR	<ul style="list-style-type: none"> - Increase profits in the long term - Increase the value of the organisation and client loyalty - Increase productivity and quality - Reduce costs or increase efficiency - Quality, loyal and motivated employees - Good relations in the community in which the company operates - Direct financial savings resulting from the implementation of environmental measures - Increased credibility and attractiveness to investors - Competitive advantage over organisations without a CSR strategy - Improved reputation and association of the organisation with positive values

Source: own based on (Pavlík, Bělčík, 2010)

Socially responsible behaviour brings many benefits to businesses, both financial and non-financial, which in turn have a significant impact on their operations. The essential tangible benefits include, for example, tangible assets, inventories, and real estate. The intangible ones include goodwill, company reputation, and positive relationships with business partners. (Chong, 2010)

The literature also contains **criticism** of CSR, in contrast to its positive reactions. The most famous critic of this concept is **Milton Friedman**, the Nobel Prize winner in economics, who believes that the only social responsibility of a company is to make and increase profits. Engaging in socially responsible activities can divert a company from its profit-making goal. Additionally, according to Friedman, if corporate managers are required to focus on activities other than maximising profits for the company, it can weaken the fundamental principles of a free society. (Forbes, 2020)

There is a broad separation among commentators on Friedman's topic between those who think that corporations have a stronger "social responsibility" and those who believe that the social purpose of corporations is to make profits and that other social goals are better left to governments. (Forbes, 2020)

However, both sides likely agree that the world has become more complex in the 50 years since Friedman's criticisms of CSR were made in an interview with the New York Times Magazine and that companies now have to balance a wide range of conflicting interests. (Forbes, 2020)

British CSR experts **M. Blowfield** and **A. Murray** (2019) divided criticism of social responsibility into four groups:

- CSR suppresses the primary objective of the business and ultimately limits the free functioning of the market,
- CSR elevates the interests of business above the interests of the law and the expectations of the general public,
- CSR focuses too much on a particular constituency and fails to address key aspects of doing business in today's society,

- the concept of CSR is not achieving its stated objectives and needs to adopt new practices and methods if it is to succeed.

Among the most recent critics is **Robert Reich**, who has called the concept of CSR a dangerous democracy-destroying sidetrack. Reich argues that businesses should not undertake CSR activities because they are a function of government and seek to avoid stricter regulations. (Robert Reich, 2019)

1.5.3 Aspect of Sustainability

Sustainability, in its broadest definition, means the ability to sustain or support a process over an extended period of time. Sustainability in the corporate and political field aims to keep natural or physical resources from being run out so that they can be used over the long term. (Investopedia, 2023)

The three pillars of sustainability are often divided into economic, environmental and social (Investopedia, 2023). The author discussed these pillars in detail in the previous subchapter 1.4.2.

As Investopedia (2023) mentioned, many companies and governments seek to achieve sustainable goals, such as reducing environmental impact and conserving resources. Some investors actively promote investments in sustainable development, known as green investments. And some companies are accused by sceptics of "greenwashing", which is the practice of misleading the public to present a company as more environmentally friendly than it actually is.

Sustainable policies are concerned with how a particular policy or corporate practice will affect people, ecosystems and the economy as a whole in the future. This idea often reflects the belief that the result will permanently damage the world without significant changes in how business is handled. The global community has made progress in implementing sustainable practices and legislation in the face of growing concerns about pollution, biodiversity loss and climate change. This has been achieved mainly through increased investment in green technologies and sustainable business practices, Investopedia (2023) adds.

In a **business context**, sustainability is more than protecting the environment. This view of responsibility forces companies to pursue inclusive and environmentally friendly goals while striving for a balance between quick profits and long-term benefits. This includes a wide range of possible measures. Reducing energy consumption, cutting emissions, purchasing products from fair trade companies and ensuring proper disposal of physical waste with a lower carbon footprint are just some examples of measures that can be taken towards sustainability. (Investopedia, 2023)

Many businesses have made a commitment to sustainability in recent years. For instance, Walmart Stores has committed to achieving zero emissions by 2040. Another example of a sustainability commitment is Google, which aims to achieve zero carbon emissions by 2030. (Investopedia, 2023)

1.6 The Latest Trends of CSR in International Business

Corporate Social Responsibility is an increasingly important factor in international business, influencing organisations' philosophy and business strategies worldwide. Aligning business objectives with changing CSR trends is crucial once processes are completed. This chapter delves into the latest trends redefining CSR in global business.

Clear and measurable objectives

Businesses will focus on setting measurable and clear targets for their CSR efforts. A well-defined plan will allow for effective stakeholder engagement and smooth integration into the business strategy. Currently, businesses are addressing CSR in a more structured way that is directly linked to their core objectives. (CronJ, 2023)

Sustainability at the heart of business operations

CSR initiatives continue to place a strong commitment to sustainability. Businesses increasingly recognise that they must use sustainable practices to support a greener and more inclusive future. Businesses are taking significant strides in this

direction, from reducing carbon footprints to promoting circular economy models. (Everfi, 2023)

Supporting equality and diversity

Diversity and equality are increasingly important themes in CSR approaches. Businesses promote diversity and inclusive workplaces for employees at all levels. This shows a commitment to social responsibility and encourages creativity and innovation. (StartUs, 2023)

Businesses are using **digital channels** to provide diversity education and increase employee understanding. Alternative platforms, such as **startups**, provide resources to help employees improve their ability to engage with diverse groups and reduce prejudice and discrimination. Similarly, companies are setting up employee groups that allow workers from different backgrounds to interact, exchange stories and offer their input. In this way, companies can overcome diversity barriers and reduce workplace discrimination. (StartUs, 2023)

Following this trend, two startups are aiming at equality and diversity. The first is a Canadian startup called Learnlab.ai, which is an online learning platform that helps businesses assess, recruit, engage, and expand the talent lifecycle. It provides a series of courses on alliance, unconscious bias and microaggression, along with interactive exercises to help reinforce learning. The company incorporates these challenge frameworks into its recruiting, training and employee engagement practices to achieve its diversity goals. The second one is Mixity, a French diversity analytics startup. It evaluates how inclusive and diverse an organisation is and provides suggestions for improvement. In addition to self-assessment surveys, the technique examines organisational policies, practices and culture. It then develops individual action plans to help the organisation meet its diversity and inclusion goals. (StartUs, 2023)

Fostering communities through volunteer programmes for employees

Since the outbreak of the COVID-19 epidemic, virtual volunteering has become an increasingly popular trend in corporate social responsibility. Volunteering statistics show that by 2020, the share of virtual volunteering opportunities has climbed from

17 % to 29 %. These programs motivate employees to support social welfare and community development. Businesses promote a culture of community service by providing virtual volunteer opportunities. (Goodera, 2023)

The advantages of virtual volunteering over offline volunteering include cost-effectiveness, greater reach and especially location flexibility. While some tasks, including natural disaster relief and planting campaigns, cannot be completed digitally, many need a virtual communication tool. The organisation's employees volunteer for projects, including mental health support, online learning, and fundraising for crisis relief. Many businesses have chosen to implement volunteer programs to promote employee satisfaction. (Goodera, 2023)

Supporting small businesses

The companies help small businesses in an effort to promote economic development and growth. This includes offering tools, mentoring and financial support to enable people to thrive in a fiercely competitive industry. Small businesses have to operate with a limited amount of capital and resources. Many large companies take on a social obligation to support small businesses. (Goodera, 2023)

Goodera (2023) mentioned how some large international companies had helped small businesses:

- after the pandemic, American Express offered its members refunds on small business purchases,
- businesses that advertised on Google and Facebook received advertising credits,
- Dell Technologies offered small businesses 0% interest on the purchase of new Dell equipment for up to 180 days.

This chapter states that **a strong CSR strategy** can differentiate a company from its competitors in a competitive market. Consumers may choose the products or services of socially responsible companies, giving them a competitive advantage. The purpose of the next chapter is to introduce the international standards,

regulations or guidelines that govern CSR. It is clear that these legal regulations help to raise awareness of CSR.

2 International Standards, Guidelines and Methodologies for the Evaluation of CSR Activities

In examining CSR on a global scale, this chapter seeks to describe some of the most important international guidelines and standards, including several aspects of CSR. International standards and guidelines can help the company assess, measure, and report on CSR and implement and share it within the organisation. It looks at the unique challenges and opportunities that arise when applying CSR principles in different geographical and cultural contexts. Companies effectively contribute to social and environmental well-being through these policies and standards.

CSR standards and guidelines are non-mandatory regulations that promote ethical and sustainable business practices internationally. They address a range of CSR topics, including social impact, labour practices, environmental protection, anti-corruption and human rights. By adhering to global CSR standards, organisations can gain a better reputation, customer loyalty, stakeholder trust, risk management and innovation. They can also avoid potential legal, ethical or social problems that may arise when doing business in different environments and cultures. (Okpara, 2013)

CSR has changed conceptually in recent years and has gained importance on a global scale. New and updated versions of existing tools have been developed. In 2011, the revised OECD Guidelines for Multinational Enterprises on Corporate Social Responsibility and the UN Guiding Principles on Business and Human Rights were released, responding to the 2010 release of the ISO 26000 Guidelines on Corporate Social Responsibility. Table 3 provides a comprehensive summary of these guidelines. Under the UN Sustainable Development Goals, the private sector has the potential to make significant contributions towards achieving sustainable development. (SECO, 2023)

The certificates showcase the organisation's dedication to its customers, staff, and other parties involved. Essentially, they acknowledge a responsible attitude towards ethical business conduct and compliance.

Table 3: Overview of international CSR standards

	OECD Guidelines for Multinational Enterprises	UN Guiding Principles on Business and Human Rights	UN Global Compact	Global Reporting Initiative	ISO 26000 – Social Responsibility
Contents	recommendations for responsible business conduct	guiding principles for respecting human rights	code of conduct and multi-stakeholder platform	guiding principles for sustainability reporting	guiding principles for social responsibility at organisations
Target group	multinational enterprises in the OECD member states and approximately 12 other countries	enterprises	enterprises and other organisations	enterprises and other organisations	organisations of all types
Topics	information disclosure, human rights, labour relations, the environment, fighting corruption, consumer interests, science and technology, competition and taxation	human rights	10 principles in 4 main areas: human rights, working standards, the environment, fighting corruption	comprehensive framework for sustainability reporting (human rights, working standards, the environment, corporate governance)	organisation management, human rights, working practices, the environment, fair corporate and business practices, consumer affairs, involvement and development of local communities
Commitment	signatory states are required to establish a National Contact Point that promotes the implementation of the guidelines and addresses reports of alleged violations	not legally binding	not legally binding; annual public progress report for participating companies	not legally binding	not legally binding and not certifiable
Publisher	Organisation for Economic Cooperation and Development	United Nations	United Nations	Global Reporting Initiative	International Organization for Standardization

Source: own based on (SECO, 2019)

2.1.1 OECD Guidelines for Multinational Enterprises

The OECD Guidelines imply a comprehensive array of recommendations that governments can adopt to encourage multinational enterprises to increase their contribution to sustainable development and decrease the adverse effects of their business operations on individuals, the environment, and society. These guidelines

are applicable in all locations where companies conduct their activities and assist them in meeting their responsibilities. (SECO, 2023)

The Guidelines address all relevant aspects of corporate responsibility, including disclosure, human rights, employment and industrial relations, environment, consumer interests, science, technology and innovation, combating bribery and other forms of corruption, competition and taxation. The guidelines have been endorsed by 51 countries, including the United States and most European Union member states. (OECD, 2023)

The latest updates to the Guidelines were published in June following their adoption by the OECD Council of Ministers in 2023. The revision does not change the main thematic categories addressed in the guidelines but instead seeks to develop recommendations to reflect better the risks businesses face. Critical updates for commercial enterprises include the following:

- recommendations to align the guidelines with internationally agreed **climate change and biodiversity** targets,
- due diligence expectations regarding the development, financing, sale, licensing, trade and use of **technologies, including data collection and use**,
- expectations for conducting due diligence on impacts and business relationships related to the **use of the company's products and services**,
- protecting **vulnerable individuals and groups**, including those who raise concerns about business conduct,
- updated recommendations on **disclosure of information on responsible business conduct**,
- expanded recommendations on due diligence on **all forms of corruption**,
- proposals to ensure that **lobbying activities** are consistent with the Guidelines,
- strengthen procedures to secure the visibility, effectiveness and functional equivalence of National Contact Points for Responsible Business Conduct. (OECD, 2023)

The 2023 update responds to the pressing social, environmental, and technological priorities that face society and the business community, based on a decade of experience since the last update in 2011. (SECO, 2023)

2.1.2 UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights, as outlined by the United Nations in 2011, are considered the most significant normative framework globally for regulating ethical business practices and fighting human rights violations within corporate activities and international supply chains. They consist of 31 principles and are based on **three pillars**:

- **state duty** - states must take the necessary steps (e.g. laws, incentives and awareness-raising) to protect the population from human rights violations, including by private actors (including business enterprises),
- **business responsibility** - businesses must respect human rights and exercise due diligence as appropriate to the circumstances,
- **access to remedy** - countries and businesses must facilitate effective treatments for those affected through judicial and non-judicial measures.

All nations and businesses can use these principles regardless of their size, industry, location, ownership, or organisational structure. Nevertheless, they do not represent international obligations. (SECO, 2023)

2.1.3 The UN Global Compact

The UN Global Compact serves as a platform for companies to engage in voluntary initiatives, merging business expertise and private sector resources with the ethical influence and joint strength of the United Nations. It encompasses ten fundamental principles relating to human rights, labour standards, environmental sustainability, and anti-corruption measures. The Global Compact links businesses with UN entities, labour organisations, and civil society networks. (SECO, 2023)

The UN Global Compact, which includes an incredible 13,000 companies and stakeholders across over 170 countries, is the largest corporate social responsibility initiative worldwide. The UN Global Compact strives to achieve two key objectives with a dual purpose. The first is to integrate the **ten principles** included by SECO (2023) into business activities around the world:

Human rights:

principle 1: the role of companies is to ensure that they do not become accomplices in the violation of internationally declared human rights,

principle 2: companies have a duty to promote and respect the protection of these rights.

Labour:

principle 3: companies should seek to promote free association and effective recognition of the right to collective bargaining,

principle 4: companies should eliminate all forms of forced labour,

Principle 5: companies should strive to prevent child labour as effectively as possible,

principle 6: companies should eliminate discrimination in employment.

Environment:

principle 7: Companies should seek to promote a preventive approach to environmentally related challenges,

principle 8: companies should take the initiative to promote greater environmental responsibility,

principle 9: companies should help to expand and develop technologies that support a healthy environment.

Anti-corruption:

principle 10: the task of companies is to be proactive against all forms of corruption.

The second goal is to increase support for broader UN aims such as the Sustainable Development Goals. Participating companies must release an annual report detailing their progress in implementing the principles into practice. (SECO, 2023)

2.1.4 Global Reporting Initiative (GRI)

The Global Reporting Initiative is an international organisation that has created a series of metrics that effectively implement and evaluate CSR consistently, offering a universally applicable structure for sustainability reporting that aligns with globally

recognised standards. The organisation comprises numerous professionals from various countries. Sustainable progress is presented through reporting on specific areas organisations have designated as their priorities. (SECO, 2023)

GRI is currently the most widely used standard for CSR reporting (SECO, 2023). According to the GRI (2023), since 2013, the GRI standard has used the **G4** guideline for reporting on social responsibility. Still, until 31 December 2015, the older G3 guideline, which included ten economic, 24 social and 16 environmental indicators, could be used for reporting. The main difference between the guidelines is the number of application levels. In the G3 guideline, companies can choose between application levels A, B, or C, depending on their options. Meanwhile, under the G4 guideline, a company could select Core or Comprehensive application levels. The Global Reporting Initiative claims no qualitative distinctions should be made between the comprehensive and core levels.

The Core option contains general standards with basic information about the organisation and its approach to CSR. It is set up so that any company, even a small one, can report against it. (GRI, 2021)

The Comprehensive option, on the other hand, relies on very detailed information thanks to specific standards concerning the three pillars of CSR - economic, environmental and social. The particular standards are therefore divided into these three categories, sub-categories and aspects. Thanks to the new guidelines, companies that report according to GRI can choose which standards (either general or specific) to include in their reports to assess. (GRI, 2021)

2.1.5 ISO 26000 Guidance on Social Responsibility

The International Organization for Standardization (ISO) is a worldwide federation of national standards organisations. ISO expects ISO 26000 to become a unifying global standard that contributes to understanding the concept of social responsibility, brings consistency and defines its main areas of focus. (Kašparová, 2013)

ISO 26000 guidance on social responsibility has been developed through a broad international process between industry and developing countries, businesses and organisations of workers, consumers and non-governmental organisations. (SECO, 2023)

The standard explains in general terms how to apply the CSR principles. It is not used to evaluate the level of CSR, either does not serve for certification. Nevertheless, it contains a series of suggestions and information for implementing CSR within a corporation. The main objectives of the standard include in particular (ISO, 2010):

- provide organisations with guidance on how to build CSR,
- identify and engage stakeholders,
- increase the credibility of CSR reporting and customer satisfaction,
- highlight the need for performance growth,
- be consistent with existing system standards.

The major advantage of ISO 26000 is the fact that it is based on the principles of ISO standards design in general. As the author has already mentioned, a large number of observers, collaborating organisations and experts have been involved in its development, so it can be assumed that their knowledge of CSR is reflected and, as a result, ISO 26000 has the capacity to become a unifying standard in the field. Another advantage of ISO 26000 is that it is designed as a global standard, meaning it can be used worldwide. (SECO, 2023)

However, one major drawback of ISO standards is that they come with a cost, which might discourage companies from adopting them. Another significant weakness is that it does not impose requirements on participating organisations, the fulfilment of which would then be monitored. It also does not specify the indicators by which the CSR performance of organisations should be reviewed. (Kašparová, 2013)

2.1.6 CSRD as the Most Recent Legal Framework

A new directive, the **Corporate Sustainability Reporting Directive, will come into force in 2024**. The European Union guideline orders that companies under its

purview reveal details regarding the risks and opportunities arising from social and environmental matters, as well as the effects of their operations on individuals and the ecosystem. The Corporate Sustainability Reporting Directive brings about a substantial transformation, insubstantially forming that covered companies adhere to specified disclosure and reporting structures (Akin, 2023)

The primary goal of the CRSD is to improve transparency to facilitate a more comprehensive evaluation of the sustainability performance of EU companies, as well as the corresponding business impacts and risks. This initiative aims to benefit various stakeholders, including investors, analysts, consumers, and other interested parties. By providing greater visibility into the sustainability practices of EU companies, the CRSD seeks to provide informed decision-making and promote sustainable business practices within the region. (IBM, 2023)

Organisations must disclose how their business activities affect the planet and its people (impact materiality). Furthermore, the influence of their sustainability objectives, metrics, and potential risks on the organisation's financial well-being (financial materiality) should also be considered. For example, the CSRD requires an organisation to report not only on energy costs and use but also on emissions indicators that explain the environmental impact of energy usage and targets for reducing this impact and describe how meeting these targets will affect the organisation's financial performance. (IBM, 2023)

The CRSD requires that all disclosures be made available to the public and that each disclosure be subject to a third-party review process to ensure completeness and accuracy. (IBM, 2023) Other mandatory information includes the risks posed by sustainability issues such as climate change and an organisation's dependence on fossil fuels, as well as the practices companies use to identify and minimise social and environmental impacts in their supply chains. (SG Voice, 2023)

The assumed rise of enterprises obligated to engage in sustainability reporting is predicted to surge from 11,700 to 50,000. Among these, a total of 10,000 organisations are non-European Union entities, while approximately 3,000 organisations are estimated to be from the United States. (IBM, 2023)

The International Corporate Social Responsibility chapter underlines the essential need for multinational corporations to solve social and environmental problems actively. Moreover, it represents advancing sustainable development and ethical conduct globally, aiming to benefit society and the corporate environment.

The significance of CSR implementation declines when there is a lack of communication or reporting. It is fundamental to share the actions and outcomes of CSR initiatives with stakeholders, as these factors play a key role in shaping their interactions with the organisation. These two CSR actions, as well as the application of principles, are specified in the next chapter.

3 Application of Principles and Conveying Social Responsibility Through Communication and Reporting

Socially responsible organisations are characterised by their voluntary dedication to acting responsibly towards society and the environment in which they operate. Companies can ensure long-term success by integrating CSR into their overall strategy and daily operations. A company is expected to behave as it publicly proclaims while at the same time fulfilling its obligations in certain areas that fall outside the scope of the legislation. (Franc, 2006)

Applying the principles of responsible business brings a number of advantages and disadvantages to organisations and their stakeholders in several areas. Based on IPSOS surveys, socially responsible companies are considered more attractive employers and have better reputations. The survey was carried out on a sample of more than a thousand respondents aged 18 to 65 and took place in November and December 2015. The research found that **61 %** of respondents expect large organisations to behave more responsibly towards their employees. Protecting the environment and nature is something that **59 %** of respondents expect large companies to do. Truthful communication with customers is esteemed as the third most essential assumption, as **53 %** of the participants indicated. In contrast, responsible corporate conduct influences the purchasing choices of only 13% of the respondents. Only 11% of respondents are willing to pay extra for an environmentally friendly product or whose sales go to a socially beneficial project. (Ipsos, 2016)

A comparison of the results of the same research conducted in 2013 shows that CSR activities make sense to implement, as consumer interests mostly stay the same. In 2013, respondents identified truthful communication with customers, care for the environment and care for employees as the three most important areas of CSR. As mentioned in Chapter 1, 11 % of customers were willing to pay more for a responsible product. (Ipsos, 2013)

3.1 CSR Communication

One of the important parts of implementing CSR principles is communication, which should be ongoing, well-targeted, and a concern for companies when developing their strategy. While introducing and applying CSR principles, keeping the organisation's major stakeholders informed the company's actions is appropriate. (Türkel, 2015)

As Pavlík and Bělčík (2010) point out, communicating about CSR activities means being able to present, explain and "sell" your ideas to various stakeholders in an attractive way. It is communication that is often ignored by some organisations, most often in small and medium-sized enterprises. The reasons are different, but companies should realise that communicating their activities can benefit them and set an example for others.

The main recipients of CSR reports are employees, customers, and governmental authorities. Various strategies can be used to communicate a company's CSR initiatives. The mode and format of communication should be adapted to the specific audience. To interact with public administrations, it is recommended that an organisation publishes a CSR report as a communication tool. Additionally, details on product labels, packaging, websites, or advertisements can be included, or PR events such as press conferences can be hosted. To effectively communicate with employees, it is recommended to feature activities in company publications or on internal networks, promote shared values and the company's vision, facilitate regular interactions between employees and managers, and utilise promotional materials. (Pavlík, Bělčík, 2010)

CSR reports and websites are highly sophisticated forms of communication compared to public relations and advertising, which are considered forms of open communication. Although the web is seen as a passive information tool, collecting information through the web requires active participation of users. The active engagement of users in the communication process is also considered a characteristic feature of the postmodern era. (Türkel, 2015)

3.2 Reasons and Benefits of Communication on CSR

Businesses allocate substantial financial resources and time towards implementing socially responsible initiatives and efforts. At the same time, an equivalent investment is necessary to convey these actions effectively. The fundamental objective of CSR is a company's dedication to behaving responsibly towards its stakeholders. While applying this concept improves a company's competitiveness, reputation, and position, these advantages can be reached by communicating the company's activities. (Investopedia, 2022)

Providing accurate information to the public regarding their socially responsible activities can also bring several advantages to businesses. Steinerová (2008) outlines many benefits that CSR communication can offer to companies:

- **transparency** - increased public visibility, the company becomes more transparent to its surroundings,
- **oversight of CSR activities** - strengthened monitoring and detection of weaknesses in the company's CSR strategy,
- **stakeholder engagement** - strengthening relationships with stakeholders by involving them in company decision-making,
- **more motivated and productive employees** - increased employee knowledge of CSR,
- **cross-sectoral cooperation** - promoting cross-sectoral partnerships between businesses, government institutions and non-profit organisations.

3.3 CSR Communication Tools

As mentioned by the author in the previous chapters, consumers nowadays prefer goods and services from environmentally and socially responsible companies. Companies know the importance of adequately communicating CSR activities to their business partners, customers, employees and potential job applicants. Consequently, companies want to make society aware of their responsible activities in these areas and use various forms of communication to do so.

For this communication, CSR can use different communication tools, which can be divided into **internal** and **external**. (Jurišová, 2012)

Employees and co-workers often use internal CSR communication tools, and the company upholds and controls ethical behaviour in the workplace. Examples of these tools may include (Jurišová, 2012):

- internal magazine, articles, supplements and gifts,
- e-mail notifications (personal and bulk emails),
- staff training, educational courses,
- company notice boards,
- intranet, competitions,
- recruitment procedures, onboarding training,
- code of ethics and regular training,
- presentations, events and meetings.

On the other hand, external CSR tools are applied outside the company, and through these tools, the company impacts the ethical environment in its surrounding environment. The following examples could be (Jurišová, 2012):

- annual reports, CSR reports,
- internet (company website, company blog),
- social networks,
- open day,
- press releases, media releases,
- product labelling (BIO, Eco-friendly product),
- company awards (Employer of the Year),
- presentation of the company through non-profit organisations,
- advertising, paid advertising.

The selection of the communication mix by a company is determined by its abilities and character. This decision is influenced by the various channels utilised to interact with its surroundings and current or prospective customers and employees. However, it is very important to know which communication tools are currently

necessary for a given company, which should be used when interacting with stakeholders and which work best in combination. (CSR Europe, 2010)

In terms of **internal** and **external** corporate communication, CSR Europe (2010) claims that **electronic communication** is currently the most important tool for communicating with employees and the public. The primary communication channels to engage with the organisation's employees include intranet, email, company broadcasts or videos, and newsletters. Nevertheless, traditional printed communication remains crucial, mainly through company newspapers or magazines, brochures, leaflets, posters, bulletin boards, or interpersonal interactions during routine meetings.

Based on a survey by NMS Market Research, regular CSR reports and information published on company websites have long been considered one of the most important CSR communication tools for public relations. Up to 85 % of companies currently use websites to raise the profile of their CSR activities. For most companies, social media offers the most opportunities for socially conscious communication – 56 percent. It is expected to gradually overtake websites in terms of share. Traditional PR is essential for a company's CSR communication, especially for media relations. Most corporate executives who see considerable potential in this communication tool support the findings of up to 70 % of organisations. (Nadanyiova, 2021)

Despite electronic communication, companies still use traditional forms of contact and presentation of their CSR programmes, such as open days, press releases or advertising. (CSR Europe)

3.4 CSR Reporting

Reporting means reporting on the progress and status of activities or work. Nowadays, in addition to the term "report", we may also find the term "sustainability report" or "corporate social responsibility report". (Lemon, 2017)

A CSR report is a good tool for an organisation to demonstrate to its stakeholders that it is behaving in a socially responsible way as an institution and can thus set an

example to others. Reports can remove any information asymmetry between the organisation and its stakeholders and can also help to achieve transparency and accountability. (Lemon, 2017)

Companies choose to make these annual reports public, and they are not required by law. These extensive reports involve a wide range of information about the company's commitment to corporate social responsibility during a specific timeframe, including social, environmental, and economic data. (Lemon, 2017)

A CSR report can have a double meaning for a company (Pavlík, Bělčík, 2010):

- **communication tool** designed to communicate the company's CSR activities to internal and external stakeholders,
- **management tool** providing a systematic approach to CSR, measuring progress and defining new strategies and objectives.

To be **credible** and of **high quality**, a CSR report should meet several requirements as defined by Bělčík and Pavlík (2010). These include credibility, meaning the company's top management endorses it. To raise its credibility, an independent organisation can verify it, and the report should report on all the company's business activities, including the unsuccessful ones. The CSR report should be designed to be factual and **understandable** to all readers.

Kunz (2012) adds the following principles to the basic requirements for the form of CSR reports:

- **materiality,**
- **neutrality,**
- **comparability,**
- **regularity.**

The report is, therefore, **a tool for monitoring, development and evaluation.** Reporting will provide a clear overview of activities that can be compared with each other in the following years. The company will see where it has improved, what it has done wrong and what to avoid next time. One of the reasons for reporting is also political and public interest. Some organisations have such a significant impact

on their environment that the public and the state are simply interested in what they do and how it engages in particular areas. (Lemon, 2017)

The primary goal of CSR reports is to communicate information regarding their social impact. (Lemon, 2017)

Among the **most widely used CSR reporting methods/standards** in the world is the **GRI methodology**, which has already been mentioned in the previous chapter. The Global Reporting Initiative created it. (KPMG, 2013)

This is likely due to local regulatory reporting requirements in several countries where **more than 75 % of reporting companies use GRI**. In countries such as Brazil, Finland, South Africa, Spain, and Sweden, the Global Reporting Initiative is incorporated into the reporting obligations. Companies in these nations are either explicitly mandated or strongly advised to adhere to GRI guidelines while preparing their reports. (KPMG, 2013)

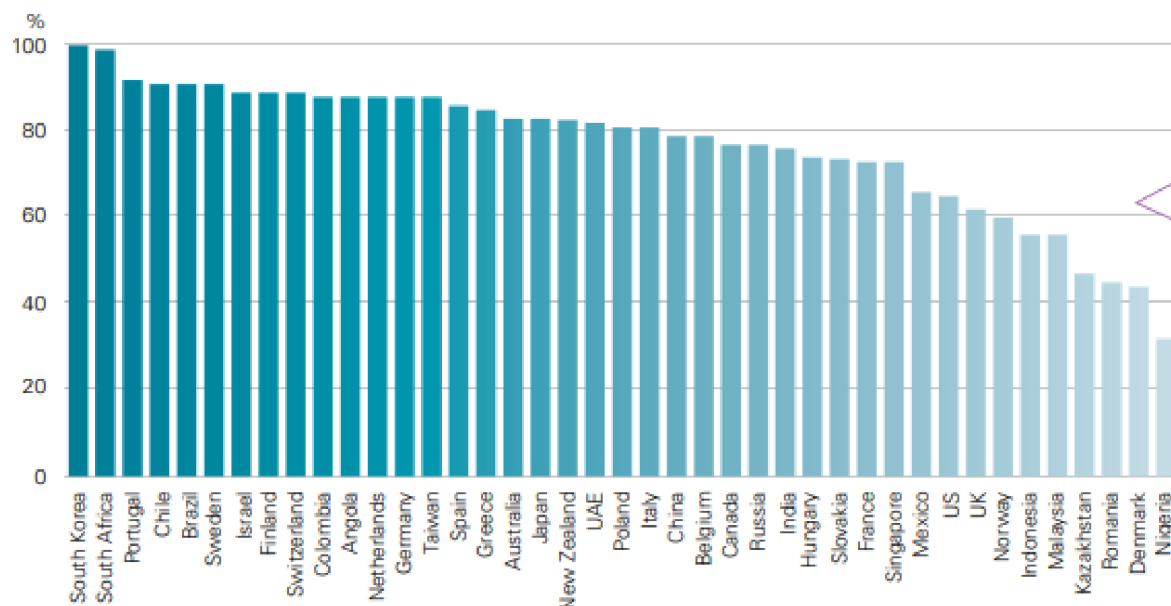


Figure 4: Countries that use the GRI guidelines the most
Source: KPMG, 2013

Companies are increasingly involving The GRI standards in their CSR disclosures. The utilisation rate exceeds 90 % in South Korea, South Africa, Portugal, Chile, Brazil, and Sweden, as pictured in figure 4. Vice versa, Kazakhstan, Romania, Denmark, and Nigeria have adoption rates of less than 50 %. (KPMG, 2013)

KPMG's surveys of CSR reporting

KPMG conducts periodic surveys to gather data on CSR reporting, a global network of professional organisations offering audit, tax and advisory services. KPMG has been providing CSR reporting surveys since 1993. The last survey was completed in 2013. It covers the 100 largest companies in 41 countries. In contrast, the 2011 report included the top 100 companies in 34 countries. The survey is based on an in-depth analysis of companies' CSR reports. The prevalence of CSR reporting has witnessed a steady rise since 1993. For two decades, the frequency of KPMG surveys focusing on CSR reporting has surged from 12 % to an impressive 71 %. This upward trend in CSR reporting directly results from the growing significance attached to CSR, leading to an escalation in the volume of CSR reporting. (KPMG, 2013)

The countries involved in KPMG's CSR reporting surveys for 2013 are:

- **Americas:** Brazil, Canada, Chile, Colombia, Mexico, United States,
- **Europe:** Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, United Kingdom,
- **Asia Pacific:** Australia, China & Hong Kong, India, Indonesia, Japan, Kazakhstan, Malaysia, New Zealand, Singapore, South Korea, Taiwan,
- **Middle East & Africa:** Angola, Israel, Nigeria, South Africa, United Arab Emirates. (KPMG, 2013)

Of the 4,100 organisations surveyed in 2013, 71 % said CSR reporting is a typical corporate practice globally. The highest percentage of companies reporting on CSR was in the **Americas at 76 %** and **73 % in Europe**. The lowest rate was **54 % in the Middle East and Africa**, while **Asia Pacific** reached **71 %**. (KPMG, 2013)

Another key indicator is the quality of CSR reporting. The average quality score in KPMG surveys is 59 out of 100. Only 25 % of businesses met the quality criteria with a score of 80 or more. Ten companies scored above 90. Figure 5 below gives an overview of these ten companies, ranked as one of the world's largest. And located in Europe and the US. (KPMG, 2013)

Company	Country	Sector
A.P. Moller Mærsk	Denmark	Transport
BMW	Germany	Automotive
Cisco Systems	USA	Telecommunications & Media
Ford Motor Company	USA	Automotive
Hewlett-Packard	USA	Electronics & Computers
ING	Netherlands	Finance, Insurance & Securities
Nestle	Switzerland	Food & Beverage
Repsol	Spain	Oil & Gas
Siemens	Germany	Electronics & Computers
Total	France	Oil & Gas

Figure 5: Ten companies with the highest-quality CSR reports

Source: Vartiak, 2016

One of the ten highest-quality CSR reports is A.P. Moller Mærsk, located in Denmark. Its entrepreneurship is situated in the transport industry. A.P. Moller Mærsk provided information on its CSR performance in its sustainability report. It contains the following data (Vartiak, 2016):

- introduction (incl. information about the company),
- description of the current sustainability strategy,
- company's CSR performance during 2013,
- description of the planned sustainability strategy,
- assurance data and principles.

The German automotive giant BMW. Its CSR report showed the following information (Vartiak, 2016):

- introduction - information about the company and critical performance indicators,
- sustainability management,
- product responsibility - effectiveness, safety, recycling, customer satisfaction and future development,
- environmental protection,
- supplier management,
- employees (include employees' health, safety, education and work-life balance),
- corporate citizenship.

The chapters mentioned above in the master thesis define CSR, its competitive advantage, and sustainability from a theoretical point of view when operating in an international environment. The second empirical part of the thesis deals with the CSR area and tools in a specific selected company. At the company's request, the thesis will not include its official name and will be referred to by its "working title" as Company X.

Introduction of the Selected Company

The initial chapter provides fundamental details regarding Company X and its parent company. The practical part delves into a comprehensive analysis of corporate social responsibility concepts within Company X and its parent company on an international and local scale, followed by a comparative analysis. Lastly, the evaluation of results with further recommendations is presented.

The parent company of Company X was founded in 1940. With its headquarters based in the United States, in Northville, Michigan, it has a workforce of about 73,000 employees spread across more than 270 locations worldwide. Into North and South America, Europe, South Africa and the Asia-Pacific regions, where 196 are manufacturing sites and the rest are distribution centres. The global presence is shown in the picture 6. The parent company is an automotive components original equipment manufacturer and an aftermarket ride control and emissions products manufacturer. The organisation separates its subsidiaries into five business segments: Clean Air - engine emission control and acoustic performance, Powertrain - engine components for improved efficiency and durability, Performance Solutions - vehicle ride and NVH management and DRiV - global automotive aftermarket leader.



Figure 6: Overview of the global presence

Source: the parent's company website

Company X is a **subsidiary company** established in 2012, located in Hodkovice nad Mohelkou, and operates in the automotive industry. Company X is part of the **Clean Air division**. It **manufactures exhaust systems or components** for further

processing, safer driving, and cleaner and quieter operation under environmentally friendly production conditions. It places particular focus on product quality and environmental friendliness. Approximately 300 employees work in the entire plant. The production employees are divided into permanent staff members or agency employees, as well as salaried/non salaried employees. The company supplies its products to eight countries worldwide under the Monroe, Gillet and Walker brands. Production is divided into two parts, the green and yellow zones, according to the respective machines and their processes, such as the process of bending, canning, welding, 3D measuring and logistics. The company is able to produce more than 5,000 exhausts per day to help cleaner transportation. Forty-eight robots are used in the production process to make the work easier for the employees.

Company X's customers include the world's largest car and truck manufacturers such as Škoda Auto, BMW, Audi, Daimler, PSA Groupe, Jaguar, Land-Rover, Toyota, Volkswagen Group and Seat.

Company values: the parent company has set four core organisational values that shares with its subsidiaries, and it is required for the subsidiaries to uphold and respect these core values.

These core values reflect a dedication to leading with "Integrity Always" (do the right thing the right way, speak up, own it), acting as "One Team" (take care of each other, embrace differences, succeed together), producing solutions that "Make Tomorrow Better" (turn problems into solutions, create what's next, passion to learn), and performing with a "Will to Win" (seek flawless execution, create customer fans, make a difference).

4 Analysis of the Current Situation of CSR in a Selected Company

In this particular chapter, which examines the present condition, the author provides a comprehensive account of the three fundamental aspects of CSR: economic, social, and environmental, as well as CSR communication and reporting. Afterwards, the thesis will briefly focus on CSR concepts at the subsidiary's regional level. All the information presented in this chapter has been drawn mainly from publicly available sources of both companies, mostly websites and annual reports. As well as sources based on internal data provided by managers through personal meetings and information obtained from the author's personal experience with Company X.

4.1 The Parent Company

As a manufacturer of car components, the parent company is aware of the environmental implications of its operations. The subchapters will look at the extent of CSR implementation activities within this organisation more comprehensively. A detailed analysis will provide insight into the parent company's efforts for a better sustainable environment and climate, giving it a solid competitive advantage.

4.1.1 Economic Area

The parent company operates globally. It prides itself on strong governance and ethics, creating a commitment to its operations' accountability, integrity, and compliance.

Consequently, the parent company diligently oversees and enhances its accountability within the supply chain to uphold human rights and minimise the environmental impact. The company collaborates as a unified team to attain coherence throughout the organisation and integrate its core values and principles into all activities.

Leadership, mission, vision and principles

The parent company's primary purpose is *"...to be the world's most trusted partner and best manufacturer in the automotive industry "*.

The company's mission is *"...to provide innovative and sustainable solutions that improve vehicle performance and reduce emissions, ultimately contributing to a cleaner and healthier environment."* On the other hand, the company's vision is *"...to be a global leader in clean air and driving performance products and to set the standard for excellence and innovation in the automotive industry."*

The main principles of the parent company are divided into four categories.

The first one is Winning Together. Collaboration among team members as one team is essential for success. With a diverse group of experts spanning various fields, such as manufacturing and distribution, organisations depend on each other for valuable insights and support. Through mutual respect and a willingness to embrace diversity, the outcome is a collective achievement, effectively addressing any challenges that may arise. This category includes:

- respecting each other,
- being inclusive,
- putting safety first,
- working with other parties.

The Protecting Company's Investment category creates the second classification.

This area involves the following:

- keeping accurate records and financial reports,
- managing records,
- caring for the company's property,
- protecting confidential information,
- protecting privacy,
- interacting with the government,
- participating in the political process.

Another primary principle is Navigating the Company's Industry. That means the parent company always operates with integrity, acts with honesty, competes fairly and succeeds based on the quality of its products and services. These principles earn the trust of customers, communities, teammates and shareholders. It covers the following specific topic areas:

- combating corruption,
- fighting crime,
- competing fairly,
- avoiding conflicts of interest,
- exchanging gifts, entertainment, and hospitality,
- doing business internationally.

The last category is Customer and Community Care. The company consistently aims to improve the future of its customers and community. It features:

- making safe, quality products,
- marketing honesty,
- communicating responsibly,
- protecting human rights,
- protecting the environment,
- giving back to the community.

There is a consistent approach to interacting with team members in all locations where the companies operate. These principles mentioned above are align with and build upon the following frameworks:

- The United Nations Universal Declaration of Human Rights,
- The United Nations Global Compact,
- The Organization for Economic Co-operation and Development (OECD),
- Guidelines for Multinational Enterprises,
- The Global Sullivan Principles of Social Responsibility.

The company's business practices are also built on the **Code of Conduct** and various company policies that require ethical behaviour from all employees. New

employees are informed about these guidelines and principles upon joining the company and are expected to adhere to them. The Code of Conduct is available in twenty languages and can be found on the parent company's website. Any partners or third-party organisations must also comply with these ethical standards.

Product responsibility

The parent company is committed to honest business. This includes marketing and advertising of products. Integrity in advertising means providing accurate, fair and balanced information about products. Ensuring that all claims regarding products are correct and supported by evidence will enhance customer trust and strengthen the brand image.

Safety and quality are always prioritised throughout the entire product lifecycle. Product compliance and quality principles govern the safety standards.

The parent company is constantly looking for solutions to reduce fuel consumption and emissions when using the products. One of the main goals of product responsibility is to promote cleaner transport in general. Projects are implemented to achieve climate-neutral transport in all sectors in accordance with the "Make Tomorrow Better" value.

Customers

The customer segment represents a crucial stakeholder group for the company. Due to the strategic positioning of its engineering, manufacturing, and distribution facilities, the parent company can have a wide range of customers worldwide. It provides advanced technology, high-quality products, the ability to create strong partnerships, and well-processed after-sales service, allowing it to dominate various global markets.

Customers can be involved in product testing, certification or durability testing based on project characteristics to ensure continued compliance during use and establish regular checkpoints throughout the development process to maintain product quality and integrity. Recent years have marked a growing demand from customers for electric and hybrid models, which allow customers to meet fuel

consumption regulations and emission targets for all types of light commercial vehicles, off-road vehicles or trucks.

The previous chapter mentioned that health and safety are a top priority for the parent company's products. This is why the company has strict quality management processes in place. The quality management system meets various industry standards, such as ISO 9001, IATF 16949 for the automotive business, AS9100 for the aerospace business, ISO/TS 22163 for railway applications, and VDA 6.3. for European OEMs. Almost all of the company's manufacturing sites are certified to IATF 16949 or ISO 9001, with 99 % holding certification. These sites strive to achieve and maintain accreditation through third-party audits.

The cyber security system upholds the company's high-security standards to protect the data of frontline team members and customers, following guidelines such as those from the National Institute of Standards and Technology and ISO 27001.

In 2023, growth in Asian and European markets further contributed to the company's success. These financial results reflect the company's ability to meet its customers' evolving needs and adapt to changing market dynamics.

Suppliers and business partners

The primary objective of supply chain management is to emphasise the importance of responsibility, accountability, and sustainability in procuring goods and services while simultaneously ensuring the resilience and reliability of the supplier network and driving social and environmental standards through the supply chain.

Any partners or third-party organisations must also comply with these ethical standards through the **Conduct of Suppliers**, which applies globally to all companies' supplier partners. The Supplier Code of Conduct establishes standards related to ethical business practices, social responsibility and human rights, environmental sustainability, and supply chain management.

Direct material suppliers are required to ensure that their quality management systems are certified to ISO 9001 standards. As part of the supplier approval

process, a thorough assessment is conducted to evaluate the new material supplier's commitment to quality management practices and compliance with the company's Supplier Code of Conduct.

The parent company also seeks to incorporate a diverse supplier base in its supply chain to promote equal access to purchasing for minority-owned, women-owned, veteran-owned, LGBTQ+, disabled-owned and other underrepresented businesses.

As seen in Table 4, the total number of suppliers is decreasing year by year, but the costs allocated to the supply chain are increasing. The data provided in the table include supplier locations across North America, Europe, China, Mexico, the U.S., and India. The range of materials and inputs supplied includes raw materials, coatings, packaging, stamping, steel, and other products. It is evident from the table that the supplier base is becoming more diverse, which adds to the reputation and competitive advantage of the parent company and its subsidiaries. The category of Other Underrepresented Business Enterprise involves - HUBZone (Historically Underutilized Business Zone - Contracting Program which aims to promote small businesses to establish operations and hire workers from economically disadvantaged regions of the United States), small businesses, LGBTQ+, service-disabled veterans, and disadvantaged businesses.

Table 4: Supply chain management of the parent's company

Supplier base	2020	2021	2022
Number of suppliers	45,067	44,567	42,917
Total supplier spend (million USD)	9,575	11,240	12,847
Supplier diversity	2020	2021	2022
Minority Business Enterprise			
Number of suppliers	75	85	105
Spend (million USD)	51	45	58
Woman Business Enterprise			
Number of suppliers	88	94	112
Spend (million USD)	25	39	52
Veteran Business Enterprise			
Number of suppliers	14	12	25
Spend (million USD)	2	2	3
Other Underrepresented Business Enterprise			
Number of suppliers	x	x	154
Spend (million USD)	x	x	118

Source: own based on (CSR report of the parent company, 2023)

Currently, performance is focused on recovering diversity losses over the past three years due to the closure of minority-owned businesses impacted by the COVID-19 pandemic. The organisation is looking to further leverage purchasing opportunities with underrepresented vendors and continue building a diverse supplier base.

Stakeholder engagement

The parent company is aware of the importance of upholding positive relationships with stakeholders, which play a crucial role in the success of business and sustainability strategy. Due to that, the parent company tries to consistently communicate and involve with customers, investors, suppliers, government and regulatory agencies, trade associations, and other key stakeholders.

Table 5, presented below, outlines the primary stakeholder engagement initiatives of the parent company, covering the regularity of engagement and significant conversation topics.

Table 5: The parent company and its engagement with key stakeholders

Stakeholder	How the parent company gets involved	Key topics of importance
Customers	<ul style="list-style-type: none"> • Participates in Ford’s Partnership for a Cleaner Environment program annually • Hosts customer technology days and skip-level meetings with customers annually • Participates in customer Sustainability initiatives, for ex., BMW Sustainability Training for Suppliers, Scania Sustainability Supplier Day annually, and GM’s Energy Treasure Hunts • Participates in Automotive REACH Task Force annually 	<ul style="list-style-type: none"> • Customer service • Management of restricted substances • Product safety • Product quality • Sustainability-related risks and opportunities
Investors	<ul style="list-style-type: none"> • Holds annual shareholder meeting • Hosts quarterly webcasts to discuss financial results • Participates in global investor and industry conferences throughout the year • Submits quarter/annual and other SEC filings • Shares ESG progress in dialogues with investors 	<ul style="list-style-type: none"> • Business performance • Corporate governance • Executive compensation • Regulatory risks • Sustainability-related risks and opportunities
Suppliers	<ul style="list-style-type: none"> • Participates in the Automotive Industry Action Group 	<ul style="list-style-type: none"> • Business performance

	<ul style="list-style-type: none"> • Maintains Supplier Diversity Program annually • Performs supplier audits • Completes screenings on new suppliers • Communicates the new Supplier Code of Conduct 	<ul style="list-style-type: none"> • Conflict Minerals • Supplier growth • Supplier diversity • Waste management
Government and Regulatory Agencies	<ul style="list-style-type: none"> • Continuously collaborates with the Environmental Protection Agency to develop and implement emissions reduction strategies 	<ul style="list-style-type: none"> • Air quality • Compliance • GHG emissions • Waste • Water • Public health and safety • Supplier Human Rights due diligence
Team Members	<ul style="list-style-type: none"> • Holds town hall and team member meetings, global webcasts, picnics and special events, training and development, and recognition programs annually • Participates in the annual Euroforum • Hosts ESG Council meetings quarterly • Updates Enterprise Risk Management process annually • Performs team member engagement surveys at least every two years 	<ul style="list-style-type: none"> • Business performance • Inclusion, Diversity and Equity • Safety • Training and development
Communities	<ul style="list-style-type: none"> • Provides site visits and plant tours • Makes partnerships with local charitable organisations and schools • Supports annual charitable fundraising campaigns 	<ul style="list-style-type: none"> • Air quality • Business performance • Corporate giving • Local employment • Safety
Trade Associations	<ul style="list-style-type: none"> • Sit on the Automotive Industry Action Group Board of Directors and the Supply Chain Steering Committee • Participate in the Automotive Aftermarket Suppliers Association quarterly meetings • Participate in the European Association of Automotive Suppliers Sustainability/CSR Expert Group quarterly meetings • Participate in the Original Equipment Suppliers Association quarterly meetings 	<ul style="list-style-type: none"> • Public policy • Product quality • Product safety • Supply chain management • Transparency

Source: own based on (CSR report of the parent company, 2023)

Transparent reporting and communication

Table 5 shows the importance of transparent communication and the provision of accurate and reliable information regarding the entire group's performance, which is considered standard practice for the parent company and its subsidiaries. This practice is crucial for the successful implementation of sustainability strategies. The parent company maintains relationships with its business units through open and ongoing dialogues, ensuring truthful information. Also, open communication is supported with other company stakeholders.

4.1.2 Social Area

The parent company runs the business in a way that strongly emphasises maintaining a top-tier workforce, supporting local communities, and promoting long-lasting business achievements. It also **obligates social responsibility** and **human rights protection** across its operations and supply chain.

Team members are seen as leaders and innovators within the organisation. Their health and safety are the highest priorities, with the parent company acknowledging the potential risks associated with production facilities.

There is a consistent approach to interacting with team members across all sites. Therefore, team members' age and working ability are verified during recruitment to eliminate child or forced labour and to ensure a fair and safe working environment.

Additionally, efforts are made to retain highly skilled talents by prioritising their welfare, fostering inclusivity, and offering opportunities for personal and professional growth.

Health and safety

The dedication to ensuring the health and safety of team members is evident at all levels within the organisation. The Environmental, Health and Safety (EHS) Policy aligns with core values and highlights the commitment to creating safe workspaces and enhancing operational effectiveness. Maintaining health and safety is a

significant focus in daily operations through **management systems, compliance assessments, risk mitigation, and training programs.**

Occupational health and safety management systems adhere to **ISO 45001**, ensuring conformity with the standard. This lays the foundation for teams to actively participate in identifying hazards, managing risks, and implementing preventive and corrective measures. By 2022, **57 %** of workplaces were certified according to the ISO 45001 framework, the goal is to achieve 100 % certification for global manufacturing plants.

The parent company actively invests in various **safety training programs** for all team members to ensure a safe workplace, prevent injuries, and keep production following safety standards. Within the business segments, it offers new hires, job-specific training, and refresher training for tasks that present additional risks, covering safety culture, procedures and regulatory requirements. There are currently **75** training courses available through the EHS online corporate library.

Through the **High-Risk Activities Program**, the company strives to achieve zero work-related injuries and illnesses. Each site must report all safety incidents to ensure specific actions are taken to prevent a repeat. The Programme of High-Risk Activities focuses on ten hazards. These are made up of:

- machinery safety and hazardous energy control,
- electrical safe work practices,
- hazardous materials control,
- fire and explosion prevention,
- working at heights,
- confined spaces,
- physical security,
- driver safety,
- powered industrial vehicles,
- lifting devices.

The programme requires all divisions and sites to conduct a thorough assessment of their vulnerability to potential hazards and take appropriate measures to minimise the risks associated with each of the ten activities considered to be high risk.

Additionally, the program ensures that plant management teams are responsible for carrying out action plans and removing safety hazards. Team members' roles in risk assessment and safety improvement processes are clearly outlined for high-risk activities.

Inclusion, Diversity and Equity

The organisation diligently seeks to integrate inclusion, diversity, and equity (ID&E) principles into its worldwide operations. This is achieved through various initiatives, including educational and developmental programs, active engagement of team members, fostering awareness, and organising cultural celebrations. These efforts are carried out in close collaboration with business resource groups, ensuring an integration of ID&E throughout the company.

Adhering to the company's policies, such as the Global Inclusion, Diversity and Equity Policy, Equal Employment Opportunity, and Harassment-Free Workplace, is important to ensure a positive environment for all. These policies state how to protect the rights of team members and create a workplace free of violence, intimidation, and discrimination.

The parent company partners with community organisations to recruit candidates from underrepresented groups such as veterans, people of colour, women, LGBTQ+ and people with disabilities. As part of the **diversity recruitment strategy**, all positions are posted on job boards that target diverse individuals. This ensures that minority candidates are considered and represented in the recruitment process.

Community Involvement

The company aims to support local communities by donating time and resources to philanthropic, educational, and volunteer projects. The One Team for a Brighter Future program, available in twenty languages, gives employees worldwide sixteen hours of paid time off annually to volunteer with non-profit groups for related

causes. That is consistent with the strategic pillars for community engagement, which involve:

- developing science, technology, engineering and mathematics education,
- training diverse and skilled candidates in the talent pool,
- improving access to groceries,
- supporting mental and physical health,
- improving environmental sustainability.

4.1.3 Environmental Area

To reduce its environmental impact, the parent company is dedicated to promoting eco-efficiency within its operations and promoting the use of renewable resources in alignment with a sustainable, low-carbon future. Through its corporate commitment to responsible manufacturing, the company emphasises on effective control of energy consumption, emissions, operational waste, and water consumption to reduce further its environmental footprint, which is a challenge for a sustainability management system that includes an environmental policy. The parent company owns the production and distribution units, allowing it to have strict control over regulations and maintain high product quality.

The Executive Leadership Team is most accountable for climate-related matters as part of its supervision of ESG across all four business divisions and support systems. The Executive Vice President and General Counsel assume an added role in responding to climate-related concerns and delivering quarterly ESG updates to the Board, embracing issues about climate change.

Furthermore, aside from internal policies and legal regulations, worldwide manufacturing facilities are voluntarily managed by following the **ISO 14001** Environmental Management System and **ISO 50001** Energy Management System standards. These systems offer instructions for increasing environmental efficiency and confirming that the strategy complies with sustainable practices using certifications.

By 2022, 86 % of manufacturing plants worldwide had obtained ISO 14001 certification. This represents a growth of 2 % in comparison to the previous year, 2021 (84 %), and a 5 % growth in comparison to the year before. In 2020, the proportion of sites that obtained ISO 14001 Environmental Management System certification stood at 81 %. While 12 % of the sites had achieved ISO 50001 certification in 2022, the percentage value has stayed constant since 2020.

The main activities of the parent company's environmental policy are divided into five areas with the common goal of reducing its carbon footprint.

The first area focuses on **reducing energy consumption**. To address this, the parent company has proposed a range of initiatives consolidated to help reduce energy usage across plants worldwide. Among these projects was carefully selecting thirteen plants for energy monitoring and evaluation. The objective of this particular project was to identify potential areas for improvement and ultimately achieve energy reductions. Alongside developing an energy efficiency manual, the Energy Efficiency Task Force is dedicated to capitalising on existing best practices throughout the organisation. Furthermore, they actively promote and support energy reduction efforts within various business segments. These collective efforts will facilitate the parent company's progression towards its 2030 goals while preparing for future aspirations such as carbon neutrality.

The Napoleon, Ohio, plant collaborated with the City of Napoleon and Efficiency Smart to reduce energy consumption. The program assists businesses in saving money by using energy efficiency strategies. As a result, the plant achieved a 30 % reduction in energy consumption, leading to 2.5 million dollars in total lifetime cost savings from new and retrofitted equipment in energy efficiency projects.

The corporate strategy for **renewable energy** creates the second domain of focus. This strategy will be executed using power purchase agreements and installing on-site solar generation. During 2021, two buildings were equipped with rooftop solar photovoltaic panels.

An Italian facility has implemented a one-megawatt solar photovoltaic system alongside a combined heat and power system featuring a methane engine to raise

the efficiency of its heating and cooling processes. The systems are projected to meet around 47 % of the facility's total energy needs and reduce carbon emissions by 360 metric tons annually.

In Portugal, the Palmela factory successfully installed a photovoltaic system with 102 kilowatts capacity on its rooftop. This leads to substantial yearly energy savings.

The Chengdu team from China effectively transitioned all of its electricity consumption to 100% renewable energy sources, resulting in an annual reduction of 1,800 tons of greenhouse gas emissions.

As a result of these projects, the parent company in 2021 generated 10 % of its energy consumption from renewable sources and only 6 % in 2022. However, the proportion of renewable energy consumption experienced a decline compared to the baseline of 2021, primarily due to the energy crisis that occurred in Europe. And the total energy consumption in gigajoules amounted to 113,277,253 in the year 2021, while it decreased to 12,877,061 in 2022. The COVID-19 pandemic has resulted in a notable difference in energy consumption. This discrepancy can be attributed to the frequent closures of plants worldwide during the pandemic, as well as the substantial cost savings that must have been achieved post-pandemic.

Regarding **greenhouse gas emissions**, they represent the third environmental area the parent company prioritises for its assessment of improvement.

As an automotive manufacturer, the parent company and its subsidiaries create products that help hybrid and electric vehicles and improve traditional engines with lower emissions by offering cleaner engines and energy recovery solutions, supporting the transition to a greener economy. The products aim to prevent leaks and damage to vehicles and extend their lifetime so that vehicles don't end up in landfills. For example, 41 % of the company's revenue came from Powertrain and Clean Air business segments products focused on fuel efficiency and emissions reduction, such as steel pistons for diesel vehicles.

In subsidiaries, the global operation teams and plant managers are crucial in overseeing energy management programs and rising energy efficiency. To speed

80

up impactful measures, the organisation integrates energy and greenhouse gas emissions targets into the performance objectives of all team members throughout the company. To achieve objectives related to energy management and emissions reduction, various departments within the organisation work closely together to create and execute strategies.

In the fourth area, the company includes **waste management**, which aims to reduce the consumption of materials and the production of waste, thereby striving to commit to greater environmental responsibility. To mitigate the risks of pollution, landfill runoff and other negative impacts of waste disposal, processes are in place across the business units to eliminate or streamline waste streams and improve resource recovery efforts. The parent company monitors diverse waste streams through the environmental management system to identify opportunities to reduce resource consumption, reuse materials and increase recycling activities. By 2022, a 19 % reduction in waste going to landfills has been achieved, reflecting the strategy's effectiveness towards process efficiency.

Interesting projects, so-called "The Road to Making Tomorrow Better", have been set up by a parent company to increase environmental protection efficiency and achieve waste management targets more quickly. One of these projects, led by members of the parent company's leadership team, was a challenge to more than 270 sites worldwide to prepare and volunteer for an Earth Day project in line with three areas: community service, a challenge to plants, and facility improvements where the winner will be announced on a virtual panel discussion.

The plant in Mexico won the challenge by successfully gathering 65 kilograms of used clothes for donation, 80 kilograms of used electronics, 55 kilograms of plastic and paper, 25 kilograms of expired medicine, 18 kilograms of used oil, 18 kilograms of used batteries, and 11 tyres. All of these materials were diverted from the landfill.

Powertrain's Rings facility in Burscheid, Germany, has effectively implemented a waste separation system with its disposal partner, resulting in a 95 % recycling rate on-site. The plant has 15 waste collection centres to manage waste from production. Each centre has specific bins for oil-contaminated waste, paper, plastics, and safety gloves. By consistently collecting and sorting waste at the

source, the facility has improved recycling and recovery processes, preventing 334 tons of raw materials, saving two gigawatt-hours of energy, and reducing 268 tons of CO2 emissions annually.

The German team based in Burscheid is taking action to address the increasing costs of waste disposal and oil prices by working on a project to recover oily grinding sludge. The plan is to set up a treatment facility to separate oil from solid sludge components. This process will allow the recovery and reuse of around 28 % of the used oil, resulting in significant savings. The project is estimated to save 640,000 EUR annually by using the recovered oil and reducing disposal costs.

The latest CSR report of the parent company shows that approximately **78 %** of waste was **recycled**, **14 %** was sent to **landfill**, and **8 %** was **disposed-incinerated**. Out of the total waste produced, **85 %** was classified as **non-hazardous**, while the remaining **15%** was categorised as **hazardous**.

The last principal activity of the environmental policy is the fifth area, water stewardship. This area is focused on protecting water resources by reducing water consumption and increasing the circularity and efficiency of wastewater treatment.

Water is important to a company's business and its plants. It is utilised in various stages of the manufacturing process, such as cooling, machining, plating, painting, sanitation, hygiene, and cleaning of equipment and facilities.

Since 2022, the management of High-Risk Activities related to the environment has been implemented, specifically focusing on preventing water and wastewater accidents. The Core Competency Team, which consists of the Vice President of Environment, Health and Safety (EHS), individuals from the EHS Senior Leadership Committee, and experts from various regions and business divisions, such as water and wastewater specialists from the Advanced Manufacturing Engineering department, oversees water-related management procedures.

The Core Competency Team has the task of strategic planning, implementing programs, and communicating about water-related topics, which are:

- creating a worldwide plan to decrease water usage in operations,

- improving the effectiveness of treating wastewater and reusing water,
- minimising pollution by optimising chemical usage,
- sharing global water conservation methods,
- educating about responsible water management at a local level,
- spreading awareness through monthly webinars.

Various projects have been created to promote efficient water use. These include using controllers to minimise unnecessary water flow, enhancing effective wastewater treatment and reuse methods, adopting technologies to monitor water usage and quality, and offering efficient faucets.

The water stewardship project was handled very well by the Ride Control team in Gliwice, Poland, that has effectively engineered and implemented a wastewater treatment facility, marking the first operation of its kind. The Zero Liquid Discharge Wastewater Treatment Plant allows for the reuse of over 95 % of the treated wastewater, resulting in substantial water conservation efforts and showcasing a dedication to environmentally conscious operations by organisations.

In 2022, the system treated and reused approximately 8,000 cubic meters (m³) of water. This shows a significant 91 % increase in recovered water compared to 2021. As a result, 8,000 m³ of wastewater was prevented from being released into the city's sewer system, and the need for municipal water intake was also reduced.

The company uses these projects primarily as a tool to impact the environment positively, but also as an educational focus and to build engagement to promote environmental awareness and encourage teamwork. It is also an inspiration for other subsidiaries to apply the same procedures related to the environmental policy in their plants.

4.1.4 CSR Communication

Proper communication with the public must be met through **internal** or **external** communication tools to gain a competitive advantage in CSR. CSR communication plays a crucial role in shaping the overall CSR strategy. This chapter will cover several key aspects of CSR communication.

As mentioned in the previous chapters, the Executive Leadership Team is responsible for CSR and its related activities. However, in individual units, CSR responsibility is delegated to lower-level managers. In manufacturing plants, the quality manager is responsible for monitoring the implementation of environmental policy principles. In non-manufacturing units, the responsibility for CSR is delegated to the plant manager of the site and the managers of each department.

The parent company determines and sets CSR communication globally. A corporate intranet is a platform for the parent company to share information with its subsidiaries regarding its CSR strategy, policies, updates, training programs and meetings.

The parent company uses various methods to spread information regarding upcoming employee events, achievements, and general announcements. Traditionally, bulk emails have been utilised for this purpose. However, with the introduction of the internal app "Workvivo" in April 2024, a more efficient and streamlined approach has been adopted.

This platform is structured into distinct "spaces," wherein each employee is automatically included in a global group comprising all team members. Users can join specific sub-groups within these spaces that align with their respective roles or interests. For instance, individuals can choose to be part of the group associated with the human resources section.

Websites

The parent company informs key stakeholders about applying CSR principles through CSR communication via the website. CSR principles are highly beneficial corporate actions that build the company's competitive advantage and good image, as not all companies post their CSR activities publicly.

The external CSR tools the parent company relies on most and are most visible are the **CSR and annual reports**, which are easily accessible on the company's website. From the main stand of the website, the sustainability tab is already visible, as shown in figure 7 below. The sustainability tab contains detailed information regarding the company's strategies towards environmental conservation. When

clicked on, the main tab on sustainability still ranks among the sub-sections, as can again be seen in figure 7. These topics are targeted "Sustainability Report", "Worker Health and Safety", "Quality Commitment", "Modern Slavery and Human Trafficking", and "Conflict Minerals".

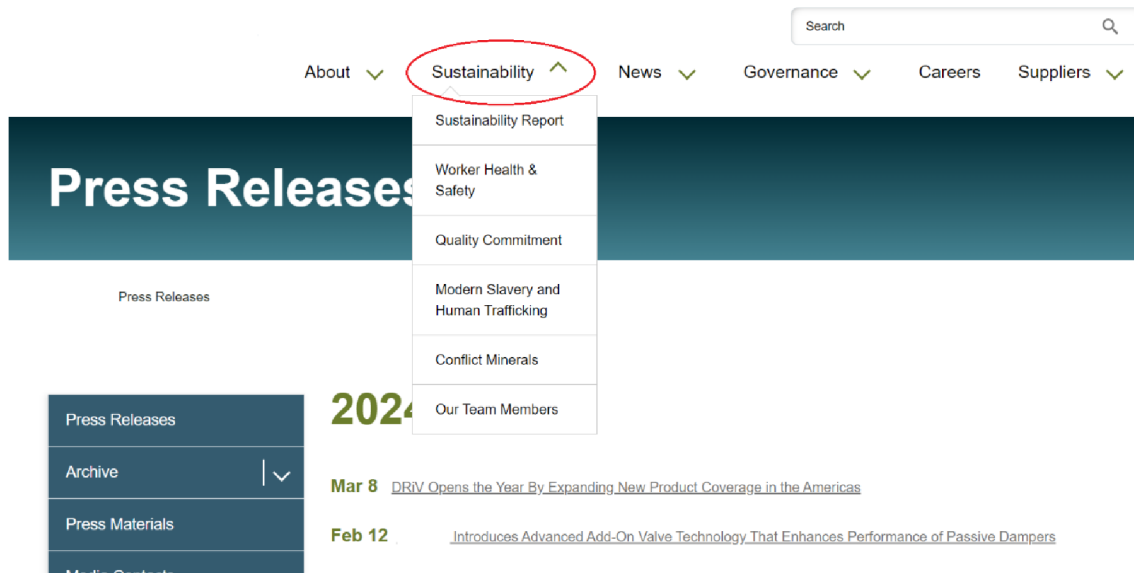


Figure 7: The parent's company website

Source: the parent's company website

Furthermore, the website provides external CSR communication tools like **press releases**, illustrated as a sample in figure 7 above or **company awards**.

Press releases use the company as the primary source for providing information, creating an official statement or issuing an announcement for news media members.

Regarding company awards, the company has been named World's Most Ethical Companies by Ethisphere twice in a row, in both 2022 and 2023. Through its supplier diversity program, the company has received 25 supplier diversity awards from customers, the most recent of which is the Cummins North America Supplier Diversity Leadership Award, or the company's second Supplier of the Year award. In 2023, the company won the Campus Forward Award for its dedication to recruiting young talent, promoting diversity and inclusion, and supporting the growth of future talent. Lastly, the company was awarded a gold medal and ranked in the 98th percentile of EcoVadis' 2023 sustainability ranking.

Frequently, the parent company associates with global non-profit organisations and supports their projects.

Any awards and truthful information provided about a company's news, success, statement, or collaboration with non-profit organisations posted on the internet contribute positively to the company's competitive advantage and reflect the company's good reputation, which places the company high among the top leaders in the automotive industry.

The parent company established the social media platform Instagram in 2022. Unfortunately, it did not achieve the desired success, and presently, it has only 1,485 followers. Consequently, the company has decided to drop its involvement with the platform, reduce its activity, and shift its focus towards its contributions to the website. Other social media platforms the parent company doesn't have.

Reporting

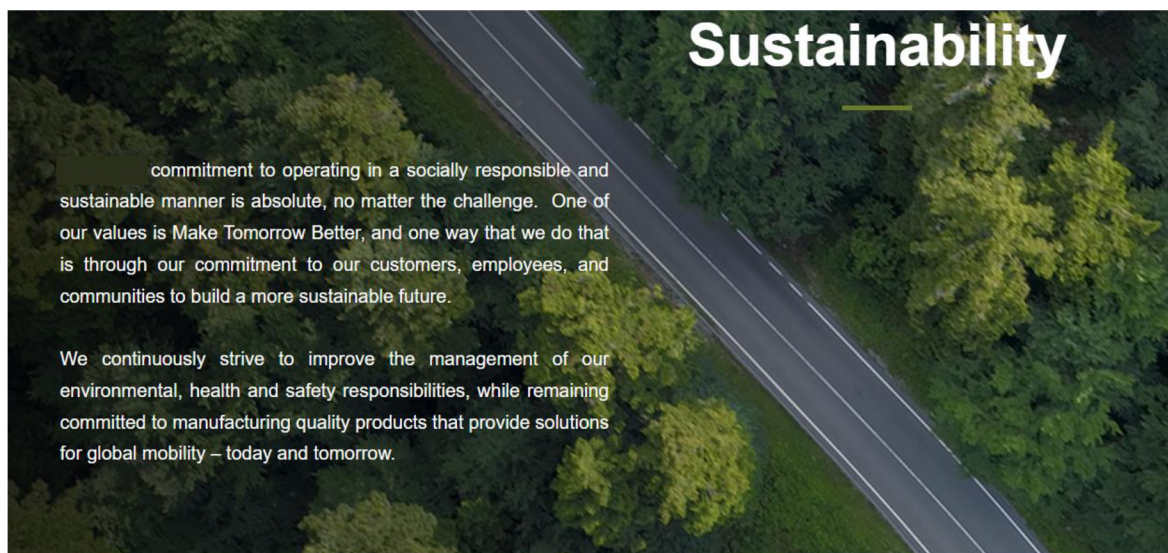
In chapter 3.4, the author extensively explored the concept of CSR reporting, highlighting its dual significance. First, it functions as a communication tool with both internal and external stakeholders. Second, it serves as a management tool, providing access to CSR activities, measuring progress, and defining new strategies and objectives.

The organisation releases an annual report detailing its Corporate Social Responsibility initiatives, as shown in Figure 8 below. This marks the fifth CSR publication and is accessible exclusively in English.

The parent company prepares these annual reports primarily based on **Global Reporting Initiative (GRI)** standards and compliance with the industry norm for self-reporting set by the Sustainability Accounting Standards Board. The latest published annual sustainability report, which details the period from 1 January to 31 December 2022, delves into key environmental, social, and governance issues and the strategic framework.

According to the GRI international methodology, the parent company has voluntarily processed a Sustainable Development Strategy.

The parent company released its fifth Sustainability Report on May 31, 2023, highlighting the ongoing progress toward achieving its long-term environmental, social, and governance objectives.



In The News

→	May 31, 2023	Releases 2022 Sustainability Report
	June 9, 2022	Releases 2021 Sustainability Report

Figure 8: Annual sustainability reports of the parent company

Source: the parent's company website

The reports usually include certain statements that pertain to upcoming events and prospects, thus constituting forward-looking statements found within different sections of the report. In general, words like "might", "will", "believe", "should", "could", "plan", "expect", "anticipate", "estimate" and similar expressions are used to identify these forward-looking statements.

Although the parent company considers the expectations in these statements reasonable, some risks and uncertainties could cause actual results to differ from those expected.

In this chapter, the author analysed the parent company's CSR activities across economic, social, and environmental pillars on a global scale. The next chapter

below will focus on analysing Company X's CSR activities, delving into CSR practices in these three pillars at the local level.

4.2 The Company X

The subsidiaries must follow all CSR strategies established globally by the parent company. This means that Company X should implement any frameworks or policies established globally by the parent company within its frameworks and guidelines. Company X's CSR practices will be evaluated locally in the chapters below. Company X is a CleanAir business segment member specialising in manufacturing exhaust systems and their components during the three-shift rotation. Unfortunately, exhaust systems are produced for internal combustion engines, which is why this plant and other similar ones worldwide are not receiving top priority from the parent company in the current pressure for sustainability with electric vehicles.

The plant director is responsible for fulfilling sustainable goals and following the CSR strategy. However, the quality manager is accountable for CSR certification and relies on the building manager to gather and analyse the relevant data.

4.2.1 Economic Area

The parent company has established a regulatory framework that ensures compliance with legal regulations in each country, in addition to the organisation's internal policies and basic ethical standards.

Company X operates based on a holding policy, which means that Company X and other subsidiaries must follow the same CSR policy driven by the parent company. The autonomy of individual plants to impact specific activities is limited.

Leadership, mission, vision and principles

Company X follows its parent company's established principles, mission, and vision, which have been implemented globally.

At the local level, Company X's vision is cleaner and safer transportation.

The parent company has developed and managed a global **Code of Conduct** translated into twenty languages. Consequently, Company X enforces its business practices and various corporate policies under this Code. All employees must obey this Code of Conduct through induction training from their first day at the company. In the event of unethical behaviour by colleagues, individuals must report such misconduct. Company X offers three channels for reporting violations of the Code of Ethics. The first option is to inform one's immediate supervisor, the second is to report to the HR department, and the parent company provides an ethical hotline where employees can report issues. The ethics hotline operates 24/7, and employees can choose the language they wish to communicate during the call. However, since the commencement of mass production at Company X, there have been no instances of employees utilising the ethics hotline. The code of ethics is exclusively accessible to employees on an internal share point and is translated into Czech. Furthermore, all team members are required to undergo periodic code of ethics training every two years.

A consequence of the termination of employment is breaking the Code of Conduct.

Product responsibility

The Clean Air Hodkovice nad Mohelkou plant specialises in manufacturing exhaust systems and components that promote safer, cleaner, and quieter driving experiences. It also uses environmentally sustainable production practices. Product responsibility is one of the top priorities, with a strong focus on ensuring high-quality product processing and environmental consideration. Also, Company X designs its products to meet global emissions regulations anywhere in the world.

Customers

Within the IATF 16949 system and ISO 9001 certification, the prohibition of child labour is strictly monitored from an HR point of view. Customers must prove they do not use child labour in their production, creating a continuous cycle throughout the supply chain. This business-oriented approach ensures that customers confirm their compliance with the child labour prohibition while also demanding such

confirmations from Company X. This same principle applies to suppliers and Company X, as explained in the analysis below.

Suppliers and business partners

Any partners or third-party organisations must comply with ethical standards through the Conduct of Suppliers as the parent company is established. The company does not have its own Code of Conduct at the local level.

It is required that all suppliers must provide evidence of being either IATF 16949 or at least ISO 9001 certified. During and after the COVID-19 pandemic, many suppliers did not renew their certificates. Therefore, Company X has implemented a supplier assessment system through categories A, B, and C. Suppliers lacking the required certificates are automatically placed in the worst group - group C, in the supplier evaluation and have to provide a plan for obtaining the certificates. Because the certificates work on a recertification basis every year, previously certified suppliers may no longer hold valid certifications. That is why even the supplier evaluation process has to be updated yearly. Company X has the task of developing suppliers to pass the certification to prove the quality of their production.

Strict controls are in place to prohibit child labour. Suppliers are required to demonstrate their compliance with regulations prohibiting child labour in their manufacturing processes. This verification process is integral to the entire supply chain. Within the framework of IATF 16949, Company X is audited to verify these activities with suppliers violating CSR.

Company X chooses the supplier based on the certificate and the price. A potential audit is always carried out before the contract is concluded to see if the supplier is capable of delivering to the automotive industry. It must have at least ISO 9001 certification.

In terms of certifications, 100 % of suppliers are ISO 9001 certified, which is required of all suppliers, and 90 % of suppliers to Company X are IATF certified.

4.2.2 Social Area

The organisation's main objectives are to prioritise the health and safety of its employees. The social pillar of Company X is divided into three different areas. Each thematic area is reinforced by sub-projects that are implemented throughout the organisation. The first set of activities focuses on improving workplace safety and promoting overall employee health, while the second focuses on ensuring employee equality. The third set of activities is dedicated to promoting community involvement.

Health and Safety

Occupational health and safety management systems comply with ISO 45001 according to the parent company's global setting. At the local level, occupational health and safety are governed by Czech legislation.

The American culture within the parent company is strongly influenced by the principle of "safety first." At the Hodkovice plant, safety is a top priority, with considerable attention devoted to ensuring a safe working environment. Employees are consistently reminded of the significance of prioritising safety through various means, such as initial and periodic training sessions and workshops, which were classified in the High-Risk Activities Program and developed by the parent company.

As mentioned in American corporate culture, safety and health are priorities. That's why Company X monitors the number and severity of injuries at its facility.

Work-related injuries are divided into two categories, with light injuries falling into the first category. These can be abrasions, bruises, or minor burns caused by manipulating hot items. These injuries have been nursed but do not affect employee attendance. The second category is work-related serious injuries that a doctor must have nursed, and the employee must be on long-term sick leave. Table 6 below provides a summary of these injuries.

Table 6: Number of injuries by categorisation

Number of injuries by categorisation			
	2022	2023	2024
light work accident category	5	10	1
serious work accident category	4	1	0

Source: own processing

The increase in light accidents in 2023 is likely due to attribution to the elevated turnover rate among manufacturing employees. The progress in work-related injury data is creditable for introducing safety innovations that often prevent these incidents. According to the safety manager, this scenario is positive because it focuses mainly on serious accidents, which can also have a huge financial impact on the company. Therefore, security programmes must be continuously developed. Below, the author mentioned an example of a specific safety programme of Company X.

A new program called Serious Injury Fatality (SIF) has been introduced this year. The SIF program is designed to prevent injuries, defects, unsafe workplace conditions, and irresponsible behaviour that could lead to a severe work-related injury. The parent company has set up to 1,500 observations of hazardous situations that could harm human health, which must be detected in an entire calendar year. Then, corrective action on the identified risk will be taken within two weeks. These risks are represented by milder risks, such as spilt water, where more frequent cleanup is needed. There are more serious and complex risks to address, which include, for example, when people are working in a small space, and there is a risk that they could be caught on the machine they are manipulating and, as a corrective action, a complex change to the whole layout of the production line. So, this programme has been introduced this year to increase prevention further.

Furthermore, the Healthy Team project, based on a global scale, is also applied in the plant. Healthy Team at Company X hosts various workshops to educate employees on health maintenance. In addition to these workshops, the team coordinates projects such as Safety Week and Safety Day, which focus on enhancing employee awareness of safety protocols through training sessions. The economic impact of Company X includes health as a critical indicator, with costs

associated with illnesses and workplace accidents affecting the company's financial performance. Therefore, this indicator is carefully monitored and evaluated.

As part of Safety Week and Health Day, Company X is organising an engaging training or event highlighting physical and mental health and safety. One example of such an event is an interactive first aid training session, where participants are exposed to a simulated scenario, such as a chemical burn, and are tested on their ability to respond effectively during a lecture. These training sessions have received highly positive employee feedback, enabling them to retain the knowledge and skills necessary to administer first aid in real-life accidental situations. Additionally, the company offers various health examinations, such as mole and eye examinations, to all members of the Hodkovice team. This is particularly important for production employees who fall under the risk category three due to the presence of dust in the production area and those involved in welding, as these factors can significantly impact their health.

Furthermore, the company provides employees with blood pressure and blood sugar testing, body mass index assessments, and healthy snacks and vitamins before the winter season. Similarly, high SPF sunscreens are distributed before the summer season to ensure employees' protection from harmful UV rays. Presentations on maintaining a three-shift lifestyle and initiatives to reduce smoking are also conducted, considering that 80 % of employees are addicted to smoking.

Lastly, the most recent Health Day event focused on mental health, featuring a speaker from the "Člověk v tísní" group. The speaker addressed topics such as managing debts and identifying signs of alcohol or drug addiction in children. As a preventive measure, alcohol and drug testing is carried out in Company X.

Company X has taken significant measures to prioritise the health and safety of its employees. In particular, they have introduced a safety innovation within the production area, specifically in the warehouse section. This innovation involves the implementation of a new crosswalk projected onto the floor. However, this crosswalk is a concerning issue, as it is frequently crossed by electric forklifts, posing a high risk of collisions with pedestrians. Tragically, such accidents have been proven to be fatal, according to statistical data. Company X has devised an

innovative solution to address this critical safety concern. They have installed a crossing projection device on the ground. As part of this solution, electric forklifts have a blue spot attached to their front, emitting a blue marker that shines on the ground. The primary purpose of this feature is to prevent collisions between pedestrians and electric forklifts.



Figure 9: Crossing projection device
Source: own processing

This safety innovation's functionality is as follows: when the blue spot on the electric forklift touches the crosswalk, the crosswalk in the projection mode transforms into a no-crossing zone, as shown in figure 9. This transformation occurs when the electric forklift is approximately five meters behind the crossing. Consequently, this signal effectively deactivates the crossing, ensuring the safety of pedestrians and preventing potential accidents.

Moreover, conceptual proposals are put forth about security and safety. Whenever an employee introduces a recommendation describing an existing primary manufacturing issue and proposes a measure/solution for a specific problem, the assessment is conducted by considering the effect on the company regarding financial savings or whether the proposal influences health preservation or work effectiveness through streamlining the procedure. Approximately one hundred such

concepts are submitted annually by the employees. The evaluation occurs on a weekly frequency.

Company X actively tries to support its employees in their free time by providing contributions to sports through a fully paid Multisport card. It further organises ping-pong competitions, participates in a dragon boat race, where the racing team comprises employees and their families, or holds meetings in the form of hiking, ice-skating, cycling, and other sports events.

Inclusion, Diversity and Equity

Most of the production workers comprise individuals from the Czech Republic and Slovakia. However, the production team also contain over 20 % of employees from Poland, and the company has recruited team members from Ukraine, Bulgaria, Romania, Indonesia, and Rwanda. Company X endeavours to foster integration among all team members despite occasional language barriers, ensuring their comfort within the work environment. That's why X provides Czech language courses. Or, in the form of an internal magazine, it interviews these foreign employees about their cultural background in the countries they come from. Additionally, the company organises lectures to educate its workforce about the experiences, feelings and emotions of individuals from LGBT communities.

Company X, by its CSR policy on a global scale, observes occasions like International Women's Day by distributing flowers to all female employees across the entire plant.

The plant's obligations vary depending on the region it operates in. For instance, in the Czech Republic, the plant in Hodkovice nad Mohelkou must adhere to non-discrimination policies, employ disabled individuals according to state laws and uphold human rights principles.

Community Involvement

The cooperation of Company X is mainly with the town of Hodkovice nad Mohelkou, for example, through tree planting, where the city chose the location. Every year, the company participates in the "Let's Clean up the Czech Republic" event, where

employees of Company X meet with the citizens of Hodkovice and clean up the town together. Another cooperation was in the form of a joint collection when the war in Ukraine started. Hodkovice nad Mohelkou responded to a request from its partner town in Ukraine by donating protective work equipment such as gloves.

Collaboration with non-profit organisations typically operates by establishing connections with CSR initiatives through financial or material contributions. This principle also applies when employees engage in voluntary work, prompting Company X to provide a donation.

Company X offers educational opportunities for primary and secondary schools through site visits and plant tours. Specifically for high school students, Company X is developing a project that focuses on practical teaching them about production work and includes a financial scholarship program.

4.2.3 Environmental Area

The quality management manager oversees the plant's 14001 environmental management system, ISO 50001 energy management system, and certification. To obtain the certificate, a third-party audit is required to demonstrate Company X's compliance with regulations and all reports submitted by the facility manager. Without internal expertise in CSR, Company X has engaged an external environmental consultant. This consultant is responsible for reviewing, evaluating, and finalising the required documentation. Company X sets environmental and energy goals for each year, which are represented to the parent company, together with target activities that serve as tools to achieve the set goals. To achieve the set goals, tools are used in the form of target activities, which for the year 2024 are, for example, educating people/visualisation, visualisation of what needs to be done to achieve these goals.

Company X has implemented CSR policy measures locally to **reduce energy consumption**, such as innovations in lighting and replacing conventional bulbs throughout the plant with LED bulbs. Furthermore, these measures reduce waste or monitor the energy consumption of production machinery.

Compressed air is one of Company X's highest energy expenses. The organisation uses compressors in production, where air is compressed, and it checks for leaks that result in air loss.

To further reduce energy consumption, Company X has installed foils on selected windows to prevent excessive heat throughout the building in summer, thus regulating the need for air conditioning.

Company X also uses sensing devices on production machines to prevent unnecessary machine operation when the relevant production operator is not working on the machine. The installed sensor automatically switches off the lighting and air extraction in the area of the non-active production machine.

Company X generates electricity instead of purchasing it through photovoltaics installed on the factory building's roof. This method involves converting sunlight directly into electricity. As a result, Company X can obtain 95% of its energy consumption from renewable sources through photovoltaics. The company will purchase additional energy if the renewable energy generated is insufficient. However, the company can power the entire plant only through photovoltaics and sell excess energy back to the grid.

The company follows waste laws for **waste management**. There are two groups of waste: waste in kind, like employee protective equipment, and waste that comes into the company, like packaging or paper cartons. The company aims to reduce municipal waste by segregating bio-waste, metal sheets, plastics, and municipal waste. Hazardous waste is minimised, so the focus is on lowering municipal waste. Plastic waste, such as firecrackers and packaging, is the most common type.

According to the law and the Integrated system for fulfilling reporting obligations (ISPOP) reporting portal, Company X must know where the waste ends. The company uses Marius Pedersen's services to collect the waste and then issue a document stating where the waste goes and how it is eligible. 0 % of the waste ends up in landfills, and the company is able to recycle up to 75 % of the waste throughout the year.

Company X has implemented a dispensing machine to distribute protective safety equipment, ensuring each employee receives precisely the equipment required for their specific needs. This strategic setup effectively mitigates any unnecessary waste.

Water stewardship of Company X lacks the capacity to recycle water. It relies on water sourced from distribution and does not pump water from a well or stream. However, water ball valves have been implemented across the facility to control the water flow and minimise water usage.

4.2.4 CSR Communication

Internal communication consists of an internal magazine published two to three times a year. The magazine includes all the plant's news regarding sustainable strategy and upcoming events or achievements. Because of the diversity of the production staff, the magazine also features interviews with employees from different countries. These interviews shed light on their cultural traditions and provide insights into preparing their traditional cuisine. Consequently, this initiative fosters a sense of belonging and integration among the team members.

As of April 2024, the Workvivo app has been rolled out globally for internal communications. Company X is no exception, and since April, every employee has been able to install this internal app on their smartphones. Any team member can join any group that has been set up. At its local level, Company X has set up a space primarily for its Hodkovice plant, where it shares all information and vice versa. Employees can also post to this group.

Company X utilises bulk email communication to ensure its employees are kept up to date with the latest project developments and news in general.

Other internal communication tools include notice boards strategically placed at entrance tourniquets, production and canteens, and various meetings, events, and presentations through which Company X communicates. Through these channels, Company X ensures effective and efficient communication within its organisation.

Regarding external communication, the CSR report and Code of Conduct are not publicly available. The website is designed for career-related purposes rather than as a CSR communication tool.

Stakeholder engagement through external communication channels is mainly conducted via social media platforms, particularly LinkedIn and Facebook. The company is highly active on Facebook, where it frequently shares various events highlighting CSR initiatives under the "Healthy Team."

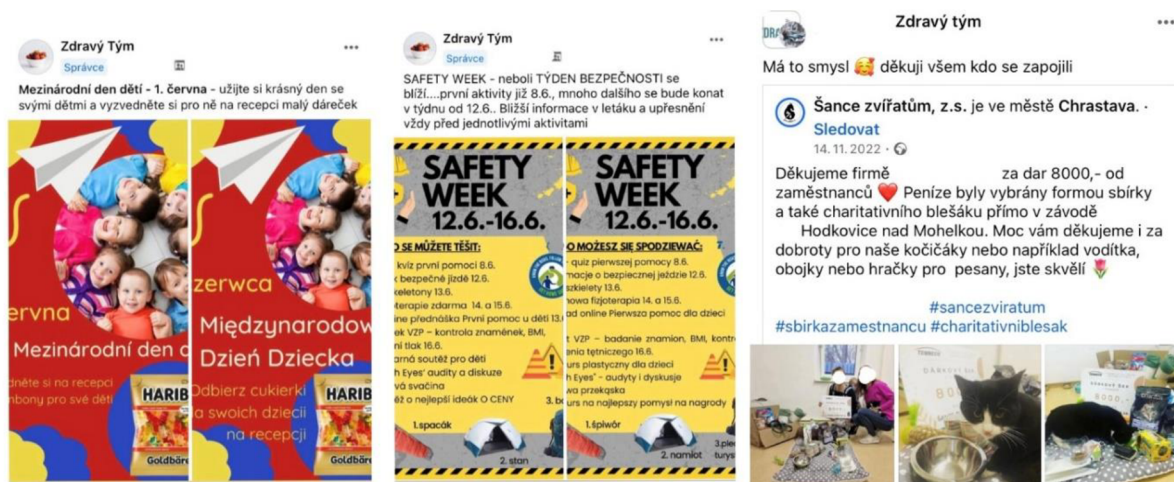


Figure 10: CSR activities of Company X and its communication
Source: own processing

Figure 10 above illustrates Company X's CSR activities being communicated through Facebook. This communication highlights the proactive voluntary participation of employees collaborating with an animal protection non-profit organisation, along with event invitations written in Czech and Polish to support inclusivity and equality among all team members.

Another tool involves open days, during which Company X grants access to its production facilities to the public or invitations to open days specifically for family members of its employees.

Company X cares about its employees' job satisfaction and good working conditions. As a result, it was recognised in 2022 by the Ministry of Health of the Czech Republic as a Health-promoting Organization. Also, it received the Employer of the Year award in the category of up to 500 employees in the Liberec region.

Finally, it is worth mentioning that Company X collaborates with and makes valuable financial or material contributions to non-profit organisations.

Reporting

Company X complies with Czech law by reporting its CSR activities at the local level through the integrated system to fulfil reporting obligations (ISPOP). This system provides an overview of all reporting obligations, categorised based on single-agency reporting. The focus of the reporting is on environmental and energy-related agendas. For instance, Company X's adherence to ISO 14001 is remarkably detailed, showcasing its approach to managing packaging, waste sorting, municipal waste, plastics, and monitoring emissions.

Company X does not make its CSR objectives and activities available online; instead, it publishes them exclusively on the ISPOP reporting portal as a requirement. If a stakeholder expresses interest in accessing the environmental policy data, Company X willingly provides the necessary information. However, it is important to note that the concerned stakeholders must take the initiative to visit the Hodkovice plant to gain access to this CSR data.

Questionnaire Survey

Part of the thesis consists of a short questionnaire survey that focuses on the team members of Company X and their knowledge and experience of CSR. The questionnaire aims to help identify gaps in Company X's economic, social, and environmental CSR area at the local level.

The questionnaire consisted of only five questions, mainly yes and no answers and one open question at the end and was made through Google Forms. Due to the workload of Company X employees due to ongoing audits, the survey was only run for one week. Team members in the office received the survey via bulk emails, while for manufacturing, the thesis author created a poster with a QR code containing a direct link to the survey website via notice boards in the production

area, as shown in figure 11.¹ The structured questionnaire can be found in Attachment B.



Vážení zaměstnanci Společnosti X,

obracím se na Vás s žádostí o vyplnění krátkého dotazníku

- 5 stručných otázek
- dotazník poslouží jako podklad pro Diplomovou práci
- téma zaměřené na Společenskou Odpovědnost Firem
- účast ve výzkumu je anonymní a dobrovolná
- dotazník se zobrazí při nascanování QR kódu



Předem děkuji za spolupráci.
Studentka International Management TUL/TUD-IHI

Figure 11: A poster with a QR code to fill in the questionnaire
Source: own processing

¹ note free translation of the questionnaire in English

Figure 11 illustrates a poster created by the author that refers to completing the questionnaire. The content of the poster is translated into English like: “...Dear employees of Company X, I would like to ask you to fill in a short questionnaire containing 5 short questions. The questionnaire will serve as a basis for the Master's thesis, which is about Corporate Social Responsibility. Participation in the research is anonymous and voluntary. The questionnaire will be displayed when the QR code is scanned. Thank you in advance for your cooperation, International Management TUL/TUD-IHI student.”

Company X employs approximately 300 individuals, and the survey could be completed within one week. Therefore, it was assumed that less than 70 persons would respond to the questionnaire. This assumption was confirmed by the total number of respondents was 59. To better understand the results, visual aids in the form of graphs were attached to each question.

1. Question: Do you know what the term Corporate Social Responsibility (CSR) means?

The initial question is to determine if Company X's employees are familiar with the concept of CSR. Since the term originates from English, not all employees may have come across it, especially those in manufacturing positions. Respondents had a choice of answers from a simple yes or no.

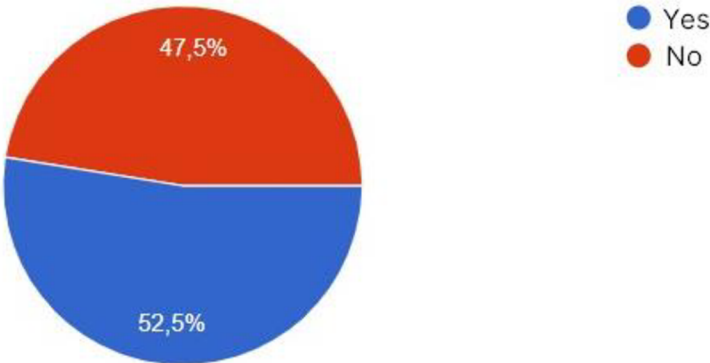


Figure 12: Question 1
Source: own processing

Figure 12 shows that 47.5 % (28) of the participants are unaware of CSR, while 52.5 % (31) are. These results may be misleading as some employees may understand the concept of CSR but not recognise it by its English abbreviation. However, it is important for all employees to be familiar with the term and have a clear understanding of it.

2. Question: Do you think your company applies CSR/Corporate Social Responsibility?

This question only investigates the personal opinion of the employees as to whether the company is socially responsible.

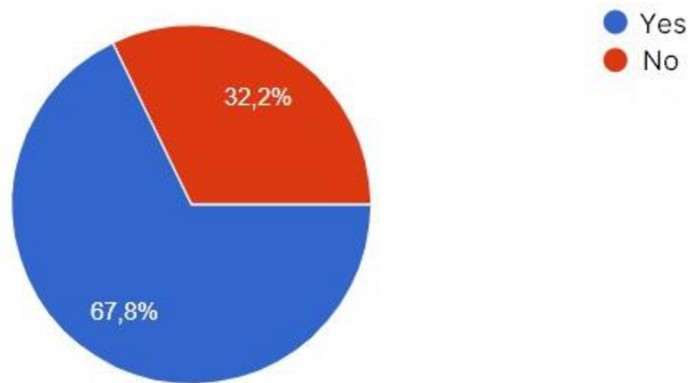


Figure 13: Question 2
Source: own processing

As the name implies, corporate social responsibility, most of the respondents (67,8% = 40 samples) answered, yes, the company is applying CSR activities.

3. Question: Have you experienced CSR training in your company?

The third question was crucial and aimed to find out whether there is a need to create training in Company X for CSR policy and its activities related to this concept.

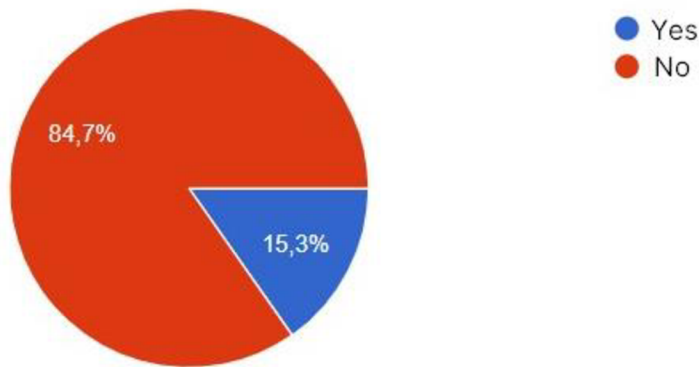


Figure 14: Question 3
Source: own processing

Figure 14 shows that 84.7 % (50 respondents) of the employees of Company X have not received training. Whether employees have ever encountered training in their company is closely related to the previous questions. Various factors can affect the respondents' answers, including their unfamiliarity with CSR. Therefore, due to this question regarding training and perception of the CSR concept, in chapter 6 of this thesis, the author will propose a suggestion to address this lack of awareness and disregard for CSR training in the chosen company. Meanwhile, 15.3 % (9) of respondents have experienced CSR training sessions.

4. Question: Do you know which areas/pillars CSR is divided into?

The fourth question was an additional question to explore whether employees understand what areas CSR is divided into. The author did not expect extensive participation in the yes-marked box for this question. This was also confirmed when 79.7 % (49 samples) of the respondents indicated they did not know which pillars/areas CSR is divided into. Again, this question is a baseline for improving CSR policy training, employee education, and awareness.

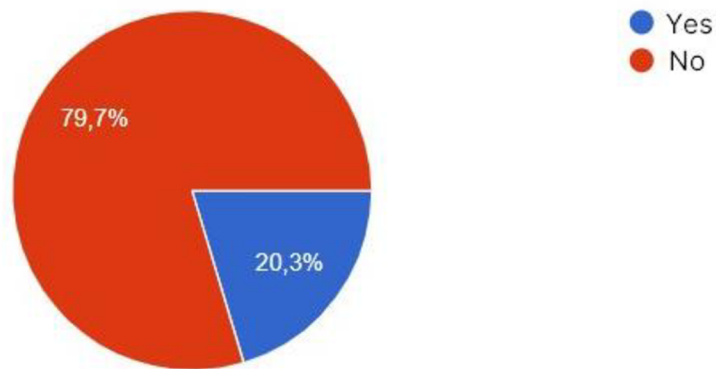


Figure 15: Question 4
 Source: own processing

Figure 15 illustrates that 20.3 % (12 samples) of participants acknowledged their familiarity with CSR's main areas/pillars. In cases where respondents claimed knowledge of the areas within CSR, the questionnaire included a sub-question that required them to write down these areas. Out of the 12 respondents, 8 correctly identified the three main CSR areas: economic, social, and environmental. The remaining respondents mentioned respect for human rights, ecology, community, sustainability, and human resources. It is important to note that the author does not perceive these answers as negative or wrong. Instead, they are considered as approaches within the economic, environmental, or social pillars, which do not fall under the primary classification areas.

5. Question: Do you know what specific steps your company takes in CSR?

The fifth question aims to find out if employees are aware of the CSR strategy of Company X. Therefore, this question has an open answer.

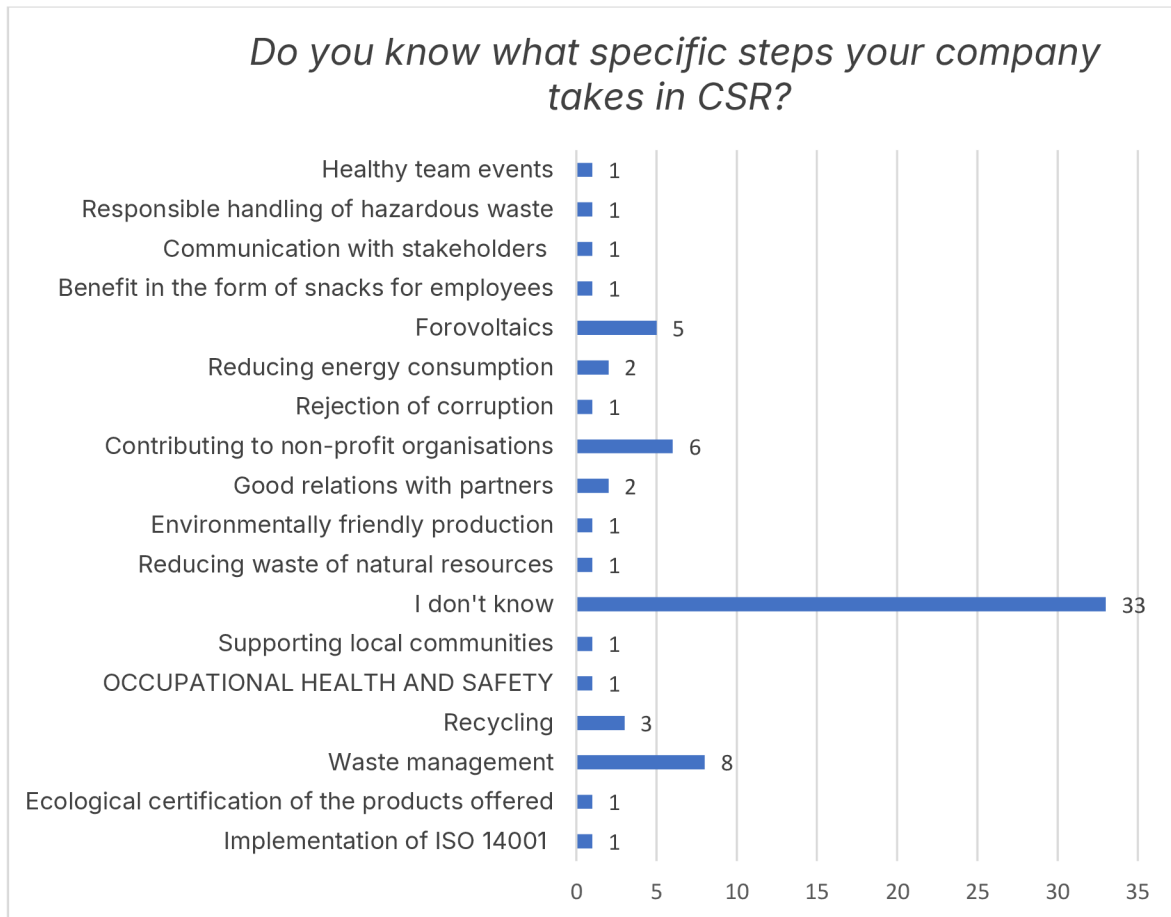


Figure 16: Question 5
Source: own processing

As can be seen in picture 16, the most common answer was "I do not know", given by 33 respondents. Other common responses were "Waste management", "Collaboration with non-profit organisations", and "Photovoltaics". Here again, the prediction of the answers was confirmed.

This question, which unfortunately illustrates the lack of knowledge of the CSR strategy of the team members of Company X, can be caused by many sources, and employees need to be informed about the CSR strategy and its proper communication.

Based on the detailed description of Company X's and its parent company's CSR approaches above, the next chapter is devoted to a comparative analysis of these companies' CSR activities.

5 Comparison of the CSR Approach of Selected Company X and its Parent Company

Corporate social responsibility is a well-recognized principle within multinational corporations, providing advantages to the companies. Manufacturing companies' significant influence on their local communities has implications for the general public, the economy, and the environment, so their activities need to be regulated. The companies themselves take a voluntary approach beyond their obligations and the state's legal regulations.

The automotive industry is an essential component of daily life, involving the manufacture and operation of vehicles, including cars, trucks, motorcycles, and other means of transport. Therefore, manufacturers in this sector should implement sustainable business principles that reduce environmental impacts and protect the planet. Furthermore, they should have sufficient input resources to ensure long-term prosperity and have sufficient input resources.

In this chapter, the author compares CSR activities between the selected Company X and its parent company through comparative analysis. The focus is on how the parent company has established global CSR areas, strategies, and objectives compared to the subsidiary while adhering to these criteria. Alternatively, the chapter also examines whether the subsidiary is engaging in CSR activities at the local level above and beyond the requirements.

The comparison of these companies' approaches to CSR is based on the data and reports published by the companies, information obtained from interviews with the Company's X employees, and the author's personal experience because the author had the experience from Company X due to the HR trainee program. These are mainly data that companies provide to their stakeholders, including customers, employees, or auditors.

The author chose the **parameters** for comparing the principles based on the most common requirements, which include three areas of CSR - economic, social and environmental. Furthermore, CSR communication or CSR reporting was selected as one of the parameters.

5.1 Economic Area Indicators and Comparison

Each organisation's long-term objective is to achieve positive economic results. The economic pillar includes activities aimed at improving interactions with stockholders and shareholders, suppliers, customers, and government organisations.

Table 7: Economic area comparison

Economic comparison		
Indicators	Parent company	Company X
Disclosure of economic results	available easily online	available only in the Commercial Register
Code of Conduct	available online in 20 languages	available only internally in the Czech language
Product responsibility	providing truthful product information and producing safe and quality products that reduce environmental impact	manufacturing high-quality exhausts with environmentally sustainable production practices
Innovation	large-scale investment in electric vehicles and its production	CleanAir division is not a priority as it manufactures products and components primarily for internal combustion engines
Customers	<ul style="list-style-type: none"> - worldwide trade environment - participates in customer Sustainability initiatives - hosts customer technology days and skip-level meetings with customers annually - industry standards such as ISO 9001, IATF 16949, AS9100, ISO/TS 22163, VDA 6.3. for European OEMs - high-security standards such as National Institute of Standards and Technology and ISO 27001 	<ul style="list-style-type: none"> - Europe trade environment - ISO 9001 - IATF 16949
Suppliers	<ul style="list-style-type: none"> - Code of Suppliers - participates in the Automotive Industry Action Group - maintains Supplier Diversity Program - performs supplier audits, the requirement for ISO 9001 and IATF 16949 standards 	<ul style="list-style-type: none"> - Code of Suppliers - the requirement for ISO 9001 standards and IATF 16949 - supplier development to meet necessary criteria for certification

Source: own processing

Disclosure of economic results

The parent company's annual reports containing its economic outcomes are available on its website. The company must also disclose these results to the appropriate authorities. However, Company X shares this data with the Commercial Register.

Code of Conduct

The parent company sets the ethical principles and conduct standards globally, which are written in a Code of Conduct that all plants must follow. The ethics coordinators, typically individuals from the human resources department, are tasked with ensuring compliance and enforcement of these guidelines across all subsidiaries. It is expected that employees report any suspicions or breaches of ethical standards. The Code of Conduct has been translated into twenty different languages.

Company X follows a Code of Conduct written and translated into Czech by its parent company. Upon joining the organisation, employees are introduced to the ethical principles and receive periodic training, which is repeated every two years. If there are any observed violations, employees are obligated to notify their supervisors or report the issue to the HR department. In exceptional circumstances, employees can report suspicions or breaches of ethical principles through an anonymous, nonstop hotline.

Companies are members of the UN Global Compact, which requires its members to act by fundamental principles, including respect for human rights and rejection of corruption.

Product Responsibility/Innovation

The technology portfolio reflects a culture of innovation and a commitment to safe, efficient, high-quality components. In line with the value of Make Tomorrow Better, the parent company invests a significant amount in research and development to support climate-neutral transport. Incorporating modern advances and bringing new technologies to market that support vehicle electrification, alternative fuels, and hydrogen engines puts the company in a good position for competitive advantage.

Unfortunately, Company X belongs to the Clean Air division, which is not currently a priority for the parent company due to its primary focus on manufacturing products and components for internal combustion engines.

Customers

The parent company targets the global business market, while Company X targets the European business market due to its strategic location. The parent company has a very developed customer communication where it participates in customer sustainability initiatives, hosts customer technology days and skip-level meetings with customers annually and owns many of the necessary industry standards. Company X is audited by its customers and holds ISO 9001 and IATF 16949 certifications for its ability to supply the automotive industry.

Suppliers

Based on the statement provided by the parent company, the companies have set up relationships with suppliers in the Conduct of Suppliers. Compared to Company X, the parent company has implemented a Supplier Diversity Program that actively seeks partnerships with a diverse supplier network and advocates for fair opportunities in contracting for businesses owned by minorities, women, veterans, members of the LGBTQ+ community, individuals with disabilities and other underrepresented businesses.

The parent company performs supplier audits due to the mandatory ISO 9001 and IATF 16949 certifications. The same works for Company X, where the task is extended to developing suppliers who fulfil the necessary criteria for IATF 16949 certification.

5.2 Social Area Indicators and Comparison

Social activities revolve primarily around managing human resources and ensuring safety and health. This aspect of an organisation's activities is responsible for fostering strong relationships with employees and communities affected by the company's activities.

Table 8: Social area comparison

Social comparison		
Indicators	Parent company	Company X
Social responsibility and human rights protection	is actively involved in the UN Global Compact and is committed to the ten core principles.	follows the parent company strategy
Workforce health and safety, workplace safety	<ul style="list-style-type: none"> - setting up ISO 45001 for occupational health and safety management systems - Environmental, Health and Safety (EHS) Policy - various safety training programs - High-Risk Activities Program - 75 safety training courses available through the EHS online corporate library - Healthy Team project - global level - risk mitigation programs - assessment of compliance with regulations - innovation programs 	<ul style="list-style-type: none"> - corporate requirements – ISO 45001 - following American culture, "safety is a top priority" - adhering High-Risk Activities Program - SIF program - initial and periodic training sessions and workshops - Healthy Team project - local level - Safety Week, Safety Day, Health Day - supporting employees in their free time by providing contributions to sports - safety innovations - conceptual proposals - health and safety activities for team members on local level
Inclusion, diversity, equity	<ul style="list-style-type: none"> - educational and developmental programs - diversity recruitment strategy - collaboration with business resource groups - active engagement of team members - fostering awareness - organising cultural celebrations - creates company policies, such as the Global Inclusion, Diversity and Equity Policy, Equal Employment Opportunity, and Harassment-Free Workplace 	<ul style="list-style-type: none"> - following the global tools of inclusion, diversity, equity - organises lectures to educate its workforce about the experiences, feelings and emotions of individuals from LGBT communities - activities that promote unity among team members within the local community
Community Involvement	<ul style="list-style-type: none"> - provides site visits and plant tours - makes partnerships with local charitable organisations and schools - supports annual charitable fundraising campaigns - volunteer projects such as The One Team for a Brighter Future program 	<ul style="list-style-type: none"> - provides plant tours - collaboration with non-profit organisations and schools - cooperation mainly with the city of Hodkovice nad Mohelkou - events at the local level - participation in the project "Let's clean up the Czech Republic" annually

Source: own processing

Workforce health and safety, workplace safety

The safety and health protection of employees and all visitors is a priority of the social pillar. In order to ensure a secure workplace and improved operational efficiency, the parent company implemented the Environmental, Health and Safety Policy (EHS). This includes programs such as risk mitigation, assessment of compliance with regulation or innovation programs that keep health and safety as the main focus of daily operations.

Safe work behaviour is assessed through regular inspections conducted by the parent company, typically led by the CEO and the safety team. Trained employees carry out these checks. Frequent reminders of the correct policies help the company keep employees on alert.

In production, there is a demand for certification of plants according to the international standard ISO 45001 for occupational health and safety management systems, which is certified by 57 % of manufacturing sites. The goal is to achieve a 100 % certification rate for global manufacturing plants.

The parent company has developed a High-Risk Activities Program. It focuses on ten hazards that could result in fatal injuries. The program requires all divisions and workplaces to adequately evaluate potential dangers and implement preventive measures to minimise risks associated with each of the ten activities that pose a significant threat.

Furthermore, the parent company has set up various safety training programs for its subsidiaries, including 75 safety training courses available through the EHS online corporate library.

A Healthy Team is set up globally to inspire and support other plants in forming their own Healthy Teams at a local level. These teams create health and safety events where employees are reminded about the significance of workplace safety and well-being.

The Hodkovice plant also has its own Healthy Team at the local level. Since creating this Healthy Team, measures have been taken to ensure that employees are

constantly reminded of safety regulations. These measures include a dedicated health and safety week or day where all employees attend safety or health training, lectures, and events regardless of their position in the company. Furthermore, the sharing of best practices and the introduction of workplace behaviour guidelines have been introduced. In addition to prioritising physical well-being, the company also emphasises mental health. It offers seminars to employees and facilitates access to consultations with psychologists.

Company X upholds the American value of prioritising safety by initially complying with the High-Risk Activities Program and locally establishing specific safety measures and programs.

Workplace accidents in manufacturing companies can result in significant financial losses. By taking measures to prevent and avoid such incidents, companies can save money and improve their social standing within the community.

Inclusion, diversity, equity

Supporting employee diversity is another social priority of the parent company. Employees are considered the most important capital of the company, and therefore, they are given a lot of attention. The company actively supports cultural, age, and gender diversity. The parent company supports a diversity recruitment strategy whereby the company aims to recruit candidates from underrepresented groups such as veterans, people of colour, women, LGBTQ+, and people with disabilities. Company X does not have such a diverse strategy.

To raise awareness and understanding among team members belonging to, for example, LGBTQ+ communities or people with disabilities, the parent company facilitates educational and developmental initiatives, arranges cultural events, and implements company guidelines like the Global Inclusion, Diversity and Equity Policy, Equal Employment Opportunity, and Harassment-Free Workplace. Where Company X follows the global tools of inclusion, diversity, equity of the parent company.

The parent company plays an active role in promoting diversity within the workplace, which is advantageous for the company's overall functioning. This

commitment to diversity enhances employee collaboration, fosters creativity, encourages innovation, and promotes an atmosphere of openness. The subsidiary tries to follow these set policies.

Community Involvement

The range of communities are different from country to country. Therefore, the parent company leaves decisions on activities on the local business plants. Businesses that are actively involved in improving the well-being of individuals are more favourably regarded by customers, and therefore, it would be appropriate to share this information with the public. Company X has unrestricted control over this community involvement.

5.3 Environmental Area Indicators and Comparison

In the last pillar, efforts focus on environmental protection and sustainability. Companies and various stakeholders invested in the future of business and society promote a sustainable attitude to nature and the environment. Implementing eco-friendly/sustainable projects within businesses leads to cost savings and garners support from all parties engaged in business activities. As a result, enterprises have recently adopted corporate social responsibility principles.

Table 9: Environmental area comparison

Environmental comparison		
Indicators	Parent company	Company X
Adherence to standards	- ISO 14001 Environmental Management System - ISO 50001 Energy Management System standards	- ISO 14001 Environmental Management System - ISO 50001 Energy Management System standards
Environment management	- reducing energy consumption - renewable energy - greenhouse gas emissions - waste management - water stewardship	- reducing energy consumption - renewable energy - waste management - water stewardship
Environmental management officer	- Executive Leadership Team - Executive Vice President - General Counsel - Environmental management members	- Quality management manager - Facility manager - external environmental consultant/external ecologist

Source: own processing

Adherence to standards

In 2022, the number of parent company manufacturing sites worldwide that obtained ISO 1400 certification rose to 86 %. This marks a 5 % increase compared to the year 2020. However, the statistics for ISO 50001 certification remained stagnant at 12 % of the total plants, showing no growth from the previous year. Company X has both certificates audited.

Environmental management

The parent company's environmental policy is structured around five key areas aimed at minimising its carbon footprint. These areas include reducing energy consumption, using renewable energy sources, lowering greenhouse gases, managing waste effectively, and practising water stewardship to avoid wasting water resources.

The parent company oversees compliance with these environmental principles, which the subsidiaries must report. The subsidiaries must set up new CSR goals and projects each year to mitigate environmental harm and achieve sustainability.

With its environmental goals and programs, Company X focuses on all key areas except lowering greenhouse gases. Chapter 4.2 presented detailed CSR activities for reducing energy consumption, using renewable energy sources, managing waste, and stewarding water.

Environmental management officer

The parent company's Executive Leadership Team is primarily responsible for all CSR activities, reports, and policies. However, all CSR processes are led by members of the Environmental Management Team. The parent company applies best practice sharing to help improve processes in all subsidiary sites. It strategically selects a few plants to pilot innovative environmental processes and, upon successful implementation, extends these processes to other plants. It also seeks to limit negative impacts by selecting suitable suppliers and partners, which are required to recognise the same principles in matters relating to environmental protection and ethics.

At the local level of Company X, the Quality Manager and Facility Manager are responsible for the environmental area of CSR activities. The plant manager has primary responsibility for meeting environmental targets. Unfortunately, the Hodkovice plant lacks an internal team member with the necessary expertise in environmental matters, so the company has to use the services of an external environmentalist to review, complete, and consult on practices and policies related to the environmental side of the business.

5.4 CSR Communication and Reporting Comparison

The parent company has developed the "Make Tomorrow Better" program, a comprehensive approach to social responsibility that includes social, environmental and economic areas. The parent company has communicated its CSR activities primarily through its electronic CSR reports since 2019, which can be accessed on its website. The reports meet the requirements of the international GRI framework, ensuring compliance with global standards. The CSR report is available only in English. The parent company reports on CSR activities globally, including all plants in the report. Some information on CSR activities is presented in the form of short articles on the main company website in the news or press release section.

Table 10: CSR Communication and Reporting comparison

CSR Communication and Reporting comparison		
Indicators	Parent Company	Company X
CSR internal communication	<ul style="list-style-type: none"> - intranet, SharePoint - internal app Workvivo - bulk emails 	<ul style="list-style-type: none"> - internal magazine - Workvivo app, SharePoint - bulk emails - notice boards - meetings, events, presentations - regular visits from the Chief Executive Officer
CSR external communication	<ul style="list-style-type: none"> - websites - press releases - company awards - global non-profit organisations 	<ul style="list-style-type: none"> - social media (Facebook, LinkedIn) - company awards - open days - local non-profit organisations
Sustainability reporting	<ul style="list-style-type: none"> - available online - Global Reporting Initiative (GRI) 	<ul style="list-style-type: none"> - not published online - Integrated system to fulfil reporting obligations (ISPOP)

Source: own processing

Company X does not inform the public about CSR activities. However, it regularly submits annual reports, which are helpful for relevant institutions or state and public administrations, according to the requirements of the integrated system to fulfil reporting obligations (ISPOP).

Company X's internal communication of CSR activities is determined according to the parent company. Furthermore, it establishes local CSR communication using presentations, events, and meetings.

In external communication, Company X lacks significant CSR information on its websites, primarily focused on career opportunities rather than engaging with stakeholders. Despite this deficiency, Company X makes efforts to communicate through social networks such as Facebook and LinkedIn, which are not utilised by the parent company and are inactive on Instagram.

5.5 Evaluation of the Comparison

Due to its American corporate culture, the parent company places great importance on the concept of corporate social responsibility. It seeks to actively incorporate this concept into its business activities and consistently strengthen its CSR initiatives. At the same time, it ensures that its subsidiaries adopt a similar approach to CSR activities.

The parent company has globally set CSR policies, activities and objectives, which Company X tries to follow and fulfil.

To address this purpose in this thesis, it is essential to look over the parent company's approach to developing CSR initiatives and guidelines and how Company X implements and follows them.

The main objective of the comparison was to assess the CSR performance of Company X in relation to the CSR practices of its parent company. In addition, the analysis has tried to identify specific areas where Company X could improve its CSR performance. Compared to its parent company, Company X has a lower level of transparency as it does not actively publish its sustainability and environmental

activities, as well as some legal aspects. Instead, Company X only prepares reports required by Czech legislation. Regarding stakeholders such as customers, investors and other business partners, Company X only provides access to its CSR policy at the plant if stakeholders express interest and physically visit the site. In contrast, stakeholders have access to a wide range of information about the parent company from external sources such as its website or published reports.

The annual report is essential for CSR communication with stakeholders as it provides a platform for sharing critical information with external audiences. Company X should therefore focus on the publication of the annual report.

In the economic pillar, the comparative analysis showed how Company X complies with the parent company's basic principles, strategies and standards. Further, the comparison showed that Company X has CSR gaps in supplier diversity, whereas it has no CSR program, unlike its parent company's Diversity Supplier Program.

As already mentioned, Company X manufactures exhausts for combustion engines. Serial production started in Hodkovice in 2012 and requires modernisation and more financing support for innovative technologies by the parent company. However, the parent company is not currently prioritising this due to the EU plan to stop allowing new vehicles with combustion engines from 2035 and instead rely on fully electric vehicles.

However, there has been a reversal, with the European Commission rethinking its plans for full electro-mobility in 2026 because of how well or poorly the regulation is being met. (Kronen Zeitung, 2024) The future financing prospects for Company X remain wide open.

It is important to highlight that if an employee's salary changes, corresponding adjustments to the contract must be made to prevent potential harm to the employer.

Company X's social pillar activities are, in most cases, at the same level as those of the parent company. It is essential to note that Company X is involved in organising events for its team members in CSR areas, especially social and environmental. The local level of Company X's Healthy Team has planned several events for the

calendar year. For the year 2023, these events were in the form of ice skating, litter clean-up around the plant area and in the town of Hodkovice, participation in the "on the bike to work" competition, participation in a dragon boat race, a netball and disc golf tournament, rafting, a cycling or hiking trip, a fishing triathlon, a ping pong tournament and bowling. CSR events have been organised all year round starting from 2018.

Employees are generally highly involved in CSR activities. CSR is deeply ingrained in the company's culture. Manufacturing employees often participate in self-assessments and satisfaction surveys, which are valuable tools for gathering their opinions and feedback on various aspects of their employment, including their perception of the employer, the plant's operations, and their job responsibilities. These assessments are conducted annually, with the employee's team leader serving as the evaluator. The team leader identifies areas where the employee desires further development through the questionnaire, such as robotics, working with the SAP system and other relevant skills.

Company X seeks to enable and support employees who desire to engage in CSR initiatives and personal or professional growth opportunities. This dedication deepens the established CSR corporate culture.

Other findings from the comparative analysis are that Company X relies on an external environmentalist to address CSR aspects, unlike the parent company, which implements CSR policy through environmental management. Company X has enough employees, so it should already have someone in the environmental field internally who is focused on the environment and sustainability.

The parent company effectively communicates critical operations through transparent channels. Regularly published CSR reports are easily accessible on the company's website. Implementing CSR reporting at the local unit in Hodkovice would improve the sharing of relevant information with a wider range of stakeholders.

6 Evaluation and Further Recommendation

The basic principle of sustainability is based on the triple bottom line concept, which includes economic, social, and environmental performance. These three pillars of CSR are interlinked and play a crucial role in determining a business's success. It is important to note that economic, environmental, and social elements are increasingly becoming critical factors for all organisations, regardless of their size, sector, or legal structure.

Every organisation should incorporate elements of corporate social responsibility into its operations to stay competitive, comply with legislation, and address the pressing challenges of our world today. This applies not only to large multinational corporations but to all businesses. To develop an effective CSR strategy, it is essential to consider and balance all areas of CSR while ensuring proper communication and reporting of CSR activities.

Competitive advantage in CSR for Company X means innovation potential from a sustainability perspective, differentiation from competitors or cooperation with stakeholders leading to continuous improvement.

Based on the analysis of the current situation and the comparative analysis of CSR, a certain lack of CSR communication and CSR practices in Company X has been identified. A measure to eliminate the lack is proposed. The chosen recommendation aims to improve and make more efficient CSR within Company X, thereby strengthening its competitive advantage. The analysis of Company X, discussed in chapter 4.2, contains a detailed description of CSR activities applied in the economic, social and environmental areas and CSR communication and reporting. Later, in chapter 5, a comparative analysis is conducted, comparing the CSR practices of the parent company on a global scale with the fulfilment of CSR provided by Company X. To determine the current state and perform the comparative analysis, information was gathered not only from internal sources, such as collaboration with Company X's managers, but also from secondary sources. Additional information was obtained from secondary sources, including internet articles, annual reports, websites of the parent company and Company X, and other available online resources.

Company X's overall strengths lie in the quality of its products and its employee-oriented approach, which prioritises work-life balance. However, there are certain areas where the company can improve. Firstly, increasing internal and external communication in the field of CSR is crucial. Secondly, Company X should prioritise internal sources for processing and taking care of CSR activities and data instead of relying on external resources. Lastly, implementing supplier diversity can further uplift the company's CSR efforts.

6.1 Recommendations for Improving CSR Communication

Communication and information sharing are essential in the present world, especially in the field of CSR. It is important that companies promote this value. Neglecting communication can limit the benefits of engaging in CSR activities. By effectively communicating efforts, companies can provide easier access for consumers to responsible products or services, ultimately providing a competitive advantage and a positive brand image.

As Jurišová (2012) mentions, well-developed CSR communication includes both internal and external tools for CSR communication.

Company X has a better developed internal CSR communication through an internal magazine published twice to thrice a year. A new internal app, Workvivo, allows one to join any group and share activities or get inspiration from other subsidiary plants. Internal communication is also through bulk emails, notice boards, meetings, events, workshops, presentations or training provided for team members.

However, according to the questionnaire survey, over half of Company X's employees do not know what the term CSR means, have never participated in CSR training, and do not even know what specific steps Company X takes in CSR activities.

In this case, the author suggests providing a more detailed explanation of CSR and its significance during training sessions or lectures. It is possible that the team members of Company X may not be well-known for the term CSR, but they are familiar with the actions of CSR and do various steps and activities or follow policies

related to this area. For instance, Company X employees could participate in an excursion to Marius Pedersen, a waste management company, to learn about the significance of waste sorting and the subsequent processes involved with the sorted waste. It is essential to explain, describe, and educate the members of the Company X team about the environmental cycle and the term CSR in detail.

External communication is focused on Company X's social networks, Facebook and LinkedIn, and company awards, such as the title of Health Supporting Company, which was awarded by the Ministry of Health and the Employer of the Year Award of the Liberec Region. Furthermore, external communication is conducted through open days and cooperation with non-profit organisations at the local level.

Unlike its parent company, which publishes its CSR activities on its website, Company X has a career-focused website. Here, the author recommends a suggestion for improvement by integrating CSR activities through external communication on Company X's website. Outright, add a "Sustainability" section next to the "About us", "Vacancies", "Why join us", and "Career and Development" sections. This move can strengthen the competitive advantage of making information and data on Company X's CSR practices easier to track.

The section "Sustainability" should introduce introductory paragraphs on CSR activities that Company X has implemented in its operations or provide a detailed PDF document or short video outlining CSR practices, similar to what the parent company has on its website (figure 8). It could also list upcoming events in CSR activities that will be easily accessible to the general public and stakeholders.

Company X allows stakeholders to access its CSR policy exclusively physically. This means stakeholders must personally come to the plant location on their initiative. In the fast-paced and online contemporary society, no one wants to waste time transporting to and from the company. Therefore, publishing the CSR policy online on the website would be beneficial to Company X and would be more effective and simplify external communication.

6.2 Recommendations for Improving CSR Activities

Based on the parameters set by the parent company, Company X effectively and consistently addresses all three aspects of Corporate Social Responsibility, with a particular emphasis on the social dimension. This is due to the influence of the parent company's American culture, which places great value on the health and safety of employees.

However, a weakness was found in the environmental area. Company X relies on the services of an external environmentalist as it lacks an internal team member with the necessary expertise and knowledge in sustainability and CSR. As a result, it is forced to seek help from external sources. To address this problem, the author proposes two possible solutions.

Firstly, it is proposed that a new position be created within the company, precisely that of Sustainability Manager. This person would have the necessary qualifications and be responsible for overseeing all current duties handled by the external ecologist. Company X would be better equipped to address environmental issues and integrate CSR practices into its operations with an internal sustainability specialist.

Alternatively, the author suggests providing training and education to a facility manager who supports specific CSR initiatives. To the competency of taking on the entire CSR agenda, the facility manager can be motivated by a salary increase in proportion to the added responsibility. This would allow the facility manager to provide transparent and accurate CSR information, monitor compliance with legislation, and take responsibility for producing a sustainability report and other tasks.

Both options aim to improve the environmental pillar by hiring a sustainability manager or assigning a facility manager with expanded knowledge and competencies. In this way, Company X can strengthen its commitment to CSR and ensure a more comprehensive approach to environmental sustainability. The internal ecologist's vision is to reduce costs and increase orientation and knowledge in CSR.

Recommendations for improvement in the economic pillar concern suppliers. The parent company has a Supplier Diversity Programme in place. This focuses on diversifying the supply chain to promote equal access to purchasing from minorities, women, veterans, LGBT, disabled, and other underrepresented businesses.

At the regional level of Company X, the author proposes to explore, where feasible, the creation of a supply chain in the automotive industry that includes products sourced from companies that prioritise the employment of people with disabilities. In the Czech Republic, such companies are called "sheltered workshops".

In connection with the chapter about evaluation and further recommendations, the next and final chapter deals with the assessment of the contribution of the proposed CSR measures to Company X.

7 Assessment of the Contribution

Corporate social responsibility (CSR) is a trend spreading worldwide. Today, many businesses are stepping up their efforts to support community and environmental initiatives and integrating CSR into their organisational frameworks. Active engagement in the CSR agenda is therefore of particular importance to businesses, especially those operating in an international environment, as it not only ensures the business's survival but also has the potential to enhance its competitive advantage if implemented appropriately.

With the recommendations for improvement mentioned in the chapter above, Company X will increase its positive social impact, strengthen its brand image and consolidate its position in the market by attracting new customers who prefer a CSR orientation. In today's highly competitive automotive industry, any deviation from traditional CSR practices can significantly impact the likelihood of winning future business deals.

The economic implications of CSR are very significant for businesses and industries. By adopting CSR practices, companies have the potential to improve their brand reputation, attract new sources of capital and investment, manage risks effectively and foster innovation. As the business world increasingly recognises the interdependence of financial performance, social responsibility and long-term sustainability, incorporating CSR into corporate strategies is not just a moral obligation but a strategic imperative that drives economic development and creates value for all stakeholders.

The provided recommendations are designed to rise the effectiveness of the company's CSR initiatives. Effective communication of CSR efforts to customers has the potential to positively impact their attitudes and actions towards the company, such as fostering loyalty and promoting positive announcements. Consequently, this may increase the company's brand exposure and awareness, improving sales and other commercial outcomes. Improved CSR communication can also assist the company in drawing in new hires and keeping its current workforce.

From an economic perspective, Company X can gain long-term financial savings through the proposed improvement if the proposed CSR strategy is not only a PR move but successfully achieves all the CSR objectives and, in addition, ensures its market stability. On the other hand, potential disadvantages include increased short-term costs associated with the implementation of environmental activities as well as problems related to maintaining CSR and sustainability practices. In addition, the unknown associated with the definition and implementation of these initiatives and the lack of standardised regulations pose additional risks. Moreover, the absence of legal requirements leaves it up to organisations to determine the appropriate approach.

Conclusion

Consumers now emphasise the origin of products or services when making purchasing decisions. This shift in consumer preferences has not gone unnoticed by businesses, forcing them to reevaluate and adjust their corporate image. One common way companies can improve their image, and competitive advantage is to adopt corporate social responsibility principles. In this way, companies can reach current and potential customers. As a result, there has been a noticeable increase in the number of companies claiming to be socially responsible. These socially responsible companies are prioritising the integration of CSR into their overall business strategy and ensuring that CSR is integrated into all aspects of their operations.

The objective of the master's thesis was to evaluate the analysis of the current situation of the CSR concept at the selected company and its comparative analysis of CSR activities set according to the parent company, with the finding that CSR can affect the company's management, performance, and as well as its competitive advantage.

The master's thesis is divided into two parts, theoretical and practical. The theoretical part describes a complex review of the literature on the corporate social responsibility. The author describes the definition, characteristics, historical evolution, and advantages and disadvantages of CSR. Further, the thesis discusses the theoretical framework for describing the triple-bottom-line or stakeholder engagement in the CSR concept. At the end of the theoretical part, several of the latest trends in CSR in the international environment and the relationship between CSR and competitive advantage are presented.

This is followed by the practical part, which starts with a brief overview of Company X and its parent company. The current situation of CSR in both companies is examined in detail, followed by a comparative analysis of Company X's CSR practices, communication tools, and reporting strategies against the established policies of the parent company.

In order to compare the approaches to CSR, the author selected several criteria that were analysed in the selected companies. The chosen criteria are based on all three pillars of CSR. The comparison of the companies confirmed that the selected Company X applies CSR activities and principles set by the parent company in all three pillars of CSR and that these are part of its corporate values and purpose.

Then, the results were evaluated using information obtained from secondary sources, the author's personal experience at Company X and interviews with team members. After the analyses, further recommendations were formulated. Significant findings pointed to the lack of external communication of the CSR concept on Company X's website. Furthermore, shortcomings were identified in the area of outsourced environmental services - consulting services by an external environmentalist, and in the economic area where there was limited diversity of suppliers.

Therefore, the author of the master thesis presented individual steps to eliminate CSR deficiencies in Company X by proposing measures that should serve as a guide for Company X to strengthen CSR actively. Ensuring well-informed stakeholders and team members can foster greater loyalty and improve the company's reputation, business performance, and competitiveness. This is a major benefit of their CSR efforts, guiding the company to reflect on its CSR program and improve these benefits by implementing responsible business practices.

The right CSR strategy and communication can help a company gain a competitive advantage and market position. This includes fulfilling moral obligations beyond industry laws and regulations and building goodwill with governments, stakeholders, employees, and consumers by improving its image and reputation.

The potential for CSR in the future is undeniably clear and responsible. By aligning CSR efforts with global sustainability goals, companies have the opportunity to make a significant impact on the well-being of all stakeholders and the planet. CSR is a guiding principle that motivates businesses to create value for society and the environment rather than focusing only on financial profit. It has the power to bring about transformational change and allows businesses to shape a more responsible and sustainable future when it is used effectively.

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List of Attachments

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Attachment A Questionnaire (original)

Corporate Social Responsibility (CSR)/Společenská odpovědnost firem

Vážené respondentky, vážení respondenti,
obracím se na Vás s žádostí o vyplnění mého krátkého dotazníku, který obsahuje 5 otázek a poslouží jako podklad pro Diplomovou práci na téma „Corporate Social Responsibility Competitive Advantage for Companies Operating in an International Environment“.
Dovoluji si Vás rovněž požádat o co nejpřesnější a pravdivé vyplnění dotazníku. Účast ve výzkumu je anonymní a dobrovolná. Předem děkuji za spolupráci. Studentka International Management TUL/TUD-IHI.

1. Víte, co znamená pojem Corporate Social Responsibility (CSR)/Společenská odpovědnost firem?
 Ano
 Ne
2. Myslíte si, že vaše firma aplikuje CSR/Společenskou odpovědnost firem?
 Ano
 Ne
3. Setkali jste se se školením na CSR ve vaší firmě?
 Ano
 Ne
4. Víte, do jakých oblastí/pilířů se CSR rozděluje?
 Ano
 Ne

Pokud jste vybrali „Ano“

Prosím, vypište, do jakých oblastí/pilířů se rozděluje CSR

Text stručné odpovědi

5. Víte, jaké specifické kroky podniká vaše firma v rámci CSR ?
Text stručné odpovědi
-

Attachment B Questionnaire (English version)

Corporate Social Responsibility (CSR)

Dear respondents,

I am reaching out to request your participation in my brief survey. The survey consists of 5 questions and will be used as a foundation for my Master's thesis on "Corporate Social Responsibility Competitive Advantage for Companies Operating in an International Environment." I kindly ask you to provide accurate and truthful responses to the questionnaire. Your participation in this research is completely anonymous and voluntary. Thank you in advance for your cooperation. I am a student of International Management at TUL/TUD-IHI.

- 1. Do you know what the term Corporate Social Responsibility (CSR) means?
 - Yes
 - No
- 2. Do you think your company applies CSR/Corporate Social Responsibility?
 - Yes
 - No
- 3. Have you experienced CSR training in your company?
 - Yes
 - No
- 4. Do you know which areas/pillars CSR is divided into?
 - Yes
 - No

If you selected "Yes"
Please write down the areas/pillars into which CSR is divided

Open response

- 5. Do you know what specific steps your company takes in CSR?
Open response
-