

The Legal Nature of Corporate Social Responsibility from Voluntary Commitments to Mandatory Regulations: A Comparative Study of the EU, the UK, and Türkiye

Gönüllü Taahhütlerden Zorunlu Düzenlemelere Kurumsal Sosyal Sorumluluğun Hukuki Niteliği: AB, Birleşik Krallık ve Türkiye Üzerine Karşılaştırmalı Bir Çalışma

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ABSTRACT

Corporate Social Responsibility is mainly seen as a voluntary, ethics-based idea. It is often viewed as a company's moral obligation to society, the economy, and the environment. This study investigates how Corporate Social Responsibility is changing from a voluntary, ethics-based idea to a set of legal obligations for companies. It compares the European Union, the United Kingdom, and Türkiye, focusing on how each legal system deals with the limitations of purely voluntary Corporate Social Responsibility and reacts to global demands for sustainability, transparency, and human rights protection. The research starts by exploring the basic concepts and history of Corporate Social Responsibility. It outlines the debate between shareholder primacy and stakeholder theory, as well as the global move toward sustainability governance. Next, it examines the European Union's evolving regulatory model, from the Non-Financial Reporting Directive to the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive. It also analyses the United Kingdom's mixed approach, which combines enlightened shareholder value with strong disclosure and market oversight. Türkiye's disjointed and mostly voluntary system is evaluated in the context of European Union integration and investor expectations. This work wraps up by suggesting a gradual reform strategy for Türkiye that aligns with European Union standards. This strategy aims to balance enforceability with flexibility, helping domestic firms remain competitive while enhancing social and environmental responsibility.

Anahtar Kelimeler: Corporate Social Responsibility, Corporate Governance, ESG, Sustainability Reporting, Legalisation, Compliance.

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ÖZ

Kurumsal Sosyal Sorumluluk esas olarak gönüllü, etik temelli bir fikir olarak görülmektedir. Genellikle bir şirketin topluma, ekonomiye ve çevreye karşı ahlaki bir yükümlülüğü olarak değerlendirilmektedir. Bu çalışma, kurumsal sosyal sorumluluğun gönüllü, etik temelli bir fikir olmaktan çıkıp şirketler için nasıl yasal yükümlülükler haline dönüştüğünü incelemektedir. Çalışma, Avrupa Birliği, Birleşik Krallık ve Türkiye'yi karşılaştırarak her bir hukuk sisteminin gönüllü kurumsal sosyal sorumluluğun kısıtlamalarıyla nasıl başa çıktığına ve sürdürülebilirlik, şeffaflık ve insan haklarının korunmasına yönelik küresel taleplere nasıl yanıt verdiği odaklanmaktadır. Araştırma, öncelikle kurumsal sosyal sorumluluğun temel kavramlarını ve tarihini inceleyerek başlamaktadır. Hissedar önceliği ve menfaat sahipleri teorisi arasındaki tartışmayı ve küresel düzeyde sürdürülebilirlik yönetimine doğru hareketi özetlemektedir. Ardından, Avrupa Birliği'nin Finansal Olmayan Raporlama Direktifinden Kurumsal Sürdürülebilirlik Raporlama Direktifine ve Kurumsal Sürdürülebilirlik Özenli Etki Değerlendirmesi Yönergesine uzanan gelişen düzenleyici modelini incelemektedir. Ayrıca, güçlü raporlama ve piyasa denetimi ile aydınlanmış hissedar değerini birleştiren Birleşik Krallık'ın karma yaklaşımını incelemektedir. Türkiye'nin parçalı ve çoğunlukla gönüllülük esas sistemi, Avrupa Birliği entegrasyonu ve yatırımcı beklentileri bağlamında değerlendirilmektedir. Çalışma, Türkiye için Avrupa Birliği standartlarına uyumlu kademeli bir reform stratejisi önererek sonuçlanmaktadır. Bu strateji, bağlayıcılık ile esnekliği dengelemeyi, yerli firmaların rekabet gücünü korurken sosyal ve çevresel sorumluluğu artırmayı amaçlamaktadır.

Keywords: Kurumsal Sosyal Sorumluluk, Kurumsal Yönetim, ESG, Sürdürülebilirlik Raporlaması, Yasallaşma, Uyum.

INTRODUCTION

Corporate Social Responsibility (CSR) mainly arises as a voluntary and ethics-based concept. It is solely understood as a moral obligation of companies toward society, general economics of the governments and the environment¹. Originating in the second half of the twentieth century, CSR practices were especially embraced by large corporations as instruments of their reputational management and stakeholder relations². All types of CSR commitments were perceived for a long time primarily in terms of corporate philanthropy or community engagement initiatives; however, this understanding is in a way of transformation³. Recent developments demonstrate that CSR has increasingly moved beyond the sphere of voluntary commitments, gradually acquiring a legally binding commitment. Many different issues such as climate change, income inequality, human rights violations, the global social and environmental footprint of multinational corporations, and the integration of digitalisation into everyday life have compelled states and international organisations to abandon the notion of CSR as merely an ethical choice left to corporate discretion.

1 Lars Zimmer and Boris Swoboda, 'Perceived Corporate Social Responsibility Effects Across Nations – The Role of National Institutions' (2023) 32 *International Business Review* 1, 1.

2 Robert G Eccles, Ioannis Ioannou and George Serafeim, 'The Impact of Corporate Sustainability on Organizational Processes and Performance' (2014) 60(11) *Management Science* 2835, 2837.

3 Li-Wen Lin, 'The Global Rise of "Corporate Social Responsibility" (CSR) in Corporate Legislation: Symbolic Expression or Substantive Action?' (2025) <<https://ssrn.com/abstract=5211797>> accessed 21 September 2025, 16-17.

The way the legal status of CSR is conceptualised has undergone significant change, particularly in the twenty-first century. There has been an ongoing debate about whether companies should follow CSR principles simply because they choose to, or whether these ideas should be required by law⁴. One perspective argues that voluntary CSR is more effective as mandatory rules might stifle innovation and put some limitation on creative approaches⁵. On the other hand, the opposing view maintains that voluntary CSR often remains superficial, enables greenwashing, and undermines investor and consumer confidence⁶. This results in necessitating legally binding frameworks. This problem has been discussed in different ways and some specific solutions across jurisdictions have already been found. For example, in the European Union (EU), hard law regulations are increasingly emphasised; the United Kingdom (UK) has adopted a more flexible *comply or explain* model; while in Türkiye, the legal basis of CSR still rests largely on indirect regulatory mechanisms.

This article examines how CSR has evolved from a voluntary choice for companies to one that's increasingly mandated by law. To do this, it compares how the EU, the UK, and Türkiye each approach CSR regulations. The EU, the UK, and Türkiye are selected for this comparative analysis because they represent three distinct yet closely interconnected regulatory approaches to CSR. The EU provides the overarching supranational framework that increasingly shapes global CSR standards, particularly through instruments such as the CSRD. The UK offers a common law perspective with one of the earliest and most influential mandatory CSR-related reporting regimes, notably through the Companies Act 2006 and subsequent reforms. Türkiye, meanwhile, presents a hybrid model: as a candidate country aligned with EU *acquis*, influenced by Anglo-Saxon corporate governance principles, and simultaneously shaped by its own civil law tradition and developing market dynamics. Comparing Türkiye with the EU and the UK therefore allows the study to assess how different regulatory philosophies might inform Türkiye's evolving CSR framework and which model could serve as the most effective reference for future reforms.

The main goal of this article is to demonstrate both the opportunities and challenges that arise from incorporating CSR into corporate and company law, rather than merely serving as an ethical guideline. The study looks closely at three main questions: (i) On what grounds does a voluntarist conception of CSR fall short? (ii) How do different legal systems make CSR obligations mandatory? (iii) Which model or regulatory approach provides the most appropriate framework for Türkiye?

- 4 Liu Wang and Shaomin Li, 'Is Corporate Social Responsibility a Must or a Plus? The Role of National Culture' (2025) 101 *International Review of Economics & Finance* 1, 1-2.
- 5 Hsiang-Lin Chih, Hsiang-Hsuan Chih and Tzu-Yin Chen, 'On the Determinants of Corporate Social Responsibility: International Evidence on the Financial Industry' (2010) 93 *Journal of Business Ethics* 115; Kurt A Desender, Mónica López-Puertas-Lamy, Pierpaolo Pattitoni and Barbara Petracchi, 'Corporate Social Responsibility and Cost of Financing—The Importance of the International Corporate Governance System' (2020) 28(3) *Corporate Governance: An International Review* 207.
- 6 Ioannis Ioannou and George Serafeim, 'What Drives Corporate Social Performance? The Role of Nation-Level Institutions' (2012) 43 *Journal of International Business Studies* 834; Johan Graafland and Niels Noorderhaven, 'Culture and Institutions: How Economic Freedom and Long-Term Orientation Interactively Influence Corporate Social Responsibility' (2020) 51 *Journal of International Business Studies* 1034.

In order to address these questions, this article first investigates the conceptual models and historical development of CSR before it outlines the rationale for intervention through regulation. It then addresses the models of the EU, the UK, and Türkiye in turn, examining in each system how the voluntarism–obligation dualism has been resolved. The final section summarises the findings comparatively and makes policy recommendations for Türkiye. Therefore, the article emphasizes CSR's contemporary evolution from ethics to law and endeavours to redefine law's function in defining corporate responsibility.

I. CONCEPTUAL AND HISTORICAL FRAMEWORK

CSR is generally accepted as an approach which holds that businesses should not be limited to profit maximisation alone but must also be held accountable for the social and environmental impacts of their activities⁷. Although CSR is now a significant aspect of company law, its roots date back to the mid-1900s. It first took shape in the work of Anglo-American scholars and gained widespread recognition through Carroll's famous pyramid of responsibilities model⁸. This framework explains CSR as a four-layered structure consisting of economic responsibility, legal responsibility, ethical responsibility, and philanthropy. Within this framework, while the primary obligation of companies is to generate profit for their shareholders, it has been emphasised that in order to preserve their long-term legitimacy, they must also take into account stakeholder interests and societal expectations. With the growing internationalisation of commerce and the increasing sophistication of global trade through technological transformation, consumer preferences have become decisive for companies' presence in the market⁹. This shift has changed how companies relate to society. A company's ability to maintain stability in income distribution and support stakeholder interests now relies heavily on gaining social acceptance. For this reason, following CSR principles, which show a company's awareness of societal expectations, has become a major focus for businesses. In this respect, CSR has increasingly been conceptualised as a core component of corporate sustainability. It encourages companies to include social and environmental factors in their long-term planning. Instead of viewing CSR as an optional extra, recent research presents it as a way for businesses to support sustainable development goals while also securing their own long-term success.

The conceptual debate on CSR has essentially revolved around two main theories. The first one is stakeholder theory. This theory argues that corporations are responsible not only to their shareholders, but also to employees, customers, suppliers, society, and the environment¹⁰. This

7 Eduardo Duque-Grisales and Javier Aguilera-Caracuel, 'Environmental, Social and Governance (ESG) Scores and Financial Performance of Multilatinas: Moderating effects of geographic international diversification and financial slack' (2021) 168(2) *Journal of Business Ethics* 315, 317; Liu Wang and Yu Wang, 'Is Corporate Social Responsibility More Valuable in Disrupted Industries?' (2023) 49(10) *Managerial Finance* 1673, 1675.

8 Archie B Carroll, 'A Three-Dimensional Conceptual Model of Corporate Social Performance' (1979) 4 *Academy of Management Review* 497; Archie B Carroll, 'Carroll's Pyramid of CSR: Taking Another Look' (2016) 1 *International Journal of Corporate Social Responsibility* 3, 3.

9 *Ibid.*, 5.

10 Paul C Godfrey, Craig B Merrill and Jared M Hansen, 'The Relationship Between Corporate Social Responsibility and Shareholder Value: An Empirical Test of The Risk Management Hypothesis' (2009) 30(4) *Strategic Management Journal*

approach connects corporate legitimacy and long-term sustainability to how well companies can balance the interests of different groups. In contrast, shareholder primacy theory emphasises that, because of the corporation's basic nature, its focus must be on the interests of shareholders and their financial gains¹¹. This perspective gained prominence in the United States (US) during the 1980s and consolidated its global dominance throughout the 1990s. It argues that the main goal of corporations is to increase shareholder value, and that other social or environmental issues are valid only if they support this goal. The current focus on sustainability has strengthened views of CSR that center on stakeholders. Sustainable business practices need to account for environmental limits, social welfare, and fairness for future generations. These elements are hard to fully express using a shareholder-focused model.

From the 2000s onwards, however, developments in Europe and Asia have shown a renewed growth of CSR. For example, *Section 172 of the UK Companies Act*¹² requires directors to consider employees, suppliers, customers, the environment, and society while working for the company's success for the benefit of shareholders. This means they adopt a broader view of shareholder interests. Similarly, in countries such as India and China, the introduction of legal obligations for CSR expenditures demonstrates the concrete incorporation of stakeholder theory into company law¹³. However, many of these provisions remain ineffective because enforcement is weak and, in practice, they depend heavily on managerial discretion. As a result, some commentators view CSR rules as symbolic gestures that reinforce managerialism rather than genuine stakeholder governance¹⁴.

Thus, the main question in the CSR debate still remains: Is CSR merely a voluntary ethical duty, or should it constitute a mandatory element of company law? Proponents of shareholder primacy argue that CSR can only be safeguarded through contractual arrangements and external regulation¹⁵. In contrast, supporters of stakeholder theory believe that placing CSR directly into company goals and governance is essential for tackling social inequality and environmental issues¹⁶.

From a historical perspective, CSR mostly existed on a voluntary basis for a long time. Beginning in the 1960s, companies started various goodwill initiatives, such as charity projects, social aid programs, and educational or environmental support schemes, as expressions of CSR¹⁷. This period was supported primarily by soft law instruments. Frameworks such as the OECD Guidelines for Multinational Enterprises¹⁸, the United Nations Global Compact¹⁹, and ISO 26000 articulated

425, 427.

11 Ibid, 429.

12 Companies Act 2006, c.46 (UK).

13 Lin (n 3), 41.

14 Ibid, 40.

15 Godfrey et al (n 10) 427.

16 James E Mattingly and Shawn L Berman, 'Measurement of Corporate Social Action: Discovering Taxonomy in the Kinder Lydenburg Domini Ratings Data' (2006) 45(1) *Business & Society* 20, 22-23.

17 Zimmer and Boris Swoboda (n 1), 1.

18 OECD, *OECD Guidelines for Multinational Enterprises* (2011, updated 2023).

19 United Nations, *United Nations Global Compact* (2000).

principles²⁰ to which companies were expected to adhere voluntarily. Although these instruments were not legally binding, they functioned as tools of legitimacy in the eyes of international investors and civil society organisations.

However, financial crises, environmental disasters, and global human rights violations linked to multinational corporations in the twenty-first century showed that relying solely on voluntary CSR efforts was not enough²¹. The most prominent criticism of voluntary CSR has been that companies often appear to fulfil their responsibilities through superficial campaigns, thereby creating the risk of greenwashing²². At this point, arguments in favour of transforming CSR from a voluntary instrument into a legally binding obligation gained importance. Indeed, the rising importance of sustainable investment and the demand from investors for detailed disclosure have gradually transformed CSR into a matter of legal regulation.

The change in CSR from a voluntary ethical duty to a more structured and binding set of regulations reflects a major shift in how companies are managed. This process can be understood through three main models. First, the historical beginning of CSR was purely voluntary. Companies engaged in social responsibility initiatives at their own choice. Second, hybrid models developed over time. These models kept the voluntary aspect but added requirements like mandatory CSR reporting or *comply or explain* rules that encouraged firms to be more transparent. Lastly, direct statutory CSR duties involve clear legal requirements and penalties.

This three-tiered model shows that CSR has gone beyond just being a voluntary ethical choice. It is now part of company law and the overall structure of the global economy. While CSR conceptually retains its roots in voluntarism, its historical trajectory has drawn it progressively closer to mandatory regulation. This transformation is linked not only to ethical or social expectations, but also to legally protected values such as investor confidence, market stability, fair competition, and environmental sustainability. As will be explained in the next section, the reason for including CSR in law is to protect these values.

II. THE JUSTIFICATIONS FOR THE LEGALISATION OF CSR

The change in CSR from being voluntary to having legal requirements is not just a result of history. This shift comes from clear social, economic, and environmental needs. In other words, the idea that CSR should not stay as just good corporate choices did not come up on its own. It has been influenced by real situations like market failures, worsening environmental crises, rising social inequalities, a decline in investor trust, the changes technology brings to business, and the growing awareness of

20 International Organization for Standardization (ISO), *ISO 26000: Guidance on Social Responsibility* (2010).

21 Edward Einhorn, 'The Nature of The Interaction Between Mandatory and Voluntary Disclosures' (2005) 43(4) *Journal of Accounting Research* 593, 594-595.

22 Curtis Marquis and Michael Toffel, 'The Globalization of Corporate Environmental Disclosure: Accountability or Greenwashing?' (Harvard Business School Working Paper, No 11-115, 2011).

corporate effects on human rights²³. These conditions demonstrate that corporate responsibilities cannot be adequately addressed through voluntary mechanisms alone and that corporate conduct must instead be guided through legal regulation.

Accordingly, the legalisation of CSR should not be seen just as a theoretical choice for governance. Instead, it represents a necessary change for maintaining market stability, ensuring environmental sustainability, and upholding societal legitimacy²⁴. In this context, companies cannot account for external impacts in their operations without government action. The growing demands from the global community regarding human rights and environmental safeguards, along with the public's need for trust, serve as the main reasons for formally recognizing CSR. This section will carefully explore these reasons which we have organized into five headings for clarity. The goal is to show that CSR should not be viewed as just an ethical principle; rather, it must be considered a required aspect of corporate law.

A. ECONOMIC JUSTIFICATIONS

One of the main reasons for legalisation of CSR is to fix market failures that come from flaws in the free market system. Traditional economic theory suggests that the free market, through the invisible hand, balances supply and demand and maximises social welfare. However, corporate activities, especially in the context of globalisation, often create externalities that disrupt this balance and cannot be fixed by market forces alone. Examples of these externalities include environmental pollution, the depletion of natural resources, rising carbon emissions, labour exploitation, the rise of digital markets, income inequality, and declines in social welfare. When companies attempt to increase profits by shifting costs onto society, the resulting social costs do not show up in market prices. This situation harms both economic efficiency and social justice. At this point, government action becomes necessary to ensure that corporations take responsibility for the externalities they create. The goal of establishing a legal framework for CSR is to address these social costs and fix market failures²⁵.

Another aspect of the economic justification is preventing information asymmetry. In today's markets, investors need trustworthy information on not just companies' financial results but also on their environmental, social, and governance (ESG) performance. Institutional investors and international funds especially rely on ESG criteria and expect transparency in these areas. However, voluntary reporting often varies, lacks standardisation, and cannot be easily verified, leading to concerns about credibility. This increases the risk of greenwashing, reduces investor confidence, and disrupts the effective operation of markets.

23 Lin (n 3), 3; Bing Ding, 'The Legalisation of Corporate Social Responsibility in International Investment Agreements' in J Bäuml et al (eds), *European Yearbook of International Economic Law 2024*, vol 15 (Springer, Cham 2025), 378.

24 Zimmer and Boris Swoboda (n 1), 2.

25 Lin (n 3), 3-4.

Empirical research shows that ESG reporting has a positive impact on firm value, lowers long-term capital costs, and boosts investor confidence²⁶. In this context, the legalisation of CSR is not just an ethical obligation; it also serves as a regulatory tool that helps stabilise the market and lessen information gaps. The economic reasons for legalising CSR focus on two main areas: first, the need to address externalities that markets alone cannot solve through regulation, and second, the goal of reducing information gaps so investors can make decisions based on trustworthy data²⁷. Together, these aspects demonstrate that CSR in today's economies is both an ethical approach and an essential part of corporate regulation to maintain market stability and investor trust.

B. ENVIRONMENTAL AND SOCIAL JUSTIFICATIONS

A second justification for the legalisation of CSR is the inadequacy of voluntary practices in addressing environmental and social risks. Among the biggest challenges of the twenty-first century are climate change, the rapid loss of biodiversity, the depletion of natural resources, and the increasing number of natural disasters. These issues are all connected to corporate activities. Specifically, the production and consumption practices in sectors like energy, agriculture, mining, construction, and transportation are major contributors to global warming. Voluntary CSR initiatives often fall short in addressing these global risks²⁸. Corporate sustainability strategies frequently become mere good faith statements that lack real effectiveness.

Concrete examples of this reality frequently appear on the global agenda. Plastic pollution has put ocean ecosystems and marine life at risk of extinction. This poses direct consequences for global food chains and human health. Additionally, global carbon emissions are not on track with the 1.5°C pathway set by the Paris Agreement. This shows that current voluntary commitments are lacking. In this situation, the involvement of states and international organisations to introduce binding standards is essential²⁹. This is necessary not just for protecting the environment but also for ensuring fairness for future generations.

From a social perspective, the activities of multinational corporations have significant effects on labour rights, community health, and social inequality. The focus on cutting costs in global production networks often leads to neglect in occupational safety and decent working conditions. The 2013 Rana Plaza disaster in Bangladesh, which took the lives of more than 1,100 workers, is a striking example of how voluntary CSR policies fail to bring real change. Another tragic case is the 2012 Ali Enterprises factory fire in Pakistan, where more than 250 workers lost their lives under

26 Zimmer and Boris Swoboda (n 1), 2-3.

27 Ding (n 23), 377.

28 European Parliament, Policy Department for Citizens' Rights and Constitutional Affairs, *Corporate Social Responsibility (CSR) and Its Implementation into EU Company Law* (Study, 5 November 2020) <[https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658541/IPOL_STU\(2020\)658541_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658541/IPOL_STU(2020)658541_EN.pdf)> accessed 21 September 2025, 12.

29 David Ramos Muñoz, 'The Corporate Sustainability Due Diligence Directive (CSDDD). Everything, everywhere, all at once?' (EUSFiL Research Working Paper Series, no 1, January 2025), 2; Dimitris Vovolinis, 'The EU Corporate Sustainability Due Diligence Directive (CSDDD): A Deep Dive Analysis and Way Forward' (31 July 2025) <<https://ssrn.com/abstract=5377133>> accessed 21 September 2025, 11.

unsafe working conditions. Similarly, mining accidents, uncontrolled discharge of toxic waste, and forced displacement of local communities highlight the difference between what companies say about social responsibility and what they do in practice.

Legal regulation aims to guarantee minimum standards in the prevention of such social risks³⁰. From this perspective, the legalisation of CSR not only protects against environmental crises but also acts as a necessary tool for guaranteeing worker safety, fair wages, social welfare, and the respect of human dignity.

C. HUMAN RIGHTS AND LEGAL RESPONSIBILITY

A third justification for the legalisation of CSR lies in the protection of human rights. With the rapid growth of globalisation, the attitudes of multinational companies have created not just economic effects but also clear social and humanitarian impacts. Specifically, problems like forced labour, child labour, discrimination, and breaches of health and safety rules in supply chains show that businesses cannot rely solely on voluntary choices when it comes to human rights responsibilities.

In this context, the United Nations Guiding Principles on Business and Human Rights (UNGPs)³¹, adopted by the United Nations Human Rights Council in 2011, represent a milestone. The UNGPs are built upon three fundamental pillars. First one is the duty of states to protect human rights, the second one is the corporate responsibility to respect human rights, and the last one is the obligation to provide effective remedies and grievance mechanisms for victims of violations. These principles established that corporations must commit to human rights not only within a voluntary ethical framework but also through legal and institutional mechanisms³². In doing so, they accelerated the transition of CSR from an ethical dimension toward one of legal obligation.

Similarly, Germany's *Supply Chain Due Diligence Act (Lieferkettensorgfaltsgesetz, 2021)*³³ requires large companies to prevent human rights violations in their supply chains. They must conduct risk assessments and ensure transparency. This makes it one of the first regulations in this area. Although EU member states such as France and the Netherlands have introduced regulations in this area, the German law is important because it marks the first independent framework that differs from EU rules.

These basic examples show that protecting human rights is not just the job of states anymore. Corporations, because of their structures and global reach, have also become responsible players. In this respect, the legalisation of CSR has not only transformed corporate governance but has also become an integral component of the global human rights regime.

30 Ding (n 23), 379.

31 United Nations, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework* (2011).

32 Ding (n 23), 378.

33 Germany, *Supply Chain Due Diligence Act (Lieferkettengesetz)* (2021).

D. JUSTIFICATIONS BASED ON SOCIAL LEGITIMACY AND TRUST

The long-term survival of corporations depends not only on their economic performance but also on their ability to earn legitimacy in society. In today's world, simply chasing profit is not enough to justify corporations' existence. Social trust, consumer preferences, employee loyalty, and investor interest are becoming more important. However, companies' voluntary CSR practices have often fallen short of building trust and have generally focused on superficial campaigns. This has led to criticism, especially regarding greenwashing and social washing. Scandals like Volkswagen's Dieselgate and oil companies' claims of following climate-friendly policies while taking only limited actions illustrate how voluntary CSR can lead to public distrust³⁴.

At this point, turning CSR into a legal requirement has become a way to ensure that corporations do not just seem responsible but genuinely act responsibly. Legal enforceability changes companies' commitments to society from vague statements into specific and measurable results. This way, CSR stops being just an ethical image and becomes a vital part of the corporate accountability framework.

Thus, making CSR a legal requirement is vital for building social trust. Legal regulations force companies to get their societal legitimacy not through voluntary statements but through binding standards and transparency³⁵. This process helps create a trustworthy connection between market players and society.

E. NORMATIVE JUSTIFICATIONS: REDEFINING THE SOCIAL ROLE OF CORPORATIONS

The final justification for the legalisation of CSR is normative in nature. Historically, corporations were defined as economic actors whose only purpose was to generate profit and maximise shareholder interests. As explained earlier, this shareholder primacy doctrine became dominant in the Anglo-American legal tradition, particularly in the second half of the twentieth century, where the corporate role in society was largely confined to market efficiency and profit maximisation. However, globalisation, environmental crises, the deepening of social inequalities, and the visibility of human rights violations have revealed that this understanding alone is insufficient³⁶.

Today, companies are seen not just as organisations that serve shareholders but also as social players that need to consider the interests of all stakeholders. This change is not just about economics or legal decisions; it also redefines the purpose of companies today. With the growth of stakeholder theory, corporate sustainability now relies on balancing the needs of employees, customers, suppliers, the environment, and local communities.

34 Abhijeet Bafna, 'Corporate Governance, Social Responsibility, and Regulatory Reform' (6 March 2025) 17(8) *Corporate Governance & Management eJournal*, 2.

35 Zimmer and Boris Swoboda (n 1), 4; Lin (n 3), 2.

36 Arshiya Banu R and Jyotirmoy Banerjee, 'Exploring the Legal Debate on Corporate Social Responsibility: Mandatory vs Voluntary CSR Approach' (2023) 4(6) *Indian Journal of Integrated Research in Law* 1058, 1059-1060.

As will be elaborated in subsequent sections of this study, this transformation has appeared differently in various legal systems. In the European Union, CSR has been included in corporate law with binding rules. In the United Kingdom, a more flexible model, the enlightened shareholder value approach, has been used. In Türkiye, however, CSR mainly relies on indirect methods instead of direct binding requirements.

The common point is clear. Modern legal systems no longer leave corporate social responsibilities solely to ethical discretion. The gradual shift of CSR from ethics to law is a necessary result of changing the corporation's role in society³⁷. This change is seen as one of the key shifts shaping the future of company law.

In sum, the legalisation of CSR has become essential not just for economic efficiency or market order, but also for environmental sustainability, human rights protection, social trust building, and redefining the role of corporations. Approaches based on voluntarism have not been enough to address rising global crises. In contrast, binding regulations allow companies to meet their responsibilities to society in a more effective and accountable way. This study will look at how different legal systems have made CSR principles official. The next section will start with an examination of the European Union's regulations on CSR and will show how the justifications mentioned earlier have been expressed in legal terms.

III. THE LEGAL FRAMEWORK IN THE EUROPEAN UNION ON CSR LEGALISATION

The EU stands out as the regional body that has developed the most comprehensive and binding regulations on CSR at the global level. Initially shaped within the framework of voluntary ethical principles, the concept of CSR has gained a stronger and legally binding status through various EU directives. In this way, CSR has been redefined beyond companies' good-faith declarations of social contribution and placed within a framework of direct obligations and verifiable reporting practices.

The legalisation of CSR within EU policy has evolved around three major regulatory milestones. The first step was taken with the 2014 Non-Financial Reporting Directive (NFRD, 2014/95/EU)³⁸. This directive created a legal requirement for companies to share their environmental, social, human rights, and anti-corruption policies in their annual reports. It established the idea of non-financial information in company law and improved accountability to stakeholders.

This was followed by the 2022 Corporate Sustainability Reporting Directive (CSRD, 2022/2464/EU)³⁹. The CSRD extended the scope of reporting obligations beyond large corporations, encompassing

37 Zimmer and Boris Swoboda (n 1), 3.

38 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as Regards Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups [2014] OJ L330/1.

39 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as Regards Corporate

also small and medium-sized enterprises listed on stock exchanges. It created a clearer, comparable, and accountable reporting system that follows the European Sustainability Reporting Standards (ESRS). This aims to lower the risk of greenwashing and build investor trust.

The final stage came with the 2024 Corporate Sustainability Due Diligence Directive (CSDDD, 2024/1760/EU)⁴⁰. This directive moved beyond the reporting dimension of CSR and imposed substantive *due diligence* obligations on corporations. Under the CSDDD, companies are required to assess their activities and identify, prevent, and fix human rights violations and environmental damage in their supply chains. Additionally, companies must create climate transition plans that meet the goals of the Paris Agreement. In this way, the CSDDD shows a clear shift in CSR from focusing on shareholder value to a model of governance that considers multiple stakeholders.

A. 2014 NON-FINANCIAL REPORTING DIRECTIVE, THE FIRST STEP TOWARD A LEGAL FRAMEWORK FOR CSR

The EU's process of legalisation of CSR was institutionally grounded with the adoption of the NFRD in 2014. Targeting large enterprises with more than 500 employees, the directive made it mandatory for companies to disclose information in their annual reports that are beyond their financial performance. For the first time in the European Level, companies are required to disclose information about their environmental impacts, social policies, human rights practices, and anti-corruption strategies.

The main importance of the NFRD is that it removes CSR from the sphere of being something voluntary and ethical to becoming a key part of company law. In this respect, the directive triggered a structural change in corporate governance, demonstrating that companies could be held accountable not only to shareholders but also to a broader group of stakeholders⁴¹. Consequently, non-financial reporting became an important tool for investor decision-making, consumer choice, and public oversight⁴².

Nevertheless, the implementation of the NFRD faced significant criticism. Corporate reports often stuck to superficial and qualitative statements, lacking enough quantitative indicators. This created issues with comparability between companies in different sectors and jurisdictions, which lowered the analytical value of the reports for investors⁴³. Additionally, even though the NFRD was binding,

Sustainability Reporting [2022] OJ L322/15.

40 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 [2024] OJ L/202.

41 European Parliament (n 28), 9; Deirdre Ahern, 'Turning Up the Heat? EU Sustainability Goals and the Role of Reporting under the Non-Financial Reporting Directive' (2016) 4 *European Company and Financial Law Review* 599, 610.

42 Patrick C Leyens, 'Corporate Social Responsibility in European Union Law: Foundations, Developments, Enforcement' in Anna Beckers and Gunther Teubner (eds), *Globalisation of Corporate Social Responsibility and its Impact on Corporate Governance* (Springer 2018) 157, 158.

43 European Parliament (n 28), 25.

weak monitoring and enforcement allowed companies to meet their obligations in a superficial manner, promoting a trend toward check-box compliance⁴⁴.

Another contested aspect of the NFRD was its limited scope. The directive applied only to very large enterprises. This approach leaves out most small and medium-sized enterprises (SMEs) that are essential to the European economy⁴⁵. While the NFRD included CSR in a set of rules, it was still not very inclusive or effective. Issues of content quality, comparability, weak enforcement, and narrow scope made it necessary for the directive to be strengthened through more reforms. The most notable change is the CSRD⁴⁶.

B. 2022 CORPORATE SUSTAINABILITY REPORTING DIRECTIVE, THE DEEPENING OF MANDATORY REPORTING

The problems in the implementation of the NFRD, such as superficiality, lack of comparability, and weak enforcement, led the European Commission to make corporate sustainability reporting more comprehensive and more mandatory⁴⁷. In this context, the adoption of the CSRD in 2022 marked the beginning of a new era in CSR reporting. The CSRD significantly expanded the scope of obligations by covering not only large companies above a certain threshold but also all SMEs listed on stock exchanges⁴⁸. In this way, CSR was established as a fundamental responsibility not only for multinational corporations but for all publicly listed companies.

One of the most important innovations introduced by the CSRD is the requirement for detailed and standardised reporting in line with the ESRS. These standards make it easier to compare what companies disclose⁴⁹. They change sustainability reports from being just formal ethical statements into documents that truly hold analytical value for investors, regulators, and the public⁵⁰. This approach strengthens the framework aimed at reducing the risk of greenwashing, which was heavily criticized under the NFRD.

In addition, the CSRD made it mandatory for sustainability reports to be verified by independent auditors. This innovation has improved the reliability of sustainability reporting. It has made it as serious and enforceable as financial reporting. The verification mechanism stops companies from revealing only positive indicators. Instead, it ensures that sustainability performance is reviewed fully and transparently⁵¹.

44 Leyens (n 42), 160.

45 European Parliament (n 28), 73.

46 Ramos Muñoz (n 29), 2.

47 Tania Pantazi, 'The Introduction of Mandatory Corporate Sustainability Reporting in the EU and the Question of Enforcement' (2024) 25(1) European Business Organization Law Review 509, 513-515.

48 Ramos Muñoz (n 29), 7.

49 Pantazi (n 47), 518.

50 Ramos Muñoz (n 29), 7-8.

51 European Parliament (n 28), 94; Pantazi (n 47), 519.

Another significant contribution of the CSRD is its emphasis on the integration of sustainability considerations into companies' strategic decision-making processes. CSR stopped being just an ethical showcase or a secondary policy tool for reputation management⁵². Instead, it became a key part of risk management, corporate strategy, and creating long-term value⁵³. This change moved the EU's CSR approach away from the traditional shareholder value model and closer to a system that considers multiple stakeholders. By these means, CSRD has played an important role in making CSR a key part of the EU's corporate legal framework.

C. 2024 CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE, THE LEGALISATION OF DUE DILIGENCE OBLIGATIONS

The most advanced and comprehensive regulation of the EU in the field of CSR is the CSDDD adopted in 2024. While the NFRD and CSRD institutionalised reporting and transparency obligations, the CSDDD signifies a departure from this framework. The significance of the CSDDD lies in its establishment of a legal mandate that extends beyond mere declarations and reporting, compelling companies to fundamentally transform their concrete actions throughout their global value chains⁵⁴. This regulatory evolution demonstrates the EU's commitment to ensuring that CSR is not merely a symbolic or declarative exercise but a tangible requirement for corporate behaviour.

The CSDDD mainly focuses on large companies and firms in high-risk sectors. It requires them to identify, prevent, reduce, and address negative impacts on human rights and the environment. This approach does not limit corporate responsibility to a company's own operations. It also includes the harmful effects from suppliers, subcontractors, and business partners. By doing this, the EU acknowledges the complexity of global value chains. Companies are now legally responsible not just for their direct activities but also for their indirect influence⁵⁵. This marks a significant change in improving human rights and environmental standards in international trade.

The directive further requires companies to prepare transition plans to combat climate change. These plans must meet the 1.5°C target of the Paris Agreement and be part of the company's business model and strategic goals. In this way, the CSDDD makes climate policy a binding responsibility not just for states, but also for the private sector.

Another important feature of the CSDDD is how it changes the responsibilities of corporate boards. The directive requires these boards to include sustainability factors in their decision-making processes. As a result, the role of directors shifts from focusing solely on shareholder value to adopting a stakeholder-oriented model of governance⁵⁶. Corporate boards no longer just aim to maximise financial returns; they must also consider long-term environmental, social, and governance risks.

52 Jochen Bischof, Alexander Dutzi and Martin Gros, 'Sustainability Reporting and Risk Governance' (2022) 92 *Journal of Business Economics* 349, 350.

53 *Ibid.*, 350; Pantazi (n 47), 524.

54 Vovolinis (n 29), 12.

55 Ramos Muñoz (n 29), 9-10.

56 *Ibid.*, 29-30.

Nevertheless, the CSDDD has also been subject to criticism. First, there are doubts about the practical feasibility of enforcing monitoring obligations throughout supply chains⁵⁷. For multinational corporations that work with thousands of suppliers worldwide, these obligations could lead to significant financial and operational challenges. Additionally, since the directive also targets non-EU companies that meet certain revenue thresholds, its extraterritorial effect has raised debates in international trade law⁵⁸.

D. SHARED FEATURES AND FUNDAMENTAL FLAWS OF THE EU'S LEGAL FRAMEWORK

When the EU'S three core directives are considered together, a clear trajectory of evolution in the legalisation of CSR emerges. The first step, taken with the NFRD in 2014, changed CSR reporting from a voluntary action to a legal requirement. This regulation was important because it included non-financial information in company law⁵⁹. Later, the CSRD, adopted in 2022, expanded on the NFRD by widening the reporting requirements. It now applies to a much larger group of companies, including listed SMEs⁶⁰. The introduction of the ESRS made the disclosures more detailed, comparable, and subject to independent verification⁶¹. As a result, sustainability reporting turned from a simple formality into a more trustworthy and strategic tool. The most advanced stage of this process was represented by the adoption of the CSDDD in 2024. Unlike the two previous directives, the CSDDD did not limit itself to reporting requirements. It required companies to identify, prevent, and fix human rights and environmental impacts in both their own operations and throughout their entire value chains⁶². In this way, corporate responsibility moved beyond just disclosure to include specific actions and due diligence responsibilities.

The common feature of all three directives is that CSR has changed from a voluntary ethical choice to a set of binding, auditable, and enforceable obligations. In this way, the EU has made CSR a key part of company law. It has placed social, environmental, and governance aspects at the centre of corporate strategy and operations⁶³. This approach positions the EU as both a regional regulator and a global standard-setter in defining the rules of CSR⁶⁴.

Although the EU's regulations on CSR are seen as important steps in the legalisation of CSR, their implementation has shown significant challenges. First, the growing reporting and auditing

57 Sarah Dadush, Daniel Schönfelder and Michaela Streibelt, *What the EU Corporate Sustainability Due Diligence Directive (CSDDD) Says About Contracts* (Responsible Contracting Project Policy Brief, 8 July 2024), <https://www.business-humanrights.org/documents/40318/RCP_Policy_Brief_CSDDDContracts_July_8_final.pdf> accessed 21 September 2025, 2-3.

58 Ramos Muñoz (n 29), 12-20.

59 Ahern (n 41), 600-603.

60 Ramos Muñoz (n 29), 7.

61 Pantazi (n 47), 514-515.

62 European Parliament (n 28), 74-76.

63 Leyens (n 42), 160-162.

64 Pantazi (n 47), 526-527.

requirements for companies create high costs, especially for SMEs. Large multinational companies have the resources to meet these demands. In contrast, SMEs often struggle due to their limited financial and technical capabilities, making it much harder to implement sustainability reporting fully⁶⁵. Therefore, how EU regulations will balance the burden on smaller firms under the principle of proportionality is still up for discussion⁶⁶.

Another challenge arises in the monitoring of international supply chains. The due diligence requirements set by the CSDDD hold companies responsible for their own operations and the human rights and environmental impacts of their suppliers and business partners; however, global value chains include thousands of players, differing legal systems in various jurisdictions, and a wide range of business practices. Effectively monitoring such a large network is both technically difficult and expensive⁶⁷. Additionally, the accuracy and reliability of information provided by third parties is itself a major concern⁶⁸.

As another perspective, the extraterritorial effects of these regulations on non-EU companies present a major implementation challenge. Both the CSRD and the CSDDD apply to non-EU firms that exceed specific thresholds, forcing global market players to follow European norms⁶⁹. This sparks discussions in international trade law about extraterritorial effect. Companies operating in developing countries often do not have the necessary institutional infrastructure to meet EU standards. This situation has led to concerns about fairness in competition and the equitable sharing of compliance responsibilities.

The last key point of criticism which can be discussed in this work is the effectiveness of enforcement and monitoring mechanisms. The issue of check-box compliance seen under the NFRD, where companies met their obligations only formally without making real changes, may continue under the CSRD and CSDDD⁷⁰. Although the CSRD added a requirement for independent audits, doubts still exist about the consistency of national adaptations across member states, the quality of report verification, and the independence of supervisory bodies⁷¹.

Despite these challenges, it is clear that CSR can no longer stay limited to voluntary ethical statements in today's legal systems. The EU's regulatory framework has established a set of norms that require companies to take on and carry out their social and environmental responsibilities in practice. In this way, the EU model stands out as a strong example, not just in Europe but around the world, inspiring other countries and regional organizations⁷². In the near future, these EU regulations will keep changing how companies act. This will happen not just in the internal market but also

65 Ramos Muñoz (n 29), 27.

66 Pantazi (n 47), 522.

67 Dadush, Schönfelder and Streibelt (n 57), 2.

68 Ibid, 11

69 Pantazi (n 47), 527-528.

70 Ibid, 15.

71 Ibid, 15.

72 Leyens (n 42), 160.

throughout global value chains. As a result, CSR will become a key part of how companies manage their strategies⁷³.

IV. THE LEGAL FRAMEWORK IN THE UNITED KINGDOM ON CSR LEGALISATION

In the UK, CSR was seen mainly as voluntary responsibility. Until the late twentieth century, the understanding of CSR focused mostly on corporate ethics and charitable activities. However, starting in the 2000s, as sustainability gained attention on the global stage and the influence of EU regulations, CSR began to be included in company law and capital market rules⁷⁴.

One of the key milestones in this transformation was the Companies Act 2006. Section 172 of the Act imposes on directors the duty to “*promote the success of the company for the benefit of its members,*” while also requiring them, in fulfilling this duty, to take into account the interests of employees, suppliers, customers, society, and the environment⁷⁵. Although the provision does not clearly mention CSR, it sets up a legal framework that includes stakeholder interests in corporate strategy through the enlightened shareholder value model⁷⁶. In academic literature, this clause is understood as the indirect but binding inclusion of CSR in company law in the UK⁷⁷.

Beyond company law, reporting obligations have also played a critical role in the legalisation of CSR. With the Strategic Report Regulations starting in 2013, large companies had to create non-financial reports. This requirement later matched the EU’s NFRD⁷⁸. From 2019 on, the UK was one of the first countries to require the disclosure of climate-related risks by adopting the standards of the Task Force on Climate-related Financial Disclosures (TCFD). Today, 96% of FTSE 100 companies follow ESG reporting standards⁷⁹. These disclosures directly affect investor confidence and the cost of capital⁸⁰.

In the *post-Brexit* period, the UK has gained the ability to act independently of the EU’s new regulations; the CSRD and the CSDDD. Nevertheless, the ambition to preserve London’s status as a global financial centre has pushed the UK to seek a model that stays closely connected to the

73 Pantazi (n 47), 529-530.

74 Lin (n 3), 3.

75 Companies Act, s172; Company Law Review, *Modern Company Law for a Competitive Economy: Strategic Framework* (London 1999) para 5.19.

76 Saidov Ibrokhim Anvarovich, ‘Corporate Social Responsibility under the UK Corporate Governance System’ (2023) 21 *Eurasian Research Bulletin* 120, 121; Abigail McWilliams, Donald S Siegel and Patrick M Wright, ‘Corporate Social Responsibility: Strategic Implications’ (2006) 43(1) *Journal of Management Studies* 1, 2.

77 Andrew Johnston, ‘The Shrinking Scope of CSR in UK Corporate Law’ (2017) 74 *Washington and Lee Law Review* 1001, 1032.

78 Lin (n 3), 4.

79 Natalya Sergeeva and Evangelia Kapetanaki, ‘Corporate Social Responsibility as a Strategic Narrative: The Cases of UK Project-Based Organisations’ (2022) 3 *Project Leadership and Society* 1, 2.

80 Cezara Nicoara and Vita Kadile, ‘The Potential of CSR Engagement in UK SMEs’ (2025) 6 *Journal of the International Council for Small Business* 157, 158.

EU while still allowing some flexibility. For example, alongside the EU's CSRD, the UK has created the Sustainability Disclosure Requirements (SDR) framework. This framework includes both institutional investors and listed companies, promoting clearer reporting processes⁸¹. In this way, the UK supports CSR mainly through a capital markets-based framework that directs market participants, setting itself apart from the EU's more regulatory approach⁸².

Taken together, these developments illustrate the two-sided nature of the UK's approach to CSR. The Companies Act 2006 put CSR at the centre of company law, while strong reporting requirements have made CSR a key issue in capital markets for investor confidence, transparency, and sustainable growth⁸³. After *Brexit*, the UK's regulatory framework has become more flexible and market-driven compared to the EU. However, the UK still follows a path similar to Europe⁸⁴. For the UK, CSR is no longer just an ethical choice; it is now a legally required obligation⁸⁵.

A. COMPANIES ACT 2006 AND THE LEGAL FRAMEWORK OF CSR

The most critical turning point in the legalisation of CSR in the UK was undoubtedly the Companies Act 2006. This reform was a major break from the Anglo-Saxon tradition of company law, which had long focused on shareholder primacy. *Section 172 of the Act* requires company directors to consider not just the interests of shareholders but also those of employees, suppliers, customers, the environment, and society as a whole when making decisions⁸⁶. This was the first time that elements of social responsibility were explicitly included in the legally defined duties of company boards. However, many scholars question how much this provision differs from the traditional shareholder-centred model. They argue that it mainly restates the norm of shareholder primacy using more modern language, rather than establishing a truly pluralistic view of corporate purpose⁸⁷.

In the literature, this provision is often seen as an example of the idea of enlightened shareholder value⁸⁸. In other words, the main goal of the corporation is to create value for shareholders. However, this value can only be maintained in the long run if the interests of stakeholders are also taken into account⁸⁹. The UK thus established a hybrid bridge between the shareholder-centred model and the stakeholder approach, without completely moving away from the traditional shareholder-oriented view. Nevertheless, critiques contend that enlightened shareholder value essentially codifies shareholder primacy in law and limits stakeholders' focus to instances when the interests of stakeholders may be used instrumentally for the benefit of shareholders. As such, critics maintain

81 Lin (n 3), 7.

82 Anvarovich (n 76), 122.

83 Nicoara and Kadile (n 80), 159.

84 Lin (n 3), 6.

85 Anvarovich (n 76), 121.

86 Ibid, 121.

87 Lynn A Talbot, 'Trying to Save the World with Company Law? Some Problems' (2016) 36 Legal Studies 513, 515.

88 Richard Williams, 'Enlightened Shareholder Value in UK Company Law' (2012) 35(1) UNSW Law Journal 360, 376.

89 Johnston (n 77), 1008.

that it restricts, as opposed to expands, the ability of businesses to engage in meaningful CSR and protects stakeholder rights⁹⁰.

Another important aspect of *Section 172 of the Act* is that it shows CSR in the UK is not just about voluntary efforts; it is part of corporate governance through binding company laws⁹¹. This has strengthened the legal status of CSR and stopped corporate leaders from focusing solely on profit. However, academic discussions often criticise how enforceable and actionable this provision is. Since the duty of directors to have regard to stakeholder interests is written broadly and open to different interpretations, there is still confusion about how courts will measure or enforce this duty. Empirical studies and legal analyses often find that *Section 172 of the Act* has led to only small changes in boardroom practices. This approach does not encourage the meaningful integration of social and environmental issues into decision-making⁹². For this reason, it can be argued that although *Section 172* formally introduced CSR into company law, in practice it often results in little more than check-box compliance.

Despite these critiques, the reform from the Companies Act 2006 fundamentally changed the framework for CSR in the UK. *Section 172 of the Act* established a view of corporate management that focuses on not just maximising short-term profits but also ensuring long-term sustainability and creating value for multiple stakeholders⁹³. This approach helped raise corporate governance standards and made CSR a legally defined obligation.

B. REPORTING OBLIGATIONS AND THE ESG DIMENSION

One of the most visible aspects of the legalisation of CSR in the UK has been the imposition of reporting obligations on companies. While it is an EU Regulation, the UK adopted the NFRD. This directive required large companies to share information about their ESG practices. Under this framework, large businesses had to report non-financial information⁹⁴. After *Brexit*, the UK kept most of these obligations and improved its reporting system with the UK Companies (*Miscellaneous Reporting*) Regulations 2018⁹⁵.

As a result of these regulations, large companies operating in the UK are required to provide detailed information in their annual reports concerning their environmental impacts and climate change strategies, labour rights, diversity and inclusion policies, supply chain responsibilities, and measures taken to prevent human rights violations today. In this way, non-financial performance indicators have shifted from being optional ethical standards to becoming mandatory legal obligations. This change increases corporate accountability to investors, consumers, and regulators.

90 Nicholas Grier, 'Enlightened Shareholder Value: Did Directors Deliver?' (2013) *Juridical Review* 2014(2) 95, 100.

91 Anvarovich (n 76), 122.

92 Johnston (n 77), 1032.

93 Ibid, 121.

94 Lin (n 3), 4.

95 The Companies (Miscellaneous Reporting) Regulations 2018, SI 2018/860.

In addition, the UK Corporate Governance Code 2024⁹⁶ supports these statutory disclosure rules by including ESG-related expectations in board practice. Operating on a comply or explain basis, the Code requires boards to describe in their annual reports how they create and maintain long-term value, assess and respond to opportunities and threats to future performance, and ensure that corporate culture and purpose match strategy. Boards must also demonstrate how they have considered the interests of key stakeholders under *section 172 of the Companies Act* and maintained effective engagement with the workforce. This can be done by appointing a workforce director, forming a structured workforce advisory group, or designating a non-executive director. If companies use other methods of engagement, they must explain and justify their effectiveness.

The 2024 Code introduces important improvements to risk management and internal controls. Boards will be required to make a clear declaration on the effectiveness of their significant internal controls (Provision 29) (the new Provision 29 effective for years beginning on or after 1 January 2026), which includes financial, operational, compliance, and reporting controls. This requirement highlights that ESG and long-term resilience are part of the company's governance framework and not just separate sustainability reports.

Based on all these improvements, one of the UK's most significant steps in the area of reporting has been the independent adoption of the TCFD standards. Entering into force in 2022, this requirement compels companies to reveal the risks that climate change presents to their business models and their plans for transitioning to a low-carbon economy⁹⁷. This obligation shows that climate change is not just an environmental issue in the UK; it is also a significant risk to long-term financial health and business sustainability⁹⁸.

Accordingly, reporting obligations have been crucial in legalising CSR in the UK. The EU rules adopted before *Brexit* and the national standards developed afterward have integrated ESG criteria into corporate governance processes. This change shows that the UK is responding to the needs of international investors as a major financial centre. It also provides clear proof that CSR has gained a legal framework in the Anglo-Saxon system of company law⁹⁹.

C. ENFORCEMENT AND SUPERVISORY MECHANISMS

In the UK, the legalisation of CSR has been supported by the establishment of effective supervisory and enforcement mechanisms designed to ensure that reporting obligations do not remain merely symbolic or voluntary declarations. Within this framework, relevant regulatory bodies monitor the non-financial reports and ESG disclosures submitted by companies. The most notable of these are Companies House and the Financial Reporting Council (FRC). Companies House plays a key role in

96 Financial Reporting Council, UK Corporate Governance Code (2024).

97 Sergeeva and Kapetanaki (n 79), 2.

98 Lin (n 3), 6.

99 Ibid, 7.

the submission and public disclosure of reports. The FRC oversees the accuracy and compliance of reports with the required standards.

Where reporting is incomplete, misleading, or does not meet the required standards, companies may face administrative fines in the UK. In some cases, corporate directors may also be directly liable. Specifically, according to *Section 172 of the Companies Act*, directors must consider not only the interests of shareholders but also those of employees, suppliers, and society as a whole. Not meeting these obligations can lead to liability for management. Therefore, reporting requirements are strengthened at both the institutional level and through the personal accountability of corporate directors.

These mechanisms demonstrate that CSR in the UK is not limited to soft law. Instead, it is backed by real penalties and oversight from regulatory authorities. This binding framework has turned reporting processes into more than just a formal duty. They have become a strategic priority for corporate reputation, investor confidence, and managing legal risks¹⁰⁰. As a result, CSR in the UK has changed from an ethical standard into an obligation with real legal and financial consequences for violations.

D. CSR IN THE POST-BREXIT ERA

Although the UK gained the ability to develop CSR policies independently of the EU after *Brexit*, in practice it has continued to follow a trajectory largely parallel to EU regulations. One of the main reasons for this is that the country's economy and its connection to international markets create a strong need for agreement in the CSR field.

First and foremost, trade relations are the most evident source of this parallelism. The European Union remains one of the UK's largest trading partners. As a result, EU instruments like the CSRD and the CSDDD are not legally binding on the UK; however, they still have a real effect on British companies. Firms that want to operate in the EU market must follow these standards to avoid competitive disadvantages¹⁰¹.

Second, the pressure of global investors has been a decisive factor shaping CSR policies in the *post-Brexit* era. London remains a top financial centre globally and relies on international capital flows. ESG criteria are key in how institutional investors make decisions. So, even if companies in the UK do not have to follow EU regulations directly, they must meet international ESG reporting standards to stay competitive in the capital markets.

Third, the phenomenon of regulatory competition has become especially noticeable after *Brexit*. To keep London attractive as a global financial centre, the UK has not relaxed CSR and ESG regulations. Instead, it has focused on greater transparency and stricter standards. In this regard, the UK became one of the first countries, starting in 2022, to mandate the reporting of climate-related

¹⁰⁰ Anvarovich (n 76), 122.

¹⁰¹ Lin (n 3), 7.

risks by adopting the TCFD standards¹⁰². Additionally, through the SDR system, both investors and companies need to provide more detailed information on sustainability performance.

In conclusion, while *Brexit* theoretically provided the UK with the opportunity to differentiate its CSR policies from those of the EU, in practice the country has continued to adopt regulations largely parallel to the EU's. This is due to trade relations, investor expectations, and the need to stay competitive in global finance. The UK model shows that CSR can be developed independently at the national level, but global market forces still create some overlap.

E. CORPORATE PRACTICES AND MARKET DYNAMICS IN THE UK

In the UK, large corporations, especially those in the FTSE 100, view CSR not just as a legal requirement but as a key part of building investor confidence, market reputation, and long-term competitive edge. This strategy connects to the growing trend in global capital markets where investment decisions increasingly rely on ESG criteria¹⁰³.

Companies in sectors with major environmental and social impacts, such as energy, mining, and finance, have created detailed reporting frameworks, especially under the TCFD. These reports identify both current and potential risks from climate change. They also outline specific strategic actions like carbon neutrality targets, investments in energy efficiency, and plans to shift towards low-carbon business models. Thus, climate-related reporting has progressed beyond simple regulatory compliance and has become a key part of long-term corporate planning.

Similarly, in sectors where human capital is paramount, policies on diversity, inclusion, and labour rights have become an integral part of corporate sustainability strategies. Many FTSE 100 companies have set clear targets for gender balance on boards, ethnic diversity, and inclusive recruitment processes. They share these goals with investors. These practices meet societal expectations and investors view them as ways to reduce risks and improve corporate reputation¹⁰⁴. Therefore, for FTSE 100 companies, CSR is seen as more than just a way to meet the basic legal standards. It is also essential for meeting international investor expectations, improving competitiveness, and reaching long-term growth goals.

Overall, the legalisation of CSR in the UK has been shaped by inspiration from the EU's strong normative framework, along with a focus on market needs and flexible application. This mixed approach has made CSR an essential part of both company law and capital market regulation. It also helps the UK keep its status as a global financial centre.

102 Sergeeva and Kapetanaki (n 79), 3.

103 Nicoara and Kadile (n 80), 158.

104 *Ibid.*, 160.

V. THE LEGAL FRAMEWORK IN TÜRKİYE ON CSR LEGALISATION

Regarding the CSR, while the EU and the UK have created strong normative frameworks that represent the transition of CSR from voluntary actions to binding requirements, the situation in Türkiye is still more limited, scattered, and mostly focused on voluntary measures. For a long time, CSR in Türkiye was mainly seen as the charitable activities and sponsorships that companies used to build relationships with society and improve their corporate image. In this context, CSR was mostly viewed through a philanthropic lens; however, as globalisation sped up, sustainability discussions gained importance in the business world, and Türkiye's economic ties with the EU deepened, CSR began to evolve. It shifted from being just a voluntary act of kindness to taking on a more institutional and strategic role.

One of the most significant legal steps in this transformation was the enactment of the new *Turkish Commercial Code (TCC)*¹⁰⁵ in 2012. Although the Code does not directly regulate the concept of CSR, it emphasises fairness, transparency, accountability, and responsibility as key principles of corporate governance¹⁰⁶. This focus gives CSR indirect legal importance. In fact, the legal literature views the disclosure of non-financial information as a basic part of CSR policies. Additionally, the duties of care and loyalty that Article 369 of the TCC places on board members have been seen as requiring them to consider social and environmental factors when making decisions¹⁰⁷. Thus, CSR is indirectly included in the legal responsibilities of directors.

At the same time, another main factor influencing the development of CSR in Türkiye has been capital market regulation. The Capital Markets Board of Türkiye (CMB) has encouraged companies to disclose certain social and environmental information as part of corporate governance principles, especially for publicly listed companies. Recently, the CMB has also provided guidance on ESG reporting. According to *Article 17 of the Capital Markets Law*¹⁰⁸, the CMB can set corporate governance principles and require compliance. In *II-17.1 Communiqué on Corporate Governance*¹⁰⁹, under the section titled as Ethical Rules and Social Responsibility, companies are encouraged to be sensitive to the environment, public health, and human rights. While these principles are not strictly binding, the requirement for companies to report their compliance status in annual activity reports has promoted CSR practices through market oversight. Although not as directly enforceable as EU standards, these actions have helped spread CSR practices in Türkiye through market dynamics and investor expectations.

105 Turkish Commercial Code (Law No 6102, adopted 13 January 2011, published in Official Gazette No 27846, 14 February 2011).

106 Işık Özer, *Anonim Şirketlerde Kurumsal Sosyal Sorumluluk* (Adalet Yayınevi 2022), 158-159.

107 Muhammed Sulu, *Anonim Ortaklıklarda Şirket Menfaati Kavramı* (On İki Levha Yayıncılık 2019), 17.

108 Capital Markets Law (Law No 6362, adopted 6 December 2012, published in Official Gazette No 28513, 30 December 2012).

109 Communiqué on Corporate Governance (II-17.1), published in Official Gazette No 28871, 3 January 2014.

Moreover, Borsa İstanbul A.Ş. (BIST), Türkiye's main stock exchange, has played an active role in advancing CSR practices. Since 2014, it has published the "Sustainability Guide for Companies"¹¹⁰ and set up the Sustainability Index¹¹¹. In 2021, it created the BIST Sustainability Participation Index. These steps have encouraged companies to include sustainability criteria in their business models. These indices help investors consider environmental and social performance when making decisions. This approach raises the importance of CSR in financial markets.

Today, the development of CSR in Türkiye is shaped primarily by global norms, the EU integration process, and investor pressure. Standards set by the EU, such as the NFRD and more recently the CSRD, have become essential for multinational and export-driven companies in Türkiye. While Türkiye's CSR policies and practices do not directly mirror EU regulations, they are slowly aligning due to economic integration.

In sum, the legalisation of CSR in Türkiye has not yet reached the same strong and binding level seen in the EU. It remains mostly indirect, developing mainly through corporate governance principles and capital market regulation. Nevertheless, the rising trend of ESG reporting, the creation of sustainability indices, and the use of international standards show that CSR in Türkiye is slowly shifting from voluntarism toward institutional obligation.

A. HISTORICAL DEVELOPMENT FROM PHILANTHROPY TO STRATEGIC CSR IN TÜRKİYE

The understanding of CSR in Türkiye can be historically traced back to the Ottoman tradition of charitable foundations. These institutions helped with public welfare, education, health, and cultural activities. In this way, they offered early examples of corporate giving, which can be seen as a precursor to modern CSR practices. During the Republican period, as industrialisation progressed, companies supported society mainly through donation campaigns, sponsorship activities, and social projects. However, these efforts were often less about a strategic corporate policy and more about voluntary, scattered actions intended to improve corporate reputation¹¹².

From the 2000s onward, the idea of CSR in Türkiye underwent a significant transformation. Globalisation, the EU accession process, and the spread of international sustainability standards pushed companies to go beyond charitable efforts. They started to see CSR as a key part of their corporate strategy. During this time, CSR became a governance tool closely tied to financial performance, including risk management and long-term value creation. In this context, the TCC, enacted in 2012, emphasised the importance of transparency, accountability, and responsibility in corporate management. Meanwhile, the Capital Markets Law added rules about public disclosure,

110 Borsa İstanbul (BIST), *Sustainability Guide for Companies* (2020) <https://www.borsaistanbul.com/files/Surdurulebilirlik_Rehberi_2020.pdf> accessed 21 September 2025.

111 Borsa İstanbul (BIST), *BIST Sustainability Index Basic Rules* (2014), <<https://www.borsaistanbul.com/files/bist-surdurulebilirlik-endeksi-temel-kurallari-31122014.pdf>> accessed 21 September 2025.

112 Abdülhak Sacid Aksoy, 'The Concept of Corporate Social Responsibility and Its Development in Türkiye' (2023) 5(2) Şırnak University the Journal of Economic and Administrative Approaches 147, 155-158.

investor protection, and balancing stakeholder interests. This contributed to the legalisation of CSR as a strategic approach¹¹³.

Several factors have been crucial in this transformation. First, international investors and fund providers expected transparency and sustainability based on ESG criteria. This pushed Turkish companies to improve their reporting and social responsibility standards. Second, subsidiaries of multinational companies in Türkiye adopted global CSR policies and reporting standards for their local operations. This created a top-down transfer of norms. Third, BIST sustainability initiatives, especially the BIST Sustainability Index launched in 2014, motivated companies to measure, report, and share their environmental and social performance with investors. This index played a significant role in making CSR a regular practice in Turkish capital markets, not just for reputation management but also for its connection to investor relations and financial performance. In 2021, the launch of the BIST Sustainability Participation Index added more options for sustainability-based indices. This ensured that corporate social and environmental performance increasingly influenced investor decision-making¹¹⁴.

In addition, the Capital Markets Board's Communiqué on Corporate Governance introduced principles titled Ethical Rules and Social Responsibility. These principles cover environmental sensitivity, public health, human rights, and anti-corruption. While these principles are not mandatory, companies must report their compliance status in annual reports. This requirement speeds up the integration of CSR through market pressures. Therefore, the historical development of CSR in Türkiye has followed a trajectory from philanthropy to strategic governance. Currently, CSR has taken on a more central role as a management tool in corporate competition strategies, stakeholder relations, and relationships with international investors.

B. LEGAL FRAMEWORK: FRAGMENTED AND INDIRECT REGULATIONS

In Türkiye, there is no direct and comprehensive statute specifically regulating CSR. Nonetheless, different laws and guidance from regulatory authorities give CSR practices an important legal foundation, even if it is indirect. CSR has formed from a mix of related rules in various areas of law.

First and foremost, the TCC sets important guidelines for CSR by requiring companies to act according to the principle of honesty. It also places obligations on boards of directors to protect the company's long-term interests and mandates public disclosure. While the Code does not specifically mention CSR, these requirements strengthen its legal foundation through principles of transparency, accountability, and stakeholder responsibility, which are essential aspects of corporate governance. In particular, the duties of care and loyalty imposed on board members via *Article 369 of the TCC*, require them to consider social and environmental impacts when making decisions. This approach indirectly incorporates CSR into the responsibilities of directors¹¹⁵.

113 Ibid, 156.

114 Ibid, 157.

115 Duygu Demirel Özdemir, 'Assessment of the Provisions of the European Union Corporate Sustainability Due Diligence

In addition, capital markets legislation helps legalisation of CSR indirectly. The CMB encourages transparency, protects stakeholder rights, and includes environmental and social factors in corporate decision-making through corporate governance principles for publicly listed companies. *Article 17 of the Capital Markets Law* allows the CMB to set corporate governance principles and require companies to follow them. Within this framework, Communiqué on Corporate Governance outlines principles under Ethical Rules and Social Responsibility. These include respect for the environment, public health, and human rights, along with commitments against corruption. While these principles are not legally binding, the requirement for companies to disclose their compliance status in annual activity reports promotes CSR practices through market forces¹¹⁶.

The environmental dimension of CSR, by contrast, finds more direct grounding in environmental legislation. The Environmental Law and related regulations hold companies responsible for the environmental effects of their actions. They encourage sustainable production methods and clearly outline environmental duties. Additionally, BIST's Sustainability Guide for Companies, published in 2014, along with its sustainability indices, has incorporated environmental responsibilities into corporate reporting and relations with investors. In this way, environmental duties serve as one of the strongest legal foundations of CSR in Türkiye.

On the other hand, the labour rights dimension of CSR is supported primarily through labour law in Türkiye. Rules on working conditions, health and safety, fairness, and trade union rights give companies guidelines that outline their economic and social responsibilities. Communiqué on Corporate Governance suggests that companies should create human resources policies that support equal opportunity, ban discrimination, guarantee a safe work environment, and promote employee involvement in management¹¹⁷.

Taken together, these regulations show that CSR in Türkiye has not yet formed a complete legal framework. Instead, it has been recognized in a fragmented and indirect way through different laws. This style of regulation makes companies see CSR more as an ethical and strategic tool for governance rather than a strict legal requirement; however, with the growth of ESG reporting and increasing pressure from investors, CSR is becoming stronger. As a result, the legal framework for CSR in Türkiye operates more through *comply or explain* methods than through direct obligations. This approach guides companies toward a market-focused view of responsibility.

C. INSTITUTIONAL AND REGULATORY INITIATIVES

In Türkiye, the development of CSR has been shaped not only by legislation but also by initiatives undertaken by public institutions, market actors, and civil society. One of the most important steps taken was the creation of the Sustainability Index by BIST in 2014. The index aimed to measure the ESG

Directive No. 2024/1760 (CSDDD) within the Framework of the Concept of Corporate Sustainability' (2024) 9(3) Regesta: Journal of Commercial Law 537, 580.

116 Özer (n 103), 167.

117 Ibid, 167-168.

performance of publicly listed companies and help investors make decisions based on sustainability criteria. As a groundbreaking tool for making CSR visible in Türkiye's capital markets, the index was updated in 2021 and replaced by the BIST ESG indices. This change brought the scope and methods of sustainability measurement in line with modern international standards. Additionally, BIST's Sustainability Guide for Companies has helped businesses integrate sustainability policies into their strategies and provided clear explanations of ESG reporting content and methods¹¹⁸.

Another key actor in establishing CSR in Türkiye is the Corporate Governance Association of Türkiye (TKYD). TKYD promotes good governance principles and views CSR as a key part of corporate strategy and governance models. It has published practical guides, organised training programs, and hosted conferences to help raise awareness of CSR in the business community. Additionally, the requirement from Communiqué on Corporate Governance, issued by the CMB, mandates that companies disclose in their annual reports how they comply with ethical rules and social responsibility principles. This obligation, along with TKYD's initiatives focused on governance, has helped integrate CSR more deeply into corporate governance structures.

In addition to private sector efforts, civil society organisations and academic institutions have played important roles in promoting CSR in Türkiye. Business groups like TÜSİAD and TİSK have helped companies with reports on sustainability and corporate responsibility, while also influencing policy discussions. Likewise, research and academic studies at universities have highlighted CSR as both a corporate strategy and a means for social and economic development. At the same time, academic literature shows that companies in Türkiye are shifting from a focus solely on profit to governance practices that consider stakeholder rights along with environmental and social responsibilities.

The common feature of these institutional and regulatory efforts is that, even though CSR in Türkiye is still developing on a voluntary and fragmented basis, they indicate a slow but steady process of institutionalisation. The market-based initiatives of BIST, the governance-focused contributions of TKYD, and the awareness-raising activities of business associations and academia have together set the stage for CSR to go beyond philanthropy and become a key part of corporate governance and sustainability strategies. In particular, ESG indices, sustainability reporting, and corporate governance principles show that CSR is increasingly acting as a standard tool in investor relations and international economic integration.

D. IMPLEMENTATION PRACTICE: CORPORATE STRATEGIES AND CHALLENGES

The degree of institutionalisation of CSR practices in Türkiye varies according to company size and the level of international integration. CSR policies have been mainly adopted by large domestic companies and subsidiaries of multinational corporations operating in Türkiye. These companies, especially those with strong business ties to the EU, face pressure to meet international standards on transparency, sustainability, and ethical responsibility. As a result, companies in export-oriented

118 Demirel Özdemir (n 112), 540-541.

sectors view CSR strategies as essential for staying competitive and satisfying the demands of international investors. In this context, BIST's sustainability indices and the CMB's ESG reporting guidelines support these companies' CSR strategies with clear indicators, improving their credibility in the marketplace.

By contrast, the prevalence of CSR practices among SMEs remains limited. The main reasons are cost concerns, a lack of expertise and knowledge, and the belief among many SMEs that CSR is still a voluntary choice rather than a mandatory obligation. SMEs often prioritise short-term profit goals, so they view projects related to environmental and social responsibility as less important or something to postpone. However, Communiqué on Corporate Governance suggests following principles like employee rights, equal opportunity, safe working conditions, and customer satisfaction. While large companies usually adopt these principles, most SMEs have not yet reached these standards. This gap is one of the biggest challenges for CSR in creating an inclusive and thorough change in Türkiye.

Another factor limiting the effectiveness of CSR in practice is the weakness of reporting and transparency systems. Institutions like the CMB and BIST encourage ESG reporting by large companies, but the scope, standards, and verification processes for these reports are still developing. When the disclosure requirement under Article 15 of the Capital Markets Law is interpreted broadly, the goal is to inform not only investors but also employees, creditors, and the general public¹¹⁹; however, in practice, especially among SMEs, these obligations are not effectively carried out. The lack of a reporting culture among SMEs makes it harder to measure, compare, and trust CSR practices in the eyes of investors.

Despite these limitations, the practice of CSR in Türkiye is steadily improving. The CSR policies of large firms in international supply chains serve as examples for smaller businesses through market dynamics. Additionally, rising societal expectations and the ethical concerns of younger consumers are pushing companies to adopt more transparent and sustainable practices. Moreover, boards of directors are becoming more responsible for meeting national and international standards on the environment, human rights, and labour rights due to compliance obligations. Still, the current situation shows that CSR in Türkiye is mostly the domain of large, globally integrated companies. Transforming it into a widespread normative culture will take time and greater institutional capacity.

E. CONVERGENCE AND ALIGNMENT WITH THE EU

Türkiye's deepening economic relations with the EU, particularly within the framework of the Customs Union, create strong pressures for convergence in the legalisation of CSR policies. Although Türkiye is not an EU member and not directly affected by binding regulations, key instruments like the NFRD, CSRD, and CSDDD push companies in Türkiye to align their practices. In this situation, the European Green Deal and the EU's strategies regarding green finance have also impacted Turkish

119 Özer (n 103), 165.

capital market regulators¹²⁰. This has led them to add sustainable finance frameworks and green bonds to their regulatory plans.

This trend is most visible among large Turkish companies engaged in exports to the EU¹²¹. Exporters in key sectors such as textiles, automotive, energy, and food are obliged to align their CSR reporting and sustainability strategies with EU standards to maintain market access and secure competitive advantage. As a result, practices like environmental impact reports, human rights policies, supply chain audits, and carbon footprint calculations are becoming more common in the corporate agenda in Türkiye. This shift reflects EU expectations. BIST's sustainability indices and the CMB's ESG reporting guidelines have also appeared as local regulatory tools to help Turkish companies meet EU requirements.

Even though CSR is not a legal requirement in Türkiye, the EU has significantly influenced its practical implementation. EU regulations not only affect trade relations but also guide the development of corporate law and governance standards in Türkiye¹²². As a result, the investor relations, reporting practices, and sustainability policies of Turkish companies are increasingly aligning with EU norms. This change is turning CSR from a scattered regulatory area into a key corporate requirement that matches international standards. For instance, the principles of ethical rules and social responsibility in Communiqué on Corporate Governance demonstrate this alignment with EU standards on human rights and sustainability.

In conclusion, although the EU's hard law approach to CSR is not officially binding on Türkiye, it acts as an effective regulatory framework for exporting firms and businesses involved in global value chains. The EU not only acts as a reference for Türkiye's external trade policies but also drives changes in its corporate governance culture and legal standards. Given this context, the future of CSR in Türkiye will likely become more established through alignment with the EU *acquis* and the ongoing development of sustainable finance tools.

Overall, CSR in Türkiye remains fragmented, voluntary, and driven by the market. However, pressures from EU standards, investor expectations, and local regulations suggest that CSR will slowly take on a more formal and mandatory character. In this sense, Türkiye is making strides to incorporate CSR into management practices, but it has not yet achieved the strong legal framework typical of the EU model. Nevertheless, the CMB's sustainability and ethical principles, along with Borsa İstanbul's incentives tied to the market, are key factors pushing Türkiye toward shifting from informal guidelines to more binding obligations in CSR.

120 Demirel Özdemir (n 112), 582.

121 Melih Sönmez, 'The Importance of Institutional Social Responsibility and the Regulation in the Body of Current Law: The Comparison between European Union and Turkey' (2015) XIX(3-4) *Erzincan Binali Yıldırım Üniversitesi Hukuk Fakültesi Dergisi* 89, 118.

122 *Ibid*, 116-118.

VI. COMPARATIVE INSIGHTS AND REFORM PROPOSALS

As discussed in this study, CSR has evolved significantly from its initial meaning as a voluntary and ethics-driven practice. Originally seen mainly as corporate philanthropy and community involvement, CSR has now become a crucial part of company law and global economic governance¹²³. The EU has driven this change by integrating sustainability reporting and meaningful due diligence into binding company law¹²⁴. Meanwhile, the UK, while separate from the EU, has chosen a more market-driven and flexible approach without giving up essential legal responsibilities, relying heavily on narrative CSR strategies in project-based organisations and disclosure obligations in company law¹²⁵. In contrast, Türkiye mainly relies on indirect and voluntary methods. CSR obligations are influenced by soft corporate governance principles, capital market incentives, and investor pressure rather than clear legal requirements¹²⁶. This comparison highlights an important truth which can be described that CSR is no longer just a moral choice. It is now a legal and strategic necessity for competitiveness, access to international capital, and long-term corporate legitimacy.

The lessons from this comparison reveal both opportunities and risks. The EU model demonstrates the strength of hard law, with strong, comparable, and audited obligations that have cut down on greenwashing and boosted investor confidence¹²⁷; however, this comes with added complexity and compliance challenges, especially for small and medium-sized businesses¹²⁸. The UK model shows the promise of a hybrid design, which includes stakeholder-sensitive duties within company law while maintaining flexibility and relying on market and investor pressure to encourage better disclosure and strategy¹²⁹. Türkiye's approach, while practical in the short term and suited to a business environment that values flexibility, risks falling behind global expectations. Companies that rely on export markets, foreign investment, and global supply chains already face pressure to comply with mandatory ESG and due diligence requirements set by the EU and other regions. If Türkiye does not foresee and gradually formalise its CSR framework, its companies may face higher transaction costs, reduced access to sustainable finance, and a loss of credibility in global markets.

For Türkiye, a practical way forward means moving beyond the current voluntary and scattered system without placing excessive burdens. The first step is to make sustainability reporting a clear legal obligation, gradually implemented based on company size and market impact, and consistent with international standards like the European Sustainability Reporting Standards. Reports should undergo independent verification and be included in BIST's listing requirements. This will help change sustainability disclosure from a reputation-building activity to a standard practice. It is also crucial to clarify directors' responsibilities to take stakeholder and environmental impacts into

123 Lin (n 3), 3.

124 European Parliament (n 28), 9-11; 70-73.

125 Sergeeva and Kapetanaki (n 79), 11-12.

126 Özer (n 103), 155-156.

127 Bischof et al. (n 52), 350

128 European Parliament (n 28), 74.

129 Sergeeva and Kapetanaki (n 79), 4.

account when advancing the company's long-term success. This can be done by either modifying the TCC or by raising the existing ethical and social responsibility guidelines in the CMB's regulations to enforceable comply or explain rules, supported by effective sanctions and reporting expectations.

Embedding CSR oversight within boards is a necessary reform. Establishing sustainability or CSR committees in companies that meet certain size or listing thresholds would give boards a clear structure to oversee non-financial risks and ensure they are part of risk management and strategy¹³⁰. For high-impact sectors and large companies, reasonable supply-chain due diligence responsibilities could be introduced, phased in over time, and supported by official guidelines, safe harbours, and industry best practices to make compliance manageable. These legal reforms should go hand-in-hand with building institutional capacity. Regulators and industry groups should offer training, reporting templates, and advisory support, especially for small and medium-sized enterprises. Access to sustainable finance, such as green bonds, ESG-linked credit facilities, and procurement incentives, should be expanded so that compliance boosts competitiveness rather than acting as a financial burden.

Turkish regulators should create these measures with a clear goal of interoperability. Matching reporting and due diligence standards with EU frameworks will cut down on duplication and help exporters access the market more easily. At the same time, reforms should avoid being overly strict, giving companies space for voluntary innovation beyond basic requirements. This balanced approach would help Türkiye close the gap between current market-driven practices and the more organized legal systems of the EU and UK, while still maintaining the energy of its business environment.

CONCLUSION

This study examined how the legal understanding of CSR has changed from voluntary and ethics-based practices to enforceable corporate obligations. By analysing the approaches of the EU, the UK and Türkiye, it traced CSR's development, the reasons for its legalisation, and the specific regulatory models that have come about. The analysis highlighted how the EU's strict law system, the UK's mixed and market-driven approach, and Türkiye's more fragmented, voluntary method respond to increasing global demands for sustainability, human rights protection, and market transparency.

The findings show that while CSR is no longer viewed as just an ethical issue in advanced economies, Türkiye's reliance on indirect and market-led mechanisms may leave its companies unprepared for global expectations and competitive pressures. The EU's layered directives and the UK's flexible, enforceable model each offer valuable lessons for creating a balanced yet credible legal framework. For Türkiye, gradually legalising sustainability reporting, clarifying director duties, and implementing practical supply-chain due diligence can help close the gap between voluntary practice and binding corporate responsibility.

130 Ramos Muñoz (n 29), 2.

Ultimately, the comparative approach of this study emphasises that the legalisation of CSR is not just about compliance. It is about redefining a corporation's social role. By moving toward a structured, transparent, and enforceable system, while allowing room for innovation, jurisdictions can build trust, attract sustainable investment, and ensure that corporate activities support long-term societal and environmental interests.

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