

A Corporate Odyssey: ESG, CSR, and DEI in the Quest for a Sustainable and Inclusive Europe

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Abstract

This paper examines the continuously changing landscape of European Business Law, wherein Environmental, Social, and Governance (ESG), Corporate Social Responsibility (CSR), and Diversity, Equity, and Inclusion (DEI) principles serve as the cornerstones of a regulatory framework intended to promote sustainable corporate growth. At the same time, the European Union Law envisions a paradigm that balances business objectives with ethical, social, and environmental duties, in contrast to the media's popular depictions of corporate power conflicts. Through a detailed analysis of current and upcoming EU regulations, including the European Green Deal, Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD), this paper argues that ESG, CSR, and DEI obligations are not impediments to profitability but strategic mechanisms for sustainable value creation. According to the findings, companies that adhere to these standards are better positioned for long-term success in a global economy with greater emphasis on responsible growth. Ultimately, this study emphasizes how EU regulations reshape business goals, creating a competitive, inclusive, and resilient business climate that benefits both economic and societal interests.

Keywords: ESG, CSR, DEI, European Union Law, Responsible Growth

1. Introduction

1.1 Defining Corporate Sustainability and Inclusivity and their Relevance in the Contemporary European Business Landscape

In today's corporate landscape, television series like HBO's *Succession*² and *Industry*³ reveal a cutthroat world where profit and power reign supreme, often to the detriment of ethical or social responsibility. However, over the years, companies proved to be powerful vectors of change, influencing social, environmental, and technological landscapes across various countries, especially in the developing ones. From a historical perspective, it can be noted that corporate actors have led advancements in labour standards (fair wages, limited and reasonable hours of working, safety conditions, equal opportunities, etc.), environmental practices, and

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² „Succession Is a Show About Capitalism in the Era of Economic Stagnation”, <https://jacobin.com/2022/01/hbo-financialization-monopolies-private-equity-waystar-royco>

³ „Industry Season 3 Is a Searing Takedown of Socially Conscious Capitalism”, <https://time.com/7006538/industry-season-3-eview/>

digital transformation, often setting precedents in national and international policies. Therefore, the creation in 1919⁴ of the International Labour Organization (ILO) materialised both the political and private sector's aspirations to ensure that employment opportunities uphold the principles of "freedom, equity, security, and dignity"⁵, while maintaining economic growth and a competitive market.

In light of present-day developments, the current legal framework continues to shape an inclusive, resilient, and sustainable business environment, with effects both on the development of different companies and employees' well-being. A pioneering concept in one of the first Romanian books about corporate governance - "CSR Vector", "humanibility"⁶ was developed by Luminița Oprea, a Romanian communication expert, to address the widespread global phenomenon that CSR is, one that must be fundamentally rooted in humanity and responsibility. Therefore, we can assume that both ESG and DEI initiatives may encompass such characteristics, having the role of spearheading infrastructure and social improvements, and addressing gaps where governance may be lacking, while also establishing standards that influence broader cultural and legislative shifts.

Upon revisiting the fundamentals of Corporate Social Responsibility (CSR) it becomes evident that its four pillars - environmental positive impact, ethical responsibility, financial obligations and philanthropic endeavours⁷ - hold intrinsic benefits for companies, in matters of enhancing their reputation, talent attractiveness, customer loyalty, and investor confidence⁸. While, at first, it appears that these pillars are imposing additional obligations, beyond existing local and international legal frameworks, they ultimately foster a more accountable and sustainable structure that aligns profit with purpose. In this context, Environmental, Social, and Governance (ESG) metrics build upon CSR principles by managing to provide a structured and quantitative method⁹ for evaluating such sustainability efforts, thereby meeting the regulatory mandates and investors' expectations¹⁰ regarding an accountable organization. At the same time, Diversity, Equity, and Inclusion (DEI) principles add another crucial dimension¹¹ by advocating for an inclusive workplace that values diverse identities, perspectives and backgrounds, as strengthening the

⁴ <https://www.un.org/youthenvoy/2013/08/ilo-international-labour-organization/#:~:text=The%20ILO%20was%20created%20in,it's%20based%20on%20social%20justice>.

⁵ <https://www.ilo.org/international-labour-standards>

⁶ "CSR vector. Decizii. Decizii. Decizii. Cum alegi să crești?", Oprea, Luminița, Universul Juridic, 2011

⁷ <https://www.investopedia.com/terms/c/corp-social-responsibility.asp>

⁸ "The benefits and costs of corporate social responsibility.", Sprinkle, Geoffrey B., and Laureen A. Maines, *Business Horizons*, 53, no. 5 (2010): 445.

⁹ "ESG: Research Progress and Future Prospects", Li, Ting-Ting, Kai Wang, Toshiyuki Sueyoshi, and Derek D. Wang, *Sustainability*, 13, no. 21 (2021): 11663

¹⁰ "Why and how investors use ESG information: Evidence from a global survey.", Amel-Zadeh, Amir, and George Serafeim, *Financial analysts journal*, 74.3 (2018): 87-103

¹¹ "Understanding advantaged groups' opposition to diversity, equity, and inclusion (DEI) policies: The role of perceived threat.", Iyer, Aarti, *Social and Personality Psychology Compass* 16.5 (2022): e12666

internal cohesion and innovation. Although DEI initiatives are partially regulated in some jurisdictions, in many aspects they remain voluntarily adopted ¹²by companies that continue to prove a proactive commitment to fostering a resilient and adaptable corporate environment. Therefore, it can be stated that CSR, ESG, and DEI constitute a strong framework that leads economic agents in developing trust, credibility, and long-term value while preparing them to navigate the complicated demands of today's economic landscape and society's expectations.

Considering the aforementioned aspects, it is notable that the European Union has established itself as a trendsetter in corporate governance and sustainability, striving to harmonize national regulations and to align corporate behaviour with both social and economic goals, an approach that echoes the journey of an "odyssey" in the evolving landscape of ESG, CSR, and DEI.

This analysis examines how European regulations and emerging legal frameworks in ESG, CSR, and DEI are reshaping business priorities, transforming them from potential impediments to profit into powerful drivers of sustainable value. A thorough examination of current and upcoming legislation reveals that these frameworks are not restrictive; rather, they are essential for companies aiming to thrive in a global economy increasingly focused on diversity, accountability, and responsible growth.

1.2 Objectives and Methodology of the Paper

This study aims to critically explore how Environmental, Social, and Governance (ESG), Corporate Social Responsibility (CSR), and Diversity, Equity, and Inclusion (DEI) principles and initiatives represent fundamental elements of the European Business Law framework, having a direct impact corporate growth, competitiveness, and sustainability. For this reason, three primary objectives are going to be set: (1) the analysis of current and forthcoming EU regulations that are redefining corporate responsibility and practices in this field; (2) the assessment of the reluctance and reservation to certain policies; and (3) the evaluation the broader effects of these frameworks on long-term corporate success in an economy that increasingly prioritizes ethical standards.

By employing a mixed-methods approach, commencing with a comprehensive legal review of EU legislation to scrutinize statutory language and delineate corporate obligations. Concurrently qualitative case studies of European companies adopting ESG, CSR, and DEI principles will illustrate their impact on corporate strategy and innovation. Therefore, by taking into consideration comparative analysis, and empirical case studies, this research provides a nuanced perspective on how EU-driven regulations and recommendations are driving a transformative shift in corporate behaviour, aligning financial success with ethical and social goals.

¹² <https://www.weforum.org/stories/2024/01/organizations-impactful-corporate-dei-initiatives/>

2. Evolution and Recent Trends in Sustainability and Corporate Responsibility Frameworks in the European Union

2.1.1 ESG and the Environmental Imperative

Amid the escalation of the climate change urgency and its disastrous impact on ecosystems, economies, and communities, environmental responsibility has transitioned from a discretionary choice to a legally binding duty¹³ for businesses across the European Union. The recent surge in extreme weather occurrences and climate-related emergencies proved that immediate action has to be taken by all the actors involved in the current economic system. In 2023, Europe witnessed record-breaking heatwaves, with temperatures soaring above 40°C¹⁴ in the Mediterranean countries, especially Greece, Italy and Spain being affected. This unprecedented heat resulted in severe repercussions, causing widespread droughts that threatened agricultural production, strained the available water resources and sparked destructive wildfires that led to substantial losses in biodiversity and habitat, disrupted local economies, and displaced entire communities. These phenomena reflect a broader trend that in time enhanced climate change effects on our daily lives, the European Environment Agency (EEA) reporting that climate-related disasters have inflicted over €560 billion¹⁵ in economic losses across the European Union Member States in the last 40 years.

Over time, the Environmental, Social, and Governance (ESG) concept has evolved into an investment approach centered on ethical and sustainable business practices in these three key areas. Known as responsible investing—and, in its more proactive forms, impact investing—ESG prioritizes environmental stewardship, social responsibility, and robust corporate governance.¹⁶ Another definition of this model, as described by Deloitte, encapsulates ESG's goal to “capture all the non-financial risks and opportunities”¹⁷ that are typical of the daily operations of businesses, underscoring its important role in comprehensive risk assessments.

¹³ [https://www.eea.europa.eu/en/topics/in-depth/climate-change-mitigation-reducing-emissions/how-is-europe-fighting-against-climate-change#:~:text=The%20European%20countries%20\(EU27%20%2B%20Iceland,or%20reducing%20overall%20energy%20consumption.](https://www.eea.europa.eu/en/topics/in-depth/climate-change-mitigation-reducing-emissions/how-is-europe-fighting-against-climate-change#:~:text=The%20European%20countries%20(EU27%20%2B%20Iceland,or%20reducing%20overall%20energy%20consumption.)

¹⁴ <https://www.ecmwf.int/en/about/media-centre/science-blog/2023/european-heatwave-july-2023>

¹⁵ <https://climate-adapt.eea.europa.eu/en/metadata/publications/economic-losses-from-climate-related-extremes-in-europe-8th-eap>

¹⁶ "Driving Corporate Social Responsibility: Examining the Impact of Diversity and Inclusion Across Multiple Levels.", Leggerini, Chiara, and Mariasole Bannò. *Sinergie-SIMA Management Conference Proceedings Management of sustainability and well-being for individuals and society*, 2024.

¹⁷ <https://www.deloitte.com/ce/en/services/consulting/perspectives/esg-explained-1-what-is-esg.html>

Even if it is a recent concept, which gained momentum 20 years ago after the publication of the United Nations' Report titled "Who Cares Wins"¹⁸, a United Nations cooperative effort led by the financial institutions, ESG has since become a cornerstone in both private and public policy towards the world, with the European Union assuming the role of leading this movement and materializing UN's Sustainable Development Goals (SDGs)¹⁹.

2.1.2 Current and Upcoming ESG Regulations

At the heart of ESG's regulatory framework is the European Green Deal, a landmark initiative that aims for Europe to become climate-neutral by 2050²⁰ and to integrate the environmental, social, and governance considerations into the regulatory framework, thereby promoting responsible investment and sustainable business practices throughout the European Union. Building on this ambitious goal, the EU has introduced legislative instruments, including the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR). The EU Taxonomy establishes a specific system for categorizing environmentally sustainable economic activities, which obligates companies and investors to distinguish between sustainable and non-sustainable investments. The SFDR further mandates disclosure of ESG practices for financial market participants, holding them accountable for promoting genuine sustainable investments.

Forthcoming regulations continue to advance ESG obligations, with stricter carbon reduction targets, biodiversity conservation requirements, and frameworks for sustainable supply chain management on the horizon, reflecting a vision of corporate responsibility that extends beyond traditional business concerns to include the broader ecological impact.

Consequently, significant regulatory frameworks have been established, such as:

- **EU Taxonomy Regulation (Regulation (EU) 2020/852)**

The **EU Taxonomy Regulation (Regulation (EU) 2020/852)**, as previously mentioned, provides a uniform classification framework for environmentally sustainable economic activities.

- **Article 9** of the EU Taxonomy Regulation defines six environmental objectives including: climate change mitigation²¹ and adaptation²²,

¹⁸ "Who Cares Wins – The Global Compact Connecting Financial Markets to a Changing World", UN Environment Programme – Finance Initiative https://web.archive.org/web/20220901042632/https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf

¹⁹ <https://sdgs.un.org/goals>

²⁰ <https://www.consilium.europa.eu/en/policies/green-deal/>

²¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, Art. 9 (a);

²² Idem, Art. 9 (b);

ecologically sound utilization of water and marine resources²³, the generally needed shift to a circular economy²⁴, pollution prevention²⁵, and biodiversity protection²⁶. For a company's activity to be classified as environmentally sustainable, it must make a "substantial contribution"²⁷ to a minimum one of these objectives.

- **Article 18** details the "do no significant harm"²⁸ principle, which mandates that for an activity to qualify as sustainable, it must not only contribute to an environmental objective but also ensure that it does not harm any other objectives²⁹.
- **Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088**

The subsequent Regulation has transparency as its main goal, mandating that the participants in the financial markets have to disclose how ESG factors are integrated into their decisions relating to investments.

- **Article 4** of the SFDR outlines the obligation for asset managers and financial advisers to disclose the principal adverse impacts (PAIs)³⁰ of their investment decisions on sustainability factors, by including reports on metrics such as greenhouse gas emissions and biodiversity, to provide the investors with clear insights into the environmental and social implications of their investments.³¹ At the same time it is important to note that the directive, effective as of June 30, 2021, is applicable for entities with more than 500 employees³², meaning that not only large corporations are obliged to comply with such transparency requirements, but also medium-sized enterprises.

²³ Idem, Art. 9 (c);

²⁴ Idem, Art. 9 (d);

²⁵ Idem, Art. 9 (e);

²⁶ Idem, Art. 9 (f);

²⁷ Idem, Recital (42);

²⁸ Idem, Art. 18;

²⁹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, Art. 17, paragraph (17)

³⁰ "A Principal Adverse Impact (PAI) is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.", <https://www.deloitte.com/nl/en/services/legal/perspectives/pai-disclosures-under-the-sfdr.html>

³¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, Art. 4 (2)

³² Idem, Art. 4 (3)

- **Corporate Sustainability Reporting Directive (CSRD)**

The **Corporate Sustainability Reporting Directive (CSRD)**³³, expands the sustainability reporting requirements for the EU and non-EU companies, with the scope of companies subject to non-financial reporting and standardizes the data reported across the EU.

- **Article 19a** introduces the requirement for companies to "disclose information on their environmental, social, and governance (ESG) performance"³⁴, being a report of a "double materiality perspective"³⁵, which means that firms have to publish both the impact of their activities on sustainability factors and the effect of sustainability issues on their performance, position, and development in the current economic context.

At the same time, in order to guarantee that disclosures are comparable, trustworthy, and consistent with the EU's sustainability goals, the CSRD mandates that businesses apply the EU Sustainability Reporting Standards (ESRS), which were created by the European Financial Reporting Advisory Group (EFRAG)³⁶.

- **Corporate Sustainability Due Diligence Directive (CSDDD)**³⁷

This directive imposes that companies have to identify, prevent, mitigate, and account for adverse sustainability impacts in their operations and value chains, including production, procurement, and other logistical processes.

- **Article 6** allows parent companies to fulfil the due diligence³⁸ obligations on behalf of their subsidiaries, to ensure compliance across all the levels of the value chains. For a parent company to fulfil the due diligence obligations on behalf of a subsidiary, certain conditions must be met. Among these, the directive specifies that "the subsidiary and parent company provide each other with all the necessary information"³⁹ and are required to fulfil all of the Directive's provisions, while the subsidiary "abides by its parent company's due diligence policy"⁴⁰.

³³ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU, as regards corporate sustainability reporting

³⁴ Idem, Recital (29)

³⁵ Idem, Recital (29)

³⁶ Idem, Recital (39)

³⁷ Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

³⁸ It represents a thorough analysis of the financial records of a company, before entering into a business relationship with another, <https://dictionary.cambridge.org/dictionary/english/due-diligence>

³⁹ Idem, Art. 6(2)(a)

⁴⁰ Idem, Art. 6(2)(b)

- **Carbon Border Adjustment Mechanism (CBAM)⁴¹:**

This regulation introduces a carbon price⁴² on certain imports, aiming to prevent carbon leakage⁴³ and incentivize cleaner industrial production within the EU.

- **Article 5** establishes the scope of CBAM, which requires importers established in a Member State to “apply for the status of authorized CBAM declarant”⁴⁴ and to declare the embedded emissions in their products and pay the corresponding carbon prices, in order to align the EU to the climate targets. At the same time, non-EU Importers that are not established in an EU member must have their indirect customs representative apply for authorization, making it possible for entities outside the EU to comply with CBAM requirements through an EU-based representative⁴⁵.

- **‘Fit for 55’ Package:**

Last but not least this comprehensive plan sets to amend and further modify EU legislation to make sure that the Union’s actions are aligned with the climate goals established by the Council and the European Parliament, under the objectives envisioned by the Paris Agreement⁴⁶. One of its main targets is the reduction of EU greenhouse gas (GHG) emissions by at least 55% by 2030⁴⁷. This multi-sector initiative combines both revisions to existing regulations and the introduction of new directives across areas such as climate policy, energy, transport, buildings, and land use⁴⁸. Key aspects include⁴⁹:

- Expansion of the Emissions Trading System (ETS)⁵⁰ – the expansion of carbon pricing to additional sectors, including maritime, road transport, and buildings.
- Carbon Border Adjustment Mechanism (CBAM) – the counteract of carbon leakage, while applying a carbon price on select imports, ensuring they bear costs comparable to EU-produced goods.

⁴¹ Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism

⁴² Idem, Art. 3(29), “means the monetary amount paid in a third country, under a carbon emissions reduction scheme, in the form of a tax, levy or fee or in the form of emission allowances”

⁴³ Idem, Recital (9)

⁴⁴ Idem, Art. 3(29), Art. 5(1)

⁴⁵ Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism, Art. 3(29), Art. 5(2)

⁴⁶ <https://unfccc.int/process-and-meetings/the-paris-agreement>

⁴⁷ <https://www.consilium.europa.eu/en/policies/fit-for-55/>

⁴⁸ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4754

⁴⁹ [my/eu-esg-regulations](https://ec.europa.eu/eu-esg-regulations)

⁵⁰ https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en

- Social Climate Fund – the support of vulnerable populations affected by the transition, this fund allocation of almost €72.2 billion⁵¹ to ease the shift towards a sustainable economy, helping offset the social impact of these policy changes.

2.1.3 Implications for Business and Development

By redefining corporate performance, the adoption of the ESG has positioned environmental stewardship as a catalyst for innovation, where companies can access green finance options, attract conscientious investors, and build resilience against climate-related risks. Rather than hindering profitability, the integration of ESG can unlock new markets, reduce operational risks, and cultivate consumer loyalty, demonstrating that environmental responsibility and profit can reinforce one another while creating a sustainable synergy well-prepared for an unpredictable future.

2.1.4 CSR as Corporate Citizenship: Bridging Profit and Purpose

Corporate Social Responsibility (CSR), as defined by the European Commission, refers to a company's accountability for its societal impact, which has to include in its operations and strategies also environmental, ethical, consumer and human rights considerations.⁵² Nevertheless, CSR is an older concept that originates from the 1950s work "Social Responsibilities of the Businessman"⁵³, which initially addressed the broader social impact of businesses. Over time, it has evolved to today's vision that includes more comprehensive strategies in which social and environmental issues are at the core of corporate priorities.

However, when thinking about the intrinsic values of CSR, it is notable that companies have responsibilities that extend beyond profit-making⁵⁴ – they are expected to reinvest their prosperity⁵⁵ back into the community through sustainable practices and meaningful societal contributions. Adopting such CSR initiatives provides the business sector with numerous benefits, including better risk

⁵¹ "The Social Climate Fund – Opportunities and Challenges for the buildings sector", Braungardt, Sibylle, Katja Schumacher, David Ritter, Katja Hünecke, Zoé Philipps, Öko-Institut e.V., Freiburg, Berlin 2022

⁵² https://single-market-economy.ec.europa.eu/industry/sustainability/corporate-sustainability-and-responsibility_en?prefLang=ro

⁵³ "Social Responsibilities of the Businessman.", Bowen, Howard R., University of Iowa Press, 2013. JSTOR, <https://doi.org/10.2307/j.ctt20q1w8f>. Accessed 10 Nov. 2024.

⁵⁴ "Corporate governance and CSR nexus.", Harjoto, Maretno A., and Hoje Jo, *Journal of business ethics* 100 (2011): 45-67

⁵⁵ The cost of corporate social responsibility: The case of the community reinvestment act.", Vitaliano, Donald F., and Gregory P. Stella, *Journal of Productivity Analysis*, 26 (2006): 235-244.

management, cost savings, stronger customer relationships, and enhanced operational sustainability⁵⁶.

The European Union has championed CSR, recognizing its value in fostering a resilient and sustainable economic environment. The EU's approach includes both voluntary and mandatory measures and aligns with international structures, such as the United Nations' human rights and commercial affairs guiding principles, and the The Organization for Economic Cooperation and Development (OECD) Responsible Business Conduct (RBC) guidelines⁵⁷. Major legislative initiatives, including the Non-Financial Reporting Directive (NFRD)⁵⁸ and the Corporate Sustainability Reporting Directive (CSRD)⁵⁹, demand large enterprises to publically furnish their social and environmental impact. As mentioned in the previous section of this academic paper, CSRD extends these obligations by mandating that companies have to provide standardized, comparable, and verified data on CSR activities, thus promoting transparency, corporate accountability, and aligning with the expectations of responsible investors⁶⁰.

Corporate Social Responsibility (CSR) in the EU is increasingly enshrined in law, with directives that compel companies to address societal and ethical issues. As such, the following legal acts serve as the cornerstone of this regulatory framework:

- **Non-Financial Reporting Directive (Directive 2014/95/EU) (NFRD)**

The **Non-Financial Reporting Directive (Directive 2014/95/EU)**, adopted in 2014, laid the groundwork by requiring large public-interest entities to disclose non-financial information. However, in 2022, the Corporate Sustainability Reporting Directive (CSRD) entered into force and expanded the scope and the requirements for sustainability reporting.

- **Article 1** of the NFRD amends the **Accounting Directive (Directive 2013/34/EU)**, compelling large companies⁶¹ to publish reports on

⁵⁶ The Benefits from CSR for a Company and Society.", Książak, Paulina, *Journal of Corporate responsibility and leadership* 3.4 (2016): 53-65.

⁵⁷ [https://mneguidelines.oecd.org/#:~:text=Responsible%20business%20conduct%20\(RBC\)%20sets,the%20countries%20where%20they%20operate.](https://mneguidelines.oecd.org/#:~:text=Responsible%20business%20conduct%20(RBC)%20sets,the%20countries%20where%20they%20operate.)

⁵⁸ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups

⁵⁹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

⁶⁰ "Corporate Social Responsibility (CSR) and its Influence on Organizational Reputation", Etikan, Julie, *Journal of Public Relations* 2(1):1-12, 2024

⁶¹ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, Art. 1(1) of Art. 19a "large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year"

environmental, social, employee, human rights, anti-corruption, and bribery matters.⁶² This broad disclosure requirement effectively institutionalizes CSR, determining companies to act transparently regarding their societal and environmental impact.

- **Corporate Sustainability Due Diligence Directive (CSDDD)**⁶³

The future **Corporate Sustainability Due Diligence Directive (CSDDD)** would further embed CSR into European law by requiring businesses to identify, prevent, and lessen the negative effects on the environment in their supply chains and operations:

- **Article 5** of the CSDDD proposal obliges companies to conduct human rights and environmental due diligence⁶⁴, which involves identifying and addressing possible or current adverse impacts. This provision emphasizes proactive risk management, demanding that companies take steps to prevent harm before it occurs, such as sharing the available resources and information “within their respective groups and with other legal entities”⁶⁵.
- **Article 11** requires companies to set up and operate grievance mechanisms⁶⁶ to allow affected parties to report adverse impacts, further entrenching CSR principles in corporate accountability.

2.1.5 The Strategic Value of CSR

Therefore, Corporate Social Responsibility (CSR) represents a strategic asset that enhances a company’s reputation, builds trust, and strengthens its market position, its initiatives usually going beyond compliance. Through tools like social and ecological labels⁶⁷, responsible reporting, and investments, CSR demonstrates a company’s commitment to ethical practices⁶⁸, providing transparency and building public confidence. At the same time, in an era of ethical consumerism, CSR differentiates brands and fosters loyalty, attracting both customers and investors who

⁶² Idem, Art. 1(1) of Art. 19a

⁶³ Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

⁶⁴ Idem, Art. 5(1)

⁶⁵ Idem, Art. 5(2)

⁶⁶ Idem, Art. 11

⁶⁷ "Eco-labeling as a tool to implement the concept of corporate social responsibility: The results of a pilot study.", Teneta-Skwiercz, Dorota, Finance and Sustainability: Proceedings from the 2nd Finance and Sustainability Conference, Wrocław 2018. Springer International Publishing, 2020.

⁶⁸ <https://www.pacificoaks.edu/voices/business/breaking-down-the-4-types-of-corporate-social-responsibility/#:~:text=Having%20ethical%20responsibilities%20means%20ensuring,a%20lot%20of%20different%20forms>

value sustainability. Additionally, CSR proved that it attracts and retains top talent⁶⁹, as employees increasingly prefer companies that share their values. By embedding CSR into their operations, companies not only meet legal requirements but also gain a competitive advantage, proving that “doing good” is compatible with “doing well”.

CSR is a strategic advantage that delivers tangible benefits—enhancing reputation⁷⁰, fostering stakeholder trust⁷¹, and driving long-term profitability⁷². By adopting CSR, companies not only fulfil societal expectations but secure a competitive edge in today’s market, demonstrating that responsible business practices support sustainable growth and success.

2.2 DEI: Building Inclusive Corporate Cultures

The concept of Diversity, Equity, and Inclusion (DEI) is essential for addressing structural inequalities in the workplace and fostering a fair, inclusive corporate culture⁷³, sometimes in a political context that isn’t favourable to such initiatives. Unlike Environmental, Social, and Governance (ESG) and Corporate Social Responsibility (CSR), which focus outwardly, DEI emphasizes internal practices that ensure fair treatment, equitable opportunities, and representation across gender, ethnicity, ability, and age. This shift is mirrored in EU legislation, with anti-discrimination directives and gender equality initiatives imposing DEI obligations on companies.

As the term implies, DEI is structured around three essential pillars: diversity, equity, and inclusion. **Diversity** addresses representation within the workforce, spanning factors such as gender, ethnicity, age, and neurodiversity⁷⁴. On the other hand, **equity** ensures fairness by adjusting practices to account for individuals’ unique circumstances, distinguishing it from equality, which treats all uniformly⁷⁵. In one of McKinsey’s⁷⁶ Podcasts, Bill Schaninger⁷⁷ underscores this

⁶⁹ "Corporate social responsibility impact on talent retention among Generation Y.", Zainee, Intan Azurin, and Fadilah Puteh, *Revista de Gestão* 27.4 (2020): 369-392.

⁷⁰ "CSR reputation and firm performance: A dynamic approach", Miller, Stewart R., Lorraine Eden, and Dan Li, *Journal of Business Ethics* 163 (2020): 619-636.

⁷¹ "Managing CSR stakeholder engagement: A new conceptual framework.", O’Riordan, Linda, and Jenny Fairbrass, *Journal of business ethics*, 125 (2014): 121-145

⁷² "The impact of corporate social responsibility (CSR) on organization profitability.", Nwaneri, Charles, *International Journal of Business and Management*, 10.9 (2015): 60

⁷³ "Examining workplace diversity, equity and inclusion (DEI) with the COMMIT inclusive behavior framework.", Harris, Lawana, (2022)

⁷⁴ <https://www.equalture.com/blog/types-of-diversity-in-the-workplace/>

⁷⁵ <https://reciteme.com/news/equality-v-equity/>

⁷⁶ McKinsey & Company is a U.S.-based multinational consulting firm specializing in strategy and management services for corporations, governments, and various organizations. Established in 1926 by James O. McKinsey, it stands as the oldest and largest among the "MBB" group of top-tier management consultancies.

⁷⁷ <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-elusive-inclusive-workplace>

distinction, noting that equity might mean providing compensation for unpaid interns who lack the financial means to work without pay. Last but not least, **inclusion** emphasizes the quality of employee experience within the organization, ensuring that all voices are acknowledged and valued. McKinsey's Diana Ellsworth⁷⁸ highlights this importance, pointing to the particular challenges faced by LGBTQ+ employees, especially in senior roles, where they may encounter obstacles to full participation and expression.

Implementing Diversity, Equity, and Inclusion (DEI) initiatives can be challenging⁷⁹, often hindered by vague objectives and a lack of strategic clarity. Business leaders may not approach DEI with the same ambition, creativity, or energy they dedicate to new products or markets. Some may fail to recognize how a lack of DEI limits organizational success or may consider it an issue outside their immediate responsibility. Additionally, "quick fix" interventions offered by experts may feel superficial in workplaces deeply shaped by longstanding practices, leading to fatigue and uncertainty. In such an environment, leaders often struggle to chart an effective course.

For example, Société Générale, one of the biggest Banks in the world, provides a model for a structured and comprehensive DEI strategy⁸⁰. Through its Employee Resource Groups, the bank actively promotes workplace inclusivity by driving DEI initiatives across areas such as cultural diversity, gender equality, LGBTQ+ inclusion, support for differently-abled individuals, and cross-generational integration. These groups ensure that DEI objectives are clearly defined, strategically aligned, and embedded within the organization's core operations. By prioritizing diverse perspectives and creating an inclusive environment, Societe Generale demonstrates how a well-defined DEI strategy can successfully address common challenges.

Critics may view DEI as a costly "nice-to-have," yet research highlights its strategic value, workplaces that implemented inclusive and diverse programmes saw a rise in their employee satisfaction, creativity, and decision-making. For instance, according to a McKinsey analysis, companies in the top quartile for gender diversity in executive teams are 25% more likely to have above-average financial performance than those in the bottom quartile.⁸¹ Concerns about tokenism or reverse discrimination⁸² misinterpret the goals of DEI, which aim not to lower standards but to widen access and ensure equal opportunity for qualified candidates from varied backgrounds.

⁷⁸ <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/how-the-lgbtq-plus-community-fares-in-the-workplace>

⁷⁹ "The new diversity, equity and inclusion (DEI) realities and challenges.", April, Kurt, *HR: The new agenda* (2021): 119-132.

⁸⁰ <https://www.societegenerale.asia/en/careers/diversity-equity-inclusion-dei/>

⁸¹ <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

⁸² <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-diversity-equity-and-inclusion>

In sum, DEI, thoughtfully implemented, is far from a superficial initiative; it is a critical element of modern business strategy. As organizations strive to operate ethically and succeed in a global market, DEI offers both a moral imperative and a competitive advantage.

2.2.1 Current and Prospective DEI Legislation

The EU's Gender Equality Strategy⁸³ and the recently adopted Pay Transparency Directive⁸⁴ represent critical advancements in DEI legislation. Upcoming initiatives are likely to expand DEI requirements, focusing on comprehensive anti-discrimination measures, broader pay transparency, and inclusive hiring practices.

- **Gender Equality Strategy and Pay Transparency Directive**

The EU's **Gender Equality Strategy (2020-2025)** sets out a broad agenda to achieve gender equality, including legislative action on pay transparency. Meanwhile, **the Pay Transparency Directive** introduces specific provisions aimed at closing the gender pay gap:

- **Article 5** of the Pay Transparency Directive requires companies with at least 50 employees⁸⁵ to disclose salary information⁸⁶, ensuring employees have access to information on pay levels and promoting wage equality.
- **Article 7** further mandates that recruitment processes and promotion criteria be free of gender bias, ensuring that hiring and advancement opportunities are based on merit rather than gender and that the candidates are fully informed regarding such matters⁸⁷. Therefore, the legislation grants workers the right to request and receive, in writing, details of their pay levels and the average pay levels for comparable roles, disaggregated by gender⁸⁸. This measure aims to enhance pay transparency and promote gender equality in the workplace and, if the details are inaccurate or incomplete, they may seek further clarifications and receive substantiated responses.⁸⁹

⁸³ <https://ec.europa.eu/newsroom/just/items/682425/en>

⁸⁴ Directive (EU) 2023/970 of the European Parliament and of the Council of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms

⁸⁵ Idem, Art. 6(2)

⁸⁶ Idem, Art. 5(1)

⁸⁷ Idem, Art. 6(1)

⁸⁸ Idem Art. 7(1)

⁸⁹ Idem, Art. 7(2)

- **Employment Equality Directive (Directive 2000/78/EC)**⁹⁰

The **Employment Equality Directive** forbids discrimination on the basis of age, sexual orientation, disability, religion, and belief in the workplace⁹¹.

- **Article 2** defines discrimination to include direct⁹² and indirect⁹³ discrimination, as well as harassment⁹⁴ and instruction to discriminate⁹⁵. This inclusive definition ensures that all forms of discriminatory behaviour are legally recognized and actionable, covering not only overt acts of discrimination but also more subtle, systemic biases that may disadvantage individuals based on gender or other protected characteristics.
- **Article 5** obliges employers to make reasonable accommodations⁹⁶ for persons with disabilities, ensuring that workplaces are accessible and inclusive. This requirement supports the broader DEI mandate of equal treatment and representation within the workforce.

2.3 The Business Case for DEI

Embracing DEI practices yields significant advantages for companies by cultivating a diverse talent pool that boosts creativity, innovation, and adaptability. Research consistently correlates diversity with increased profitability, indicating that inclusive organizations are better positioned to address the complex demands of a varied customer base. Moreover, DEI initiatives enhance employee satisfaction and retention, reinforcing organizational stability and resilience. Consequently, DEI serves not only as a compliance obligation but as a strategic asset that unites ethical principles with sustainable business growth.

Even in contexts where political or societal attitudes may not favour DEI⁹⁷, companies—particularly international ones—have a unique responsibility to act as agents of change and stability. Regardless of regional values or societal expectations, businesses committed to DEI play a critical role in advancing equality and fostering safe, inclusive environments. By championing DEI, these companies set a precedent that transcends cultural and political boundaries, positioning themselves as vectors

⁹⁰ Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation

⁹¹ *Idem*, Recital (12)

⁹² *Idem*, Art. 2(2)(a)

⁹³ *Idem*, Art. 2(2)(b)

⁹⁴ *Idem*, Art. 2(3)

⁹⁵ *Idem*, Art. 2(4)

⁹⁶ *Idem*, Art. 5, “employers shall take appropriate measures, where needed in a particular case, to enable a person with a disability to have access to, participate in, or advance in employment, or to undergo training, unless such measures would impose a disproportionate burden on the employer”

⁹⁷ <https://www.theguardian.com/business/2023/dec/16/diversity-dei-us-companies-backlash>

of positive change and setting standards for equity and respect that contribute to a fairer, more inclusive global society.

3. Convergence of ESG, CSR, and DEI: A Cohesive Approach for Sustainable Development

European regulatory frameworks that encompass ESG, CSR, and DEI reflect a comprehensive strategy to advance responsible corporate conduct. By mandating companies to adopt practices that consider environmental sustainability, societal impact, and internal inclusivity, European business law fosters a holistic model of corporate governance that goes beyond traditional profit motives. This convergence of ESG, CSR, and DEI ensures that companies are accountable for their impact on the environment, society, and workplace equity, promoting a vision of business that is both ethical and profitable.

The integration of these frameworks allows companies to manage risks, align with evolving market expectations, and respond to global challenges such as climate change, social inequality, and workforce diversity. This regulatory approach reflects the EU's commitment to building a resilient economy that is inclusive, sustainable, and globally competitive.

4. Criticism and European Legal Framework Responses

Over time, the integration of these programmes and criteria into corporate and investment practices has sparked debate⁹⁸. Issues include evaluation complexity⁹⁹, greenwashing risks¹⁰⁰, use as mere marketing tools¹⁰¹, balancing short- and long-term goals¹⁰², lack of transparency¹⁰³, and practical implementation challenges¹⁰⁴. The EU has taken proactive measures to enhance these frameworks' credibility, using a range of regulatory tools:

- **Complexity in Valuation and Standardization:** Measuring ESG, CSR, and DEI benefits is complex and often contrasts with the financial markets' short-term outlook. The Corporate Sustainability Reporting Directive (CSRD) mandates consistent standards, requiring companies to report on "double materiality," promoting comparability and accountability in long-term decision-making.

⁹⁸ <https://edition.cnn.com/2024/03/09/us/what-is-dei-and-why-its-dividing-america/index.html>

⁹⁹ <https://hbr.org/2021/01/esg-impact-is-hard-to-measure-but-its-not-impossible>

¹⁰⁰ <https://earth.org/greenwashing-companies-corporations/>

¹⁰¹ <https://organic-life.tips/corporate-social-responsibility-real-fake-or-necessary/>

¹⁰² <https://blog.wastebits.com/sustainability/short-termism-sustainability-esg-long-term-growth/>

¹⁰³ "A critical look at the ESG market", Sipiczki, Agnes, Brussels, Belgium: CEPS, 2022.

¹⁰⁴ "Corporate social responsibility in China: implementation and challenges.", Graafland, Johan, and Lei Zhang, *Business Ethics: A European Review* 23.1 (2014): 34-49.

- **Greenwashing:** Exaggerated claims undermine trust in sustainable practices. The EU's Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation enforce transparency, while the forthcoming Corporate Sustainability Due Diligence Directive (CSDDD) will further ensure companies' commitments in social and environmental domains are genuine.
- **Marketing Misuse:** Some companies have prioritized ESG, CSR, and DEI as branding tools. The EU's SFDR, CSRD, and anticipated DEI legislation, like the Pay Transparency Directive, impose stringent standards to prevent the superficial use of these frameworks, reinforcing them as tools for responsible business.
- **Short- vs. Long-Term Goals:** Long-term benefits of ESG, CSR, and DEI often conflict with financial markets' short-term focus. The EU's Taxonomy and CSRD advocate for a long-term perspective in corporate strategies, positioning CSR and DEI as essential to corporate success.
- **Transparency and Consistency:** Inconsistent reporting undermines investor confidence, but CSRD standardizes ESG, CSR, and DEI reporting, while the Pay Transparency Directive requires companies to disclose DEI practices, fostering clearer understanding and trust.
- **Practical Compromises:** Implementation can face regional and industry-specific challenges. EU frameworks allow flexibility while maintaining accountability, accommodating variations without compromising core goals.

5. Case Studies

• OMV Petrom – Advancing Sustainable Energy and Community Support in Romania

OMV Petrom, a leader in Southeastern Europe's energy sector,¹⁰⁵ has made sustainability central to its mission, with a goal of net-zero emissions by 2050¹⁰⁶ through investments in renewable energy and cleaner technologies. The company's community-driven CSR initiatives include the "Cutia Bebelușului"¹⁰⁷ (Baby Box) program, which has provided essential items and health resources to over 2,700 mothers and newborns in disadvantaged areas, and "Start în educație"¹⁰⁸ (Start in Education), a partnership with World Vision Romania that supports early childhood

¹⁰⁵ <https://energyworld.ro/2024/06/13/eu-omv-group-has-improved-its-estimates-for-2030-the-transformation-of-petrom-into-a-leader-in-the-energy-transition-in-south-eastern-europe-a-priority/>

¹⁰⁶ <https://www.omvpetrom.com/en/news/omv-petrom-confirms-strategy-2030-is-on-track-a-transformation-for-a-lower-carbon-future-while-increasing-dividend-distributions-to-shareholders>

¹⁰⁷ <https://fundatiaomvpetrom.ro/proiect/cutia-bebelusului-11>

¹⁰⁸ <https://fundatiaomvpetrom.ro/blog/fundatia-omv-petrom-si-world-vision-romania-lanseaza-proiectul-quot-start-in-educatie-quot-10>

education in underserved communities. Alongside these efforts, OMV Petrom's commitment to DEI is evident in its focus on gender diversity and inclusion within its workforce, especially in leadership roles. Together, these ESG, DEI, and CSR initiatives have boosted OMV Petrom's reputation, enhanced compliance, and attracted investors, positioning it as a sustainability leader in Eastern Europe.

- **Unilever: A Blueprint for Integrating Sustainability, Equity, and Social Responsibility in Global Business**

Unilever, a global consumer goods giant, has woven sustainability into its core with its Unilever Sustainable Living Plan, aiming for net-zero emissions by 2039¹⁰⁹ and 100% recyclable packaging by 2025¹¹⁰. Its community-focused CSR efforts include support for smallholder farmers, health initiatives like the "Lifebuoy handwashing campaign"¹¹¹, and sustainable farming practices that have improved livelihoods worldwide. On DEI, Unilever has reached gender parity in management and promotes inclusivity through diverse employee networks and the "Unstereotype"¹¹² initiative to combat media stereotypes. These ESG, DEI, and CSR efforts have strengthened Unilever's market position, enhanced its reputation, and attracted sustainability-focused investors, establishing it as a global leader in ethical business.

6. Lex Ferenda

To reinforce the positive trajectory of ESG, CSR, and DEI, several legislative advancements could be considered:

6.1 Comprehensive EU Standards and Incentives for ESG and DEI Reporting

To harmonize sustainability efforts, a unified EU standard for ESG reporting would address the current inconsistencies across member states, creating a single framework that simplifies reporting for corporations operating cross-border. This standard should include mandatory climate risk assessments for high-impact industries (like energy, transportation, and agriculture) to enhance long-term resilience and economic stability. Additionally, the framework should expand DEI metrics beyond gender to include data on racial, ethnic, and ability-based representation. Introducing tax incentives for companies that excel in these areas

¹⁰⁹ https://climatechampions.unfccc.int/unilever-and-the-race-to-halve-emissions-by-2030/?gad_source=1&gclid=Cj0KCQiA0MG5BhD1ARIsAEcZtwR7tAP42h13WRIhRR9ZwrUMVcaMH5II5U_i8AcVOZo68i5alJqYA4aAsi7EALw_wcB

¹¹⁰ <https://www.unilever.com/sustainability/plastics/rethinking-plastic-packaging/>

¹¹¹ <https://www.unilever.com/news/news-search/2020/help-lifebuoy-change-the-worlds-handwashing-habits-forever/>

¹¹² <https://www.unilever.com/news/news-search/2023/unstereotype-101-guide-how-to-speak-out-against-stereotypes/>

would not only encourage adoption but would also reward commitment to DEI and sustainability practices, further enhancing transparency and investor confidence across the EU.

6.2 Strengthened Corporate Due Diligence in Global Supply Chains

As European corporations continue to operate globally, it is critical that EU legislation enforces rigorous due diligence standards across international supply chains. This proposal includes enhanced labor and environmental requirements that obligate European companies to ensure ESG and CSR standards are upheld not only within the EU but also throughout their global operations. Expanding due diligence requirements would contribute to fairer labor practices and reduced environmental degradation globally, while also incentivizing companies to take accountability beyond regional boundaries.

7. Conclusions

In a corporate world often depicted as a battlefield for power and profit, certain areas of the European Business Law offer an alternative vision—one where responsibility, inclusivity, and sustainability are integral to corporate success. By adopting Environmental, Social, and Governance (ESG), Corporate Social Responsibility (CSR), and Diversity, Equity, and Inclusion (DEI) principles into its regulatory framework, the European Union sets a benchmark for a balanced approach to growth. This research highlighted that European regulations are not merely restrictive; they are transformative, encouraging companies to align profitability with ethical imperatives and societal contributions. As analyzed, the EU's policies—from the European Green Deal and Corporate Sustainability Reporting Directive to upcoming due diligence mandates—redefine the corporate landscape by positioning sustainability and inclusivity as strategic priorities rather than optional practices.

Ultimately, this "corporate odyssey" through ESG, CSR, and DEI reflects a shift towards a holistic paradigm of corporate governance that values long-term impact over short-term gains. Much like the narratives explored in popular culture, where unchecked ambition often leads to corporate downfall, European Business Law reminds corporations that true success lies in balancing ambition with accountability. This evolving framework forges a path toward a sustainable and inclusive future—one that empowers corporations to act as stewards of both economic growth and societal well-being.

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