



PART 3

Read the text below and answer questions 27–40.

THE EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

A

Corporate social responsibility (CSR) is sometimes narrated as a moral progression from charity to sustainability. Yet its origins are better understood as a dispute about the corporation's purpose. Early CSR largely meant voluntary philanthropy—donations, volunteering, and community projects—activities that could be pursued without disturbing the central objective of profit. A competing doctrine, associated with Milton Friedman, insisted that managers' fiduciary duty is to shareholders and that "social" spending beyond the firm's remit risks substituting executive preferences for democratic choice. The conflict is not merely philosophical: it concerns where corporate legitimacy comes from. If firms generate large externalities that markets do not price—pollution, unsafe work, exploitative credit—then calls for CSR sound like an attempt to internalise costs that law and regulation have not fully captured. If, however, managers are treated as agents whose mandate is narrowly financial, CSR appears to be mission drift. Modern CSR inherits this unresolved tension and repeatedly oscillates between an ethical aspiration and a contested governance claim.

B

Globalisation magnified this tension by re-locating production into complex networks where legal responsibility became diffuse. When branded firms relied on contractors and subcontractors across borders, critics argued that companies had effectively outsourced liability while retaining control over cost, design, and delivery schedules. Catastrophic factory accidents and exposed labour abuses forced firms to develop codes of conduct, audit regimes, and contractual standards that promised accountability at a distance. But auditing soon revealed its limits. Subcontracting could be hidden, worker interviews could be managed through intimidation, and compliance could be staged for inspectors. In this environment, "materiality" emerged as a strategic filter: CSR should focus on impacts significant to stakeholders and financially relevant to the business, rather than on peripheral gestures. Yet materiality also introduces politics—whose interests define significance, and whether the voices of workers and communities can compete with the preferences of investors and senior management.

C

As CSR became institutionalised, an additional problem appeared: the gap between formal policy and day-to-day practice. Sociologists describe this as decoupling—



organisations adopt visible rules to secure legitimacy, while routines remain largely unchanged. In corporate settings, greenwashing became the most prominent manifestation of this pattern. Firms could publish climate pledges, ethical sourcing commitments, or diversity targets while continuing to prioritise short-term cost reductions that undermined those promises. Industry-wide isomorphism reinforced the dynamic: companies copied the same reporting templates and slogans because peers, consultants, and ranking systems rewarded conformity. Over time, CSR rhetoric became polished enough to reassure consumers and investors even when operational change was incremental. The core dispute therefore shifted from whether CSR is desirable to whether it is credible, and whether a firm's narrative can be trusted when inconvenient trade-offs are concealed behind carefully curated claims.

D

If legitimacy depends on credibility, measurement becomes the battlefield. CSR's merger with ESG produced a marketplace of metrics in which different frameworks defined success differently, making comparisons difficult. This confusion is not accidental; it reflects a principal-agent problem. Investors (principals) want reliable signals about long-term risk, while managers (agents) may prefer metrics that portray them favourably or avoid costly reforms. The result is selective reporting, benchmark shopping, and a tendency to emphasise inputs (policies, trainings, committees) rather than outcomes (injury rates, wage adequacy, emissions trajectories). Audit fatigue also set in: suppliers faced repeated inspections that duplicated paperwork without improving conditions, and some firms treated assurance as a procurement checkbox rather than a learning mechanism. Regulators responded by pushing for standardised disclosure and, in some jurisdictions, external assurance. Yet even more data can fail if indicators are poorly designed or if reporting rewards better storytelling rather than better performance.

E

Against this backdrop, stakeholder theory offered an alternative account of what corporations are for. Popularised by R. Edward Freeman, it argues that firms are embedded in relationships with employees, customers, communities, and the environment, and that managerial responsibility cannot be reduced to shareholder returns alone. Proponents claim that a stakeholder lens helps firms manage long-term risk, preserve social licence, and strengthen resilience in turbulent markets. Critics counter that the concept can be too elastic: when everyone is a stakeholder, executives can justify almost any decision while avoiding explicit priorities and transparent trade-offs. There is also the danger of regulatory capture in a softer form, where firms shape the terms of public debate through voluntary initiatives that pre-empt stricter rules. Stakeholder



language, in other words, can be either a framework for accountability or a vocabulary for discretion, depending on how clearly responsibilities are specified and monitored.

F

Recent pressures have made the credibility question harder to evade. Digital transparency means misconduct can circulate globally within hours, while “cancel culture” and consumer activism can mobilise boycotts without traditional gatekeepers. At the same time, supply chains are being reshaped by geopolitical fragmentation: sanctions, national security concerns, and competing regulatory regimes complicate sourcing choices and amplify expectations from different markets. Firms face not only ethical scrutiny but also operational constraints, as “responsible” sourcing may conflict with cost, speed, or access to critical inputs. In parallel, climate transition policies and due diligence laws increasingly demand proof rather than promises, shifting CSR from reputation management toward evidentiary claims. What once functioned as optional branding now resembles a contested compliance frontier, where ambiguity can trigger legal exposure, investor pressure, and rapid reputational loss.

G

CSR’s future therefore depends less on aspirational statements than on governance. If responsibility remains a glossy add-on, it will continue to resemble window dressing—valuable for public relations yet weak in changing incentives. If, however, CSR is integrated into core decision-making, it can operate as a system of internal constraints that addresses externalities where regulation is incomplete. The decisive test is alignment: budgets, procurement rules, executive pay, and leadership evaluation must reflect stated commitments, not merely celebrate them. Effective CSR also requires enforcement mechanisms that reach beyond corporate self-description—credible assurance, meaningful sanctions, and channels through which stakeholders can contest claims. In this sense, CSR is neither a substitute for law nor empty symbolism by definition. It is a hybrid arena where voluntary initiatives, market pressures, and regulation interact, and where accountability depends on whether institutions can convert public commitments into verifiable practice.

Questions 27–32

Choose the correct heading for each paragraph.

List of Headings

- i Redefining corporate obligation beyond shareholders
- ii Why measurement systems produce conflicting signals
- iii A foundational dispute over purpose and legitimacy



- iv New external pressures that convert promises into proof
- v The credibility gap between policies and practice
- vi Accountability at a distance in global production networks
- vii Materiality and the politics of deciding which impacts count
- viii Audit fatigue and the limits of repeated supplier inspections
- ix Governance mechanisms that turn commitments into practice

27 Paragraph A

28 Paragraph B

29 Paragraph C

30 Paragraph D

31 Paragraph E

32 Paragraph F

Questions 33–36

Which paragraph contains the following information? **NB** You may use any letter more than once.

33 Firms face more complex sourcing expectations partly because of geopolitical tensions.

34 The passage argues that CSR is neither meaningless symbolism nor a substitute for law.

35 CSR may be effective only if it is built into incentives, budgets and leadership evaluation.

36 External forces increasingly demand proof rather than promises in CSR claims.

Questions 37–40

Complete the summary below. Choose ONE WORD ONLY from the text for each answer.

From voluntary CSR to accountable practice

Early CSR was associated with voluntary **37** As corporate commitments became institutionalised, **38** became the most prominent corporate manifestation of the gap between public claims and operational practice. Regulators later sought standardised **39** and, in some jurisdictions, external assurance.

40 can provide independent verification of corporate claims, alongside sanctions and channels for stakeholder challenge.



Answer Key

27. iii

28. vi

29. v

30. ii

31. i

32. iv

33. F

34. G

35. G

36. F

37. philanthropy

38. greenwashing

39. disclosure

40. assurance