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Regulating Corporate Social Responsibility in the mid-of COVID - 19 pandemic

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1. Introduction

Academics have debated Corporate Social Responsibility (hereinafter CSR) for a long time. The fundamental idea is whether the corporations should pursue other stakeholders' welfare when maximizing profits for the shareholders. It is difficult to determine precisely when the concept of 'Shareholder Primacy Theory' started. But this was confirmed in 1919 in the famous U.S case of *Dodge v Ford Motor*¹ in which the Michigan Supreme Court held that Henry Ford had to operate the Ford Motor Company in the interests of its shareholders, rather than in a charitable manner for the benefit of his employees or customers. As Chief Justice Russell Ostrander stated that "A business corporation is organized and carried on primarily for the profit of the

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¹ *Dodge v. Ford Motor Co.* 204 Mich. 459, 170 N.W. 668 (1919).

stockholders.”² In 1962, the American economist and statistician Milton Friedman who received Nobel Memorial Prize, published his landmark book *Capitalism and Freedom*, advanced the theory of shareholder primacy, which said that “corporations have no higher purpose than maximizing profits for their shareholders.”³

However, many companies no longer accept the maxim that the “business of business is business” because corporations must squarely address social justice and environmental issues that afflict humankind.⁴ That is the original idea of stakeholder theory. In 1971, Hein Kroos and Klaus Schwab published a German booklet *Moderne Unternehmensführung im Maschinenbau (Modern Enterprise Management in Mechanical Engineering)*, which argued that the board of modern enterprise must serve not only shareholders but all stakeholders to achieve long-term growth and prosperity.⁵ After that, stakeholder theory continued to develop in controversy. In 1984, Edward Freeman, who was considered the ‘father of stakeholder theory’⁶, published the book *Strategic Management: A Stakeholder Approach*, which is widely cited in this field as the foundation of stakeholder theory. As stakeholders always come from several aspects including environment, society, human rights, etc. In this context, the idea of CSR is fundamental, as it is one of the most important ways in which a company can contribute to its employees, the local communities, the environment of the origin country. Additionally, CSR can also contribute to the “normalization, reinforcement, and reduction of economic inequalities in society.”⁷

Starting in December 2019, the unexpected pandemic suddenly occurred on this planet and put all individuals and groups, all kinds of organisations, into a shock situation. Fast forward to September 2021, even more than a year and a half later, the global fight continued. The virus continues to spread across the world, and it is still

² Ibid.

³ Milton Friedman, *Capitalism and Freedom* (University of Chicago Press 1962).

⁴ Paul Hawken, *The Ecology of Commerce* (Revised edn, Harper Business 2010).

⁵ Hein Kroos and Klaus Schwab, *Moderne Unternehmensführung im Maschinenbau (Modern Enterprise Management in Mechanical Engineering)* (Maschinenbau-Verlag 1971).

⁶ André O Laplume, Karan Sonpar and Reginald A Litz, ‘Stakeholder Theory: Reviewing a Theory That Moves Us’ (2008) 34(6) JM 1152

⁷ Hari Bapuji and others, ‘Corona Crisis and Inequality: Why Management Research Needs a Societal Turn’ (2020) 46 JM 1205

unclear how long it will last and when people's lives can return back to normal. The impact of the pandemic has been multifaceted. In the current state of global integration, a small local problem can affect all aspects globally. Telukdarie et al. state that the resolution of this unprecedented challenge seems something the globe must live with.⁸ What policymakers should keep a close eye on in this epidemic is not only the health of individuals, but also the global economic situation. In its latest forecast, the International Monetary Fund said that the world economy would suffer its worst year since the Great Depression of the 1930s.⁹ McKibbin and Fernando pointed out that the impacts of the disease had become apparent beyond mortality and morbidity since the outbreak. Some panic among consumers and firms has changed usual consumption patterns and created market anomalies.¹⁰ Similarly, Sunarsi and others stated that with concerns over the COVID-19, the government had encouraged to reduce mobility, so the public had declined in future economic growth beliefs, which made the turnover of money slower and affected the behaviour patterns of public consumption.¹¹ Also, the lockdown policy issued by the government to alleviate the epidemic has given brick and mortar business companies the unprecedented challenge because people are encouraged to stay at home and reduce going out. According to Yildirim, because of COVID-19 pandemic, the consumer traffic of brick-and-mortar retail stores, especially department stores and apparel, shoes, and accessories stores, experienced a serious decline.¹² Both international trades in services and goods have been affected. The worldwide tourism industry has been hit hard, because the travellers are less willing to travel, the flights have been cancelled, and the hospitality industry almost comes to a halt. For those companies in the travel industry, this is undoubtedly a devastating hit. Further, for the manufacturing sector, the leading

⁸ Arnesh Telukdarie, Megashnee Munsamy and Popopo Mohlala, 'Analysis of the Impact of COVID-19 on the Food and Beverages Manufacturing Sector' (2020) 12(22) Sustainability 9331

⁹ Euronews, 'COVID-19: World economy in 2020 to suffer worst year since 1930s Great Depression, says IMF' (*Euronews*, 14 April 2020) < www.euronews.com/2020/04/14/watch-live-international-monetary-fund-gives-world-economic-outlook-briefing-on-covid-19> accessed 2 August 2021.

¹⁰ Warwick McKibbin and Roshen Fernando, 'The economic impact of COVID-19' in Richard Baldwin and Beatrice Weder di Mauro (eds), *Economics in the Time of COVID-19* (CEPR Press 2020).

¹¹ Denok Sunarsi and others, 'Covid-19 Pandemic Analysis Toward Productivity Giving Layoffs Effect in The Company of Industrial Sector around South Tangerang' (2020) 1 Prosiding ICoISSE 472

¹² Pinar Yildirim, 'The Short-run Impact of COVID-19 on Brick-and Mortar Stores: Evidence from RetailTech' (2021) 3777740 SSRN < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3777740> accessed 11 August 2021.

source of raw materials like China, where industrial parts and components are essential to manufacturing processes in most nations in the world, has been affected by the pandemic.¹³ The COVID-19 situation has caused direct supply shocks, leading to an increase in raw material prices and production costs.

COVID-19 not only aggravated existing challenges but also brought new challenges, particularly for those who are incredibly vulnerable. According to the Lancet, the COVID-19 situation the health inequalities.¹⁴ From a medical point of view, the transmission of the virus is not unequal since everyone is at the same risk of being susceptible to the illness. However, COVID-19 does discriminate. Growing data shows that people from BAME backgrounds are more likely to contract the virus than white people and become seriously ill or even die from it.¹⁵ In developed countries, there are still high levels of inequality in terms of wealth, health, education, healthcare, etc. As a result of the government's 'work from home' policy, Adams-Prassl et al. assumed that there were also inequalities in job loss probabilities across industries and occupations.¹⁶

The high levels of inequality make CSR particularly important in this pandemic and provide an opportunity to re-examine companies' voluntary role in society in a tough time. Before the pandemic, CSR would impact companies' financial situation, reputation, and consumers' behaviour. During the pandemic, CSR could protect both companies' employees and companies themselves. As He and Harris states, an optimistic view of COVID-19 pandemic is accelerating post-pandemic CSR development in the long run, more and more relevant and pressing questions are not about whether to invest in CSR or not, but about how to invest in CSR.¹⁷ According to

¹³ Richard Baldwin and Eiichi Tomiura, 'Thinking ahead about the trade impact of COVID-19' in Richard Baldwin and Beatrice Weder di Mauro (eds), *Economics in the Time of COVID-19* (CEPR Press 2020).

¹⁴ The Lancet, 'Redefining vulnerability in the era of COVID-19' (2020) 395 The Lancet 1089

¹⁵ Robert Booth, 'BAME groups hit harder by Covid-19 than white people, UK study suggests' *The Guardian* (London, 7 April 2020) <www.theguardian.com/world/2020/apr/07/bame-groups-hit-harder-covid-19-than-white-people-uk> accessed 2 August 2021. Also, in Benjamin Butcher and Joel Massey, 'Why are more people from BAME backgrounds dying from coronavirus?' (*BBC NEWS*, 19 June 2020) <www.bbc.co.uk/news/uk-52219070> accessed 2 August 2021.

¹⁶ Abi Adams-Prassl and others, 'Inequality in the impact of the coronavirus shock: Evidence from real time surveys' (2020) 189 *Journal of Public Economics* 104245

¹⁷ Hongwei He and Lloyd Harris, 'The impact of Covid-19 pandemic on corporate social responsibility and marketing philosophy' (2020) 116 *Journal of business research* 176

Zhao, the pandemic has led to a sharp increase in attention to CSR considerations from both governments and market participants.¹⁸ This provides the companies with an entry point for CSR and to invisibly increase exposure for themselves in such situations.

In Chapter 4, under Companies Act 2006 s. 172, all 22 UK companies on *2021 Fortum Global* have disclosed their CSR activities in their annual reports for the past year. By analysing their annual reports, the author finds that UK companies have actively engaged in socially responsible activities in several areas, including human rights, the environmental protection and contributed to the communities. However, as government regulation is still undetailed, there is an imbalance in CSR activities' specific direction and focus. Companies in the U.K tended to invest in areas most relevant to themselves and ignore those less relevant. And in the period of COVID-19 pandemic, almost every company focused on human beings and society, and ignored contributing to the environment. Meanwhile, companies also looked to the government to advance their collective interests and regulate their collective action problems.¹⁹ Regulation of CSR is becoming particularly important in the light of the COVID-19.

However, as the global economy suffers deeply, the companies' operations are also bound to be disrupted. On the one hand, the company itself wants to use this opportunity to make a positive impression on society and to lay the foundations for its rise in the post-pandemic era. On the other hand, CSR involves a financial budget, and in this epidemic, the company's profit will be significantly affected, and the companies may even go into liquidation. In this situation, how can a company contribute to society when it cannot protect itself? What is more, not all companies are willing to be more responsible. Instead of contributing to society and investing in CSR, some companies have tried to profiteer from this crisis and take harmful actions

¹⁸ Jingchen Zhao, 'Reimagining Corporate Social Responsibility in the Era of COVID-19: Embedding Resilience and Promoting Corporate Social Competence' (2021) 13(12) *Sustainability* 6548

¹⁹ Jette S. Knudsen, 'Government as a Regulator of CSR: Beyond Voluntarism' in Andreas Rasche, Mette Morsing and Jeremy Moon (eds), *Corporate Social Responsibility: Strategy, Communication, Governance* (Cambridge University Press 2017) 246.

to society or their stakeholders. And these behaviours of the companies in sensitive areas, such as the vaccine development pharmaceutical companies, are particularly important.

This increases the importance of ex-ante CSR legislative and has led to demands on government departments to take the opportunity to introduce more favourable policies and regulations for the companies and to use it as an opportunity to prevent similar incidents which may occur in the future. Therefore, the government seems inevitable and urgent to introduce legal provisions to promote corporate development and deter companies from acting detrimentally to social and economic development. What is more, a range of policy responses are essential both in the short term and in the coming years.

Scholars have begun to examine the relationship between CSR and other aspects, calling on the government to introduce a plan to make the business sustainable. However, there is relatively little literature on the legal aspects of this argument. This article aims to fill this gap by analyzing the role, characteristics, significance, and potential effects of CSR on companies in a pandemic social environment from a legislative perspective and exploring what preventive measures the law can take to develop companies in the post-pandemic era.

The remainder of this paper is structured as follows. Chapter 2 discusses the impact on companies in several sectors during the COVID-19 pandemic. Chapter 3 sets out the importance of CSR before the period, in the period, and after the period of COVID-19 pandemic. Chapter 4 provides an overview of the current situation of CSR in the U.K based on the 22 UK companies' annual reports chosen from the *2021 Fortune Global 500*. Chapter 5 discusses the current condition of CSR's government regulation between the U.K and the rest of the world. Chapter 6 proposes possible advices in government regulation before Chapter 7 concludes.

2. The impact of COVID-19 pandemic to the companies

2.1 Companies in general

The impact of the COVID-19 pandemic on the companies has been vast and

multifaceted. It causes a dramatic effect on the companies' productivity, supply chain, employees, financial liquidity, sustainability, and the consumers. For companies in the tourism and manufacturing sectors, losses were suffered by objective factors. For retailers in the brick and mortar, the loss of turnover was due to government policies that restrict mobility. Many companies face liquidation, and the shareholders are facing a lack of access to earnings while the employees face redundancy.

Productivity is an effective efficiency measure and is often limited by labour.²⁰ Research around South Tangerang in Indonesia has shown that COVID-19 pandemic has a significant negative influence on productivity, and productivity has a significant negative impact on employee layoffs.²¹ The higher costs associated with measures to contain coronavirus, the lower the productivity within companies because higher intermediate inputs will accordingly push down on value-added relative to sales.²² Bloom and others stated that the companies' management spent a large amount of time to deal with the effects of COVID-19 on their business during the outbreak, which might have otherwise been spent on productivity-enhancing activities.²³ At the same time, the worker's productivity may differ considerably when working at home rather than the usual workplace.²⁴ Data from the U.K Office for National Statistics shows that when COVID-19 restrictions were first introduced in Q2 (Apr. to Jun.) 2020, output per hour worked decreased in London (falling by 3.8% compared with the previous quarter) but as lockdown restrictions started easing in Q3 (Jul. to Sept.) 2020, output per hour worked increased in all countries and regions of the U.K compared with the previous quarter.²⁵ But the same downward trend occurred during the second national lockdown in the U.K in Q4 (Oct. to Dec.) 2020.²⁶ Thus, the policy

²⁰ Sunarsi and others (n 11).

²¹ *Ibid.*

²² Nicholas Bloom and others, 'The impact of Covid-19 on productivity' (2020) Bank of England Working Paper No. 900 SSRN < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3753742> accessed 13 August 2021.

²³ *Ibid.*

²⁴ Jonathan I. Dingel and Brent Neiman, 'How many jobs can be done at home?' (2020) 189 *Journal of Public Economics* 104235

²⁵ Office for National Statistics, 'Labour productivity for UK countries and regions, quarterly: October to December 2020' (*Office for National Statistics*, 4 August 2021) < <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/bulletins/labourproductivityforukcountriesandregionsquarterly/octobertodecember2020> > accessed 13 August 2021.

²⁶ *Ibid.*

of ‘work from home’ may reduce labour productivity which Bloom and others thought it was possibly because of the reduced innovation and creativity.²⁷ In conclusion, COVID - 19 has caused a significant drop in the companies' productivity and, as a result, the companies’ employees were forced to lose their jobs.

2.2 Companies trade in services

At the same time, with travel restrictions and reluctance to travel becoming widespread, their impact on the companies in specific industry sectors, such as in the airline industry and tourism, could even be devastating. According to *2021 Fortune Global 500*, all six of the airline's companies that appeared in 2020's ranking failed to cut this year.²⁸

As the histogram depicted in Figure 1 below, the percentage change of U.K residents travels overseas was the first time to experience negative growth in Q4 2019 (the start of the pandemic) since Q2 2015 (before the pandemic). The negative growth continued to widen after Q4 2019 (beginning of pandemic) and reached nearly 100% in Q2 2020 (in the pandemic). According to the U.K Office for National Statistics data, U.K residents made 939,000 visits abroad in Quarter 2 (in the pandemic) 2020, which was 96% fewer than the corresponding period the previous year (before the pandemic) was because of the coronavirus pandemic.²⁹

²⁷ Bloom and others (n 22).

²⁸ FORTUNE, ‘Global 500’ (FORTUNE, 2 September 2021) <<https://fortune.com/global500/>> accessed 2 September 2021.

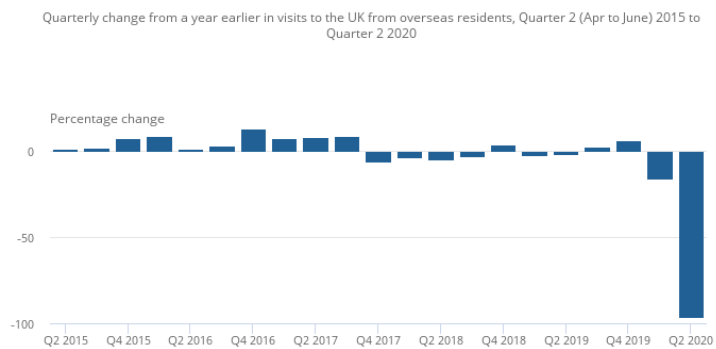
²⁹ Office for National Statistics, ‘Overseas travel and tourism, provisional: April to June 2020’ (*Office for National Statistics*, 9 November 2020) <www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/bulletins/overseastravelandtourism/apriltojune2020> accessed 6 August 2021.



Source: Office for National Statistics - Overseas travel and tourism

Figure 1. Percentage changes of UK residents’ visits to overseas between 2015 Q2 - 2020 Q2.

Similar trends were observed for overseas resident’s travel to the U.K, as Figure 2 shown. Overseas residents made a total of 398,000 visits to the UK during Quarter 2 (in the pandemic) 2020, a decrease of 96% compared with the same period a year earlier (before the pandemic). ‘The large fall is attributable to the coronavirus (COVID - 19) pandemic’³⁰ reported by the U.K Office for National Statistics on their website. Globally, similar levels of decrease were seen for all areas of the world.³¹



Source: Office for National Statistics - Overseas travel and tourism

Figure 2. Percentage changes of overseas residents’ visits to the UK between 2015 Q2 - 2020 Q2.

³⁰ *Ibid.*

³¹ Office for National Statistics, ‘Overseas travel and tourism, provisional: January to March 2021’ (*Office for National Statistics*, 23 July 2021) < www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/articles/overseastravelandtourismprovisionalresults/januarytomarch2021> accessed 6 August 2021.

On the one hand, for companies in the tourism sector, this means no capital income. The research by Škare et al. shows that the world level travel and tourism industry will face a massive decrease in total capital investments. The recovery period for the assets will last on average two years to return to positive figures and 8–9 years to return to pre-crisis levels.³² On the other hand, for the employees of such companies, it means layoffs. According to the latest research report of the world travel and tourism council (WTTC), up to 75 million jobs are at immediate risk in global travel & tourism and a daily loss of a shocking one million jobs is also estimated due to the coronavirus pandemic.³³ Thus, the COVID-19 pandemic brings the travel corporations to a standstill, causing massive job and revenue losses. After the pandemic, private and public policy support is needed to assure capacity building and operational sustainability of travel tourism.³⁴

2.3 Companies trade in goods

Moreover, the international trade in both services and goods has also been affected as a result of the reduced circulation between countries. The worldwide supply chain including distribution, packaging, as well as sourcing of raw materials, is facing the wrath of the COVID-19 outbreak.³⁵ For the companies in the manufacturing sector, this means a serious lack of raw materials and a total break in their supply chain. Okorie et al. states that manufacturing in the COVID-19 are suffering both endogenous disruption of manufacturing processes and systems as well as extreme shifts in demand and supply caused by exogenous supply chain disruption.³⁶ Baldwin and Tomiura represent that the manufacturing sector will get a triple hit which

³² Marinko Škare, Domingo R Soriano and Małgorzata Porada-Rochoń, 'Impact of COVID-19 on the travel and tourism industry' (2021) 163 *Technological Forecasting and Social Change* 120469

³³ World Travel and Tourism Council, 'Latest research from WTTC shows a 50% increase in jobs at risk in Travel & Tourism' (*World Travel and Tourism Council*, 25 March 2020) < <https://wttc.org/News-Article/Latest-research-from-WTTC-shows-a-50-percentage-increase-in-jobs-at-risk-in-Travel-and-Tourism>> accessed 7 August 2021.

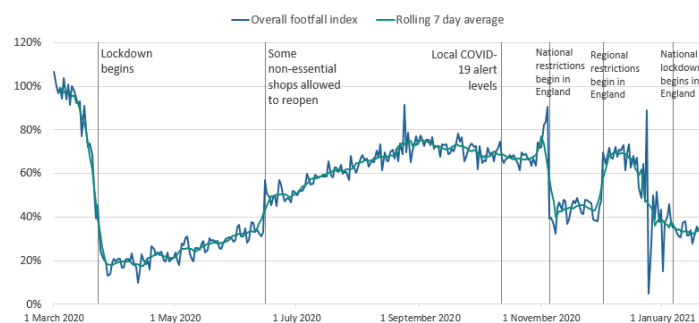
³⁴ Škare, Soriano and Porada-Rochoń (n 32).

³⁵ Nandini R. Choudhury, 'Food Sector Faces Multipronged Consequences of COVID-19 Outbreak' (*Global Trade*, 20 April 2020) < www.globaltrademag.com/food-sector-faces-multipronged-consequences-of-covid-19-outbreak/> accessed 12 August 2021.

³⁶ Okechukwu Okorie and others, 'Manufacturing in the Time of COVID-19: An Assessment of Barriers and Enablers' (2020) 48(3) *IEEE Engineering Management Review* 167

includes direct supply disruptions and demand disruption hindering the production, and the more expensive inputs because of the supply-chain contagion by COVID-19 pandemic.³⁷ In the UK, the impact of the supply chain does not only occur in the manufacturing industry but also in supermarkets and restaurants due to the interruption of the food supply chain. For example, Nando's was forced to close numerous chains because it had run out of chicken, which was the main component of its menu. In the same situations in McDonald's, milkshakes were off due to supply chain issues.³⁸ All major supermarkets, including Big Four grocers Tesco, Morrison's, Sainsbury's, and Asda, had seen shelves left empty in recent weeks following the lack of workers.³⁹

Also, to the brick-and-mortar sales companies and retailers, consumers were required to obey the orders issued by the government to stay at home, which greatly restricted face-to-face service in stores and business activities decreased. The impact of these restrictions has been reflected in footfall levels. As shown in Figure 3, the volume of footfall in the UK was at a low level when the restrictions began, and as these lockdown restrictions eased, there was a marked increase.



Source: Springboard and the Department for Business, Energy and Industrial Strategy

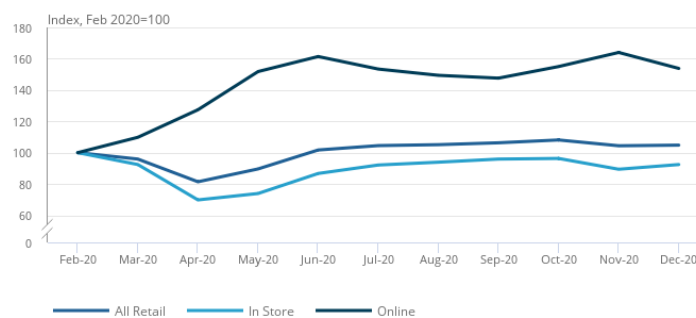
Figure 3. Volume of footfall, percentage change from the same day the previous year, UK, 1 March 2020 to 24 January 2021

³⁷ Baldwin and Tomiura (n 13).

³⁸ Caroline Davies, 'McDonald's runs out of milkshakes amid 'supply chain issues'' The Guardian (London, 24 August 2021) < www.theguardian.com/business/2021/aug/24/mcdonalds-runs-out-of-milkshakes-due-to-supply-chain-issues> accessed 25 August 2021

³⁹ Levi Winchester, 'Costa, Greggs, Subway and Iceland hit by food shortages - see full list of retailers' (*Mirror*, 25 August 2021) < www.mirror.co.uk/money/costa-greggs-subway-more-forced-24836155> accessed 25 August 2021.

Data from the UK Office for National Statistics show that the impact of footfall levels' decrease has been reflected in the official Retail sales' figures. The total retail sales volume in Great Britain fell by 1.9% in 2020 compared with 2019, and the most significant fall since records began.⁴⁰ As shown in Figure 4, retail sales in stores volumes fell sharply between March 2020 to April 2020 because of the national lockdown in the UK. Thus, the negative impacts of this pandemic are not only caused by the spread of COVID-19 but also by the measures to contain it.



Source: Office for National Statistics – Monthly Business Survey

Figure 4. Retail sales in UK between February 2020 – December 2020

Not just in the UK, the impact of the COVID-19 pandemic on the retail industry has been a global phenomenon, reflecting how governments across the world have introduced policy measures to reduce the spread of the virus.⁴¹ As shown in Figure 5, retail sales growth worldwide decreased 5.7% in 2020 in the pandemic while it increased nearly 5% each year in two years before the pandemic. The retail group Inditex recorded the highest number, with one thousand worldwide store closures announced in the first half of 2020.⁴² The merchandise experienced a decrease in sales turnover and losses due to the stock of the goods experiencing decay.⁴³

⁴⁰ Office for National Statistics, 'Impact of the coronavirus (COVID-19) pandemic on retail sales in 2020' (*Office for National Statistics*, 1 February 2021) < www.ons.gov.uk/economy/grossdomesticproductgdp/articles/impactofthecoronaviruscovid19pandemiconretailsalesin2020/2021-01-28> accessed 11 August 2021.

⁴¹ *Ibid.*

⁴² Statista Research Department, 'Facts and statistics on coronavirus (COVID-19): impact on the retail industry worldwide' (*Statista*, 28 July 2021) < www.statista.com/topics/6239/coronavirus-impact-on-the-retail-industry-worldwide/> accessed 12 August 2021.

⁴³ Hertati Lesi and Otniel safkaur, 'The Influence of Information Technology Covid-19 Plague Against Financial

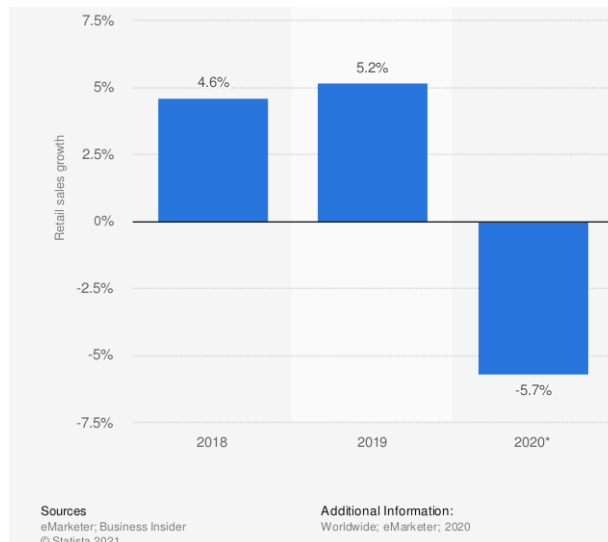


Figure 5. Retail sales growth worldwide from 2018 to 2020

2.4 Benefits to a few companies

For most companies, the pandemic has been detrimental, but for a few companies, the COVID-19 pandemic brought unexpected demand, namely medical devices such as Personal Protective Equipment (PPE), masks, medical gloves, pharmaceuticals, and vaccine development which mainly related to the safety equipment industry and the pharmaceutical.⁴⁴ Also, with individuals staying home to help stop the spread of the virus, companies offering delivery services and mobile device began to see an uptick in sales. At the same time, the online shopping model is becoming more and more dominant, and many companies are transforming and upgrading their sales models as a result. According to the research from Statista in February 2021, approximately 75 percent of consumers in the UK said they had been shopping more online, compared to before the coronavirus (COVID-19) pandemic.⁴⁵

As discussed above, COVID-19 pandemic brings an opportunity for a small group of companies, but it has a more negative impact on the broader environment. The

Statements and Business Practices' (2020) 1 Ilomata International Journal of Tax and Accounting 122

⁴⁴ Agus Purwanto and others, 'The covid-19 pandemic impact on industries performance: an explorative study of Indonesian companies' (2020) 7 journal of critical reviews 1965

⁴⁵ D. Tighe, 'Percentage change in online purchases due to the coronavirus (COVID-19) pandemic in the United Kingdom from March 2020 to February 2021' (Statista, 3 May 2021) < www.statista.com/statistics/1230225/changes-in-online-buying-among-uk-consumers-since-covid-19/ > accessed 13 August 2021.

COVID-19 pandemic affects the aspects of companies in employees, the supply chain, and consumers, which are all the stakeholders of the companies. According to Shivanjali et al., throughout this time, those companies whose leaders can adapt to new ways of operating help reduce possible revenue losses, build new rates of confidence in their workers, and post-pandemic subsidies position their companies for sustained growth.⁴⁶ This brings the stakeholder theory and the idea of CSR under the spotlight again.

3. The importance of CSR

The definition of CSR has been defined by various scholars and could be summarised as the need whether the companies need to consider the interests of stakeholders, normally the aspects of society, the environment and human rights, other than shareholders while generating profits in the business practices and activities.

3.1 Before the COVID-19 pandemic

3.1.1 Financial Performance

Before the COVID-19 pandemic, several studies have been conducted to analyse the relationship between the corporation's engagement in socially responsible business activities and their financial performance. As early as 1972, Moskowitz observed 14 firms with "perceived" high CSR were more outperformed in their Dow-Jones Index.⁴⁷ In the same year, Bragdon and Marlin compared 17 firms of paper and pulp industry in pollution index with its Return on Equity (ROE) and discovered that firms with better the pollution control enjoyed better capital growth.⁴⁸ Heinz correlated CSR ratings of 29 firms from a *Business and Society Review* survey with ROE and also found there was a significantly positive correlation between CSR and ROE.⁴⁹ Bowman and Haire classified 82 food processing firms into low, medium, and high

⁴⁶ Shivanjali, Mitushi Singh and Rimsha Ameer, 'COVID - 19: managing the human and business implications' (2020) 7(2) *Integr. J. Soc. Sci* 43

⁴⁷ Milton Moskowitz, 'Choosing socially responsible stocks' (1972) 1 *Business and society review* 71

⁴⁸ Joseph H Bragdon and John Marlin, 'Is pollution profitable' (1972) 19 *Risk Management* 9

⁴⁹ David C Heinz, 'Financial correlates of a social measure' (1976) 7(1) *Akron Business and Economic Review* 48

CSR categories and found that the firms in middle range of CSR achieved the highest performing in their probability.⁵⁰ They also claimed this result did not mean that medium attention to or mention of CSR caused higher profits, but those in the lower associated with CSR did get lower profits performance.⁵¹ Similarly, Parket and Eilbirt found in their survey that the 80 respondents who were considered to be the most socially active showed up as more profitable.⁵² Sturdivant and Ginter stated that even though there were numerous factors affecting a firm's economic performance, the best and honorable mention firms indeed achieved stronger economic performance.⁵³ This idea supports the finding of Bowman and Haire and also makes some extensions to Bragdon and Marlin.

However, there were also different voices. Several researchers had found a negative correlation or no relationship between CSR and financial performance. A very famous diatribe was published by Vance in 1975, when he attacked Moskowitz's 1972 conclusion that companies with high CSR performed better on their Dow-Jones Index. He updated the performance records of the 14 firms between 1972-1975 which Moskowitz observed and found most of the selected companies lost more than half of their stock market value and had performed far below the Dow-Jones Index.⁵⁴ As a result, he made a conclusion that CSR firms were determined not to be good investment and there was a negative correlation between CSR and stock price increases.⁵⁵ In 1978, Alexander and Buchholz retorted both views by Moskowitz and Vance and considered that empirical deficiencies were excited because of lack of adjustment for risk and performance measured over short-term in the previous studies.⁵⁶ They adjusted for relevant variables and concluded that there were no

⁵⁰ Edward H. Bowman and Mason Haire, 'A Strategic Posture Toward Corporate Social Responsibility' (1975) 18 California management review 49

⁵¹ *Ibid.*

⁵² Robert Parket and Henry Eilbirt, 'The practice of business social responsibility: the underlying factors' (1975) 18 Business Horizons 5

⁵³ Frederick D. Sturdivant and James L. Ginter, 'Corporate Social Responsiveness: Management Attitudes and Economic Performance' (1977) 19 California management review 30

⁵⁴ Stanley Vance, 'Are socially-responsible corporations good investment risks' (1975) 64 Management Review 18

⁵⁵ *Ibid.*

⁵⁶ Gordon J. Alexander and Rogene A. Buchholz, 'Corporate Social Responsibility and Stock Market Performance' (1978) 21 The Academy of Management Journal 479

significant relationship between stock risk levels and degree of social responsibility.⁵⁷

At the same time, Abbott and Mosen also claimed there was no conclusive evidence for a clear linkage between corporate social activities and profitability and being socially involved did not appear to increase investors' total rate of return.⁵⁸

These studies had examined the relationship between CSR and financial performance from different perspectives or methodological approaches. Although the conclusions were not consistent, which might be due to objective reasons or the economic context at the time, they all provided reference value for the subsequent impact of CSR.

During the 1970s, researches were mainly focused on relationships between CSR and financial performance. This might be influenced by a normative theory of business ethics called 'Stockholder Theory', advanced in 1970 by economist Milton Friedman who held the view that the social responsibility of business is to increase its profits.⁵⁹

By the 1980s the focus shifted, and empirical CSR researchers began to look at different variables related to financial performance and sought to view CSR through different organizational perspectives.⁶⁰ To fully address the entire range of obligations business has to society, Carroll constructed CSR into four sections which were economic, legal, ethical, and discretionary categories.⁶¹ Furthermore, significantly different from the Stockholder Theory from Friedman, a theory called 'Stakeholder Theory' was summarised by Edward Freeman, in which the concept 'stakeholder' was defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives".⁶² That normally refers to the customers, suppliers, employees, investors, communities and others who have a stake in the organization.

As a result, the research on the influence of CSR was not limited on the financial

⁵⁷ *Ibid.*

⁵⁸ Walter F. Abbott and R. Joseph Mosen, 'On the Measurement of Corporate Social Responsibility: Self-Reported Disclosures as a Method of Measuring Corporate Social Involvement' (1979) 22 *The Academy of Management Journal* 501

⁵⁹ Milton Friedman, 'A Friedman doctrine -- The Social Responsibility of Business Is to Increase Its Profits' *The New York Times* (New York, 13 September 1970).

⁶⁰ Justin L. Davis, Haris Alibašić and Sam Norris, 'Corporate leadership in sustainability: A green ranking performance-based approach to understanding corporate social responsibility (CSR) and positive marketing impact' (2018) 4 *Creighton Journal of Interdisciplinary Leadership* 3

⁶¹ Archie B. Carroll, 'A Three-Dimensional Conceptual Model of Corporate Performance' (1979) 4 *The Academy of Management Review* 497

⁶² R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (LondonMass.Mass 1984) 54.

performance, but also paid attention to the consumers' behaviour and the companies' reputation.

3.1.2 Consumers' Behaviour

Consumers' behaviour is not just about the actions of people buying goods but defined as the activities people undertake when obtaining, consuming and disposing of products and services,⁶³ including the people's emotional, mental and behavioural responses that precede or follow these activities.⁶⁴ Thanks to the influence of better education and rapidly developed social media platforms, consumers are more aware of the corporations' responsibility and it may no longer be accepted for business organizations to neglect CSR.⁶⁵

There are many studies presenting a positive relationship between CSR and consumers' behaviour. Brown and Dacin found in their research that consumers can use the corporate associations to draw inferences about the product which significantly affect how consumers feel overall about a company, thus concluded that CSR had a significant influence on consumer responses to new product and could enhance the product evaluations.⁶⁶ Further, Sen and Bhattacharya developed their survey built on Brown and Dacin, they focused on individual level conceptual framework linking CSR to consumers' company evaluations and product purchase intentions, revealing that both company and consumer based heterogeneity in consumers' reactions to CSR.⁶⁷ In their model, they found that CSR will directly affect consumers' intentions to purchase corporation's products.⁶⁸ Both studies suggested that socially responsible activities do influence consumers' attitudes toward a corporation and their intentions to purchase its products.

⁶³ Roger D Blackwell, James F Engel and Paul W Miniard, *Consumer behavior* (10th ed., Thomson South Western 2006).

⁶⁴ Frank R. Kardes, Thomas W. Cline and Maria L. Cronley, *Consumer behavior* (2nd edn, South-Western 2020).

⁶⁵ Rahizah A. Rahim, Farah W. Jalaludin and Kasmah Tajuddin, 'The importance of corporate social responsibility on consumer behaviour in Malaysia' (2011) 16 *Asian Academy of Management journal* 119

⁶⁶ Tom J. Brown and Peter A. Dacin, 'The Company and the Product: Corporate Associations and Consumer Product Responses' (1997) 61 *Journal of Marketing* 68

⁶⁷ Sankar Sen and C.B. Bhattacharya, 'Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility' (2001) 38 *Journal of marketing research* 225

⁶⁸ *Ibid.*

Perez et al. found CSR contributes to building consumer identification with the company, which is positively correlated to satisfaction.⁶⁹ Smith and Alcorn found that almost twice of their respondents (57.9%) believed it was important to support companies which supported charitable causes and 45.6 percent of their respondents indicated they would even likely to switch brands to support a manufacturer who had donated to a charity.⁷⁰ Creyer and Ross discovered from the sample of 280 questionnaires that consumers considered the ethicality of a firm's behaviour as an important factor affecting their purchase decision and willingness to pay higher prices for that firm's products.⁷¹ Similarly, Mohr, Webb and Harris examined if the consumers really cared about a corporation's level of social responsibility, their purchase and investment decisions would be affected by CSR.⁷² Their finding indicated that rather than supported responsible companies, consumers were more likely to boycott irresponsible companies.⁷³ That is, the companies should not only consider their economic responsibility but also the ethical responsibility, because ethical behaviour may benefit the firm while unethical behaviour may do harm to the firm.⁷⁴

Globally, Rahim et al. examined the influence of CSR on the buying behaviour of Malaysian consumers and concluded that there was a significant relationship between all of the CSR components and Malaysian consumers' buying behaviour and economic responsibility was the basic utmost priority preferred.⁷⁵ In New Zealand, Abdeen et al. discovered that consumers ranked ethical responsibilities as the most important factor, which played a mediating role for the relationship between CSR

⁶⁹ Andrea Perez, Maria del Mar Garcia de los Salmenes and Ignacio Rodriguez del Bosque, 'The Effect of Corporate Associations on Consumer Behaviour' (2013) 47 *European journal of marketing* 218

⁷⁰ Scott M. Smith and David S. Alcorn, 'Cause marketing: a new direction in the marketing of corporate responsibility' (1991) 8 *The Journal of Consumer Marketing* 19

⁷¹ Elizabeth H. Creyer and William T. Ross Jr, 'The influence of firm behavior on purchase intention: do consumers really care about business ethics?' (1997) 14 *Journal of Consumer Marketing* 421

⁷² Lois A. Mohr, Deborah J. Webb and Katherine E. Harris, 'Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior' (2001) 35(1) *Journal of Consumer affairs* 45

⁷³ *Ibid.*

⁷⁴ Creyer and Ross Jr (n 71).

⁷⁵ Rahim, Jalaludin and Tajuddin (n 65).

beliefs and purchase behaviour.⁷⁶ Marquina and Morales took their samples in Peru and Spain, also found that the positive influence of CSR on Peru and Spain consumers' behaviour and CSR as a whole was a feature more valued by customers than price.⁷⁷ Additionally, they claimed that CSR was an important intangible asset which could contribute to an increased brand value and reputation as well as higher financial results.⁷⁸ Therefore, the positive relationship between CSR and consumers' behaviour is not confined to one country or one region, it is a global phenomenon.

However, other investigations have demonstrated that there is not always direct and evident relationship between the consumers' behaviour and company's CSR actions. Valor claimed that the business case for CSR might not hold when focused on consumers who are less likely to make a socially responsible decision if they have to make trade-offs between price and other non-economic criteria therefore, and the relationship between the consumers' behaviour and company's CSR actions is not evident.⁷⁹ Maignan and Ferrell represented that consumer support of CSR may be moderated by a variety of factors, which are hardly comparable because of specialized facets of CSR and different forms of consumer responses.⁸⁰ Carrigan and Attalla stated that the link remained unproven between CSR and consumer purchase behaviours, but ethical activities was not pointless for firms, and it would not too long before ethical behaviour became an imperative rather than a gesture.⁸¹

In short, although the impact of consumers' behaviour on companies' CSR is not obvious or direct, consumers are indeed somehow influenced by the companies' CSR activities. While consumers' behaviour is affected by CSR, the companies' reputation become the subject of consideration.

⁷⁶ Afra Abdeen, Edwin Rajah and Sanjaya S. Gaur, 'Consumers' beliefs about firm's CSR initiatives and their purchase behaviour' (2016) 34 Marketing intelligence & planning 2

⁷⁷ Percy Marquina and Carlos E. Morales, 'The Influence of CSR on Purchasing Behaviour in Peru and Spain' (2012) 29 International marketing review 299

⁷⁸ *Ibid.*

⁷⁹ Carmen Valor, 'Can Consumers Buy Responsibly? Analysis and Solutions for Market Failures' (2008) 31 Journal of consumer policy 315

⁸⁰ Isabelle Maignan and O. C. Ferrell, 'Corporate Social Responsibility and Marketing: An Integrative Framework' (2004) 32 Journal of the Academy of Marketing Science 3

⁸¹ Marylyn Carrigan and Ahmad Attalla, 'The myth of the ethical consumer – do ethics matter in purchase behaviour?' (2001) 18 The Journal of consumer marketing 560

3.1.3 Companies' Reputation

Corporate reputation is the overall estimation in which an organization is held by its internal and external stakeholders based on its past actions and probability of its future behaviour.⁸² There seems to be a strong link between a company's reputation with its behaviours of social activities. Several scholars have found a positive direct link between CSR practices and corporate reputation. And companies with good reputation will gain profit when they act responsibility. Conversely, a company's reputation can be negatively affected when it fails to meet its social responsibilities or detrimental to its stakeholders.

Brown and Dacin found in their research that CSR exerted an influence on the corporate evaluation.⁸³ Aguilera-Caracuel and Guerrero-Villegas disclosed that the positive effect between CSR and companies' reputation was even more important in multinational enterprises (MNEs), because it would not only affect the host country but also the MNE's home country and internationally.⁸⁴ It was also found by Siltaoja that there existed a link between CSR and corporate reputation, and the ethics and morality in CSR should be viewed as a solid foundation for all business actions.⁸⁵ Walker and Dyck observed that the reputation of those companies with a primary focus on profits was rated lower than firms with CSR and all stakeholders placed greater emphasis on ethicality than profitability for rating a firm's reputations.⁸⁶

In the area of philanthropic responsibility, Brammer and Millington utilised the sample from the survey '*Britain's most admired companies in 2002*' and found that the higher levels of companies make on philanthropic expenditures, the better reputations they would gain.⁸⁷ Hur et al. analysed that CSR had a significantly

⁸² S.G.W.K. Jayawickramarathna, 'Corporate Reputation and Customer Brand Switching Behavior in Sri Lankan Telecommunication Industry' (2015) 3 Kelaniya Journal of Management 68

⁸³ Brown and Dacin (n 66).

⁸⁴ Javier Aguilera-Caracuel and Jaime Guerrero-Villegas, 'How corporate social responsibility helps MNEs to improve their reputation. The moderating effects of geographical diversification and operating in developing regions' (2018) 25(4) Corporate Social Responsibility and Environmental Management 355

⁸⁵ Marjo Elisa Siltaoja, 'Value Priorities as Combining Core Factors Between CSR and Reputation: A Qualitative Study' (2006) 68 Journal of business ethics 91

⁸⁶ Kent Walker and Bruno Dyck, 'The Primary Importance of Corporate Social Responsibility and Ethicality in Corporate Reputation: An Empirical Study' (2014) 119(1) Business and Society Review 147

⁸⁷ Stephen Brammer and Andrew Millington, 'Corporate reputation and philanthropy: An empirical analysis' (2005)

positive effect on corporate reputation, and the relationship between CSR and corporate brand equity was fully mediated through corporate reputation.⁸⁸ Likewise, by utilizing data on a sample of large UK firms, Brammer and Pavelin discovered that corporate's reputation was determined by a firm's social performance, and community involvement showed more positive impact upon corporate reputations, suggesting stakeholders in almost all industrial contexts were expecting companies' good community performance.⁸⁹ De Quevedo-Puente et al. stated that the good corporate social performance would consolidate companies' reputation because past fulfilment of stakeholders expectations generated an expectation of future fulfilment.⁹⁰

Moreover, a positive reputation can help a company occupy a privileged position in markets, allowing it to attract better resources on more favourable terms.⁹¹ Also, positive reputations can attract investors, lower the cost of capital, and enhance the competitive ability of firms.⁹² Thus, it is obvious that CSR actions are the most efficient way to build a good business reputation while the companies fulfilling its social responsibilities, which can help not only gain a good corporate reputation between its stakeholders, but also obtain benefits for its shareholders.

3.1.4 CSR Transformation in the New Digital Era

In the book *The Age of Responsibility: CSR 2.0 and the new DNA of Business*, Wayne Visser divided CSR into five ages, including greed, philanthropy, marketing, management and responsibility, each of which respectively related to a particular stage for companies: defensive, charitable, promotional, strategic and systemic.⁹³ However, before the Covid-19 pandemic, the world has already entered a new era, where almost the whole business world from sales to marketing and finance to supply

61(1) Journal of business ethics 29

⁸⁸ Won-Moo Hur, Hanna Kim and Jeong Woo, 'How CSR leads to corporate brand equity: Mediating mechanisms of corporate brand credibility and reputation' (2014) 125(1) Journal of Business Ethics 75

⁸⁹ Stephen J. Brammer and Stephen Pavelin, 'Corporate reputation and social performance: The importance of fit' (2006) 43(3) Journal of management studies 435

⁹⁰ Esther de Quevedo-Puente, Juan Manuel de la Fuente-Sabaté and Juan Bautista Delgado-García, 'Corporate social performance and corporate reputation: Two interwoven perspectives' (2007) 10(1) Corporate Reputation Review 60

⁹¹ *Ibid.*

⁹² Charles Fombrun and Mark Shanley, 'What's in a name? Reputation building and corporate strategy' (1990) 33(2) Academy of management Journal 233

⁹³ Wayne Visser, *The Age of Responsibility: CSR 2.0 and the New DNA of Business* (John Wiley & Sons 2011).

chain is affected by the application of artificial intelligence (hereinafter AI) and almost every organization need to use AI on data to create customer value.⁹⁴ In the current era of big data and technology, the CSR process can be radically improved when the AI technology is deployed in a strategic and integrated manner.⁹⁵

Elizabeth Napier stated that AI was revolutionizing CSR by facilitating education, enhancing healthcare, improving processes and creating new partnerships, applying AI based solutions to environmental issues and combining databases across discipline and domain.⁹⁶ For example, in order to help local entrepreneurs to start and accelerate their business, eBay, a leader in the e-commerce space, identified disadvantaged communities and created a platform, showing them how to create economic opportunities based on AI. Only two months later, a total of 64 companies which has participated in this e-Bay's Retail Revival Program reached £ 1 million in sales on eBay, namely a 41% increase in their own sales.⁹⁷

In conclusion, this section reports an association between corporation's engagement in socially responsible business activities and the possible results before COVID-19 pandemic but doesn't imply a directional causal relationship. In the new digital era, AI can also help improve CSR's impact on company's performance. However, the situations might change during COVID-19 pandemic. As the social expectations of the company increase, the concept of CSR comes to the fore.⁹⁸

3.2 The period of COVID-19 pandemic

In the era of COVID-19 pandemic, many companies are giving back to society through their CSR activities. For example, Citi donated to the charity sector that is

⁹⁴ Anna Fellander, 'AI sustainability-A New Form of CSR' (*Tinius Talks*, 15 January 2018) < <https://tinius.com/2018/01/15/ai-sustainability-a-new-form-of-csr/>> accessed 18 November 2021.

⁹⁵ AI Naqvi, 'How AI and Robotics Can Transform CSR' (*Reuters Events: Sustainable Business*, 18 January 2018) < <https://www.reutersevents.com/sustainability/how-ai-and-robotics-can-transform-csr>> accessed 18 November 2021.

⁹⁶ Elizabeth Napier, 'Technology Enabled Social Responsibility Projects and an Empirical Test of CSR's Impact on Firm Performance' (*Georgia State University*, 15 April 2019) < https://scholarworks.gsu.edu/marketing_diss/50/> accessed 18 November 2021.

⁹⁷ *Ibid.*

⁹⁸ Isabel-María García-Sánchez and Alejandra García-Sánchez, 'Corporate Social Responsibility During COVID-19 Pandemic' (2020) 6 *Journal of open innovation* 126

supporting COVID-19 relief efforts, Dropbox's CSR initiatives pivoted online by supporting school partnerships and contributing to academic online studies and more, and people in Dun & Bradstreet donated PPE and cleaning supplies to medical centres and helped food banks.⁹⁹ Many large companies (e.g., Alibaba, Apple, Facebook, and Goldman Sachs) have donated hundreds of thousands of N-95 masks to hospitals or individuals to deal with the shortage of protective equipment for healthcare workers and been praised by this contribution.¹⁰⁰ Mahmud et al. discovered in their finding that most companies had immediately responded with handsome budgets and extended great efforts in every aspect of needs during the COVID-19 pandemic.¹⁰¹ Companies which actively fulfilled their social responsibilities under the pandemic had just met the needs of their stakeholders, and the benefits of CSR were magnified in the context of the epidemic. Therefore, as Bapuji et al. stated that it is more critical than ever to focus research on how firms can do good and do well in the context of the COVID-19 pandemic.¹⁰²

3.2.1 Protecting companies' employees

Employees, as one of the most important stakeholders in companies, have been deeply afflicted by this pandemic. Employees have been compelled to 'work from home' due to the government's guidance and the companies started laying off to tide over financial crises. As Figure 6 showed, the UK unemployment rates had been stable at around 4% before the COVID-19 pandemic. When the influence by COVID-19 started appearing in April 2020, the UK unemployment rates then started to increase. According to the UK Office for National Statistics, the unemployment rate has continued to rise since the start of this epidemic and the estimated UK unemployment rate for all people was 5.0%, which is 1.1 percentage points higher than a year earlier and an estimated 1.70 million people were unemployed, up 360,000 on the same

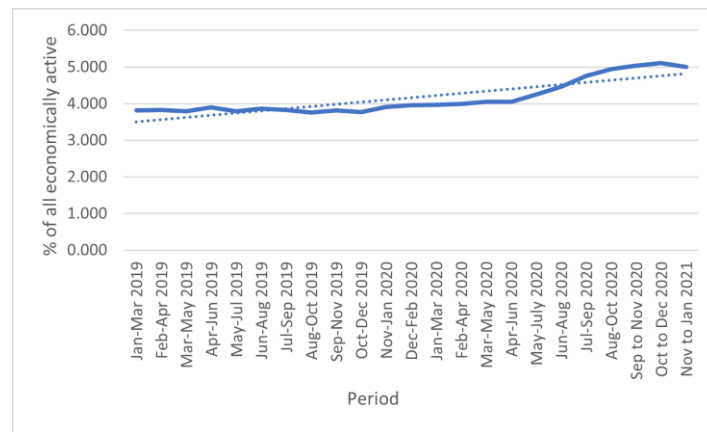
⁹⁹ Lisa Ardill, 'Here's how these 8 companies are giving back to society during Covid-19' (*Siliconrepublic*, 11 June 2020) < www.siliconrepublic.com/careers/companies-csr-remotely> accessed 25 August 2021

¹⁰⁰ Bapuji and others (n 7).

¹⁰¹ Appel Mahmud, Donghong Ding and Md. Morshadul Hasan, 'Corporate social responsibility: Business responses to Coronavirus (COVID-19) pandemic' (2021) 11 *SAGE Open*

¹⁰² Bapuji and others (n 7).

period the previous year.¹⁰³



Source: Office for National Statistics

Figure 6: UK unemployment rates (aged 16 years and over), seasonally adjusted, between Jan to Mar 2019 and Nov 2020 to Jan 2021

However, a few companies have issued several policies to help their employees. According to a survey by Mahmud et al., 48% of their sampled companies had offered paid leave and sick pay with healthcare benefits to their employees while 20% donated to fund employee relief programs.¹⁰⁴ And studies stated that CSR has a positive protective effect on employees during the COVID-19 epidemic and has become a part of the road towards recovery. Camilleri documented that corporates' social responsibility practices enhanced their employees' intrinsic motivations, productivity and performance in their workplace environment, and these employees were optimistic about their job prospects during COVID-19 pandemic.¹⁰⁵ Likewise, Mao et al. based on a survey of 430 employees in tourism in China and found that the employees' satisfaction with CSR had a favourable impact on their self-efficacy, hope, resilience, and helped them keep optimism to the panic.¹⁰⁶ Furthermore, Filimonau et

¹⁰³ Office for National Statistics, 'Employment in the UK: March 2021' (Office for National Statistics, 23 March 2021) <
www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/march2021#unemployment> accessed 29 August 2021.

¹⁰⁴ Mahmud, Ding and Hasan (n 101).

¹⁰⁵ Mark A. Camilleri, 'The Employees' State of Mind during COVID-19: A Self-Determination Theory Perspective' (2021) 13(7) Sustainability 3634

¹⁰⁶ Yan Mao and others, 'Effects of tourism CSR on employee psychological capital in the COVID-19 crisis: from the perspective of conservation of resources theory' (2020) Current Issues in Tourism 1

al. added to Mao et al.'s findings by demonstrating that CSR had been found to benefit senior hotel managers not only in terms of increased organisational resilience but also in terms of improved (perceived) job security and organisational dedication.¹⁰⁷ Zhang et al. constructed a theoretical model that CSR had a significant impact on employee safety behaviours and the stronger the impact of CSR on employee safety behaviour, the greater the employee belief restoration and the lower the negative feelings during the pandemic.¹⁰⁸ In Hungary, a large scale survey research was performed in 537 employees by Gorgenyi-Hegyey et al., showing that the employer commitment to healthcare support system during the pandemic is pertinent with employees' wellbeing, satisfaction and loyalty.¹⁰⁹ Moreover, a happy and healthy employee is more likely to stay with the company, leading to reduced labour turnover, a more positive corporate culture, a more cohesive community, and consequently improved corporate performance, productivity, and competitiveness.¹¹⁰ Similarly, same results were represented by Shan and Tang that employee morale helps firms to be more resilient to market-wide, exogenous negative shocks especially in the pandemic.¹¹¹

In conclusion, at the time of this uncertain situation, the companies should fulfil their social responsibilities to help their employees. For this reason, according to Aguinis et al., CSR policies related to COVID-19 were created by companies but implemented by their employees.¹¹² Therefore, employers and employees should build a stronger relationship than before, and to be the winner in the battle against the COVID-19, the

¹⁰⁷ Viachaslau Filimonau, Belen Derqui and Jorge Matute, 'The COVID-19 pandemic and organisational commitment of senior hotel managers' (2020) 91 *International Journal of Hospitality Management* 102659

¹⁰⁸ Jiangchi Zhang, Chaowu Xie and Alastair M. Morrison, 'The Effect of Corporate Social Responsibility on Hotel Employee Safety Behavior During COVID-19: The Moderation of Belief Restoration and Negative Emotions' (2021) 46 *Journal of hospitality and tourism management* 233

¹⁰⁹ Eva Gorgenyi-Hegyey, Robert J. Nathan and Maria Fekete-Farkas, 'Workplace Health Promotion, Employee Wellbeing and Loyalty During Covid-19 Pandemic—Large Scale Empirical Evidence from Hungary' (2021) 9 *Economies* 55

¹¹⁰ *Ibid.*

¹¹¹ Chenyu Shan and Chenyu Shan, 'The Value of Employee Satisfaction in Disastrous Times: Evidence from COVID-19' (2020) 3560919 *SSRN* <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3560919> accessed 30 August 2021.

¹¹² Herman Aguinis, Isabel Villamor and Kelly P. Gabriel, 'Understanding Employee Responses to COVID-19: a Behavioral Corporate Social Responsibility Perspective' (2020) 18 *Management Research: Journal of the Iberoamerican Academy of Management* 421

firms should adopt employee-protecting policies.¹¹³

3.2.2 Protecting companies' value

During the COVID-19 pandemic, the CSR actions played a role in protecting not only employees, but also the value of the companies itself. In 2021, Qiu et al. who took the sample of listed hospitality firms in China, discovered that participating in CSR activities can help hospitality companies boost stock returns.¹¹⁴ Furthermore, after the news has covered companies' activities, stakeholder attention to companies significantly increases along with positive abnormal stock returns and CSR toward communities had the strongest influence on stock returns during the pandemic.¹¹⁵ Specifically, same results were found by Ding and others using data on over 6,000 firms across 56 economies during the first quarter of 2020 that pandemic-induced drop in stock prices was milder among firms with more CSR activities and "the average stock returns of the high-CSR score firm would decline by 2% less than the low-CSR score firm in response to the average growth of COVID-19 cases two months after the outbreak of the pandemic".¹¹⁶

Although CSR activities mean extra costs for companies, as Šain recommended that there will be a long-term financial return because the community will value the company's efforts.¹¹⁷ In Spain, García-Sánchez and García-Sánchez discovered in the largest Spanish companies that CSR has played a very valuable role in the COVID-19 pandemic and assumed leadership on the path to economic recovery.¹¹⁸ Also, they recommended the CSR policies of Spanish companies should become part of the next public policies.¹¹⁹

As the COVID-19 pandemic is still on-going, the long-term impact of CSR on the companies still need time to show. However, in the short term, companies that had

¹¹³ Appel Mahmud, Donghong Ding and Md. Morshadul Hasan (n 101).

¹¹⁴ Qiu S and others, 'Can Corporate Social Responsibility Protect Firm Value During the COVID-19 Pandemic?' (2021) 93 International journal of hospitality management 102759

¹¹⁵ *Ibid.*

¹¹⁶ Wenzhi Ding and others, 'Corporate Immunity to the COVID-19 Pandemic' (2021) 141 Journal of financial economics 802

¹¹⁷ Marija Šain, 'Corporate Social Responsibility in Times of Crisis: COVID-19' (2021) 5 EU and comparative law issues and challenges series (ECLIC) 706

¹¹⁸ García-Sánchez and García-Sánchez (n 98).

¹¹⁹ *Ibid.*

truly fulfilled their CSR obligations proved to be more appreciated by their employees and the other stakeholders under the COVID-19 pandemic. And their fulfilment also brought actual equity gains and increased the value of the companies. The CSR investments strengthen the relationship between a firm and its stakeholders, enabling the firm to work efficiently with their stakeholders and enhancing the firm's likelihood of survival in uncertain times.¹²⁰ As stakeholders' awareness and demand increase, the role of CSR will become more important in the future.

Despite of this, the initial positive impressions on CSR by customers might be shattered if it had been overused and only for marketing purposes.¹²¹ Particularly, customer sensitivity is much more likely to break out in crisis periods.¹²² For those companies which just chanted slogans but did not actually perform CSR, the negative impacts even beyond those companies which did not perform CSR at the beginning. Therefore, companies should learn from experience and prepare for recovery in the post-epidemic era.

3.2.3 Fighting Against Risks

Since the outbreak of the COVID-19 pandemic, how to fight against this new and critical threat to humanity is becoming unprecedentedly important for most companies. Although the business didn't directly participate in the fighting against the viral threat, they still got involved in this process because of the lockdown.¹²³ In order to deal with the COVID-19 risks, governments all over the world announced more and more sanitary and epidemiological requirements, bans and limitations on various types of activities, so faced with serious and strong limitations, many companies have no choice but reduce activities and cut personnel.¹²⁴ These may lead to reduction of volume of sales and revenue¹²⁵, loss of unique corporate intellectual resources and

¹²⁰ Ding and others (n 116).

¹²¹ Dra. Belén Fernández-Feijóo Souto, 'Crisis and Corporate Social Responsibility: Threat or Opportunity?' (2009) 2 International Journal of Economic Sciences and Applied Research 36

¹²² *Ibid.*

¹²³ Agnessa O. Inshakova, Anastasia A. Sozinova and Tatiana N. Litvinova, 'Corporate Fight against the COVID-19 Risks Based on Technologies of Industry 4.0 as a New Direction of Social Responsibility' (2021) 9 Risks 212

¹²⁴ Corey Fox, Phillip Davis and Melissa Baucus, 'Corporate social responsibility during unprecedented crises: The role of authentic leadership and business model flexibility' (2020) 58 Management Decision 2213

¹²⁵ Farhan M. Muneeb and others, 'Critical success factors for sustainable entrepreneurship in the Pakistani

aggravation of the company's reputation in the labour market.¹²⁶ Therefore, Gebiski proposed that if a company want to manifest its CSR, it should demonstrate flexibility and innovation activity to minimize risks and achieve effective COVID-19 risks management.¹²⁷

Agnessa and others adopted the method of correlation and regression analysis and found that “the most perspective methods of corporate fight against the COVID-19 is a flexible transformation of business according to the new conditions based on the Industry 4.0 technologies”, which are the development of remote work, Internet retailing, world robots distribution and use of Big Data and AI.¹²⁸ According to their study, the advantages of applying Industry 4.0 technologies for the corporate fight against the viral threat include “reduction of the share of the population with household expenditures for healthcare above 25% of total expenditures or incomes, reduction of the number of new cases per 1 million people, and an increase of the self-isolation index, the share of responsible employers amid COVID-19 risks”. Therefore, “the management implications to improve the corporate fight against the viral threat as a new direction of corporate social responsibility amid the COVID-19 crisis for sustainable development have been developed.”¹²⁹

3.3 After the COVID - 19 pandemic

As discussed in the previous sections, CSR brings different effects before and during the COVID - 19 pandemic. The CSR activities can be more effective in special times from internal and external dimensions. Qiu S and others described the CSR activities in crisis has “an insurance-like function that mitigates the negative impact”.¹³⁰ Yeung states that companies which do not consider the needs and expectations of community

Telecommunications industry: A hybrid grey systems theory/best-worst method approach' (2020) 58 Management Decision 2565

¹²⁶ Pooya Tabesh and Dusya M. Vera, 'Top managers' improvisational decision-making in crisis: A paradox perspective' (2020) 58 Management Decision 2235

¹²⁷ Łukasz Gębski, 'The impact of the crisis triggered by the COVID-19 pandemic and the actions of regulators on the consumer finance market in Poland and other European Union countries' (2021) 9 Risks 102

¹²⁸ Agnessa O and others(n 123).

¹²⁹ *Ibid.*

¹³⁰ Qiu and others (n 114).

stakeholders will not be competitive in the twenty-first century when compared to those who do.¹³¹ Therefore, companies should take the crisis situation as an opportunity to participate actively in various CSR activities and acquire a new perspective on their business and development.¹³²

Moreover, Huang et al. took the sample of 1597 listed firms in China and discovered that companies with pre-shock CSR performance will not only experience fewer losses but also take a shorter time to recover, and the level of organizational resilience to the external shock caused by COVID-19 pandemic will increase.¹³³ Similar result was found by Ding et al. that firms which invested more in CSR activities before the COVID-19 pandemic enjoyed much better stock price performance than others because CSR builds trust with its stakeholders which makes them support the business in times of duress.¹³⁴ This suggests that companies should consider CSR as an important corporate governance at normal times and prepare for crisis which may occur in the future to minimize the loss and shorten the time for getting back to the normal state.

At the same time, as companies reacted quickly to the new reality created by COVID - 19, they chose CSR activities to undertake, sometimes without considering the consequences of their decisions for both their employees and their companies.¹³⁵ Moreover, some studies have presented that the CSR of some companies is just “cheap talk” and has not really been implemented. Thus, the economic performance of these companies does not reflect the benefits which CSR should bring. On 19 August 2019, the Business Roundtable (BRT) announced its new corporation purpose statement, which shifted the focus from shareholders to stakeholders and committed to deliver value not just to shareholders but also to employees, customers, suppliers, and communities. This explicit commitment to stakeholder interests just before

¹³¹ Shirley Yeung, ‘The role of banks in corporate social responsibility’ (2011) 1(2) *Journal of Applied Economics and Business Research* 103

¹³² Šain (n 117).

¹³³ Wenchuan Huang, Shouming Chen and Luu Thi Nguyen, ‘Corporate social responsibility and organizational resilience to COVID-19 crisis: An empirical study of Chinese firms’ (2020) 12(21) *Sustainability* 8970

¹³⁴ Ding and others (n 116).

¹³⁵ Aguinis, Villamor and Gabriel (n 112).

COVID-19 pandemic provides for an exceptional opportunity in study of how CSR reflects to the companies in a crisis. However, after nearly 2 years, a study by Bae and others. examined that Business Roundtable companies did not attain better stock performance during the crisis than others.¹³⁶ Just as Bebchuk and Tallarita commented that the Statement “is largely a rhetorical public relation move rather than the harbinger of meaningful change”.¹³⁷

Therefore, when the voluntary activities of CSR by companies become unbalanced, as García-Sánchez and García-Sánchez stated, the firms usually make CSR decisions only on a specific interest group,¹³⁸ and then government governance becomes importantly. Additionally, the government governance would play a role in not only mediating the competing interests of the different stakeholders but also promoting the common good view of the firm.¹³⁹ As Zhao proposed, the government should not only encourage companies to reconsider their CSR plans but also create a legislative environment in which board of directors could direct or convert “companies affected by the coronavirus back to sustainable success in a manner aligned with the interests of wider society”.¹⁴⁰

4. CSR in the U.K under COVID-19 pandemic: An empirical analysis

In this section, a sample of all 22 UK companies which are on the *2021 Fortune Global 500* will be selected to examine the current state of CSR in UK companies in the context of COVID-19 by analysing their latest annual reports. The *Fortune Global 500* was compiled by Fortune magazine every year which ranked companies based on

¹³⁶ Bae K-H and others, ‘Does CSR Matter in Times of Crisis? Evidence from the COVID-19 Pandemic’ (2021) 67 *Journal of corporate finance* 101876

¹³⁷ Lucian A Bebchuk and Roberto Tallarita, ‘The Illusory Promise of Stakeholder Governance’ (2020) 106 *Cornell L Rev* 91

¹³⁸ Isabel-María García-Sánchez and Alejandra García-Sánchez (n 98).

¹³⁹ Emiliano D. Carlo, ‘The Real Entity Theory and the Primary Interest of the Firm: Equilibrium Theory, Stakeholder Theory and Common Good Theory’ in Sandro Brunelli and Emiliano Di Carlo (eds), *Accountability, Ethics and Sustainability of Organizations: New Theories, Strategies and Tools for Survival and Growth* (Cham: Springer International Publishing: Imprint: Springer 2020)

¹⁴⁰ Zhao (n 18).

their annual revenues for their respective fiscal years and widely considered as a mark of prestige. Although CSR applies to companies of any sizes, the focus tends to be more on large companies because they are more often in the public eye and have more clout.¹⁴¹ Therefore, choosing the 22 UK companies from the *Fortune Global 500* list as samples can better reflect the current status of CSR activities in the UK.

4.1 Disclosure

4.1.1 Disclosure in general

On the official websites of these 22 companies, all the companies have set up specific sections to disclose the related information of their CSR activities. Some are under the heading “sustainability”, and some are marked as “ESG” (Environmental, Social and Corporate Governance). In their annual reports, all companies have disclosed their CSR activities in the past year, which usually include the sectors of the environment, employees, communities, and human rights. Therefore, in the UK's Fortune Global 500 companies, the disclosure of CSR has reached 100%. This is thanks to the mandatory requirement by Companies Act 2006 which required the directors in listed companies to disclose a statement about how he or she had regarded the matters setting out in section 172 (1) in a strategic report.¹⁴² In CA 2006 s. 172 (1), the directors are required to act in the way they consider, in good faith, would be most likely to promote the success of the company and have regard to the interests of the employees, suppliers, customers and others, the community and the environment.¹⁴³

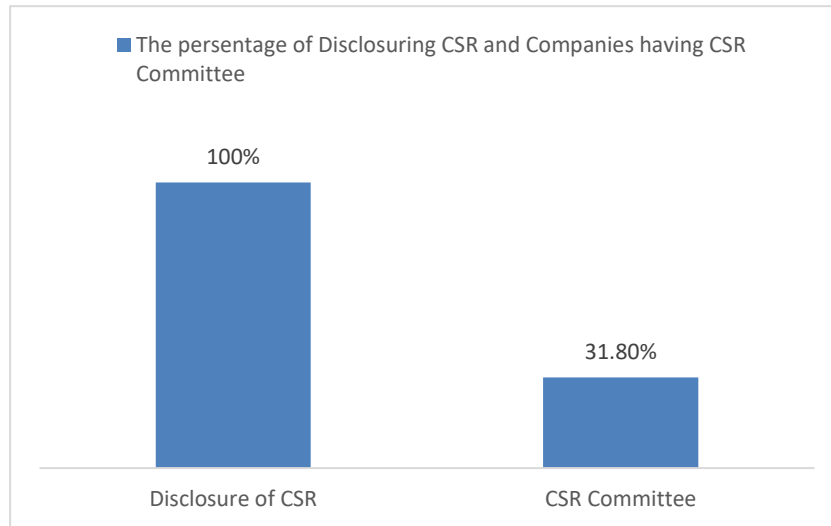
However, although all companies have disclosed their CSR activities in their annual reports, not every company has set up an independent department to manage CSR matters. According to statistics, only 7 of the 22 companies disclosed in their annual reports that they have CSR committee that is specifically responsible for handling

¹⁴¹ Katherine T. Smith and Julie J. Alexander, ‘Which CSR-Related Headings Do Fortune 500 Companies Use on Their Websites?’ (2013) 76 *Business communication quarterly* 155

¹⁴² Companies Act 2006, s. 414CZA.

¹⁴³ Companies Act 2006.

CSR activities.¹⁴⁴ As Figure 7 showed, only 31.8% of companies have established a CSR committee, which is less than one-third of the percentage of companies in disclosing CSR.



Source: 22 UK *Fortune Global 500* companies' 2020-2021 annual reports

Figure 7: The percentage of Disclosing CSR and Companies having CSR Committee in 22 UK *Fortune Global 500* companies

The reason for this gap is because the Companies Act 2006 does not require companies to establish a special CSR committee. Therefore, the government's legislative supervision has a significant influence on the companies' CSR management activities. The percentage of CSR activities that are specifically required to be disclosed in the Companies Act reaches 100%, while the percentage of establish CSR committees that are not specifically required is less than one-third.

4.1.2 Disclosure in different industries

From the perspective of the companies' industry, the CSR disclosures of companies in different industries present different focuses. For companies in industries that have a greater impact on the environment, such as the energy sector, their CSR activities are

¹⁴⁴ The 7 companies which have CSR committees are (The order is based on the ranking of 2020 *Fortune Global 500*): BP plc, TESCO, Unilever, British American Tobacco, Anglo American plc, BT Group, Compass Group.

more oriented towards environmental protection. Take *BP plc.* as an example, in their 2020 annual report, the environment operating expenditure was \$531 million while the donation to the World Health Organization's COVID-19 Solidarity Response Fund was only \$2 million.¹⁴⁵ Similarly, for those companies that are socially oriented, such as pharmaceutical companies, their CSR activities are more focused on people and society. For example, the *AstraZeneca plc.*, which was back on the list after three years, reported in their 2020 annual report that more than \$76 million was invested to community while only \$19 million on climate protecting action in 2020.¹⁴⁶

This suggests that there is an imbalance in the UK companies when they invest in the various areas of CSR. Companies tend to invest in areas that have a greater related to them, and usually invest less in areas that do not have as much impact on them. Thus, the unevenness of companies' voluntary CSR activities underlines the importance of government regulation.

4.1.3 Disclosure in COVID - 19 related information

In the disclosures related to response of COVID-19, only 13 of the 22 companies included a specific section in their annual reports on their CSR activities during the pandemic. And among these 13 companies, only the *AstraZeneca plc* and *RIO TINTO GROUP* had mentioned that the environment was also a priority for them during the pandemic and they would continue to concern about the climate change when the rest of the 11 companies' priorities during the pandemic were the people and the communities. As *Legal & General Group plc.* represented in their annual report that their priorities in response to COVID-19 were customers, colleagues and community.¹⁴⁷ This shows that when responding to the pandemic, only 9% of the 22 UK companies have clearly reported that even in the case of COVID-19 pandemic,

¹⁴⁵ Bp plc., '2020 Annual Report' (Bp plc., 22 March 2021) < www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2020.pdf> accessed 9 September 2021.

¹⁴⁶ AstraZeneca plc., '2020 Annual Report' (AstraZeneca plc., 25 July 2021) < www.astrazeneca.com/content/dam/az/Investor_Relations/annual-report-2020/pdf/AstraZeneca_AR_2020.pdf> accessed 9 September 2021.

¹⁴⁷ Legal & General Group plc., '2020 Annual Report' (Legal & General Group plc., 22 March 2021) < www.legalandgeneralgroup.com/media/18405/lg-ar-2020_web-final.pdf> accessed 9 September 2021.

besides people and society, the protection of environment, is also a priority to them. This suggests that facing the COVID-19, which has had a relatively large impact on human and society, the CSR activities by UK companies generally tended to orient towards the people and the communities and ignored the environmental protection. Again, this reflects an imbalance as discussed in the previous subsection that the voluntary CSR activities by UK companies showed an imbalance due to the lack of government regulation.

4.2 CSR to human

In these 22 companies, CSR activities about human being are mainly focused on the employees, the customers and the suppliers etc. And all of these companies had mentioned how they supported employees and their families during the pandemic.

The *BP plc*, *RIO Tinto Group* and *BAE Systems* announced the Employee Assistant Programme (EAP) which includes operating robust protocols for health and pre-mobilization checks, social distancing and isolation and providing PPE, mental wellbeing support etc. And 27% companies reported that they continued to pay their employees as usual and no employees were furloughed or made redundant as a result of the pandemic.¹⁴⁸ The most frequently mentioned measure was the mental support for their employees, with 12 of the 22 companies which the percentage reached 55%, explicitly stating that they had provided mental wellbeing support during the pandemic.¹⁴⁹

Meanwhile, CSR activities of human rights are also being mentioned by all companies. This shows that there was 100% coverage of human rights considerations in these 22 UK large, listed companies. The *BP plc*, *Legal & General Group*, *J. Sainsbury*, *Anglo American*, *BT Group* and *COMPASS Group* had already issued their specific Human Rights Policy. The gender equality, anti – modern slavery, labour

¹⁴⁸ These 6 companies are (The order is based on the ranking of 2020 *Fortune Global 500*): TESCO, LEGAL & GENERAL GROUP, PRUDENTIAL, BARCLAYS, PHOENIX GROUP HOLDINGS, CENTRICA.

¹⁴⁹ These 12 companies are (The order is based on the ranking of 2020 *Fortune Global 500*): TESCO, HSBC HOLDINGS, LEGAL & GENERAL GROUP, AVIVA, PRUDENTIAL, VODAFONE GROUP, GLAXOSMITHKLINE, BARCLAYS, ANGLO AMERICAN, CENTRICA, ASTRAZENECA, BAE SYSTEMS.

risks in the supply chain or child labour and human trafficking are the areas which been most frequently mentioned by these companies.

4.3 CSR to society

All 22 UK companies had disclosed their CSR activities to society in their annual reports of the past year. Direct donations of cash or PPE to the communities were the most common ways. Statistically, 55% companies explicitly stated in their annual reports that they had donated to support vulnerable communities or charities which were affected by COVID-19 pandemic.¹⁵⁰ In total, over £294 million had been contributed to help communities tackle COVID-19. Other activities like frequent meeting on solving social problems by *HSBC HOLDINGS*, provided lab for COVID-19 testing and free accommodation for NHS Service works by *LEGAL & GENERAL GROUP*, supplying COVID-19 pandemic adjuvant to governments and institutions at a responsible price by *GLAXOSMITHKLINE*.

Therefore, during the pandemic, all 22 of these UK's listed companies played their role in supporting the communities affected by the pandemic. However, these activities were voluntary by companies and were not regulated by the government or required by law in any detail. There was a lag in the voluntary CSR activities of companies as time and labour would be used in discussing about how or how much to donate in the event of pandemic such as COVID-19. Only *BT GROUP* represented that they aim to invest 1% of profit before tax in sustainability activities and communities every year. Thus, it would be more efficient when the government had established regulation in advance, or with clear legal details to require companies and regulate their CSR behaviours.

4.4 CSR to environment

¹⁵⁰ These 12 companies are (The order is based on the ranking of 2020 Fortune Global 500): BP plc, TESCO, LEGAL & GENERAL GROUP, AVIVA, VODAFONE GROUP, RIO TINTO GROUP, BARCLAYS, PHOENIX GROUP HOLDINGS, LINDE, CENTRICA, COMPASS GROUP, BAE SYSTEMS.

In the section of contributing on environment, all 22 UK companies had disclosed their environmental priorities and achievements in the past year at their annual reports, aiming to achieve Net Zero between 2030 to 2050. Focusing on climate change and the goal to achieve zero net target by 2050 is the UK's legal target in line with the *Paris Agreement*.

In 2019, the UK Government amended the Climate Change Act to commit the UK to achieving net zero by 2050¹⁵¹ and became the first major economy in the world to pass laws to end its contribution to global warming by 2050.¹⁵² For companies in energy-intensive sectors, it is mandatory under UK Emissions Trading Scheme (UK ETS) to reduce emissions¹⁵³ and to boost the efficiency of homes, with the costs passed to consumers via energy bills under Energy Company Obligation (ECO3)¹⁵⁴.

Meanwhile, according to the Climate Change Act 2008 s. 85, the Secretary of State have power to require the directors' report of a company to contain about emissions of greenhouse gases from activities for which the company is responsible. Also, in Companies Act 2006 s. 416 (4), it is the directors' duty to follow the Secretary of State's request disclosed in the directors' report.

This shows that CSR activities of environment are being carried out in an orderly manner by UK companies under legal and government regulation. However, the government regulation are still not detailed enough. As mentioned above, under Climate Change Act 2008 and Companies Act 2006, the government may require companies' director to make relevant disclosures about environmental activities in their reports, but there is no mention of how and how much to disclose.

4.5 CSR to law response

The majority of the 22 UK companies' annual reports had mentioned that their directors have performed their duty under Companies Act 2006 s. 172. And some of

¹⁵¹ Climate Change Act 2008, s. 1

¹⁵² Department for Business, Energy & Industrial Strategy and The Rt Hon Chris Skidmore MP, 'UK becomes first major economy to pass net zero emissions law' (GOV. UK, 27 June 2019) <www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law> accessed 14 September 2021.

¹⁵³ Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021/484.

¹⁵⁴ Department for Business, *Energy and Industrial Strategy, Energy Company Obligation: ECO3, 2018 to 2022* (ECO team 2018).

them also represented that their directors had performed their duties contained in CA 2006 s. 414CA and s. 414CB.

Thus, companies in the UK are seriously responding to and fulfilling the codification companies' law. The *Vodafone Group* even stated that they want government or policymakers to adopt a pro-investment, pro-innovation approach to allow network operators to make sufficient returns on their investments. Once again, it reflects that government regulation has been needed and played an effective role in the CSR activities of companies.

5. The current situation of CSR's regulation

CSR is typically assumed as a voluntary initiative rather than a legal mandate. However, in some cases, governments' regulation has superseded CSR voluntary initiative.¹⁵⁵ At the same time, governments' regulation and CSR voluntary initiative can also interact in a more symbiotic way while governments regulation 'fill gaps' in existing legislation and hence supplement legally binding measures. What is more, according to Knudsen, governments are key players in CSR for two broad reasons. Firstly, they provide a context for CSR, and they also act to shape CSR, and secondly, they also provide a legal framework for other organisations.¹⁵⁶

Meanwhile, the attitude towards CSR is quite different in various legal situations. Companies in common law countries are more likely to have a shareholder corporate governance model and less likely to be actively considered about CSR. In contrast, those in code law countries are more likely to have a stakeholder corporate governance model and hold a friendly attitude towards CSR.

5.1 CSR's related regulation in the U.K

In recent years, more and more policies which were directed at encouraging CSR have

¹⁵⁵ Andreas Rasche and Sandra Waddock, 'Standards for CSR: Legitimacy, Impact and Critique' in Andreas Rasche, Mette Morsing and Jeremy Moon (eds), *Corporate Social Responsibility: Strategy, Communication, Governance* (Cambridge University Press 2017) 167.

¹⁵⁶ Jette S. Knudsen (n 19).

been introduced by governments¹⁵⁷ such as the UK government's role in the adoption of both the Extractive Industries Transparency Initiative (EITI) as well as the Ethical Trading Initiative (ETI).¹⁵⁸ From Companies Act 1985 s. 309 which requires directors to have regard to interests of employees, to Companies Act 2006 s. 172 (1) which required directors should have regard to not only the interests of company's employees but also the suppliers, customers and others, community and the environment. The legislation related to CSR activities in the U.K became more and more detailed and extensive its coverage.

Although non-shareholder stakeholders do not have a formal role in corporate governance, they are applying increasing pressure on companies to improve the accessibility and accuracy of data that can be used to assess compliance with ESG requirements. Companies in the UK are not only required to consider the interests of their stakeholders in business activities but are also required to disclose how they are implementing them. From 1 January 2019, increased requirement of stakeholder disclosure has applied.¹⁵⁹ Companies must disclose how they considered their key stakeholders including employees, customers and suppliers and directors are required to published the "Section 172(1) statement" in their annual reports which should include describe how they considered the matters in CA 2006 s. 172(1).¹⁶⁰ What is more, the company must ensure that the "Section 172(1) statement" is available on website until next financial year.¹⁶¹

Under UK Streamlined Energy and Carbon Reporting (SECR), large companies as defined in sections 465 and 466 of the Companies Act 2006, are encouraged to disclose Greenhouse gas (GHG) emissions and energy use in their annual report.¹⁶² It provides a range of opportunities for users of reports and accounts, and other

¹⁵⁷ Knopf and others, 'Corporate Social Responsibility. National Public Policies in the European Union. European Commission. Directorate-General for Employment, Social Affairs and Inclusion. Unit C2.' *Manuscript completed in November (2010)*

¹⁵⁸ Jette S. Knudsen (n 19) pp. 249

¹⁵⁹ The UK Corporate Governance Code 2018

¹⁶⁰ Companies Act 2006, s. 414CZA.

¹⁶¹ Companies Act 2006, s. 426B.

¹⁶² HM Government, *Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance* (HM Government 2019).

stakeholders, to form a view on how a company's activities are having an impact on matters of public interest.¹⁶³ Also the Climate Change Act 2008 set up the target of a 100% reduction of UK GHG emissions by 2050 and the Secretary of State have power to require the directors' report of a company to contain about emissions of greenhouse gases from activities for which the company is responsible¹⁶⁴. At the same time, from financial year start on or after 1 January 2019, the newest UK Stewardship Code 2020 comprises a set of 'apply and explain' principles for signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.¹⁶⁵ Even though the Code is voluntary, it still provides the idea that the purpose of stewardship is to create "sustainable benefits for the economy, the environment and society" and take ESG matters into account when making decision. In the U.K, the regulations of CSR activities are not just about the environment, it is also applied on human being. Under Companies Act 2006, the directors of a quoted company must prepare a directors' remuneration report for each financial year of the company.¹⁶⁶ The mandatory CEO pay ratio reporting policy should began in 2020 which included must include a directors' remuneration policy and an annual report on remuneration in the financial year being reported on, and on how the current policy will be implemented in the next financial year.¹⁶⁷ The legislation also extended the directors' remuneration report obligations to traded company that is not a quoted company which defined by section CA 2006 s. 360C.¹⁶⁸ In the area of companies' employees, quoted companies will also have to include, with the purpose of enhancing the requirements on employees, "a breakdown showing, at the end of the financial year, (i) the number of persons of each sex who were directors of the quoted company, (ii) the number of persons of each sex who were senior managers of the

¹⁶³ Department for Business, Energy and Industrial Strategy, *Restoring trust in audit and corporate governance: Consultation on the government's proposals* (Secretary of State for Business, Energy and Industrial Strategy 2021).

¹⁶⁴ Climate Change Act 2008, s. 85.

¹⁶⁵ The UK Stewardship Code 2020.

¹⁶⁶ Companies Act 2006, s. 420 (1).

¹⁶⁷ Companies Act 2006, s. 421.

¹⁶⁸ Companies Act 2006, s. 420 (1).

quoted company and the undertakings consolidated in the quoted company's accounts, and (iii) the number of persons of each sex who were employees of the quoted company and its consolidated undertakings.”¹⁶⁹

Apart from environmental matters, company employees issues, quoted companies will also have to include information about human rights issues. Under Modern Slavery Act 2015, UK companies must prepare a slavery and human trafficking statement for each financial year to ensure that slavery and human trafficking is not taking place in any part of their business activities.¹⁷⁰

CSR reporting is increasingly regarded as promoting transparency and accountability of corporations. Under legislation which mentioned above, namely the directors' duties and mandatory information disclosure for public companies, attempts always go hand in hand to consider stakeholders' interest and finally achieve the long-term interest of corporations.

5.2 CSR's related regulation globally

5.2.1 Swedish Law

In another civil law developed country in Europe, the Swedish CSR agenda is based on international guidelines such as “the OECD's Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the International Labour Organisation's conventions, and the UN's 2030 Agenda for Sustainable Development”.¹⁷¹

As the Swedish government planning to be the leader on climate issues and one of the world's first fossil welfare nations, the Swedish companies were required to report on sustainability matters, complying with the Global Reporting Initiative (GRI) and were required to set several sustainability goals and report on them from 2014.

Apart from the environmental issues, Swedish companies are also expected to

¹⁶⁹ Companies Act 2006, s. 414C ss. (8)(c).

¹⁷⁰ Modern Slavery Act 2015, s. 54.

¹⁷¹ Ministry of Enterprise and Innovation, 'The Swedish Government policy for corporate social responsibility' (*Government Offices of Sweden*, 29 June 2016) < www.government.se/information-material/2016/06/fact-sheet-the-swedish-government-policy-for-corporate-social-responsibility/ > accessed 13 September 2021.

contribute to social development such as gender equality, to respect human rights under the UN Guiding Principles and Sweden's national action plan for business and human rights.¹⁷²

5.2.2 Pakistan Company Law

The Companies General Order 2009 on CSR was introduced in Pakistan through the Statutory Notification (SRO) 983 (I)/2009 of the Companies Ordinance 1984. It was required the Pakistan companies shall provide descriptive as well as monetary disclosures of the CSR activities during each financial year to shareholders.¹⁷³ A non-exhaustive list of CSR activities includes “corporate philanthropy, energy conservation, environmental protection measures, community investment and welfare schemes, consumer protection measures, welfare spending for under-privileged classes, industrial relations, employment of special persons, occupational safety and health, business ethics and anti-corruption measures, national cause donations, contributions to the national exchequer, and rural development programmes”.¹⁷⁴

5.2.3 Indonesian Company Law

Indonesian company law accommodates CSR in its company law legislation in its Limited Companies Act 2007, which defines how companies should incorporate CSR principles in their internal regulation. The Indonesian companies which “having its business activities in the field of and/or related to natural resources, shall be obliged to perform its Social and Environmental Responsibility”.¹⁷⁵ And those Indonesian companies which fail their obligation shall be liable to sanctions in accordance with

¹⁷² *Ibid.*

¹⁷³ Securities and Exchange Commission of Pakistan, ‘THE GAZETTE OF PAKISTAN EXTRAORDINARY PART II Statutory Notifications (S.R.O)’ (*Securities and Exchange Commission of Pakistan*, 16 November 2009) < <https://jamapunji.pk/sites/default/files/CSR.pdf>> accessed 13 September 2021.

¹⁷⁴ *Ibid.*

¹⁷⁵ Indonesia Government, ‘The law of the republic of Indonesia number 40 of 2007 concerning limited liability company’ (*Indonesia Government*, 16 August 2007) < <https://cdn.indonesia-investments.com/documents/Company-Law-Indonesia-Law-No.-40-of-2007-on-Limited-Liability-Companies-Indonesia-Investments.pdf>> accessed 13 September 2021.

the provisions of legislative regulations.¹⁷⁶

Overall, the awareness of government regulation on CSR is growing globally. Whether in common law European countries or civil law Asian countries, the regulation of CSR is becoming more and more refined and been taken seriously. However, it is still evident that the currently government regulation of CSR under COVID – 19 pandemic is still not enough, and the situation of imbalance in the CSR activities are being magnified by the epidemic.

6. Possible advice

In conclusion, CSR framework as a regulatory structure meant to prepare firms for turbulent times is still being urgently calling for. And even though several CSR activities are currently being regulated, they are mostly voluntary activities to companies. Meanwhile, companies should not extend CSR beyond its limits to assume the roles reserved for governments (public powers).¹⁷⁷ Professor Neil Chamberlain of Columbia University has thoughtfully argued that CSR was severely limited by following factors that “the power of any single corporation, however great in its own economic sphere, is limited indeed when it comes to taking effective action on any of our major social fronts”.¹⁷⁸ As Estallo et al. recommended that “governments still maintain important missions to establishing clear policies, avoiding interventionism, in order to favour the companies’ social development.”¹⁷⁹ Also recommended by Škare and others that “policy must be resilient in the face of change and/or adaptive to various eventualities, in order to avoid this relatively short-term occurrence from having a long-term ‘scarring’ impact...helping people who lose their income is important as well continuing to provide the needed public services”.¹⁸⁰

Furthermore, even though COVID-19 hit the companies in several sections, at the

¹⁷⁶ *Ibid.*

¹⁷⁷ María de-los Ángeles Gil Estallo, Fernando Giner de-la Fuente and Carles Gríful-Miquela, ‘The Importance of Corporate Social Responsibility and Its Limits’ (2007) 13 *International advances in economic research* 379

¹⁷⁸ Neil W. Chamberlain, *The Limits of Corporate Responsibility* (Basic Books 1973) 202.

¹⁷⁹ Estallo, Fuente and Gríful-Miquela (n 177).

¹⁸⁰ Škare, Soriano and Porada-Rochoń (n 32).

same time, it also provided opportunities for development of companies law. As Zhao represented that CSR policy makers should taking the pandemic as an opportunity to “create conditions for bailout requests and financial assistance, and an accelerator for rebuilding and innovating current business models”.¹⁸¹

For example, the UK government emergency announced the temporary Coronavirus Job Retention Scheme, not only provided vulnerable people such as employees with supports in difficult times, but also requires companies to take CSR activities even in the COVID-19 pandemic. However, the regulation of CSR should not only focus on the short-term and as McKibbin and Fernando stated that “a range of policy responses is important both in the short term as well as in the coming years.....the longer-term responses are even more important”.¹⁸²

7. Conclusion

This dissertation mainly focus on the current state of CSR regulation under the current COVID - 19 pandemic. The COVID - 19 crisis is intensifying and impacts us all, especially the most vulnerable, who are also the most at risk from corporate misconduct and irresponsible decisions.¹⁸³ Meanwhile, the COVID - 19 crisis also take a deep blow to the companies. With the multiple impacts of COVID - 19 to the companies, such as the companies in tourism industry and companies of brick and mortar retail, the CSR activities play an important role in protecting companies' stakeholders. Under the dual control of voluntary activities and government regulation, it also has long-term impact of protecting companies' own values.

In Chapter 4, an analysis focus on the annual reports of the 22 UK companies listed in the *2021 Fortune Global 500* shows that during the year of the pandemic, UK listed companies played their part in helping key stakeholders such as communities and employees. Much of this CSR activities were required as a result of the current UK CSR regulation. Therefore, government regulation is necessary for both companies

¹⁸¹ Zhao (n 18).

¹⁸² McKibbin and Fernando (n 10).

¹⁸³ Zhao (n 18).

and society during special times. At the same time, the unevenness and lack of detail in current CSR activities is also evident from analyse reports. Therefore, this dissertation calls on the government to take this opportunity to revisit the current CSR regulation and apply the short-term policy issued in this pandemic to the long term. In this way, it is possible to contribute more legitimately and compliantly to other non-financial goals, even if the companies do not renounce the pursuit of profit maximisation.

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