Article

Corporate Governance System and Corporate Social Responsibility in East European Countries

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Abstract. The paper examines how corporate social responsibility and corporate governance systems affect the well-being of East European countries. Corporate governance is the system of forms and methods used for a company's governance. Inspecting the relationship between corporate governance and corporate social responsibility considers the opinions of different stakeholders about the development and administration of a company's portfolio. A wide range of scientific publications define and study theoretically the issues surrounding corporate governance structure, models, control, audit system, and management quality inside the organization. Businesses that practice corporate social responsibility make a deliberate effort to conduct their operations in a way that improves society and the environment rather than degrades it. In addition to enhancing societal aspects, corporate social responsibility can assist businesses in projecting a positive image in the improvement of other environmental issues in East European countries.

JEL: M14, M16, M21.

Keywords: corporate governance system; corporate social responsibility; business; management.

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Introduction

The low efficiency of the Ukrainian economy's operation, which is based on an underdeveloped corporate governance system, has led to an increase in interest in the issue of selecting a form of corporate governance and methods of creating its modern model. Among the top priorities being addressed by the governments of the Eastern European countries are the challenges of maintaining the current competitive advantages of national economies and developing new ones.

The primary driving forces behind the reform of the corporate governance framework in transitioning nations are the continuous shifts in the international business environment, globalization, the growth of economic internationalization, and the increasing integration of national business entities.

The study's research methodology is based on the application of a comparative economic analysis approach of corporate governance and corporate social responsibility, their relationship, and impacts. The research will entail a critical evaluation of the academic and peer-reviewed literature.

A corporation's efficiency is determined by a few criteria, including examining capital accumulation and placement processes, employee and firm motivation, and the extent to which a company participates in market self-regulation.

The examination and evaluation of contemporary patterns in the growth of the corporate sector in nations undergoing transition reveals the concentration of share ownership in the hands of representatives of specific financial and industrial groups, the dominance of banks with a significant portion of foreign capital in the financial sector, and the attraction and utilization of borrowed corporate funds by the state.

Corporate social responsibility and sound corporate governance work together to help businesses maintain a healthy balance. Additionally, it supports the business with its attempts to create control mechanisms, boost shareholder value, and raise stakeholder and shareholder satisfaction.

There are multiple benefits for society at large when a corporate governance model founded on the ideas of corporate social responsibility is implemented. The remarkable abilities of corporations to attain a balance in the relationships between the major social groups and social institutions involved in market interaction, as well as to support the growth of their positive relationships, are a manifestation of the social impact of corporate management practice.

A compromise between the interests of management, shareholders, workers, and customers, as well as between societal equity and profitability and environmental preservation, demonstrates a balanced and sustainable approach to corporate governance and responsible business practices. The application of business social responsibility principles to strategic development plans improves the company's quality of management system and market adaptability. It also helps legitimize business structure operations in the eyes of the public, enhancing the corporation's reputation and image, attracting more investment, and ultimately serving as a condition for economic efficiency.

The paper aims to analyse the influence of corporate governance on investor confidence, business competitiveness, and sustainable economic growth in East European countries, examine CSR theories, and determine CSR effects on society and the environment.

1. Corporate governance in the EEC

EU countries apply a mixed model of corporate governance. It is based on the principles of the American and European continental models, combining the features of legal systems from the point of view of ownership and management of capital to lead to the functioning of a diverse capital structure. The participation of various shareholders, including individual shareholders, institutional investors, and the government, helps to ensure the achievement of the balanced interests of all stakeholders.

A general meeting of shareholders, a Board of Directors, an audit committee, and the sole executive body – the general director are the bodies of the corporate management system. The main objectives of the corporate governance system are to ensure principles designed to guarantee the interests of shareholders and to reach a

balance between the powers of management and control bodies.

The American corporate governance model provides for the participation of many small shareholders and considers the role of the stock market for a company's capitalization, limited government intervention, and openness of the economy.

The participation of large banks in the company's management, low staff mobility, and a strategy for achieving long-term goals are the features of the corporate control German model. The quality of corporate governance affects the company's financing structure. The company's profit capitalization and efficiency define a good corporate system of governance.

A decrease in the share of external financial resources and a decrease in capitalization and efficiency of the company determine a weak corporate governance system. The creation of added value in the company and the allocation of part of the disposable value are among the factors that determine the effective corporate governance of the company [1].

Late disclosure of complete and reliable information about the company necessary for its shareholders and investors to make informed decisions, lack of effective control over financial and economic activities, and violation of the legitimate interests of shareholders leads to abuse and fraud within the company. The internal control within the company ensures the effective operation of the company. Compliance with financial reporting and monitoring risk indicators aims to prevent fraud, protect shareholders' property, and maintain business reputation.

Gantenbein et al [2] focus their analysis on the Anglo-Saxon model of corporate governance. The process of convergence in the institutional framework and the operating environment causes the global harmonization of corporate governance standards and practices. Dobak [3] asserts the impact of existing legal and business environmental uncertainty and external factors on corporate governance models in the EEC (East European countries). The weak position of minority shareholders, lack of transparency, and protection of their rights, and low participation in the company's governance aggravate the control of internal groups management in the company.

Managers blocked the access of domestic and foreign investors to companies' shareholding process. Postma et al [4] stress the formation of internal and external institutions of corporate governance. The weak enforcement mechanism of regulations, and laws in EEC (e.g. Czech Republic, Estonia, etc.) enhanced the legal sphere used for changing corporate sector rules and adopting new laws on bankruptcy and foreign investment. Poland and Hungary succeeded in enterprise restructuring and corporation development. The plurality and variety ownership forms development are considered the basis for property market establishment. The property rights specification includes the subject definition, the object concerning which the corresponding set of proxies appears.

Western scientists have given an enormous number of theoretical insights, empirical data, and policy analysis to the field of privatization theory. Their study has influenced debates regarding the roles of the state, the market, and civil society in managing economic assets and fostering prosperity, with important implications for policymakers, practitioners, and researchers across the world.

Caprio et al [5] estimate the consequences of management activities to internalize the welfare of stakeholders. The authors stress the ramifications of ownership, shareholder protection laws, and banks show that larger cash-flow rights by the controlling owner boost valuations. The results confirm that laws can play a role in restraining this expropriation, and concentrated cash-flow rights also represent an important mechanism for governing banks.

Corporate governance could be determined as the system of behaviour rules used to direct and control joint stock companies. The functional corporate governance model has transition features from command to market economy in East Europe. The elements of the traditional corporate governance models are applied in the process of corporate sector formation in transition countries. The alternative corporate governance forms application includes hostile takeovers, proxy fights, board activity, and executive compensation scheme mechanisms. They direct to control shareholders, extract private benefits, and manage to weaken the insiders' protection. The empirical data analysis shows the existence of a widely dispersed shareholders' structure in most East European countries.

Large holdings, state-owned businesses, and international organizations make up most Ukrainian large companies. The dissolution of state-owned firms has resulted in a decline in the number of significant enterprises in recent years. There were just 512 large companies in 2020 compared to 586 in 2010. The total annual revenue of Ukraine's top one hundred largest private enterprises makes up UAH 2.15 trillion. This amount represents 54% of the country's GDP and is almost equivalent to two months' worth of sales at the world's largest retailer, Walmart. Simultaneously, this equals over three times the income of the top one hundred state-owned businesses, the biggest of which is still the *Naftogaz* of Ukraine and *Ukrzaliznytsia* [6]. The ownership is dispersed among different shareholders, including state, industrial enterprises, investment funds, etc. in Ukraine. It enables managers to neglect the owner's and stockholders' interests. Management provides opportunistic behaviour towards shareholders. They combine simultaneously ownership functions and management functions in case of being a bigger shareholder in the company. Chief executives have unrestricted access to internal corporate information and can utilize various proxy techniques to gain votes. Managers usually succeed in setting inside control over the company. The "insider control" definition determines the process of substantial workers' control rights captured by the managers. Management provides governance in the company and withdraws a share of the company's assets due to the absence of a strong legal mechanism for minority shareholders' rights protection.

Das [7] considers the stewardship and agency theories and concludes the relationship between the owners and the executives. The theory of stakeholders analyses the balance of the interests of all stakeholders and is not given supremacy and the decisions are taken in the long run interest of the company. The stockholder-sovereignty model highlights shareholders' important role in corporate decision-making and control. According to this concept, shareholders are the ultimate owners of the corporation, with corporate managers serving as agents responsible for maximizing shareholder value.

The level of competition and protection affects corporate governance. Claessens [1] points out that the ability of insiders to mistreat minority shareholders depends on the different alternatives to invest in various assets. Empirical works confirm the positive impact of hard budget constraints on total factor productivity, productivity, or sales growth. Improved operational activity promotes better resource allocation and management within the organization. A corporation that practices good corporate governance maximizes its profits and multiplies wealth for its shareholders.

East European countries have adopted a national code of best practices for corporate governance. A national code aims to define the strict rules for listing the companies' shares on a stock market, clarify the powers of shareholders and supervisory boards, and make signals for any financial changes to foreign investors. The study of codes of corporate governance of Romania, Slovenia, Slovakia,

Hungary, and Poland explores the transparency rules, confidence of investors, protection of shareholders' rights, balance of interests in each nation, as well as the type of data disclosed by businesses and the application of disclosure laws in various nations. Eulerich et al [8] differentiate between private ordering, private enforcement, and public enforcement, and emphasize the substitution effect of private and public enforcement.

Transparency, accountability, and investor confidence define the choice of corporate governance model, forms of control, audit system, and management quality inside the company. The further study depicts the need for business sector analysis and best corporate governance practices application.

The experience of emerging markets demonstrates the predominance of powerful families in corporations. In countries with weak shareholding, business groups construct pyramid structures and cross-shareholdings supporting each other. The "iron triangles" (close links among companies, banks, and state) appearance negatively affect the transparency and efficiency of corporate sector performance in transition countries. Aslund [9] argues that sitting on the boards of a few state companies; senior state officials receive substantial income. Some remaining state enterprises have become cobwebs of corruption. The PwC's Global Investor Survey [10] assesses the material risks, threats, and opportunities in decision-making. The data in Table 1 demonstrates the factors that have the biggest impact on companies' business. The investors define factors that they consider affecting the business environment. The chosen factors reflect the threats that investors should anticipate and try to reduce the negative impact on business. The intercorrelation of factors confirms the received results and demonstrates the tendencies They determine the main threats to business in inflation and climate change in 2023. The comparison data of 2022 and 2023 prove that the factors of climate change, social inequality, and health risks relate to the biggest threats to companies' business. The data provide company-level data on obstacles in the business environment. Companies seek transparent strategies in governance. that have the biggest impact on the decision-making process. Companies would also gain from tackling this issue since boards and management teams want to interact with stakeholders more effectively ensure new opportunities and decrease risks. They integrate corporate strategy into the corporate governance system and openly disclose.

The list of external factors that affect corporate governance includes technological advances, supply chain disruptions and market competition, social, and financial markets, global instability, etc. The index of the WJP rule of law measures the perception of corruption, the rule of law, press freedom, and political rights in the country. The overall index score of the WJP rule of law index calculates scores and rankings for eight factors and forty-four sub-factors. They include constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice, and criminal justice. The data of the rule of law index highlight the high score in Sweden - 0.85, Germany - 0.83, Estonia - 0.82, Lithuania - 0.77, France, and Latvia - 0.73 in 2023 [11]. The received data confirm that these countries achieved a good result in constitutional and institutional reforms, which have contributed to significant improvements in governance effectiveness and the protection of fundamental rights and freedoms.

The PwC's Global Investor Survey [11] shows that seventy percent of investors agree about the importance and necessity of environmental governance and sustainability to embed into their corporate strategy. 66% of survey respondents mention that they need to make expenditures that address environmental, governance, and sustainability issues relevant to their business even if it reduces

Table 1. The factors that have the biggest impact on companies' business (in %). Constructed using data of Refs. [9-10].

N	Indicators	2022	2023	Change from 2023 to 2022
1.	Inflation	67	46	-31
2.	Macroeconomic volatility	62	39	–23
3.	Geopolitical conflict	37	34	–3
4.	Cyber risks	36	32	–4
5.	Climate change	22	32	10
6.	Social inequality	11	21	10
7.	Health risks	16	20	4

short-term profitability. 75% of investors mark the crucial factor of a company managing sustainability / related risks and opportunities.

The World Bank survey [12] estimates the regulatory framework, institutional arrangements, and enforcement mechanism in the framework of competition policy in Ukraine [13]. Corporate governance requirements are based on whether state-owned enterprises (SOEs) are public or joint-stock corporations in Ukraine. The government's control of SOEs is distributed across organizations with overlapping objectives. The distinguished feature of SOE performance is the lack of transparency, highly concentrated and frequently dominated by SOEs and politically connected firms. It makes it difficult to judge the efficiency and impact of the competition policy in Ukraine.

The contrary between short-term managerial interests and long-term company performance causes conflict among insiders and outside company owners. It destroys the company's balance structure and bankruptcy.

The managerial property concentration results in the conflict of proprietors' interests and leads to property redistribution among various companies' participants. There is a lack of enforcement mechanisms to boost efficiency through managerial performance incentives. The government continues to affect managers' and directors' appointments. The survey of Berglof and Classens [14] proves that chief executives do not have the stimulus to maximize the long-term wealth of the company. Legal standards and enforcement are complementary categories, and both affect the improvement of a country's economic performance [14].

Management has a high motivation to strive for higher productivity and better performance when they have a vision of the company's policy, rewards, and opportunities for professional growth. It results in the company's value-added increment. Conflicts between management and shareholders arise and are resolved constantly in the company. A well-known conflict within the company is managers' withdrawal of a part of the company's resources. It significantly decreases the wealth of the company. Rudyk [15] emphasizes, that corporate activity is the primary cause of agency conflicts. As soon as there is a debt loading in the company's capital structure, there is an agency conflict between bondholders and shareholders [15]. The managers' actions present a chance for situations appear and cause the impact of external factors. The management of the firm explains their intention to minimize the likelihood of negative outcomes and losses resulting from volatility in the financial markets by putting in less effort into the company's governance. For the growth of the business, they choose for shorter investment horizons. The limitation of the long-term company's strategy development definition is the subject of this policy. The activity of managers directs to decrease the probability of inefficient strategy. To minimize costs of inefficient decision-making process of management and reduce the effects of uncertainty and unpredictability company applies the model of controlling the costs. According to Mecking [16], agency issues arise when ownership distribution occurs, as is common for

firms in the United States and the United Kingdom. These conflicts arise when managers retain a negligible portion of the company's shares and outside shareholders have competing interests. When an owner, or a group of owners, acts alone, the issue of oversight and administration of discipline moves to improved business performance in the face of diminishing knowledge asymmetries. Mecking [16] argues that in the case of ownership diffusion, as is typical for U.S. and UK corporations, agency problems stem from the conflicts of interest between outside shareholders and managers who own an insignificant amount of equity in the firm. In the case of one owner (or a few owners acting together), the problem of monitoring and discipline management shifts to better company performance under decreasing information asymmetries [16].

Two primary methods are suggested by the examination of different theories of corporate governance: defining via the governance structure of the company and figuring out how to distribute value created among stakeholders.

The system of behaviour rules used to direct and control joint stock companies defines corporate governance. The impact of internal and external factors on corporate governance model functioning was analysed in Eastern European countries.

Weak enforcement mechanisms, regulatory gaps, and significant investment risk highlights European businesses' decision to list their securities on a stock exchange with stringent business ethics regulations. Institutional and legal mechanism safeguards for property rights, preservation of financial transparency, stability, and consistency of economic growth within a community. A sound corporate governance structure is supported by the reduction of managers' power inside the organization and the increased participation of shareholders in decision-making.

2. The mutual influence of corporate governance and corporate social responsibility

The Majority of East European countries have adopted a national code of best practice for corporate governance. It defines the strict rules for listing the companies' shares on a stock market, clarifies the powers of shareholders and supervisory boards, and makes signals for any financial changes. Bebchuk et al [17] define the relationship between corporate governance and capital expenditures, and R&D investment. The authors prove that the management of better-governed organizations operates optimally and adopts more aggressive investment programs, resulting in higher dispersion of corporate performance [17].

The data of the World Governance Index explain the position of the country in the rating. Denmark, Lithuania, and the Slovak Republic belong to the countries with the highest indicator of the World Economics governance index, with low levels of corruption, compliance with the rule of law, press freedom, and political rights (See Table 2). These countries have relatively low values of corruption, rule of law, press freedom, and political rights. Ukraine is in the C group of countries with high indicators of corruption and rule of law. The assessment of the democracy index in Ukraine shows that the country belongs to the category of nations with a hybrid system of governance, free and fair elections, and pluralism. Democratic growth is hampered by a deficient political culture, a dysfunctional administration, and low levels of political involvement. The establishment of civil society norms and principles is impeded by pressure on the court system, an underdeveloped civil society, and a lack of a free press and media [19].

Over the past 20 years, managers have enhanced the use of tools for developing reputation techniques to study the influence of interest groups in the company and mechanism. Some experts consider that the division of corporate communications with the advertising world and PR transfers today's market leaders to those organizations that pursue policies of relationship and interaction with stakeholders.

Callaghan [20] that variations in the distribution of company ownership may contribute to the explanation of why party stances on the governance of companies change over time and between nations. According to the author, the size of the insider and outsider constituencies determines party stances, which are based on the business ownership system that is now in place in each nation [20].

Aguilera et al [21] emphasize two divergent hybrids of the neoliberal economic model and the neo-corporatist model. The authors emphasize the organizational approach to corporate governance and justify the impact of costs, contingencies, and complementarities on the effectiveness of different governance forms [21]. The neo-corporatist model considers the existence of legalistic regulation which structures institutional frameworks for private interest bargaining, marginal power, and importance of shareholder interests, corporation responsibility for stakeholder employees, and considers an institutional setting that is mediated by firm and labour market structures. The distinctive feature of the statist model is the highly centralized and concentrated bank-dominated financial systems, and the existence of more mandatory rules than in previous models. Authors suggest that national political institutions remain powerful and distinctive determinants of political economic adjustment. It discusses the presumptions that underpin business management theories as well as the anticipated results of different board configurations.

The proponents of the neoclassical approach emphasize stakeholder theory, the theory of corporate internal control, the theory of agent's costs, etc., and argue that the term corporate governance is typically defined more narrowly, as the processes of supervision and control "intended to ensure that the company's management acts following the interests of the shareholders" [22]. The hypothesis of stakeholders asserts that other groups are impacted directly by a company's actions and holds business executives accountable to their investors. Businesses that overinvest in socially conscious initiatives risk undermining their profitability and disappointing their investors. Conversely, if these companies don't do any socially conscious initiatives, or just do them sporadically, they run the risk of alienating current and future clients. Higher quality stakeholder involvement raises the company's potential for revenue or profit-making. Higher stakeholder involvement results in better connections with clients, business partners, and workers, which raises the company's revenue or profit-generating potential. Better CSR-performing companies are more likely to take their CSR efforts public, which leads to more responsibility and openness. Nonetheless, post-neoclassical perspectives demonstrate that the motivations of stakeholders may have a big impact on the firm's decision-making process as well as the ratio of debt to equity utilized to finance its assets. Corporate leaders can increase the firm's worth and influence the distribution among bondholders and ordinary stockholders [23].

The impact of global uncertainty and financial turbulences affects corporate governance and banks as executive directors, remuneration and bankers' bonuses, board composition, and board diversity. Bustamante [24] identifying local and international stakeholders is necessary for CSR in large corporations. Supervisors must comprehend how the expectations of shareholders are shaped by culture.

For some researchers, it is meaningless to defend defensive measures by arguing that they are in the best interests of the company

Table 2. The World Economics governance index in 2023 (percentage). Constructed on the data of Ref. [18].

N	Country	Grade	World Economics governance index	Corruption level index	Rule of law index	Press freedom index	Political rights index
1	Denmark	A	98.2	100	98.6	94.0	100
2	Estonia	A	88.6	82.2	87.2	89.6	95.3
3	Lithuania	A	83.5	68.9	78.4	91.2	95.3
4	Latvia	A	80.3	65.6	75.1	87.5	93.0
5	Slovakia	A	76.8	58.9	67.9	87.4	93.0
6	Poland	B	70.4	61.1	63.2	71.1	86.0
7	Bulgaria	B	62.0	47.8	50.3	66.2	83.7
8	Hungary	B	60.8	46.7	63.1	66.1	67.4
9	Romania	B	68.7	51.1	62.6	72.5	88.4
10	Georgia	B	60.5	62.2	57.0	64.8	58.1
11	Armenia	C	58.6	51.1	48.8	74.2	60.5
12	Serbia	C	52.0	40.0	50.1	62.2	55.8
13	Ukraine	C	49.8	36.7	30.8	64.3	67.4

and free from managerial self-interest. Only the management's responsiveness to shareholder preferences and ability to maximize investor prospects to reap the immediate financial rewards of takeover fights should be used to evaluate its takeover behaviour.

The interdependence of corporate governance and CSR could be seen in the legal application of G20/OECD Principles of Corporate Governance and European Commission regulations on CSR [25]. The European Commission considers social responsibility (CSR) as part of a contribution to the sustainable development strategy and European economic growth and employment, as CSR contributes to the well-being of society and environmental sustainability.

According to the Commission, corporate social responsibility (CSR) is now defined as "the responsibility of enterprises for the effects they have on society as a whole shared value creation for owners/shareholders, other stakeholders, and society at large; identifying, preventing, and decreasing their possible adverse impacts" [25].

Market actors require compliance with the basic principles of CSR: trust, social justice, openness, and transparency. Most companies try to perceive the philosophy of thinking about the well-being of society, and its prosperity, and participate in environmental problems solutions. All projects are subject to the general purpose and mainstream of business ideas. There are numerous approaches to responsible management; some are superior to others based on factors like competitiveness, leadership, and contextual circumstances that involve problems. Certain approaches are more effective than others, contingent on factors such as leadership, competitive environments, and contextual circumstances encompassing issues, industries, and nation-states.

In deciding on the adoption of CSR of the company is not only important to identify the most significant social needs of stakeholders, but also to analyse their feasibility, provide a cost-benefit analysis of a company, and estimate the potential benefits of social investment for society.

Genders [26] applied the conceptual, strategic approach of corporate social responsibility for companies, members, and interested groups. It provides long-term benefits for the organization and society at large and entails incorporating social and environmental concerns into the company's fundamental business plan [26]. The author looks at the potential, goals, plans, and initiatives. to view businesses as "partners of society" in the framework of societal institutions' continued evolution. Wirba's findings highlight the need for developed and developing countries to share CSR best practices and create human institutions capable of developing CSR agendas through awareness campaigns, soft laws, collaboration, and mandating business enterprises to be transparent in solving society's problems wherever they operate [27].

Beltratti [28] discusses the relationship of corporate business and CSR. The author proves that both categories complement each other and have a common goal of increasing the company's worth. Businesses, using a plan based on the successful operation of the market, cannot ignore the role of CSR actions. Instead, they are trying to create for themselves the image of companies that practice social responsibility. CSR is what companies are trying to meet the expectations of society providing needs for products or services, which form a high technical standard, and contributing thus for improving the nation's level of quality of life [30].

Kabir and Thai [29] provide ordinary least squares regression findings of the CSR and corporate governance elements. The findings reveal the results that corporate governance elements such as foreign ownership, the board size, and board independence contribute to the favourable association between CSR and financial success, but state ownership has no such influence [29].

CSR deals with ethically treating the stakeholders of the firm and respecting their needs. Socially responsible behaviour increases the human development of stakeholders both within and outside the corporation. Some scientists consider that the corporate governance and CSR relationship can be interpreted by abandoning the standard view of the firm as a shareholder value maximiser and embracing the view of a firm as a stakeholder value maximiser.

The study of the interdependence of corporate governance and CSR reflects the various stakeholders' views on organization and management, on the company's portfolio, ethical norms, possibilities, and attractiveness. The research indicates a complementary relationship and demonstrates different models of corporate governance application which explain the need to apply certain institutional arrangements. It enables shareholders to play a more active role in CSR and stimulates more sustainable company development.

3. Corporate social responsibility approaches

Companies work to broaden the scope of educational initiatives to increase educational quality. The importance of implementing CSR principles explains organizations' increased confidence, which indicates their dedication to recruiting and maintaining skilled employees, as well as the construction of a strong corporate image. This procedure should be supported by a variety of media initiatives.

Critical analysis of analytical reports provides the basis to highlight comparative characteristics and determine areas for improvement in East European countries - see Table 3.

Table 3. Comparative characteristics of corporate social responsibility in East European countries.

N	Characteristics	Typical Features of Corporate Social Responsibility	Adjustment measures
1.	Global Aim	• Improvement of the well-being of society and the environment	• Focusing on social values of society
2.	Tasks	• Community development • Improving the environmental conditions • Staff development • Technological improvement of the economy	• Formation of civil society with a fixed formal and informal rules and regulations • Orientation on training standards of corporate ethics • Investment in human capital development
3.	Motivation	• Moral values • The creation of public goods • The preservation and environmental care • Business tradition	• Priorities changing towards social projects and public goods
4.	Factors which significantly influences the implementation of social projects	• Social - cultural • Economical - technological • Informational • Ecological	• Audit of cultural and social environment of the society
5.	Legal and economic mechanism of project implementation	• UN Global Compact Multilateral Forum on CSR in the EU and OECD • EU Corporate Sustainability Reporting Directive 2023 [XXX] • Code of corporate ethics	• Adjustment of national legislation with norms and rules of international legislation of CSR
6.	Use in practice	• Social investment • Social partnership • Corporate communications	• Expansion of the scope of the implementation of socially oriented projects
7.	Forms of stimulating business activities	• Social acknowledgment • Tax incentives	• Expansion of various forms for social acknowledgment of the company's achievements in CSR activities
8.	The results of the implementation of CSR programs	• Increased brand value, reputation • Additional investment attractiveness of the company • Sustainable development	• Reorientation on the business company's criteria, including brand value, investment attractiveness, competitive advantages
9.	The role of the state	• The active intervention of the state • The provision of social benefits, considering the interests of all stakeholders	• The adoption at the state level regulations, stimulating corporate activities towards the development of CSR
10.	Results	• Improvement of the welfare of society as a whole	• Changing priorities and expanding the scope of corporate activities from local to national level

Social responsibility of business - is the company responsible for the impact of its activities on all people and organizations with which it faces during the normal course of business, and whole society. To implement best practices of CSR, companies need to explore the business environment, current legislation framework, public authorities' attitude to social projects, etc.

Veldung [30] provides an examination of the fundamental ideas behind corporate social responsibility. The idea of produced shared value and the "do well by doing" methodology, and conscious capitalism demonstrate the urgency of social protection and environmental issues. The concept of created shared value defines social and environmental issues as externalities and examines them in the interdependence between economic and social factors. "The approach of doing well by doing good" refers to incorporating social and environmental factors into business plans and procedures in a way that creates value and benefits society at large. Through the alignment of profit objectives with wider social goals, corporations can provide shared benefits for communities, stakeholders, and shareholders. The theory of conscious capitalism determines the best ethical practices, stakeholder orientation, purpose-driven leadership, and dedication to continued environmental protection. The author puts his attention to CSR's hidden champions to show how smaller businesses may use responsible corporate behaviour to propel meaningful human and planet progress. These enterprises are amazing examples of how businesses of any size can make a substantial impact while staying true to their ideals and values, even when they operate outside the mainstream [30].

The data analysis of environmental impact by country demonstrates that Canada, Iceland, Finland, Norway, Sweden, Estonia, and Switzerland are among the leaders in the countries that reduce the impact of their operations on the natural environment - see Table 4.

The necessity of integration of environmental, ethical, human rights, and consumer approaches defines core company strategy in close collaboration with stakeholders' interests and coordinates its behaviour for CSR promotion in East European countries. CSR's basic business activities include investment initiatives in environmental preservation, sustainable development, human capital development, and reputation enhancement. The company's motivations for getting involved with social projects include moral obligations, government requests, and the imitation of positive experiences from rivals' acts and activities.

Applying the social responsibility principles to the business will result in more effective laws and regulations, the use of new corporate culture elements to solve social, economic, and cultural quirks and a reduction in social disparity.

Conclusions

The paper analysed the interrelations and mutual influences of corporate governance and business social resposiveness on the example of East European countries. The development of powerful shareholder interests in the success of the firm in the future is a prerequisite for the effectiveness of the corporate governance system and will result in company's wealth creation in East European countries. The foundational issue of financial reporting is related to the

Table 4. Environmental impact by country. Constructed on the data of Ref.[18].

Country	Grade	Rank	World Economics Emissions Index	Carbon Emissions, total MtCO2e	Methane Emissions, total MtCO2e	Carbon Emissions, per Cap MtCO2e	Methane Emissions, per Cap MtCO2e	Air Quality, FM_{25}	Water Access, %
Canada	A	1	96.9	5,456	1,005	14.3	2.6	6.4	99
Iceland	A	2	96.3	34	5	9.8	1.4	5.8	100
Finland	A	3	96.2	376	45	6.8	0.8	5.5	100
Norway	A	4	95.9	409	44	7.5	0.8	6.3	99
Sweden	A	5	95.6	358	47	3.5	0.5	6.0	100
Estonia	A	6	93.7	104	11	7.9	0.8	6.4	100
Switzerland	A	7	92.0	349	51	4.0	0.6	9.0	97

company's sustainability. The public accountant's objectivity, investor confidence, business competitiveness, and sustainable economic growth could be provided through the creation of an institutional structure of corporate governance including regulators, managers, and auditors.

The theoretical analysis points out the need for the separation of regulators from managers, and owners, and expands the role of financial network participants. Financial infrastructure development includes the establishment of regulatory and investment funds, pension funds, and insurance companies. The definition, and adoption of laws and regulations for regulatory agencies, and financial institutions are directed at the improvement of coordination mechanisms for all market participants.

The CSR theories analysis confirms the complementary character of corporate governance and common principles for responsible business, ethical behaviour, accountability, transparency, and stakeholder value generation. The advancement of civil society serves as a pathway for addressing environmental and socioeconomic challenges. This involves the establishment of both formal and informal regulations, educational initiatives, investments in human capital, and the adoption of institutional practices. Corporate social responsibility considers national cultural traditions and highlights the need for individual staff education, the creation of standards for the fulfilment of contract duties, tight rules, discipline, trust, and other factors.

The foundation of a company's corporate culture is its application of the ethical standards found in its code of conduct to shape business practices. To facilitate the establishment of a new corporate culture within the companies, the strategy's adoption should be oriented toward providing a set of effective moral guidelines.

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Abbreviations

CSR	-	Corporate Social Responsibility
EEC	-	East European Countries
FM_{25}	-	Methane emissions
GDP	-	Gross Domestic Product
MtCO2e	-	Carbon dioxide emissions
PwCs	-	PricewaterhouseCoopers
R&D	-	Research and Development
SOE	-	State - Owned Enterprise
UAH	-	Ukrainian Hryvnia
WJP	-	World Justice Project

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