

Corporate Social Responsibility is Now Legal

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Headlines are rife with firms that are “going green” and otherwise incorporating corporate social responsibility (CSR) into their business practices. Businesses are increasingly recognizing not only the tactical advantages of CSR, but are also treating it as a strategic priority critical to the future success of their enterprises. For example, KPMG has found that 83 percent of people surveyed trust a firm more if it is socially responsible. Investors are also responding to the changing marketplace, with one dollar out of every nine dollars under professional management in the United States now involving an element of “socially responsible investment.” In response, the Economist Intelligence Unit has found that CSR has risen sharply in global executives’ priorities. Yet until relatively recently, although many firms took advantage of tax-related and other marketplace incentives for greening their operations and supply chains, regulatory compliance was not high on the list of forces shaping the CSR movement. That is now changing.

Although a growing number of firms have been adopting CSR programs and policies over the course of the last decade as voluntary measures with reference to various rationales, we are now witnessing a transition from voluntary CSR measures to hard law by means of the codification of CSR-related societal norms and the advent of CSR-related law and regulations in the United States and around the globe. From the SEC’s conflict minerals rules, to California’s Transparency in Supply Chains Act, to the recently adopted European Union directive requiring nearly 7,000 companies in the EU to report on non-financial sustainability matters — it is impossible to ignore the fact that CSR is now inherently legal.

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