Corporate social responsibility as an element of good corporate governance – a chronology of its historical and contemporary development

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Abstract: Despite many years of dedicated debates on the concepts of corporate social responsibility (CSR) and corporate governance, the question of whether CSR can now be regarded as part of good corporate governance due to underlying changes has not yet been adequately answered. This paper addresses this question by providing a systematic historical literature overview of the concept of CSR before considering it in the context of corporate governance. In this regard, the concept of corporate governance is outlined, and the theoretical basis and corresponding definitions are presented, followed by a comparison of the two concepts. A critical appraisal, predominantly from a European perspective, situates the concepts within the current context and identifies possible problem areas and/or particular challenges that could lead to a new characterisation of CSR as part of good corporate governance.

Keywords: corporate social responsibility; CSR; corporate governance; stakeholder theory; stakeholder value; shareholder value; literature overview.

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1 Introduction

A judge's decision at the beginning of the 20th century against Henry Ford, a futurist thinker of his time, embodies the current debate on corporate social responsibility (CSR) (Garriga and Melé, 2004).[1] The defendant, CEO of *Ford Motor Company,* who was pursuing an expansion strategy to reinvest profits, expand his workforce and maximise social benefits, lost to a group of shareholders who sued the firm for failing to distribute dividends (Dodge et al. v. Ford Motor Co. et al., 1919). The verdict stated that "[a] business corporation is organized and carried on primarily for the profit of the stockholders" [Dodge et al. v. Ford Motor Co. et al., (1919), pp.668, 684]. *Ford Motor Company* was then induced to pay a dividend of nearly $20 million (Dodge et al. v. Ford Motor Co. et al., 1919). The concept of the short-term profit of shareholders was given priority over the long-term orientation of the company.[2]

For the zeitgeist of the time, Ford's responsible – albeit strategically shaped – behaviour can be described as a novelty (Lee, 2008; Wang, 2015); however, his actions basically address the core of today's ongoing discussion and relate to the question about a company's raison d'être (Fleischer, 2017; Mayer, 2017). The social acceptance of companies today is by no means determined by their exclusive focus on short-term economic performance (Federal Foreign Office, 2017; Hommelhoff, 2014). In contrast, the once subordinate social and ecological perceptions of responsibility are becoming increasingly important and have reached an almost equal position with the economic goals of entrepreneurial action (Fink, 2019).

At the European level, the concept of CSR was strengthened by the European Union's Non-Financial Reporting Directive ('CSR Directive') in 2014 (ABl. EU 2014, L 330) and incorporated into German law through the CSR Directive Implementation Act ('CSR-RUG') (BGBl. I 2017). Since, the European legislature has moved the economic, ecological and social dimensions to the area of responsibility under corporate management and control, leading to a need to synthesise these subareas (Brühl, 2018; Elkington, 1997, Jeurissen, 2000; HLEG, 2018).

Adopting responsibility for entrepreneurial effects on society is no longer regarded as an uneconomical secondary activity of companies (Hommelhoff, 2014). Instead, aspects of CSR are currently considered central success factors themselves and are deliberately embedded in corporate strategy (Böcking and Althoff, 2017a, 2017b; Hartzmark and Sussman, 2018). Thus, CSR itself has proven to be a sustainable and meaningful investment, yielding future returns (Porter and Kramer, 2006). Initial trends show that non-financial information, which is often translated into *pre-financial performance indicators* (Böcking and Althoff, 2017a), should be viewed as an integral part of trusting and holistic corporate governance (Jamali et al., 2008; Mulder, 2013).

According to today's broad understanding, the CSR concept (Blöink and Halbleib, 2017; Böcking and Althoff, 2017a; Kajüter, 2017b; Mock, 2017) is aimed at the long-term, sustainable continuation and creation of corporate value and is therefore becoming a vital element of the entrepreneurial reason for existence (Bondy et al., 2012; Hoepner et al., 2018). This understanding elucidates the development of the CSR concept from various perspectives to illustrate the history of the scientific debate on this issue. Accordingly, this article will examine the origins of the CSR concept, its current development and its potential future perspectives. A holistic view of the subject is provided in the context of corporate governance with the aim of answering the question of whether CSR can be regarded as an element of good corporate governance in today's context.

2 Dynamic development of CSR – a literature review

2.1 Historical concept and definition of CSR

2.1.1 First attempts at conceptualising CSR

> "The term [corporate social responsibility] is a brilliant one; it means something, but not always the same thing, to everybody." [Votaw, (1972), p.25]

The central idea of the CSR concept, which addresses the relationship between business and society in an entrepreneurial context, was formalised in the 20th century literature (Carroll, 1999; Jenkins, 2005). The integration of social responsibility into the economy stimulates debate among financial capitalists about the consideration of CSR aspects in the target function of entrepreneurial action (Kristoffersen et al., 2005). The US economist John Maurice Clark coined the term 'economic responsibility' in 1916 and appealed to companies to take responsibility for the common good. He stated that "if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not" [Clark, (1916), p.223].

At the beginning of the Cold War, a politically motivated way of thinking gave rise to a more precise form of the already established term *business responsibility* (Spector, 2008). Donald K. David, Dean of the Harvard Graduate School of Business Administration, warned against competition between the democratic and totalitarian worldviews and called on business leaders to show greater commitment to the public in his 1949 article 'Business responsibilities in an uncertain world' (Carroll and Shabana, 2010; David, 1949; Spector, 2008). His colleague, Dempsey, referred to David in his article 'The roots of business responsibility' which was published two months later in the *Harvard Business Review.* Both authors advocate social or *contributive justice* [Dempsey, 1949, p.396] and consider it an entrepreneurial duty to contribute to a just society beyond the immediate boundaries of the enterprise in order to improve the progress of society and the well-being of the individual (David, 1949; Dempsey, 1949). This obligation arises from the logical consequence that the successful development of a company requires an intact community to ensure sustainable growth (Dempsey, 1949).

Further emphasis was placed on the statements made by the authors listed above in the publication *Social Responsibilities of the Businessman* (Bowen, 1953) in 1953, which exerted a far-reaching influence on the future view of CSR (Carroll and Shabana, 2010). Author Howard Bowen (1953) points to the importance of the impact of management decisions on, for example, employment levels, prosperity, economic progress and income distribution. Bowen (1953) states that entrepreneurs should pursue strategies, decisions or actions that are desirable in terms of social values and objectives. Since then, attention to the concept of CSR has grown steadily. A large number of open-ended definitions have been devised and have been subject to the interpretations of various zeitgeists (critically, Fleischer, 2017). The literary dispute concerning the content of CSR embodies many divergent facets, as will be shown below (Carroll, 2016).

2.1.2 Friedman's classical, economic viewpoint

According to Nobel laureate Milton Friedman (1962, 1970) and representatives of classical theory, the sole responsibility of companies to society is to maximise profits and shareholder value (Rappaport, 1998). This view was mainly derived from Adam Smith's theory of the 'invisible hand' [Smith, (1776), book IV, chapter II, paragraph IX]. Through the general market as an organising and regulating force and the striving of market participants for self-interest, social profit maximisation is promoted, and ultimately, the highest benefit for society as a whole is achieved indirectly (Smith, 1776).

Following this basic understanding, Theodor Levitt (1958) warned of the dangers of social responsibility in an entrepreneurial context and emphasised that social virtues are alien to companies. Levitt (1958) declared that the only entrepreneurial obligation is the pursuit of material gains and the observance of elementary courtesies in entrepreneurial togetherness. However, Levitt (1958) attributed the realisation of social responsibility to the government and trade unions.

Friedman (1970) also expressed this view in his provocatively titled article 'The social responsibility of business is to increase its profits' which was published in 1970 (Crane and Matten, 2016). Companies are required to use their activities and resources so that they are always profit-oriented, observe the 'rules of the game' [Friedman, (1970), p.126] of business without deception or fraud, and participate in free competition in compliance with those rules (Friedman, 1970). Friedman's (1970) doctrine is based on the following three main arguments:

1. Only human beings can be credited with moral responsibility for their actions. A company, as such, is considered an 'artificial person' [Friedman, (1970), p.33] and therefore has no moral responsibility.
2. Responsibility is assigned to individual managers who act in the interests of the shareholders. Consequently, profit maximisation must be seen as the basic social responsibility of managers towards the owners of a company.
3. Executives have insufficient expertise and are not empowered to make decisions about what is best for society. No business leader has been democratically legitimised by society to take on this role. Social responsibility towards society, therefore, falls within the competence of the state.

Friedman (1970) also states that a company's outflow of funds for general social concerns can, conversely, lead to a reduced payment in the form of dividends and wages to shareholders and employees as well as to an increase in the product price for customers. Accordingly, it should be up to shareholders, employees and customers to decide whether they want to spend their money on social activities.

Friedman (1970) also notes that there are indeed cases in which entrepreneurial action indirectly affects the social interest in a beneficial way. Nonetheless, the long-term interest of shareholders is always at the forefront of such actions. According to Friedman (1970), investments in the community that improve the quality of potential employees or contributions to non-profit organisations that benefit from tax deductibility are justified as a form of the self-interest of a company. These forms of investment generate beneficial 'goodwill' as a positive by-product for society (Curbach, 2009; Friedman, 1970; Suchanek, 2004).

2.1.3 Freeman's stakeholder view

Richard E. Freeman's book *Strategic Management: A Stakeholder Approach*, published in 1984, questions Friedman's economic viewpoint and lays the foundation for the later-established stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984; Freeman and Reed, 1983). In Freeman's (1984) view, it is a manager's job to achieve a certain degree of agreement between the competing expectations of the various stakeholders of a company. From this core idea, Freeman forms the basic premise of the approach that later became known as stakeholder theory: "No matter what you stand for, no matter what your ultimate purpose may be, you must take into account the effects of your actions on others, as well as their potential effects on you" [Freeman, (2004), p.230]. In this context, Freeman distinguishes between narrow and broad definitions of the term stakeholder. In the narrower sense, the term includes investors, employees, customers, suppliers and all directly affected local communities (Freeman et al., 2018). In contrast, the broad stakeholder concept includes all groups and individuals who are influenced by or can influence the achievement of corporate goals even without a direct economic connection to a company (Freeman, 1984).

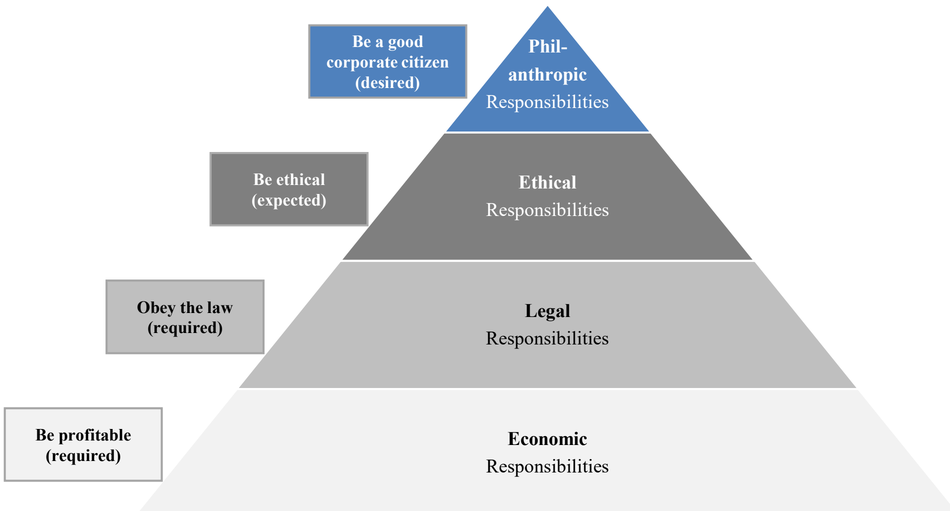
At the turn of the millennium, Freeman (1994) considered stakeholder theory more as an integrative concept that unites business and ethics, under which the term CSR was frequently used in the past. Following this idea, Freeman (1994) criticised the view, inherent in the CSR concept at the time, of the division between the core economic tasks of a company on the one hand and ethics on the other (the so-called 'separation thesis') (for a different view, Goodpaster, 1991; Freeman and Velamuri, 2006). In addition, Freeman deprecated the term 'corporation' in the CSR concept on the grounds that all forms of organisations should act responsibly towards their stakeholders. Consequently, Freeman advocated the concept of 'company stakeholder responsibility' [Freeman and Velamuri, (2006), p.21].

2.1.4 Carroll's holistic view

The lowest common denominator of all efforts to concretise the dynamic CSR concept is that of Carroll (1979, 1991). According to Carroll (1979), the overall responsibility of a company is originally based on partial economic, legal, ethical and philanthropic (or discretionary) responsibilities that emerge from the expectations of a society at a given point in time. In 1991, Carroll structured the four sublevels of the overall CSR image into a hierarchical pyramid (see Figure 1).

The first two stages, the economic and the legal spheres, form the necessary, fundamental minimum level of corporate responsibility (Carroll, 1991). The higher levels of ethical and philanthropic responsibilities represent the uncodified expectations and desires of society (Carroll, 1991). A company should therefore recognise that pure compliance with the law does not cover the entire spectrum of ethically and morally just conduct.[3] The ethical level includes the expectation that companies comply with activities, standards, norms and practices that are not codified by law (Carroll, 1991). The philanthropic level, in contrast, includes all corporate charities, such as support for humanitarian and charitable institutions or the release of employees for social purposes (Carroll, 1991). In Carroll's opinion, a company that acts as a good 'corporate citizen' and actively integrates itself into society is considered desirable (Carroll, 1991, 2016). Consequently, Carroll's full CSR concept results from a company's objective of generating profit, acting within the law, implementing ethical practices and being a good corporate citizen.

Figure 1 The CSR pyramid (see online version for colours)



Source: Following Carroll (1991)

2.1.5 Concept of Sustainability

Sustainability is a concept that is often understood as part of CSR (Matten and Moon, 2005). As early as the 18th century, the concept of sustainability (Schneider, 2015) was first given importance in forestry, requiring that, within a specified period of time, only as many trees as could grow back through replanting should be cut down (Fink et al., 2013; von Carlowitz, 1713). The *triple bottom line approach* (Labbé and Stein, 2007; Schneider, 2015; World Commission on Environment and Development, 1987; Zirnig, 2009) to the simultaneous consideration of ecological, economic and social concerns in business practices became the defining factor of sustainability (Carroll, 2015; Jeurissen, 2000).

The current understanding of sustainability is still dominated by the 1987 definition of the United Nations World Commission on Environment and Development ('Brundtland Commission'), which defines sustainable development as a "process of change in which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and enhance both current and future potential meet human needs and aspirations" [World Commission on Environment and Development, (1987), p.43].

In 2016, the European Commission established the High-Level Expert Group (HLEG) on sustainable finance. To strengthen the European economy and the corresponding European financial system, this group – consisting of 20 high-ranking experts – was commissioned to present a reform concept for the transformation of the entire financial system, which plays a key role in the implementation of the sustainability goals (HLEG, 2018). The HLEG provides a current definition of the term: "Sustainability means making economic prosperity long-lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment" [HLEG, (2018), p.3].

2.1.6 Conceptual summary of existing theoretical CSR approaches

Within the CSR discussion, the focus of key corporate interest groups has changed. Historically, American companies have concentrated on shareholder groups, while in Europe, a stakeholder orientation was present from the outset (Dutzi, 2005; Matten and Moon, 2005). The latter orientation has asserted itself – not least through Freeman's stakeholder theory – and finds further confirmation in particular in the latest European CSR legislation (Fink, 2019; Hommelhoff, 2014). The current valid CSR concept thus addresses the relationship between companies and their stakeholders (Carroll, 1999, 2016). By considering the CSR concept, both positive and negative effects of entrepreneurial activities on key stakeholders are addressed in the context of entrepreneurial decisions. Stakeholder-specific interests (Bassen et al., 2005) as well as the political, economic and institutional context of different countries lead to a CSR concept that can be characterised as dynamic (Böcking and Althoff, 2017a; Carroll and Brown, 2018; Matten and Moon, 2005, 2008; on path dependency that results from different socioeconomic conditions, cf., fundamentally, Dutzi, 2005).

A review of the development of the CSR concept to date also shows that its content is by no means static over time. Rather, the CSR terminology includes additional aspects depending on evolving social norms and values and is, accordingly, constantly changing (Carroll, 1999, 2015). Despite today's legal foundation of CSR aspects (Blöink and Halbleib, 2017; Böcking and Althoff, 2017a; Kajüter 2017b; Mock, 2017) and an intended harmonisation in the area of European CSR reporting, there is still no uniform interpretation of the concept (Dahlsrud, 2008). The quote cited at the beginning of this study can also still claim general validity and indicates that CSR can be described as a concept that is strongly open for interpretation. As a result, the CSR concept must incorporate generally applicable normative content (Curbach, 2009) and, at the same time, must be addressed individually by each company (Pfeifer and Wulf, 2017).

Characteristic of the CSR concept is its predominantly American roots, which were formed at the beginning and middle of the 20th century, while European approaches became apparent only during the 1970s (Matten and Moon, 2005, 2008). The establishment of a concept of social responsibility was more urgent in the USA (Matten and Moon, 2008) because – unlike in Europe – a codification of ethical concerns (e.g., workers' rights, social services and health care) was not sufficiently available in the US (Matten and Moon, 2005, 2008). With regard to the concept of sustainability, in contrast, it can be assumed that it once predominated in Europe (Fink et al., 2013; von Carlowitz, 1713). The sustainability terminology developed in parallel with the understanding of CSR, and the two converged over time; in particular, the concept of the *triple bottom line* converged with the CSR concept (Carroll and Brown, 2018; Schneider, 2015). Through this convergence, the concept of sustainability added a long-term perspective to the understanding of CSR (Carroll, 2016). The EU Commission also confirmed the intermeshing of sustainability and corporate responsibility. In the EU Strategy 2011–2014 on CSR, the EU Commission adopted the fundamental view of CSR according to Carroll and has since defined it as a "responsibility of enterprises for their impacts on society" [European Commission, (2011), p.6]. Other concepts, such as corporate ethics, corporate citizenship, creating shared value or stakeholder theory, also converge with CSR (Carroll and Brown, 2018). A closer look at the individual concepts reveals that they have more similarities than differences with the CSR concept and even partially cover subareas of CSR (Carroll and Brown, 2018; Matten and Moon, 2008).

Today's view of CSR even combines seemingly contradictory perceptions. Thus, the statement of the frequently quoted Milton Friedman, who is perceived as the dissenting voice of the CSR concept, contains an often-overlooked subtlety. Friedman (1970) states that a company should earn as much money as possible while still taking into account basic rules and standards – both of which are anchored in the laws and social ethical norms that go beyond them. What is decisive here is that Friedman subsumes both the legal and the ethical principles of a society under these 'rules of the game' [Friedman, (1970), p.126]. Placed in the current context of the change in social values, Friedman's view thus encompasses aspects of CSR that, according to Carroll, are incorporated in the spheres of economic profitability, legality, and moral values, among others. Friedman's view and that of CSR advocates are thus basically the same, at least to the extent that CSR is embedded in business profitability considerations (Vanberg, 2011).

2.2 CSR as the legitimation of entrepreneurial action

The aforementioned approaches and perspectives reflect a corporate image that is constantly present in the social, political and scientific discourse and has evolved over time. The changed corporate image can be seen, among other aspects, in the fact that the original task of companies was the efficient transformation of material input into output (Scott, 1981). This corporate image, however, has neglected the fact that entrepreneurial boundaries prove to be permeable and that there are interdependent dynamics between the corporate organisation and the corporate environment, which are also influenced by cultural norms and public beliefs (Powell and DiMaggio, 1991; Scott, 1981; Suchman, 1995). The acceptance of entrepreneurial action and its legitimation thus becomes a central anchor point within the CSR debate (Suchman, 1995). Companies operate within society and are bound by an implicit social contract (Kocmanová et al., 2012). This context encourages companies to make it clear to society that it benefits from entrepreneurial activities and even needs them (Bassen and Kovács, 2008; Kocmanová et al., 2012).

The legitimation of their own reason for existence prompts companies (Grewe and Löffler, 2006), in addition to generating profits and complying with legal requirements, to take care of their own positive, negative or even neutral 'social impact[s]' [Jamali and Mirshak, (2007), p.249]. Specifically, this balancing of so-called externalities is a core characteristic of CSR (Crane et al., 2014). The growing importance of CSR can be understood as a response to the 'legitimising pressure' exerted by society (Kirchhoff, 2006). If companies – as part of society – do not fulfil the role necessary to legitimise their actions, state intervention may follow in addition to a loss of trust and possible damage to their reputations (Grewe, 2008). The result is stronger regulation and control, which can ultimately entail additional costs (Grewe, 2008; for the concept of so-called 'licence to operate', Porter and Kramer, 2006). The latter argument cannot be entirely circumvented. As a reaction to accounting scandals and the financial market crisis, CSR in the European Union no longer legitimises itself solely on the basis of social understanding but is also justified by current law. The European CSR Directive of 2014 supposedly made the subject of accounting and reporting more concrete, although it is characterised by a steering impulse – so-called *nudging* (Hommelhoff, 2015; for the concept of regulated personal responsibility through transparency, cf. Rehbinder, 2017) – and thus an intervention in corporate governance (Althoff and Wirth, 2018; Böcking and Althoff, 2017b; Hommelhoff, 2014). In concrete terms, behavioural control of the corporate bodies is codified (Hommelhoff, 2015).

2.3 CSR from the perspective of economic efficiency

The assumptions of CSR often go hand in hand with the original perception that it must be achieved at the expense of one's own profitability (Friedman, 1970). In times of internationalisation and globalisation in a 'hypercompetitive' corporate environment and the increasing division of society, questions of how entrepreneurial responsibility towards society is perceived are increasingly becoming the focus of attention (Carroll, 2016). Only profit generation, which is regarded in the relevant academic/specialist literature as the existential social responsibility of companies (Carroll, 2016; Coalition for Inclusive Capitalism, 2018), goes hand in hand with the possibility of serving the desires of other interest groups (Depping and Bünis, 2018). It should be emphasised that CSR should be in line with profit making; therefore, profit making is a necessary condition of a well-considered and balanced corporate CSR strategy.

The relationship between CSR and corporate performance can be found in the literature in discussions on the *business case for CSR* (Carroll and Shabana, 2010; Wójcik, 2018). The primary questions to be investigated are as follows: what is the understanding of CSR from the business perspective and to what extent can a company benefit from a commitment to CSR (Carroll and Shabana, 2010)? In this context, companies assume responsibility beyond their legal obligations to contribute to the reduction of 'social and political transactional costs' [Moon, (2002), p.397]. These costs arise, for example, when companies must justify their entrepreneurial activities to the public or when there is an environment of social dissatisfaction (Carroll and Shabana, 2010; Moon, 2002). In addition, cost reductions may have a direct impact on financial measures such as profitability or return on equity (Wójcik, 2018). At the same time, market-based parameters such as a company's market value can also be influenced (Wójcik, 2018). However, it is not only the cost-related benefits of an all-encompassing CSR strategy that are decisive but also the resulting opportunities, innovations and competitive advantages (Carroll and Shabana, 2010; Porter and Kramer, 2006).

The assumption of social responsibility, for example, establishes the so-called 'licence to operate' and strengthens the trustworthiness of a company vis-à-vis stakeholder groups (Moon, 2002). In addition to the direct financial consequences, the assumption of responsibility also results in downstream, non-financial consequences, which can subsequently influence the financial position of a company (Böcking and Althoff, 2017a; Carroll and Shabana, 2010; Wójcik, 2018). These indirect effects include, for example, reducing corporate risks, increasing investor attractiveness, influencing customers' perceptions of the products and services offered and, thus, the company's reputation, improving the quality of stakeholder relationships with a company as well as the attitudes and behaviours of employees and the associated operational efficiency (Wójcik, 2018).[4]

In line with today's understanding of CSR, the perception of CSR as pure altruism in the sense of a voluntarily imposed assumption of social responsibility or as a conflict of objectives between corporate and social goals is increasingly being renounced (Grewe, 2008; Wójcik, 2018). Instead, CSR is becoming an elementary strategic instrument (Carroll, 2015; on the fundamental idea of implementing CSR out of purely economic interests, Schreck, 2015) through which one can change from a perspective focused on wealth distribution to one focused on wealth creation (Crane et al., 2014). Understood as non-financial value drivers, CSR-related entrepreneurial activities can have a direct and indirect influence on the sustainability of net assets, financial position and results of the operations of a company. In this way, *pre-financial performance indicators* are incorporated into internal steering components, such as incentive-based remuneration elements at the management level (Althoff and Wirth, 2018; Grottel, 2018). This could be an indicator that CSR is becoming an integrative component of corporate governance (Hommelhoff, 2015; Kajüter, 2017a; Rehbinder, 2017).

3 CSR in the context of corporate governance

3.1 Theoretical foundations of corporate governance

3.1.1 Variations in the definition of the concept of corporate governance

Inquiring into the definition of corporate governance leads to an answer that is comparable to the one provided for inquiries into the definition of CSR (for a structured conceptual classification of corporate governance, Böcking and Dutzi, 2003). At the same time, there are numerous and contradictory ideas regarding the undefined legal concept (Böcking, 2003), which, in German usage, is based on the concept of the corporate constitution (von Werder, 2009). With regard to certain essential characteristics, there is fundamental agreement in the literature on the definition of corporate governance. There is broad consensus that the concept of corporate governance encompasses two perspectives: the inner and the outer views (Dutzi, 2005; Koch, 2018; von Werder, 2009). According to the internal perspective, corporate governance designates management principles for both corporate bodies: the management board and the supervisory board (Koch, 2018). Corporate governance thus forms the legal and factual regulatory framework for the management and supervision of a company (von Werder, 2009). An examination of the external perspective of corporate governance, in contrast, includes other company stakeholder groups in the analysis (Böcking and Dutzi, 2003).

In general, corporate governance addresses the nature or the design of the internal and external mechanisms by which management and control are exercised both internally and externally (Böcking, 2003). More precisely, corporate governance addresses the question of the allocation of important, legal and factual decision-making competences (Schmidt and Weiß, 2009). This approach includes the decision-making process and the underlying intended objective of that decision as well as its quality control (Schmidt and Weiß, 2009). Regulations on corporate governance represent legal and factual agreements that aim to restrict actors' scope and motivations for opportunistic behaviour (von Werder, 2009).

3.1.2 Corporate governance reference groups

There is disagreement in the literature regarding the question of which stakeholder groups are affected by the theory of corporate governance and the extent to which various interest groups are taken into account (Dutzi, 2005; Hart, 1995; Macey, 1998;

Mayer, 1998; Schmid, 1997; Shleifer and Vishny, 1997). On the one hand, the stakeholder-specific ideas coincide, such as the concept of legal business conduct as a prerequisite for all stakeholder groups. On the other hand, the objectives of these groups may conflict. For example, a decision to outsource for economic reasons may be contrary to the interests of employees (von Werder, 2009). Basically, the historical Anglo-Saxon focus – in theory and practice – is primarily on the shareholders of corporations (listed on the stock exchange) (Schmidt and Weiß, 2009). This focus finds its origin in considerations of the effect of the separation of ownership and control of entrepreneurial resources (Berk and De Marzo, 2017; Berle and Means, 1932) and the closely related principal-agent theory (fundamentally Jensen and Meckling, 1976; Coase, 1937; Fama, 1980). In the literature, the principal-agent problem – which underlies this theory – is often cited as the core problem of the corporate governance discussion (Seibert, 2012). Solving conflicts of interest between managers and shareholders (principal-agency problem) is thus regarded as the central challenge for corporate governance (Welge and Eulerich, 2014).

In contrast, German and other continental European approaches (as well as Japan) address a pluralistic relationship with stakeholders (Schmidt and Weiß, 2009). The stakeholder perspective is supported by the fact that a company can be understood as a nexus of contracts (Jensen and Meckling, 1976), a kind of legal fiction developed from a network of contractual relationships between individuals (Coase, 1937; Jensen and Meckling, 1976). The contractual relationships with employees as well as with suppliers, customers and creditors have a decisive influence on the sustainable continuation of a company (Jensen and Meckling, 1976). Consideration of the exchange relationships with other stakeholders is therefore not unimportant for a company. In recognition of this consideration, Dutzi (2005) defines corporate governance as the set of internal and external mechanisms that ensure that the interests of the stakeholders to be considered are taken into account by the delegated corporate bodies.

3.2 CSR and corporate governance

3.2.1 Similarities and differences

Both the terminology of CSR and the concept of corporate governance have entered the German language as Anglicisms and have recently been the focus of discussion in the literature (Merkt and Klausmann, 2016). It is not only the origins of the terms that have common roots; the reasons that place the discussion about CSR or corporate governance at the centre of consideration also coincide. Entrepreneurial misconduct, the resulting loss of trust in entrepreneurial actions and the actors involved, and internationalisation and globalisation have led to both the questioning of existing corporate governance regulations and the entrepreneurial approach to assuming social responsibility (Van den Berghe and Louche, 2005; Welge and Eulerich, 2014). As a result, more detailed information on both topics is increasingly in demand by market participants and subject to increasing transparency requirements due to the influence of the regulator (Hopt, 2015, addresses the advantages of regulation through transparency).

Considering the origins of both concepts, further convergence tendencies become apparent. Corporate governance is primarily based on codified instruments, which, on the one hand, are reflected in the law, and on the other hand, are concretised by international best practice standards, such as the German Corporate Governance Code (Koch, 2018).

With regard to CSR issues, there has been a strong emphasis in the past on the voluntary nature of incorporating CSR concerns into business practices (European Commission, 2001). That voluntariness, which is primarily attributable to a change in awareness or values within society (Böcking and Althoff, 2017a, 2017b), changed due to the CSR-RUG into a compulsory component of corporate reporting (ABl. EU 2014, L 330).

In addition, both concepts – assuming the broad interpretation of the concepts – converge to focus on all stakeholder groups with the aim of balancing their interests (Jamali et al., 2008; Welge and Eulerich, 2014). Furthermore, the objectives of the two concepts have a congruence that should not be neglected. Both concepts claim to minimise entrepreneurial risks (Bassen et al., 2005). Since the passage of the CSR-RUG, the understanding of risk in the area of reporting has been expanded and made more concrete (Böcking and Althoff, 2017b). In addition to focusing on the material risks of its own business activities [§ 289c para. 3 no. 3 HGB (German Commercial Code)], a company also emphasises the material risks of its business relationships, products and services (§ 289c para. 3 no. 4 HGB). Further examples of interfaces and overlaps are the regaining of damaged trust, improved credibility and the foundation of a positive reputation. Ultimately, both concepts pursue the principle of sustainable corporate development, which balances short-term and long-term objectives (Jamali et al., 2008; Van den Berghe and Louche, 2005).

A distinction between the two concepts can be found in the fact that corporate governance primarily concentrates on the functioning of the governing bodies, their cooperation and the monitoring of their conduct (BT-Drucksache, 14/7515). Corporate governance limits itself in this respect to the corporate bodies and the structuring of incentive and control mechanisms within a company (Bassen et al., 2005). CSR also focuses on corporate processes (Bassen et al., 2005) and includes the supply chain in particular. Consequently, it can be assumed that the CSR concept has a steering impulse,[5] which affects the understanding of corporate governance by extending the scope of incentive and control mechanisms both to business processes and, in particular, to the supply chain and the risks associated with business relationships (§ 289c para. 3 no. 3–4 HGB).

3.2.2 Efforts of convergence

To the same extent that corporate governance is confronted with the need to balance the diverging interests of stakeholder groups, the question of which interests are to be taken into account and to what extent also arises in the theory of CSR. CSR focuses on the relationship between a company and its stakeholders. Placed in the context of corporate governance, it can be assumed that the principal-agent theory of the relationship between shareholders and managers, on which the corporate governance debate is based, will finally be extended to include the relationship with the stakeholders via the now legally anchored CSR concept.[6] The result is a complex and interwoven three-dimensional structure (managers, shareholders and other stakeholders) with a need to balance the partly diverging interests[7] of stakeholders.[8] The view of non-financial CSR information as *pre-financial performance indicators* established in the academic literature makes it clear that it is not only the stakeholders who can benefit but also the economically driven shareholders, taking into account the sustainable orientation of a company.[9] Thus, the primary guiding principle of both concepts can be corporate well-being based on sustainable value creation. This reasoning is underpinned by the principle of the 'reputable businessperson' concept in the preamble of the GCGC, which presupposes not only legal but also independent action on the basis of ethical behaviour (GCGC, 2017, 2019; von Werder, 2009).

Furthermore, the CSR concept has a number of intersections with corporate governance-specific instruments. Against the background of the legal anchoring of CSR, the following elements are the focus of the interface search: transparency and reporting,[10] the review of the non-financial declarations by the supervisory board (Althoff and Wirth, 2018; Hennrichs and Pöschke, 2017; Strenger and Schmidt, 2017; Velte, 2016), remuneration of the management board and supervisory board (Böcking and Bundle, 2018; Böcking et al., 2019; Hong et al., 2016), and the capital market and its investors (HLEG, 2018). The basic concept of corporate governance – the legal and factual regulatory framework for corporate management and control – is increasingly being expanded by aspects of CSR. Therefore, CSR is no longer only omnipresent in voluntary sustainability reporting but should also be regarded as an integral part of good corporate management and supervision (Althoff and Wirth, 2018; Eufinger, 2015; Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 2011; Kotlenga et al., 2018).

This convergence of CSR and corporate governance (Kotlenga et al., 2018) primarily results from the changed perception of CSR.[11] It is therefore evident that CSR is increasingly being included in companies' profitability considerations (Fink, 2019; HLEG, 2018). Companies' legal representatives recognise that CSR activities are not universally applicable in principle but must be designed in a company-specific context (Carroll and Shabana, 2010). The former, mostly superficial, integration of CSR issues into corporate culture almost completely neglects the individual, business model-compliant treatment (Porter and Kramer, 2006; Van den Berghe and Louche, 2005). The current understanding, however, specifies that it is not a question of addressing all areas of opportunity and risk in detail. It is primarily those opportunities and risks that are relevant to the business model that must be considered more closely.[12] The appropriate CSR strategy pursues a synchronisation of economic, ecological and social objectives (Porter and Kramer, 2006). This view is associated with lasting effects on the processes, organisation and structures of corporate management and supervision. Ultimately, the increased consideration of CSR issues also embodies a change in cultural and social values (Böcking and Althoff, 2017a, 2017b; Böcking, 2017). Following 'path dependency',[13] such a change in socioeconomic framework conditions has a long-term influence on the design of management and monitoring structures and thus on the corporate governance mechanisms used (Böcking, 2003; Dutzi, 2005).

With the growing importance of CSR, an emphasis on the terms 'sustainable', 'long-term value creation' and 'responsible' is also emerging in the context of good corporate governance.[14] The behavioural control of the corporate bodies, which is intended by the CSR-RUG (Hommelhoff, 2014), consolidates the perspective presented. This reasoning is also part of the understanding of corporate governance as a principle for the realisation of responsible management and control of companies and groups with a view to long-term value creation (Commission of Corporate Governance, 2000). Against this background, the legally anchored CSR concept can be understood as a concretisation of these principles.[15]

3.2.3 Synthesis of both concepts

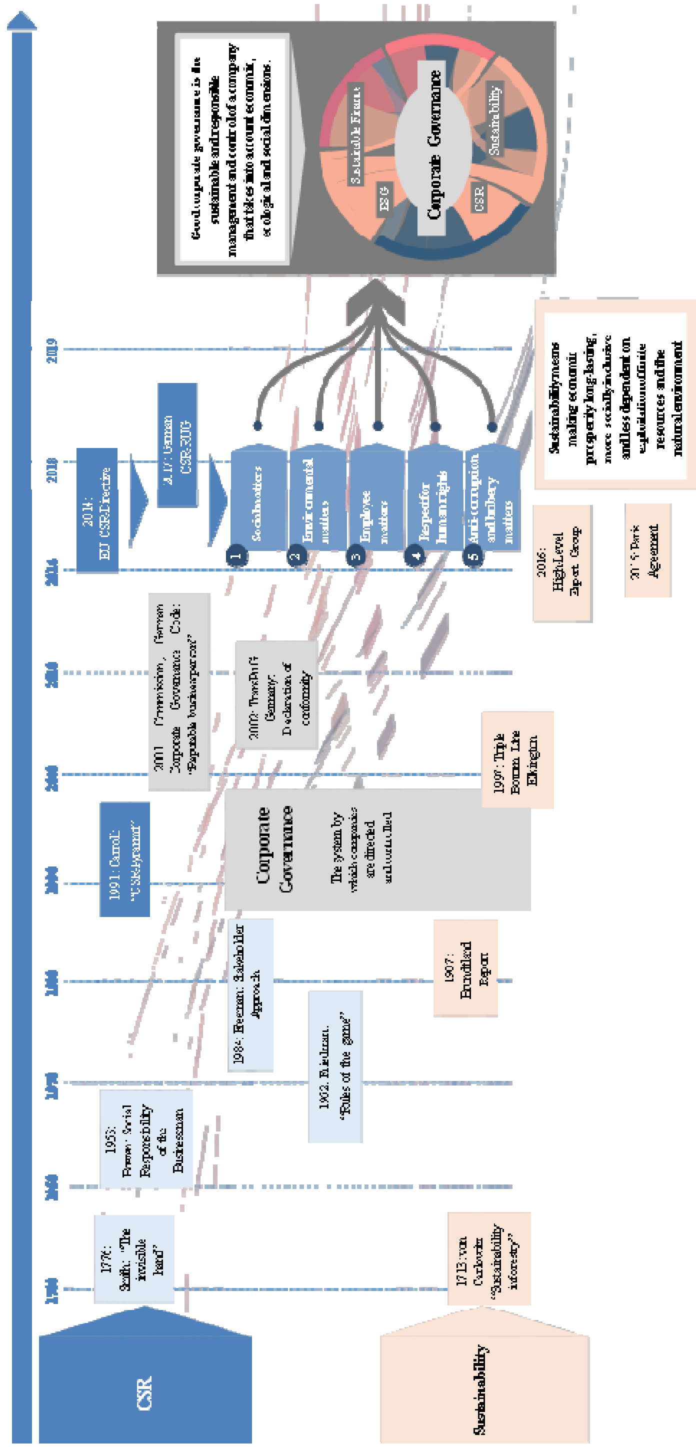
CSR and corporate governance can, in appropriate interactions, create a value-based corporate culture. From a management perspective, however, a code of ethics (Brickley et al., 2016) is not sufficient to guarantee CSR-compliant behaviour. Rather, the actual intrinsic value of positive effects for companies and society is based on the degree of CSR commitment with regard to the complexity and attentiveness of the use of CSR (Wójcik, 2018). The way in which managers actively and consciously address corporate CSR policy, programmes and initiatives determines the subsequent results and potential successes (cost reduction, reputation enhancement and sales increases that can lead to an improvement in financial results and market value) (Wójcik, 2018). Sustainable corporate management – in this context geared to long-term profitability – can be understood, for example, by integrating non-financial performance indicators into the corporate governance instrument of variable management board remuneration (Althoff and Wirth, 2018; Working Group – Guidelines for Sustainable Management Board Remuneration Systems, 2018; Böcking et al., 2019).

In this way, CSR becomes operationalised and a focus of entrepreneurial thinking (Grewe, 2008), which finds its way into various levels of a business, whether in the corporate purpose, policies, management, supervision or strategy or in the mission statement. The sensible use of CSR can serve to generate competitive advantages and long-term success.[16] For example, CSR strategic action on the part of the management board can contribute to risk minimisation. Questioning one's own supply chain thus helps to identify weak points and sources of risk.[17] The impact of CSR in the area of risk management, in particular, offers the opportunity to sharpen one's view of the big picture, to promote a long-term perspective and to recognise CSR-specific stakeholder dialogue as a corporate strategy early warning system (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 2011). However, success can only occur if the concept of sustainability is credibly and legitimately adopted by all members throughout the entire company (Depping and Bünis, 2018; Kotlenga et al., 2018). 'Living CSR' at the same time means rethinking the corporate governance of a company. Consequently, economic, ecological and social services must be integrated into the corporate strategy and business model (Sessar et al., 2015). This is not a short-term change but a long-term, dynamic process that must be initiated, promoted and lived by top management (Sessar et al., 2015).

In line with the above considerations, not only corporate control and monitoring principles but also reporting systems must be reconsidered. In terms of accountability to stakeholders, management must transparently disclose and clearly communicate CSR-motivated actions. As an instrument of corporate governance, transparent reporting serves as a kind of 'proof' that a company complies with legitimacy requirements.[18]

With the increasing sensitisation of professional capital investors (Fink, 2019) – so-called institutional investors such as pension funds, sovereign wealth funds, and asset managers, such as Blackrock Inc., Vanguard Group Inc. or State Street Corp. – to sustainable value creation, the impact of CSR on corporate bodies is evolving. The CSR strategy of the management board, which results in CSR reporting, can ultimately generate a positive signal effect on the investment potential of a company.[19]

Figure 2 Convergence of CSR/sustainability and corporate governance (see online version for colours)



The abovementioned questions of whether the CSR debate should be embedded within the corporate governance debate and whether CSR can be regarded as an element of good corporate governance must be answered in the affirmative.[20] Therefore, good corporate governance incorporates CSR aspects, so the definition can be presented as follows: *Good corporate governance is the sustainable and responsible management and control of a company that takes into account economic, ecological and social dimensions* (see Figure 2 for an overview).

4 Critical appraisal

4.1 Broadened scope of duties for management and supervisory boards

Within the future debate on corporate governance, CSR issues – including the associated content aspects (environmental matters, social and employee-related concerns, respect for human rights, anti-corruption and bribery, and other important business model-dependent issues) – are essential (Kotlenga et al., 2018). German legislation (CSR-RUG) has broadened the scope of the duties of corporate bodies through both the extended reporting obligations of the management board and the newly imposed auditing obligations of the supervisory board. If the management board reports on specific concepts, achieved results, applied due diligence processes, potential risks and the most significant non-financial performance indicators in the form of a declaration of knowledge[21] – which is expressly not considered a declaration of intent[22] – the supervisory board must examine, on the basis of the available information, whether the management board has actually developed and implemented such concepts and processes.[23] However, the supervisory board's assessment of relevant CSR issues or material risks should not take place during the final review of the non-financial statement but instead should be carried out in the form of preventive or advisory monitoring (Hommelhoff, 2017). The management board should be especially aware of the long-term potential of CSR that is embedded in the target system of the corporate strategy and its explanatory content with regard to the sustainable future viability of the business model (IDW, 2017). If awareness is ensured, then CSR can be communicated in the form of external reporting. Therefore, both corporate management and control ultimately play a key role in the process of sustainable and long-term value creation (Bachmann, 2018) – and CSR becomes a strategic characteristic of good corporate governance (Kotlenga et al., 2018).

4.2 Transparent reporting in times of digital change

The element of reporting on CSR serves as an accountability tool for all stakeholder groups and offers them the opportunity to draw conclusions about future developments. The change in CSR reporting also fits with the previous development trends of past reform measures, which are pushing towards more comprehensive transparency with stakeholder groups (Dutzi, 2005; Hopt, 2015). Placed in the context of corporate governance, the new transparency requirements can ensure a more thorough monitoring of companies by market participants. In addition, this approach can lead to an increased – but predominantly intertemporal – comparability among companies and reveal possible control and monitoring inefficiencies (Dutzi, 2005). Page-long statements on social and environmental performance in non-financial reporting prepared by the management board, however, are to be rejected.

To counteract information overload in the area of qualitative non-financial reporting, it is strongly recommended that the board focuses on the most important core issues that are dependent on the business model and the corresponding opportunities and risks (Merkt, 2018). However, quantitative non-financial reporting should be based on an appropriate mix of short- and long-term performance indicators (the underlying metrics should be subject to a generally accepted definition that needs to be established) (Coalition for Inclusive Capitalism, 2018). Against the background of the advancing digitalisation of processes, it can be assumed that efficient data collection processes can lead to more reliable performance indicators. The result would be a reporting system that provides information, is appropriate for the target group and possibly allows individualised access in real time.

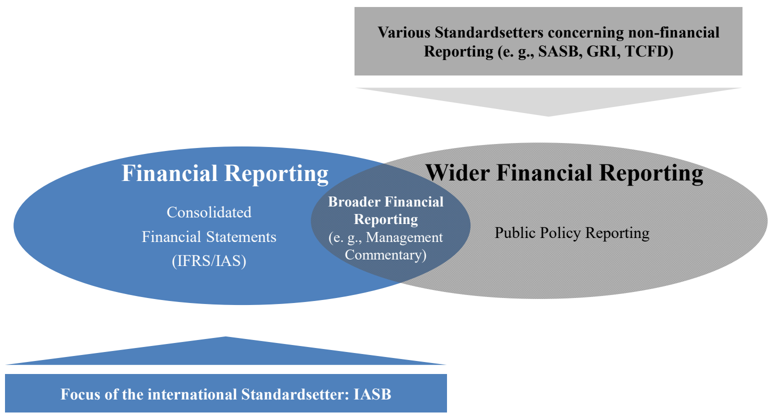
The regulation adopted by the European Union on December 17, 2018, which requires the publication of annual financial reports in a uniform electronic reporting format, the European Single Electronic Format (ESEF), as of January 1, 2020, can lead to simplification in the area of financial reporting (European Commission, 2018c). The establishment of the digital reporting standard of the *inline eXtensible Business Reporting Language* (iXBRL) will lead to increased transparency and comparability as well as lower search costs with regard to the information provided by the management board from the addressee's point of view (Henselmann und Seebeck, 2017; Loitz, 2018). For the time being, the new reporting format only applies to the components of International Financial Reporting Standards (IFRS) consolidated financial statements (income statements, balance sheets, statements of changes in equity and cash flows) and probably also to notes from 2022 onward (European Commission, 2018c; Loitz, 2018). Positive effects such as the increase in intertemporal comparability (Loitz, 2018) can also be transferred to future non-financial reporting and could therefore form a best practice for the future. Even if companies are initially confronted with a conversion effort here, they will ultimately benefit from a presentation of information that is less subject to criticism and more appropriate to the target group.

4.3 The role of the international standardsetter in CSR reporting

The current international debate on uniform international reporting standards for non-financial reporting should also be noted here. Specifically, the question arises as to whether the internationally recognised set of rules for financial reporting – particularly the IFRS of the International Accounting Standards Board (IASB) – should be extended to include standards for non-financial information (Barker and Eccles, 2018).

In his speech on April 2, 2019, at the Climate-Related Financial Reporting Conference in Cambridge, UK, the chairman of the IASB, Hans Hoogervorst (2019), explicitly referred to the role of the IASB in CSR reporting. To this end, he distinguishes CSR reporting according to the respective addressees of the report. On the one hand, Hoogervorst (2019) mentions CSR reporting that is geared to the common good and thus to society as a whole. On the other hand, he cites CSR reporting that is intended to provide investors with valuable information on how sustainability issues could affect the future financial performance of a company. He does not see the role of the IASB in setting standards for CSR issues directly in the area of CSR reporting due to a lack of expertise within the IASB and a large number of voluntary non-financial standardsetters (Hoogervorst, 2019).[24] Nevertheless, Hoogervorst points out that sustainability issues that have a direct impact on financial reporting are already taken into account in financial reporting by the IFRS (e.g., overvaluation of balance sheet assets due to climate-related risks). However, Hoogervorst (2019) sees the role of the IASB to be in the area of 'broader financial reporting', which is expressed in the IFRS Practice Statement 1 Management Commentary (see Figure 3).

Figure 3 Operating areas of the IASB (see online version for colours)



Source: Following IASB

The admission of the IASB that it is not in a position to place itself as a standardsetter in the field of non-financial reporting due to a lack of expertise and enormous recognition and measurement problems of intangible assets is hardly convincing (Hoogervorst, 2019; Coalition for Inclusive Capitalism, 2018, provides a solution for measuring value for surviving over the long-term). In particular, given the increasing re-creation of links between non-financial issues and financial reporting (e.g., influence of employee satisfaction on productivity or pollutant pricing mechanism on profitability), at least a questioning of the current financial reporting is necessary (Brandt and Althoff, 2019). The potential values not shown on the balance sheet in both national (HGB) and international (IFRS) accounting systems – often driven by non-financial, particularly intangible, variables[25] – should be given greater consideration. Taking this into account, Hoogervorst refers to the planned update of the non-binding guideline – the IFRS Practice Statements Management Commentary of the IASB.[26] The voluntary standard for management reporting – often referred to as broad financial reporting – needs to be adapted to recent geopolitical and societal changes in order to provide the necessary broad and forward-looking context for financial statements without pre-empting existing national regulations.

Nonetheless, it should be possible to draw conclusions about the overall value of a company by means of non-financial reporting in the context of management reporting (HGB) and/or management commentary (IFRS). Only in this way can management draw a true picture of the asset, financial and earnings situation, contribute to useful decisions and satisfy investors' growing need for information – including future-oriented non-financial information such as environmental/social/governmental (ESG) issues.

Consequently, it remains to be seen whether the update of the IFRS Practice Statement 1 Management Commentary planned for 2020 can be regarded as sufficient to reach this goal.

Finally, the chairman of the IASB raises the question of the extent to which, for example, climate-related reporting, can actually change behaviour. On the positive side, he notes that transparency measures will stimulate and strengthen the debate on CSR-related issues. In fact, however, climate targets will not be achieved solely through climate-related reporting by corporate boards. Accordingly, he appeals to politicians and calls for public policy measures (internalisation of externalities) to prevent further market failure (Hoogervorst, 2019). He states that "[t]his goes to show that sustainability reporting requirements cannot get politicians off the hook in terms of the need for credible climate-change policies. It is good that the G20 is promoting climate-related disclosure; it would be a thousand times better if they could agree on the introduction of a kerosene tax" [Hoogervorst, (2019), w/o. p].

4.4 Symbiosis between CSR and sustainable finance

A component of the issue that should not be neglected is the constant political promotion of CSR – which, according to IASB Chairmen Hans Hoogervorst (2019), could be expanded – particularly at the level of the European Union. The HLEG on sustainable finance supported the EU Commission in presenting a European Union sustainability strategy for the financial sector in the form of the *Action Plan: Financing Sustainable Growth* (European Commission, 2018a; Schmidt and Schmotz, 2018). This plan raises two central issues that entail a transformation of the financial sector:

1 the contribution of the financial sector to more sustainable economic growth by financing the long-term needs of current and future generations

2 achieving sufficient financial stability by referencing ESG factors (European Commission, 2018a).

In addition, the action plan lists ten actions, each containing subactions, to better achieve those objectives (European Commission, 2018a). These actions include, for example, action 9, "Strengthening sustainability disclosure and accounting rule-making" [EU Commission, (2018b), p.10]. Among other functions, the action presents an evaluation in the sense of an aptitude test of the European Union legal framework for corporate reporting in connection with the publication of non-financial information (Baumüller, 2018; European Commission, 2018a; Große, 2018; Schmidt and Schmotz, 2018).

The intention here is to rethink previous reporting with regard to its effectiveness and relevance with the aim of providing added value for the European Union (European Commission, 2018b). In this context, the question of whether integrated reporting can be an option will also be explored (European Commission, 2018a). What impact this action will have on the future of reporting remains to be seen. Furthermore, governance instruments, such as remuneration elements for management or incentive-compatible regulations to protect shareholders' rights, are assigned an important role in ensuring that social and environmental aspects are integrated into the decision-making processes (European Commission, 2018a). Action 10, "Fostering sustainable corporate governance and attenuating short-termism in capital markets" [European Commission, (2018a), p.11] considers requiring the governance body to develop and publish a sustainability strategy that takes into account the supply chain and measurable sustainable objectives (Böcking and Althoff, 2017; European Commission, 2018a). As a result, behavioural control of the corporate bodies implicit in the CSR-RUG would result in an explicit request.

5 Conclusions

Over the past few years, the CSR concept has undergone fundamental changes – particularly as a result of regulatory requirements and societal value changes – that have resulted in a more comprehensive understanding of the concept (BGBl. I 2017). CSR is now simultaneously a business model-specific component and a control and risk management element and, as a result, a decisive success factor of entrepreneurial raison d'être. Today's understanding of CSR even combines those perspectives, which originally warned of the dangers and the illusory nature of entrepreneurial responsibility with the perspectives of the initial proponents of CSR (Friedman, 1970; Levitt, 1958). The topic is gaining momentum at the management and supervisory board levels, particularly due to increasing awareness among influential institutional investors and other stakeholder groups (European Commission, 2018b; Fink, 2019; HLEG, 2017, 2018; United Nations and Framework Convention on Climate Change, 2015). From the existence of an occasionally imposed, additional – mostly voluntary – corporate task, the current, legally anchored CSR concept has become a fundamental component of corporate strategy and thus a central element of corporate governance. Appropriately embedded in the corporate strategy and corporate target system, CSR enables the development of sustainable value enhancement potential. Consequently, the concept of CSR must be seen as part of good corporate governance, which can be defined as follows: *Good corporate governance is the sustainable and responsible management and control of a company that takes into account the economic, ecological and social dimensions.*

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Notes

1 The term CSR is used in this article as a representative generic term for related terms, such as business responsibility, corporate accountability, corporate citizenship, corporate sustainability, and ESG concepts, which also claim to describe the phenomenon of corporate responsibility within society, albeit with structural and conceptual differences.

2 While maximising shareholder value – often through activist investors focused on short-term perspectives – is still an important goal for companies today, companies and investors recognise the importance of long-term perspectives and value creation. However, dissent prevails in the measurement of the success of these generated values; cf., in detail, Coalition for Inclusive Capitalism (2018, pp.1–120).

3 This position corresponds with the concept of the 'reputable businessperson', which pursues the goal of ensuring the continued existence of the company and its sustainable value creation (corporate interest) in accordance with the principles of the social market economy. These principles require not only legality but also ethically sound, self-reliant behaviour, cf. GCGC (2019, p.2).

4 For CSR and corporate reputation, cf., e.g., Lii and Lee (2012, pp.69–81) and Minor and Morgan (2011, pp.40–59). For CSR and employee attitudes and behaviour, cf., e.g., Bauman and Skitka (2012, pp.63–86) and Brammer et al. (2007, pp.1701–1719). For CSR and access to financial resources, cf., e.g., Cheng et al. (2014, pp.1–23). For CSR and risk management, cf., e.g., Godfrey et al. (2009, pp.425–445).

5 An actual steering impulse only arose with the transition from voluntary self-commitment to non-financial reporting to the legally motivated consideration of non-financial concerns, initially through BilReG of December 4, 2004, BGBl. I, pp.3166–3182 and now through the CSR-RUG of April 11, 2017, BGBl. I, pp.802–814.

6 For example, corporate reporting (an instrument of corporate governance) has traditionally addressed investors; with increasing CSR awareness, reporting is also increasingly directed at other stakeholders; cf. Schwerk (2008, p.138). Finally, stakeholder dialogue has also become more important in the context of the CSR debate. Cf. also Hommelhoff (2015, p.297), who sees European CSR legislation, in particular, as a way to move away from the shareholder approach and toward the stakeholder approach.

7 Diverging interests require legal provisions that reduce the potential for conflict and prevent blockades between interest groups; cf. Dutzi (2005, p.24) and Seibert (2012, p.1118).

8 Cf. Seibert (2012, p.1118), who, in the context of principal-agent theory, points to the simplifying assumption of the homogenisation of the individual stakeholder groups (e.g., large vs. minority shareholders and short- vs. long-term orientation) within the shareholder structure.

9 Cf. Böcking and Althoff (2017, p.246), Winkeljohann and Schäfer (2018), § 289c HGB, marginal number 3; Seibt (2016, p.2709). The example of Volkswagen is relevant here. 'Dieselgate' makes it clear that investors, following negative non-financial information, 'punish' a company by selling shares. On the one hand, the non-financial information is reflected in the stock market price, and on the other hand, it has a downstream effect on the net assets, financial position and results of operations. The stock exchange price (Xetra) around the publication of the affair expressly reflects this effect. With the disclosure of non-financial

information, the share price of the preferred shares fell from approximately € 169.65 (September 16, 2015) within a few days to initially just under € 106 (September 22, 2015) and, in the following days, to approximately € 92.36 (October 2, 2015), Thomson Reuters, Datastream (2019).

10 One study finds evidence that CSR and related reporting can improve the quality and independence of supervisory board work by reducing information asymmetry and the dependence of board information; cf. John et al. (2018, pp.1–5, 25–26).

11 Cf. Coalition for Inclusive Capitalism (2018, pp.1–120), establishing uniform metrics for determining non-financial values; Fink (2019, pp.1–3); including the societal change of values in modern business administration, cf. Wolff et al. (2018, p.16).

12 Social legitimacy pressure cannot always be used to infer the relevance of a fact for a company or even the world. Cf. also Porter and Kramer (2006, p.88). This position also takes up the double materiality formula of the CSR-RUG. Thus, the approach limits the reporting obligation to disclosures that are necessary for an understanding of the course of the business, the business results, the context of the corporation and the effects of its activities on the aspects mentioned in paragraph 2; compare § 289c (3) HGB. Consequently, the regulator in Germany restricts the reporting obligation to content that is relevant from both an internal company perspective and an external perspective; cf. also Böcking and Althoff (2017b, p.1456).

13 Cf. Hopt (2000, pp.798–809) and Böcking (2003, pp.253–255); to answer the question in detail of what influence national framework conditions have on the different national forms of CSR, cf. Matten and Moon (2008, p.407).

14 For an increased focus on sustainable and responsible business conduct, see the latest draft of the amended GCGC (2019, pp.1–17).

15 CSR can serve corporate governance by providing a basis for aligning the management and control culture with a long-term perspective.

16 Cf. Grewe (2008, pp.32–33). The acquisition of a reputational advantage can be mentioned here as an example.

17 A common example here is reporting on the handling of child labour in emerging countries.

18 On the legitimising effect of reporting on social and environmental issues, cf. Deegan (2002, pp.282–283).

19 Cf. European Commission (2018a, pp.9–11). An indication of this effect can be found in the responsiveness of fund managers to CSR issues and a change in investor behaviour with regard to non-financial concerns; cf. Mooney and Wigglesworth (2018, w/o. p.); cf. also Fink (2019, pp.1–3). One study finds a positive correlation between superior CSR performance and access to finance; cf. Cheng et al. (2014, pp.1–23).

20 Finally, there are also views that describe CSR and corporate governance as two sides of the same coin; cf. Bhimani and Soonawalla (2005, p.167); similar to Van den Berghe and Louche (2005, p.426). Cf. Fleischer (2017, p.509), who also sees CSR as a concept that accompanies the concept of corporate governance and points to various overlaps between the two concepts from a legal perspective.

21 Cf. § 289c (3) HGB for the content of a non-financial declaration or the separate non-financial report.

22 Cf. Bachmann (2018, pp.234–335), who points out the possible reputational losses that may result from inadequate reporting for a company.

23 Here, also, the so-called ‘nudging’ becomes apparent, cf. Hommelhoff (2015, p.293).

24 The Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project (CDP), the Task Force on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI), the Corporate Reporting Dialogue (CRD) and the International Integrated Reporting Council (IIRC) are examples of relevant international and national organisations in the field of CSR reporting.

25 Cf. the remarks of Rauschenberg (2018, p.251), who shows that according to the current status of accounting systems, a large number of intangible assets are absorbed in the original goodwill (prohibition of recognition in the balance sheet) and in the derivative goodwill (presentation of the value components included being inadequately transparent).

26 The planned update of the IFRS Practice Statement 1 Management Commentary focuses, among others, on "forward-looking information […] business model, strategy, risks, and operating environment and information about operational performance", IASB (2018, w/o. p).