

DOI: <https://doi.org/10.34069/AI/2022.53.05.11>

How to Cite:

Nahorny, V., Tiurina, A., Ruban, O., Khletytska, T., & Litvinov, V. (2022). Corporate social responsibility in modern transnational corporations. *Amazonia Investiga*, 11(53), 111-121. <https://doi.org/10.34069/AI/2022.53.05.11>

Corporate social responsibility in modern transnational corporations

Корпоративна соціальна відповідальність у сучасних транснаціональних корпораціях

Received: April 13, 2022

Accepted: May 13, 2022

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Abstract

Since the beginning of 2015, corporate social responsibility (CSR) models have been changing in connection with the trend towards the transition of joint value creation of corporate activities and consideration of stakeholders' interests. The purpose of the academic paper lies in empirically studying the current practice of social responsibility of transnational corporations (TNCs). The research methodology has combined the method of qualitative analysis, the method of cases of agricultural holdings in emerging markets within the framework of resource theory, institutional theory and stakeholders' theory. The results show that the practice of CSR is integrated into the strategy of sustainable development of TNCs, which determine the methods, techniques and forms of communication, as well as areas of stakeholders' responsibility. The internal practice of CSR is aimed at developing norms and standards of moral behaviour with stakeholders in order to maximize economic and social goals. Economic goals are focused not only on making a profit, but

Анотація

З початку 2015 року моделі корпоративної соціальної відповідальності (КСВ) змінюються у зв'язку з тенденцією до переходу спільного створення цінності корпоративної діяльності та врахування інтересів стейкхолдерів. Мета наукової роботи полягає в емпіричному дослідженні сучасної практики соціальної відповідальності транснаціональних корпорацій (ТНК). Методологія дослідження поєднала метод якісного аналізу, метод кейсів агрохолдингів на ринках, що розвиваються в рамках теорії ресурсів, інституційної теорії та теорії зацікавлених сторін. Результати показують, що практика КСВ інтегрована в стратегію сталого розвитку ТНК, що визначає методи, прийоми та форми комунікації, а також сфери відповідальності стейкхолдерів. Внутрішня практика КСВ спрямована на вироблення норм і стандартів моральної поведінки з зацікавленими сторонами з метою максимізації економічних і соціальних цілей. Економічні цілі орієнтовані не лише на отримання прибутку, а й на мінімізацію витрат через потенційні ризики корупції, шахрайства, конфлікту інтересів. Система корпоративної соціальної відповідальності

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also on minimizing costs due to the potential risks of corruption, fraud, conflict of interest. The system of corporate social responsibility of modern TNCs is clearly regulated by internal documents that define the list of interested parties and stakeholders, their areas of responsibility, greatly simplifying the processes of cooperation and responsibility. As a result, corporations form their own internal institutional environment. Ethical norms help to avoid the risks of opportunistic behaviour of personnel, conflicts of interest, cases of bribery, corruption, and fraud. The theoretical value of the research lies in supplementing the theory of CSR in the context of the importance of a complex, systematic approach to integrating the theory of resources, institutional theory, theory of stakeholders in the development of strategies for sustainable development of TNCs, the practice of corporate governance and social responsibility.

Keywords: Corporate social responsibility, corporate ethics, compliance, smart corporation, sustainable development.

Introduction

The models of corporate social responsibility (CSR) of transnational companies are being transformed due to legal changes, increased government requirements for environmental protection, protection of labour rights and changes in forms and working conditions. Companies are increasingly frequently implementing a comprehensive system of CSR based on sustainable development strategies, which includes achieving economic, social, environmental development goals and at the same time taking into account the interests of various stakeholders. An integrated approach involves a combination of resource theory, institutional theory and stakeholders' theory as the main ones for explaining and implementing CSR (Ashrafi, Magnan, Adams & Walker, 2020). The approach outlined is important in the context of the fact that the implementation of the CSR model is focused on people and labour resources due to a number of unfulfilled needs and rights and the impact of corporations on the life quality (Renouard & Ezvan, 2018). The above-mentioned tendencies require a detailed study of the practical implementation of measures within the CSR models introduced in corporations.

The purpose of the academic paper lies in empirical studying the modern practice of social responsibility of transnational corporations (TNCs).

сучасних ТНК чітко регламентована внутрішніми документами, які визначають перелік зацікавлених сторін та зацікавлених сторін, сфери їх відповідальності, що значно спрощує процеси співпраці та відповідальності. В результаті корпорації формують власне внутрішнє інституційне середовище. Етичні норми допомагають уникнути ризиків опортуністичної поведінки персоналу, конфлікту інтересів, випадків хабарництва, корупції та шахрайства. Теоретична цінність дослідження полягає в доповненні теорії КСВ у контексті важливості комплексного, системного підходу до інтеграції теорії ресурсів, інституційної теорії, теорії зацікавлених сторін у розробці стратегій сталого розвитку ТНК, практика корпоративного управління та соціальної відповідальності.

Ключові слова: корпоративна соціальна відповідальність, корпоративна етика, комплаєнс, розумна корпорація, сталий розвиток.

Literature Review

Corporate social responsibility is represented by the norms, standards and methods of economic, social, environmental activities while in the execution of financial and legal obligations, involving the implementation of long-term strategy with defined results by top management of corporations (Ashrafi, Adams, Walker & Magnan, 2018). The founder of CSR theory Bowen (2013) defines the concept of social responsibility as "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". Sarkar & Searcy (2016) analysed 110 definitions of CSR, formed in 1953–2014, which allowed them to systematize the basic conceptual fundamentals of the theory in terms of three stages of its development. Dahlsrud (2008), based on an analysis of 37 definitions of CSR for the period of 1980–2013, argues about the similarity of interpretations of this concept. Berger-Walliser & Scott (2018), based on an analysis of CSR trends in the US, EU, China, India, define this concept as "a clear obligation of corporations to socially and ethically be responsible to the society". Moon & Parc (2019) note that the social activities of corporations can create value in the framework of the development strategy and the new "Smart Corporation" concept. At the same time, the society should recognize the value of cooperation within the framework of corporate activities. Agudelo,

Jóhannsdóttir & Davídsdóttir (2019) adhere to the similar opinion: “the comprehension of corporate responsibility has evolved from being limited to making profits to including a broader set of responsibilities, in particular, to the belief that the primary responsibility of companies should be aimed at creating shared value”. Renouard & Ezvan (2018) understand CSR as a responsibility for human development in two ways:

- a) holistic responsibility shared by companies with other actors for the protection of humanity.
- b) the direct responsibility of each company for its impact on stakeholders’ capabilities.

In the scientific literature, there are different theoretical models of CSR, among which the Carroll Pyramid theory, the Triple bottom line theory and the stakeholder theory can be considered as the principal ones. In most cases, corporations most often use a stakeholder methodology with an emphasis on the shareholders’ interests and a formal consideration of the interests of the society. However, recent studies point to a comprehensive systematic approach towards the implementation of CSR, aimed at realizing the interests of owners and the society (Brin & Nehme, 2019). Since the 1950s, several CSR models have been developed in order to clarify the respective roles and responsibilities of corporations in relation to shareholders and stakeholders, whose strengths, benefits and challenges are represented in Table 1.

Table 1.

Summary of the main properties and characteristics for three CSR theories; The Carroll Pyramid theory, The Triple bottom line theory and the stakeholder theory (created by authors)

CSR Theory	Characteristics of CSR Theories		
	Strength of the Theory	Benefits of Applying the Theory	Challenges in Applying the Theory
The Carroll CSR Theory	Taking into account four main responsibilities for CSR approach: economic, legal, ethical and philanthropic Arranging the four responsibilities in the order of the hierarchy	Revealing good citizen image for corporation Improving the reputation of corporations	Prior to implementing the Carroll CSR theory, external social and environmental situations must be studied; it will take more time and effort to apply the theory When using the approach, any corporation has to balance between the three CSR responsibilities in order to achieve sustainable goals in society and ecology
The Triple Bottom Line Theory	Taking into account three main responsibilities for CSR approach: economic, social and environmental	Supporting the corporation to achieve sustainability	
The Stakeholder Theory	Taking into account the interest of various stakeholders groups	Allowing the corporation to maintain a strong interrelation and interconnection with community and business components. If the aim is achieved, the company will gain the trust and loyalty of all stakeholders	When using the approach, any corporation has to balance the interests of all stakeholders and adopt a transparent policy with them

Source: Brin & Nehme (2019).

Ashrafi, Adams, Walker & Magnan (2018) identify the main stages of development of the CSR concept as follows:

1. The period of 1953–1982, which is characterized by two opposing viewpoints of scientists, namely: the responsibility of the

corporation to develop economic, social and legal obligations; recognition by supporters of the classical economic ideology of the free market as the sole responsibility of corporations - towards achieving economic goals. During this period, the main concept of CSR lies in the voluntary fulfilling by

corporations of economic, legal and social obligations.

2. The period of 1983–2002, characterized by the introduction of ethics in CSR practice, the inclusion of environmental issues, sustainability and stakeholders' interests in corporate strategy.
3. The period of 2003–2014, the key components of CSR models are environmental aspects, stakeholders' interests, ethical issues (Sarkar & Searcy, 2016).

Since the beginning of 2015, corporations have been introducing new CSR models that provide for the implementation of activities within the framework of sustainable development strategies beyond the legal requirements (Pintea, 2015). The ethics of corporate activity remains a significant component of CSR, depending on the level of development of the country where the corporation operates (Sharma, 2019). CSR models have been also moving away from the traditional social / charitable focus towards a more holistic view of social, environmental and economic responsibility; the transition to the theory of the triple result is underway (Dahlsrud 2008; Sarkar and Searcy 2016). The modern CSR theory postulates that the social responsibility of any corporation is no longer limited to making a profit and complying with the law. Currently, corporations face the challenge of upholding the values and interests of shareholders, as well as consumers, employees, communities, government, the environment and other stakeholders (Nasrullah & Rahim, 2014a; 2014b). Creating shared values is also an integral part of the modern CSR theory (Carroll, 2015): "In fact, businesses engage in CSR because they see in the framework the benefits for them as well as society". McLennan & Banks (2019) note that corporations prefer relationships and interactions built within a corporate structure over tangible outcomes in the context of longer-term effects. That is precisely why CSR projects are implemented as part of sustainable development strategies in the long term. According to the viewpoint of Ashrafi, Magnan, Adams & Walker (2020), the CSR model is integrated into the corporate business strategy. Corporate policy and the set of actions within the scope of CSR are supported by internal and external mechanisms based on resource theory and institutional theory. This should be in line with the interests and expectations of internal and external stakeholders. In addition, this tendency is facilitated by globalization and growth, the expansion of the activities of transnational corporations, the call of governments for greater social, environmental responsibility, disclosure

of information about the activities and transparency of the various risks of performance (Berger-Walliser & Scott, 2018).

Thus, the tendencies in the development of the theory and CSR models are discussed in the scientific literature in connection with various factors of the internal and external environment. Scholars dispute about the strengths, benefits and conceptual principles of CSR. New models of social responsibility focus on creating shared value and value of corporate activities, taking into account the interests of stakeholders in the framework of the sustainability strategy. A multipronged approach to integrating the CSR model involves a combination of resource theory, institutional theory and stakeholder theory.

Methodology

The research is based on the theory of resources, institutional theory within the framework of the institutional environment of the corporations functioning in Ukraine on the example of the main agro-industrial holdings (Renouard & Ezvan, 2018; Ashrafi, Magnan, Adams & Walker, 2020). In particular, the academic paper explores the issues of forming the internal institutional environment of agricultural holdings on the basis of a comprehensive approach of companies towards the integration of the CSR conceptual fundamentals.

The case analysis method has been used to qualitatively study the practice of corporate governance and social responsibility of corporations in the agro-industrial sector of Ukraine. In order to conduct a detailed analysis of the practice of implementing the CSR concept of agro-industrial enterprises, agricultural industrial holdings have been selected, where corporate governance has been introduced in accordance with international standards.

In the course of the research, the information, statistical data of agricultural holdings posted on official websites have been used, namely:

- 1) corporate development strategies, sustainable development reports and management reports, where economic, social, environmental goals are defined and actual indicators of their achievement are given;
- 2) programs and codes of business ethics, compliance, code of ethical conduct and investigation procedures;
- 3) internal documentation on the ethical principles of staff behaviour in order to

minimize opportunistic behaviour and increase the level of rationality of decisions, especially of top management;

- 4) documentation on policies for managing conflicts of interest and preventing, combating fraud and corruption;
- 5) policy of interaction with suppliers; 6) anti-discrimination policy.

Results

The internal documentation of corporate governance, strategic documents of sustainable development of TNCs, management reports are the basis for building a system of social responsibility of companies.

Myronivsky Hliboproduct (hereinafter referred to as MHP Group, MHP, and Company) was founded as a vertically integrated company, a leader in the Ukrainian markets of industrial poultry production and export of chilled poultry meat. MHP has European equity and foreign production assets in the Netherlands, Slovenia, Slovakia, as well as a distribution office in the UAE. The Company has 40 independent divisions (enterprises) located in 16 regions of Ukraine, and about 28 thousand employees as of 2019. MHP is one of the world leaders in the agricultural market in the field of poultry farming. Sustainable development of MHP takes place in the main areas as follows: innovation, corporate social responsibility, environmental protection, product quality and safety, responsibility for personnel, charity. The substantively built CSR system is an important component of the sustainable development strategy. The Charitable Foundation comprises 31 managers who are responsible for the organization, control and implementation of CSR activities and projects in the regions of MHP enterprises.

The Stakeholder Engagement Plan (MHP, 2020c) is a significant component of the Environmental and Social Impact Assessment

(ESIA) of the MHP agro-industrial holding. The purpose of the Plan lies in improving and facilitating the decision-making process, promoting the timely creation of a productive structure that actively engages stakeholders and provides them with all opportunities and communication tools designed to share views, recommendations and discuss issues affecting the Plan. The Plan is considered as an effective tool towards facilitating active partnerships and effective communication between MHP and stakeholders, which is critical to a long-term sustainable development strategy. Stakeholders are defined by a company as any person, group or organization that has an interest in the results of the work. Key stakeholders are any stakeholders who have a substantial impact on the work or feel a significant influence, and where these interests and influences must be recognized if the result of the work is to be successful.

The Stakeholder Interaction Plan (MHP, 2020c) includes as follows:

- 1) determining the structure of the company based on areas of activity;
- 2) disclosure of information on legal requirements, international operating practices, company responsibilities, internal standards and CSR policies;
- 3) identification of stakeholders;
- 4) involvement and consultation of stakeholders;
- 5) reporting and mechanisms for filing complaints, namely CSR monitoring, reporting and control, handling of complaints, roles and areas of responsibility of the parties.

The Stakeholder Interaction Plan clearly defines the categories of interested parties and stakeholders, their area of interest (Table 2), which significantly simplifies the process of cooperation, interaction between them by identifying key areas of responsibility.

Table 2.
List of MHP's interested parties and stakeholders

Categories of interested parties	Categories of stakeholders	Sphere of interests
International organizations	IFC – International Finance Corporation; EBRD (European Bank for Reconstruction and Development) – EBRD Headquarters in London – Kyiv Office	Compliance with environmental and social performance standards and EHS Guidelines (Occupational Safety, Environment and Safety); Compliance with EBRD environmental and social policies (2014), including EHS best practices, environmental and social impact assessment, environmental and social action planning. Design solutions;
Authorities / Government bodies	Government of Ukraine, including: Ministry of Agrarian Policy, Ministry of Emergencies, Ministry of Ecology and Natural Resources, Ministry of Health, Ministry of Social Policy, Public Health Epidemic Service, Fire Safety Authorities, Social Insurance Fund	Urban planning; EIA requirements; Permission for emissions / discharges; Emergency planning; Details on the operation and change of services; Employment and labour protection; Acquisition of land; Health and safety of workers.
Suppliers / Services	Various contractors for the supply of services, products and equipment, including: “METRO Cash & Carry Ukraine” LLC, “Lysoform Medical” LLC	Information on delivery; EHS requirements and standards, including occupational safety and health requirements;
Suppliers / Services	“Energy Group” LLC, “Eco” LLC, “Ecolab Ukraine” LLC, “Food Plant” LLC, PJSC “UHL-MASH”	Profitability and financial performance of MHP; Transport and logistics connections and infrastructure; Access to tenders and contracts for the supply of goods and services for MHP.
Clients / Consumers / Partners	Branch “Poultry Complex”, “Vinnytsia Poultry Farm” LLC, Branch “VKVK”, “Vinnytsia Poultry Farm” LLC, “Sobar Group” LLC, “Production and Trade Enterprise Adonis” LLC, “Agrotechnics” LLC, “Regulus Expedition” LLC, “Ūnghajnrĭh Lift Truck” Pe “Montažventiláciã”, Engineering company “Techprylad”, “Mea food solúšnz” LLC, “Mea Vestfaliã” LLC, “Galpodšĭpnik” LLC	Product quality and biosecurity; Security and reliability of supply chains; EHS requirements and standards, including occupational safety and health requirements; Maintaining and ensuring the level of production yield.
Employees	MHP staff, managers and directors, especially MHP Group employees; Contractors, Retirees; Workers’ families	Internal training and responsibilities; Employment, social policy and procedures Occupational safety.
Local communities and community groups	Municipalities of the regions City council in more than 500 towns Village councils and local associations in the relevant districts of Vinnytsia and Cherkasy Major opinion leaders in local communities People residing near any area of MHP activity Schools Landlords Vulnerable groups (women, the elderly, the illiterate, etc.) Local enterprises and suppliers	Involvement in development (including design solutions) / construction works; Changes in services and capabilities, including pricing; Changes in local access and public transport; Tax revenues from local entrepreneurs and service fees; Impact on the environment and other local communities (logistics, etc.) and mitigation; Accommodation of employees; Employment; Obtaining education; Land lease opportunities, price reviews; Provision of drinking water and roads; Emissions of effluent water; Use and protection of forestry; Local hospital and medical care; Local education and schooling; Easier access to MHP products.

Non-governmental public organizations	Public organizations “Bank watch”, “Ecoaction”, “Lydyzhynska Public Council”, “People’s Center for Environmental Control”, “Voice of Nature”, “Living Planet”, “All-Ukrainian Ecological League”	Corporate website; Social networks; Telephone hotline; E-mail; Ordinary mail; Feedback form on the corporate website; Regular meetings with non-governmental organizations; Round tables and dialogues, open days and visits to places; Regular meetings with non-governmental organizations; Round tables and dialogues, open days and visits to places; Exchange of reports on sustainable development. Development and procurement plans; Impact on the economy and local community, including pricing;
Media	Non-governmental public organizations Local newspapers and radio Television and online broadcasters	Impact on the environment; Revenue from advertising; Notice of employment and establishment of the statute; Public information campaigns and consultations.

Source: (MHP, 2020c).

The plan also defines the mechanism of interaction with the various ways of interest, including means and tools, methods of communication, interaction (Figure 1). The objectives of external communications lie in ensuring constant interaction with target audiences regarding activities, efficiency, development and investment plans, as well as their implementation. External communication methods typically include hereinafter contained forms of communication, frequency of events, and specific stakeholder groups. The Department

of Corporate Social Responsibility and the Chief Environmental Officer of MHP bear overall responsibility for processing consultations and disclosing information, including organizing the consultation process, communicating with selected stakeholder groups, collecting and processing comments / complaints, and responding to any such comments and complaints. Depending on the nature of the comment / complaint, they will be provided to the relevant person of the company for response and will be monitored until closing.



Figure 1. Mechanism of interaction with stakeholders.
Source: (MHP, 2020c).

MHP adheres to the Cyprus Company Law (CAP 113) and voluntarily applies the provisions of the corporate governance regime set out in the UK Corporate Governance Code as practically as possible. The principal aspects of MHP's corporate governance policy are specified in the Charter of Corporate Governance approved by the Board of Directors (hereinafter referred to as the "Board") on May 10, 2018. MHP strictly adheres to all laws and regulations in all territories where the company is represented, including local and international norms and standards applicable to production and business in Ukraine, the Netherlands, Slovakia, Slovenia, Bosnia and Herzegovina, Croatia and Macedonia. MHP applies international standards to corporate operations and internal procedures, including IFC and EBRD environmental and social performance standards, which are publicly available.

Corporate governance includes supervision over the activities of the Group of Enterprises of PJSC "MHP", which provides as follows:

- 1) competent and balanced management;
- 2) reliable planning;
- 3) ensuring sound management and internal control;
- 4) maintaining proper accounting and other records;
- 5) compliance with legal and regulatory obligations (MHP, 2020d).

Corporate governance practices of PJSC "MHP" include conflict of interest management policy, integrity management policy, development of ethical principles of doing business, anti-money laundering and anti-terrorist financing policy, anti-bribery and corruption policy. For instance, business ethics policy includes the Business Ethics and Compliance Program of PJSC "MHP", which forms a culture of integrity and compliance of business practice with the legislation of Ukraine, international regulatory legal acts and internal ethical principles of doing business in accordance with the Code of Ethics of MHP (2020a). This means that the relevant norms and standards of conduct with internal and external stakeholders are applicable at PJSC "MHP", in particular, in order to reduce transaction costs connected with dishonest behaviour of personnel with clients, contractors, partners, government authorities. The Code of Ethics provides for the organization of the necessary measures on preserving and increasing the value of the business, ensuring compliance with long-term obligations of the company and minimizing the risk of corruption.

The practice of corporate governance involves managing the procedure of conflict of interest, which occurs when a top manager has his own interest in concluding a certain agreement contradicting the company's agreement. In such case, the top manager notifies the Management Board of any conflict or potential conflict; however, he cannot participate in voting. The top manager is obliged to inform the Chairman of the Board about the conflict. At the general meeting of shareholders, a special report is drawn up on any transactions in which any of the directors may have a personal interest, which is contrary to the interests of the company; this report is disclosed to the shareholders of the company. For instance, during June–July 2020, 4 000 key employees of all enterprises of PJSC "MHP" have undergone safe and simple procedures for declaring conflicts of interest. Most of the identified conflicts have already been resolved. According to the data of the financial service of PJSC "MHP", on average, each such conflict of interest causes the company about 10 000 USD in losses. The Security Service of PJSC "MHP" has revealed several cases of intentional concealment of conflicts of interest, including in the units of Perutnina Ptuj (MHP, 2020a).

The purpose of internal regulations and policies lies in establishing the procedures and controlling processes, ensuring compliance of MHP operations with applicable laws and norms and internal rules and standards of the MHP Group, and protecting the MHP Group and its employees from relevant ethical, legal and business risks. All policies are reviewed by the MHP Council at least once a year. Along with this, the responses of stakeholders are collected and analysed in order to improve policies, and additional research results are integrated into the updated version of each policy. MHP is also committed to notify about its corporate standards and programs to employees and the public through the Company's main communication channels (including the MHP corporate website www.mhp.com.ua) as part of a broader effort to engage employees and stakeholders in volunteer initiatives. MHP annually evaluates the effectiveness and impact of its corporate contributions. The assessment measures how regularly MHP maintains a dialogue with communities and key stakeholders, and how this helps to improve the management of existing projects and identify future opportunities.

PJSC "MHP" puts demand towards the staff to comply with the Code of Ethics, Code of Conduct for Compliance in Trade and Production and other policies related to business hospitality

and gifts, insider trading, anti-money laundering, validity of promotional materials and other activities (MHP, 2020b). PJSC “MHP” has implemented the Copa Cogeca Principles of Ethical Conduct, the United Nations Food and Agriculture Organization’s Global Principles of Business Ethics and the United Nations Global Sustainable Development Goals 2030, defining the benchmark of the highest ethical standards in the field of agro-industrial structures around the world. The company cooperates with 7 groups of stakeholders, namely: employees, communities, government agencies (government agencies of all levels and institutions in the presence of MHP companies), media (district, regional, national media), business partners, international and non-governmental public organizations, investors (IFC, EBRD, banking institutions, shareholders of the company).

In order to avoid legal and regulatory risks, PJSC “MHP” carries out management activities, forasmuch as the company may suffer from regulatory events in any of the countries in which it operates, including changes in fiscal, tax or other regulatory regimes. Potential consequences include increased expenditures on satisfying new environmental requirements; possible expropriation of assets; the emergence of taxes or new requirements for the maintenance of local property. The management of PJSC “MHP” actively monitors regulatory developments in the countries of operation. Financial Control of PJSC “MHP” has organized the tax service and the treasury in full compliance with local laws in the jurisdictions in which the business is registered. The company pays taxes in full in all jurisdictions in which it operates. In addition, PJSC “MHP” is consistently developing and integrating regulations on the abuse of market conditions by management personnel into business practice standards.

PJSC “MHP” also maintains control in order to prevent bribery and corruption. Material bribery or corruption incidents can lead to significant reputational damage, unfavourable relationships with stakeholders, financial penalties and, consequently, they may result in the loss of the business licence. PJSC “MHP” maintains reliable anti-bribery and corruption policies and procedures that are regularly reviewed and monitored by the Audit Committee. These include a code of ethical conduct and investigation that all employees must adhere to in matters such as bribery, gifts, suppliers and customer relations, conflicts of interest and other potentially corrupt activities. PJSC “MHP” has a

hotline for reporting suspected bribery and corruption transactions.

A similar practice of transaction cost management exists in the joint-stock company Ukrlandfarming, which includes the ethical principles of staff behaviour defined in the internal documentation in order to minimize opportunism and increase the level of rationality of decisions, especially of top management. JSC Ukrlandfarming has formed its own principles, values and rules of conduct, including legality, fair competition, anti-bribery, compliance with agreements, respect for staff, ensuring their professional development, in particular, professional skills through technology, conducting socially responsible business (Official site of JSC Ukrlandfarming, 2020).

Agro-industrial group Kernel is also characterized by a similar transaction cost management practice, including ethical business conduct, compliance, and corporate governance. Business ethics and compliance include the elements as follows: ethical norms and standards for building a business reputation based on transparency, honesty, responsible leadership, legality and rules of conduct, social responsibility and sustainable development, environmental friendliness of business (Kernel Official Website, 2020c); conflict management and anti-fraud, anti-fraud and anti-corruption policies (Kernel Official Website, 2020d); supplier engagement policy (Kernel Official Website, 2020b); anti-discrimination policy (Kernel Official Website, 2020a); compliance. The corporate governance of Kernel includes the audit committee and audit of the company, the finance department headed by the CFO, the legal department and the corporate investment department.

The practice of corporate governance of agro-industrial groups is accompanied by constant changes, in particular, reorganization. For instance, the agro-industrial holding “Astarta-Kyiv” has carried out a comprehensive reorganization of the dairy farm management system in order to increase the efficiency and profitability of production, including as follows: the opening of a feed centre; creation of a zoo service structure within the company; change in the organizational structure of farms and job responsibilities of key employees; use of a new system of staff motivation.

Discussion

The necessity to conduct international activities due to the limited domestic markets for products automatically facilitates the integration of the best practices of social responsibility into the management system and consideration of the institutional environment, the requirements of stakeholders in foreign markets. Corporate governance, as the main component of the system, forms internal norms, business standards, sets the rules for organizing risk management, reorganizing the company if it is necessary to change the rules of operation, team work ethics, accounting policy and management accounting of transactions, financial policy, and policy for the introduction of technologies simplifying transactions with contractors.

CSR practice is integrated into the sustainable development strategies of TNCs, which determine the ways, methods and forms of communication, the areas of responsibility of stakeholders. Moreover, agricultural holdings actively cooperate with local communities, processing their complaints in accordance with the established interaction mechanisms.

The internal practice of CSR is focused on developing norms and standards of moral behaviour with stakeholders in order to maximize economic and social goals. Economic goals are aimed not only at making a profit, but also at minimizing costs due to the potential risks of corruption, fraud, conflict of interest. These risks can cause significant damage to the company and loss of reputation on the part of partners and suppliers. Therefore, within the framework of CSR, corporations implement plans for interaction with suppliers, partners, and shareholders, determine the frequency of communications and accountability. Cooperation has become one of the important elements of social responsibility, which provides added value to business and the value of corporate activities.

Conclusions

The system of corporate social responsibility of modern TNCs is clearly regulated by internal documents defining the list of interested parties and stakeholders, their areas of responsibility, which greatly simplifies the processes of cooperation and responsibility. The need for the functioning of agricultural holdings in the world markets, which are characterized by differences in the institutional environment, necessitates the introduction of uniform rules, principles of corporate governance, social responsibility and

ethical standards. As a result, corporations form their own internal institutional environment. Ethical norms help to avoid risks of opportunistic behaviour of the staff, conflicts of interest, cases of bribery, corruption, fraud. Agricultural holdings form and disseminate internal norms, rules, business standards to the external environment when interacting with stakeholders in accordance with sustainable development strategies. Reorganization of the management system (organizational structure, in particular) is one of the areas of CSR implementation, which contributes to a clear definition of areas of responsibility within the framework of interaction plans and corporate development programs.

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