



**Universidad de Chile**  
**Instituto de Estudios Internacionales**

**The Impact of the United Nations Global Compact on Corporate  
Social Responsibility of the Chilean Lithium Industry**

**El Impacto del Pacto Global de las Naciones Unidas en la Responsabilidad  
Social Empresarial de la Industria Chilena del Litio**

**Case study to obtain the academic degree in  
Magíster en Desarrollo y Cooperación Internacional**

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### **Abstract English (<300 words)**

Whereas in the last century public problem-solving took place almost exclusively in intergovernmental forums, in recent decades the locus of control has shifted towards multi-actor participation in global governance. In this context, the private sector is increasingly seen not only as part of the problem, but also as part of the solution. To harness its reach, expertise and transformative power, various international organisations, including the United Nations, are shifting to promote global public-private partnerships. In this context, the United Nations Global Compact (UNGC) has become the largest global framework for sustainability promoting Corporate Social Responsibility (CSR).

A current aspect of sustainable change is the decarbonisation of global societies to mitigate climate change. To facilitate this endeavour, the global demand for battery technology increases, which highlights the important and sensitive role of the lithium sector, especially in terms of social and environmental factors.

Therefore, this case study explores the impact of the UNGC on CSR development in the Chilean lithium sector by looking at three different perspectives: The UNGC as a *learning network* and its influence on *operational* as well as *governance* aspects of CSR. The findings of the case study underscore the importance of the UNGC in creating protected spaces that enable mutual learning and the exchange of good practices. However, an important prerequisite for the effectiveness of the UNGC is an active participation of member organisations. As the Chilean lithium industry has only recently joined the UNGC, its current role consists in sharing knowledge with other actors, while its own participation in programmes is rather low. Nevertheless, this case study highlights the importance of a collaborative approach, thus calling for the exploitation of synergies between organisations facing similar CSR-related issues to integrate sustainability into core business strategy in line with the global hypernorms driven by the UNGC.

### **Keywords English**

United Nations Global Compact; Corporate Social Responsibility; Lithium Mining; Social License to Operate; Chile; Global Governance; Global Public Private Partnerships

## **Resumen español (<300 palabras)**

Mientras que en el siglo pasado la resolución de problemas públicos tenía lugar casi exclusivamente en foros intergubernamentales, en las últimas décadas el locus de control se ha desplazado hacia la participación de múltiples actores en la gobernanza global. Así, el sector privado se considera no sólo parte del problema, sino también de la solución. Para aprovechar sus contribuciones, las Naciones Unidas están promoviendo asociaciones público-privadas a escala mundial. En este contexto, el Pacto Global de las Naciones Unidas (UNGC) se convirtió en el mayor marco mundial de sostenibilidad que promueve la Responsabilidad Social Empresarial (RSE).

Un aspecto actual del cambio sostenible es la descarbonización de las sociedades mitigando el cambio climático, que tiene como consecuencia el aumento en la demanda global de tecnología de baterías, destacando el delicado papel del sector del litio, especialmente en relación con factores sociales y medioambientales.

Por lo tanto, este estudio de caso explora el impacto del UNGC en el desarrollo de RSE en el sector chileno del litio desde tres perspectivas diferentes: El UNGC como *red de aprendizaje* y su influencia en los aspectos *operativos* y de *gobernanza* de la RSE. Las conclusiones subrayan la importancia del UNGC en la creación de espacios protegidos que permitan aprendizajes mutuos de buenas prácticas. Sin embargo, un requisito importante para la eficacia del UNGC es la participación activa de las organizaciones miembros. Dado que la industria chilena del litio se ha incorporado recientemente al UNGC, su papel actual consiste en compartir conocimientos con otros actores, mientras que su propia participación en los programas es escasa. No obstante, este estudio de caso demuestra la importancia de un enfoque colaborativo, por lo que, aboga por el aprovechamiento de sinergias para integrar la sostenibilidad en la estrategia empresarial, en consonancia con las hipernormas globales impulsadas por el UNGC.

## **Keywords español**

Pacto Global de las Naciones Unidas; Responsabilidad Social Empresarial; Minería del litio; Licencia Social para Operar; Chile; Gobernanza mundial; Gobernanza global; Asociaciones público-privadas globales

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## List of Acronyms

CC	Corporate Citizenship
CAM	Collaborative Adaptive Management
CEO	Chief Executive Officer
COP	Communication on Progress
CORFO	Corporación de Fomento de la Producción
CPA	Consejo del Pueblo Atacameño
CRD	Community Relations and Development
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
EV	Electric Vehicles
ESG	Environmental Social Governance
GA	General Assembly (of the United Nations)
GRI	Global Reporting Initiative
IAS	International Accountability Standards
IO	International Organisations*
IGO	Inter-governmental Organisation*
IRMA	Initiative for Responsible Mining Assurance
MNC	Multi-National Companies*
MNE	Multi-National Enterprises*
NGO	Non-Governmental Organisations*
NSA	Non-state Actors*
PPP	Public-Private-Partnership
SDG	Sustainable Development Goal
SLO	Social License to Operate
SEV	Social and Environmental Value
TNC	Transnational Company
UN	United Nations
UNGC	United Nation Global Compact

\* For the reader's convenience, the generic plural is used when referring to the marked term.

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## INTRODUCTION

The influence of globalisation and the neoliberal adoption of David Ricardo's model of comparative advantages have not only created strong interdependencies between countries, e.g., through interconnected networks of trade routes and supply chains, but have also caused an emergence of contemporary actors participating in the international cooperation space previously occupied almost exclusively by states. As such, against the background of the realist narrative about a global strive for control and order in a multilateral space of anarchy created by drivers such as the globalisation of economies, the interconnectedness of states and their citizens in participating in transnational issues, it can be argued that the earlier mentioned uncontested loci of control of governments, e.g., as seen during the bloc formation during the Cold War era, has shifted towards the inclusion of sub- and supranational actors (Rosenau, 1992). While the legitimacy of state actions of governmental actors are based on their sovereignty claims established in the Westphalian system (Krasner, 1999), the participation of non-governmental organisations (NGO), multinational companies (MNC) and scientific actors in the transnational space of cooperation in a manner of equal importance is reflected by the term global governance (Dingwerth & Pattberg, 2006) as well as justified by rationales of their inclusion referring to *functionalism*, *neocorporatism*, and *democratic pluralism* (Nasiritousi et al., 2016; Willetts, 2006). Considering the initial drawing of global governance as "governance without government" (Rosenau, 1992, p. 7), the attempt of finding norms and values to provide order and control through global governance rather differs from sole state action as the term global governance acknowledges the lack of an overarching authority in the transnational space in its process and pluralistic participation (Dingwerth & Pattberg, 2006).

In this scenario, cooperation between the public and private sector, embedded in networks of transnational global governance, are taking a leading role in creating alliances towards responsible corporate citizenship addressing global problems (Börzel & Risse, 2005). Additionally, in the search for legitimacy of authority and exercise of order, the United Nations and subsequent bodies have evolved into an important centrepiece in global governance in the attempt to provide legitimate guidelines based on the democratic participation of the world's community (Rosenau, 1995). Their transition from a traditionally singular focus on the fundamental aspect of

the fight against poverty with the Millennial Development Goals (MDG) towards a multidimensional, indivisible, and integral approach with the Agenda 2030, also led to the inclusion of a greater number of actors and their participation in different types of cooperation – thus also acknowledging in a direct sense the idea behind global governance. In the last two decades, especially the involvement of the private sector occupied steadily a more central position within the global efforts towards the implementation of the Agenda 2030.

This identification of the private sector as a key stakeholder can be further demonstrated by various international bodies and forums, such as the Development Assistance Committee (DAC) of the OECD in creating mutual lessons learned initiatives to promote better cooperation for sustainable development (OECD, 2016). Additionally, the focus of the United Arab Emirates as host of this year's COP28 on the private sector in its key role of a successful conference is another example of the central role of businesses (US UAE Business Council, 2023). In this context, also the second UN high-level conference on South-South Cooperation (BAPA+40) in 2019 recognises in its outcome document the need for multi-stakeholder partnership in cooperation especially with the private sector, explicitly noting that “scaling up effective private sector involvement, where appropriate, can multiply the potential of development cooperation and mitigate risks when resources are limited” (UNOSSC, 2019, p. 11). Finally, launched in 2000 by former UN Secretary-General Kofi Annan, the **UN Global Compact** (UNGC) encompasses the alignment of business activities regarding human rights, labour, environmental as well as anti-corruption standards which provide guidelines towards a participation of the private sector in sustainable development (United Nations Global Compact, 2023f). In the attempt of finding solutions towards the issue of exercising authority in a world where international spaces are shared with various actors, the UNGC establishes baseline criteria in the form of 10 principles that align with the beforehand mentioned focus points. [Chapter 2](#) elaborates on these 10 principles from a more holistic view by looking at different aspects of the UNGC, such as historical, governance and legitimacy perspectives. Combining the previously mentioned emergence of new actors, and as such the elevated role of the private sector in particular while also considering the positioning of the nation states and/or their delegated legitimacy to an IGO (Andonova, 2017), the cooperation between the public and the private sector in so-called **public-private partnerships (PPP)** are occurring not only in the domestic realm of each country but

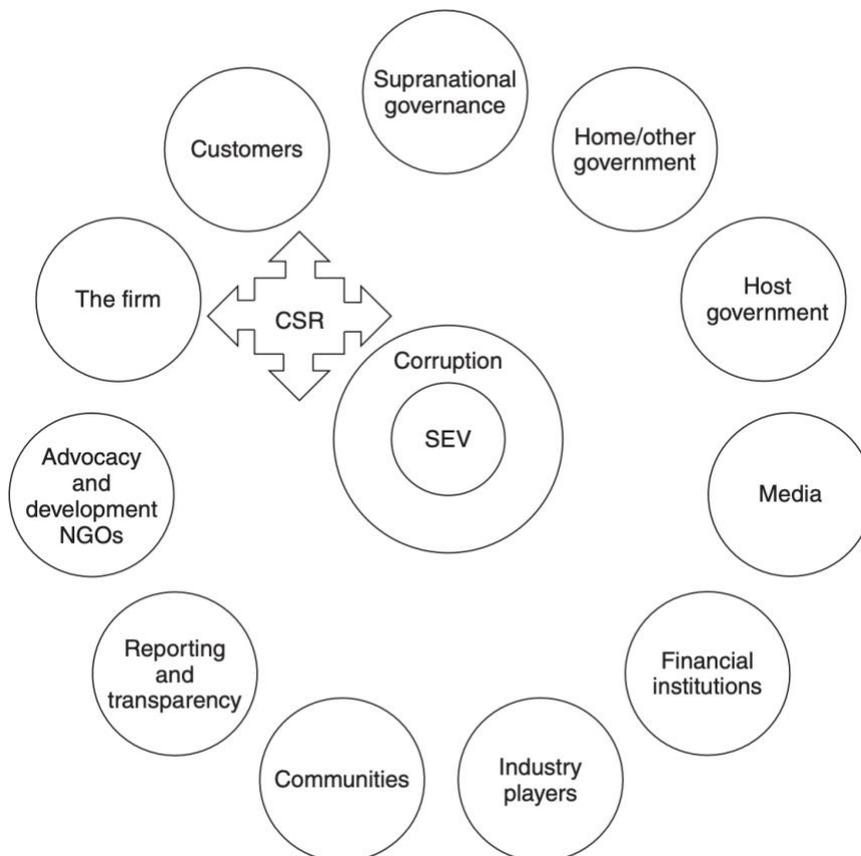
also in the transnational context in different settings with varied purposes and types. The last part of the [second Chapter](#) is thus dedicated at discussing the positioning of the UNGC as a global PPP initiative in the realm of global governance.

Having established the central role of the private sector as a key non-state actor in participating in international cooperation programmes as a starting point, it is necessary to go beyond describing its mere participation in the global governance agenda and critically examine what its efforts and commitments towards sustainable development actually consist of. Corporate Social Responsibility (CSR), Corporate Citizenship (CC) and Environmental Social Governance (ESG) are terms used to describe the role and efforts that companies undertake to align their business practices with sustainable development - a process that the UNGC also seeks to institutionalise and support by promoting commitment to its 10 principles. However, as shown in [Figure 1](#), various stakeholders are taking part in the shared quest of development on Social and Environmental Value (SEV), hereby acknowledging that companies and supranational governance are only two actors in a dynamic political system. Additionally, [Figure 1](#) illustrates that CSR initiatives are only one mechanism to operationalise this transnational governance ecosystem (Sagebien & Lindsay, 2011). Although companies are often seen as the central actor in the implementation of SEV, Sagebien & Lindsay (2011) argue that in a pluralistic multi-actor scenario, which, as shown above, is the case for global governance systems, the common goal of all actors is the central piece around which all efforts are directed. Consequently, CSR activities only apply to a limited number of actors.

However, the author of the present case study argues that CSR involves more stakeholders than those included in Sagebien & Lindsay's (2011) model in [Figure 1](#). Adapted to the industry and context in which CSR takes place, which in the case of the present case study is the lithium mining sector, the stakeholders of these activities also consist of national as well as local government, civil society, communities, NGO, and academia (Petavratzi et al., 2022). Therefore, in order to further narrow down the existing research on CSR, the current case study uses the lithium industry as its scope. Consequently, the case study focuses its research on the impact of the UNGC on the development of CSR activities in the lithium mining industry in Chile, whose particular

relevance for the transition to sustainable societies through decarbonisation will be justified in the following paragraphs on the research problem of the study.

**Figure 1: The Social and Environmental Value Governance Ecosystem (SEVGE) model (Sagebien & Lindsay, 2011, p. 26).**



## RESEARCH PROBLEM

Following the Sustainable Development Scenario of the International Energy Agency (IEA) to reach the goals of the Paris Agreement, the mineral demand for lithium – especial for its use in electric vehicles (EV) and batteries to achieve global decarbonisation objectives through electrification (Petavratzi et al., 2022) – is due to increase the most of all minerals by up to 40 times by 2040 (IRMA, 2021). This trend is in line with the quest for a transition to greener energy production and the use of technologies to reduce dependence on fossil fuels and, consequently, countries' carbon footprints. As outlined in Sustainable Development Goal (SDG) 12, Responsible Consumption and Production, natural resources should be used efficiently and managed sustainably (target 12.2), while businesses should adopt sustainable practices and integrate sustainability information into their reporting cycle (target 12.6). Furthermore, SDG 7, Affordable and Clean Energy, sets targets to increase the share of renewable energy and access to clean fuels, which is highly relevant to the increasing demand for lithium (Agusdinata et al., 2018).

However, before the lithium can be further processed and used to store energy in batteries, for example in EV, renewable energy systems (such as solar and wind), or consumer electronics, it must first be extracted first. Considering that the lithium triangle in South America, consisting of Chile, Bolivia, and Argentina, holds an estimated 57% of the world's lithium reserves (Gruber et al., 2011), and that lithium cannot be produced synthetically, the impact of lithium mining on the region deserves special attention. In addition, as mining companies operate in fixed locations linked to the resource deposits, the need to build relationships with stakeholders in the area, such as the local population, local governments, and NGO, as well as with the nation of the area in which they operate, in order not to compromise their Social License to Operate (SLO), is evident (Yousefian et al., 2023). This SLO, which is discussed in detail in [Chapter 3.2.3](#), consists of the acceptance, trust, and legitimacy that a company receives from local stakeholders in order to justify its operations and count with the community's approval.

However, the lithium deposits in the tri-border region are not evenly distributed. With a lithium mine production of 18,000 metric tonnes in 2019 and reserves of 8,600,000 metric tonnes, the world's largest lithium reserves are located in the Atacama Salt

Flats (ASF) in Chile (Cabello, 2021; U.S. Geological Survey, 2020). Since lithium in the region is found in a water-soluble state, it is extracted by evaporation in large brine basins, as opposed to mining from rock, as is done, for example, in Australia. In this technical process, brine is pumped to the surface from depths of up to less than 35m, which – given the increased pumping rates required to support higher extraction rates – results in a continuous depletion of the available groundwater in the basin, which is one of the driest areas in the world (Garcés & Alvarez, 2020). Additional water demand for the lithium extraction is met by pumping water from the Andean mountains to the east side of the ASF (Liu et al., 2019). As Chile not only holds the largest extraction site based on brines (Liu & Agusdinata, 2020) but has also continuously expanded its lithium production from 8 to more than 30 square miles, various conflicts arise related to local territories of indigenous communities and their recognition (Jerez et al., 2021), water access and rights (Seefeldt, 2022), and environmental degradation such as biodiversity (Liu et al., 2019).

While these conflicts increase the pressure on the lithium mining companies in the region to implement CSR activities to offset their negative impact and gain the SLO from relevant stakeholders, it should be noted that these initiatives are currently insufficient to do so (Liu & Agusdinata, 2020). Due to the ongoing tensions related to mining activities, not only in the lithium industry in Chile, much research has already been conducted on CSR based on different industries and regions of the world (Idowu, 2021). For example, in the context of Chile, Beckman et al. (2009) first map the emergence of CSR initiatives in Chile. They make their case by identifying multinational companies and NGO as key actors that drive the discussion and implementation of CSR initiatives of Chilean companies. The execution of those CSR initiatives is already very well documented in terms of long-term strategy related to internal effects such as the economic performance and reputation of the business (Yousefian et al., 2023), as well as their external outcome on the local community as a key stakeholder (Devenin & Bianchi, 2018; Jenkins, 2004). Also, the specific case of the outcome of the Chilean lithium industry's CSR initiatives on the development of the local community has received much academic attention in recent years, due to the aforementioned importance of lithium for the global movement towards a green energy transition (Agusdinata et al., 2018; Jerez et al., 2021; Liu & Agusdinata, 2020; Mansilla et al., 2022; Petavratzi et al., 2022).

In this context, Petavratzi et al. (2022) propose a number of recommendations, which, however, cannot be implemented “without significant improvements in the existing governance frameworks” (Petavratzi et al., 2022, p. 695). In this context, the UNGC comes into play as a transnational global governance framework in which both mining companies in northern Chile, SQM (since 05/2020) and Albemarle (since 04/2021), are committed participants. As [Figure 2](#) integrates the four categories of principles of the UNGC, as well as the understanding of the UNGC as a learning network and governance framework, the present case study intends to build on these dimensions and the research already conducted by various scholars to assess its impact on CSR initiatives from the Chilean lithium industry.

**Figure 2: Dimensions of the UNGC in regard to tensions in the lithium mining industry in Chile. Own illustration of the author.**

	<b><i>Topics of interest</i></b>	<b><i>Academic contribution to the topics</i></b>
<b><i>Human Rights</i></b>	Transparency and advocacy for own interest (e.g., indigenous community)	Jerez et al. (2021); Petavratzi et al. (2022)
<b><i>Labour</i></b>	Long-distance labour influx; employment; workers' rights	Liu & Agusdinata (2020); Petavratzi et al. (2022)
<b><i>Environment</i></b>	Water rights and access; waste management policies; chemistry of brines	Seefeldt, 2022; Liu et al. (2019); Petavratzi et al. (2022);
<b><i>Corruption</i></b>	Lithium boom triggers interest of private companies and investors to use influence	Carrasco & Madariaga (2022)
<b><i>Learning &amp; partnership network</i></b>	Usage of synergies between companies and industries; sharing of good practices of CSR	Rasche et al. (2013)
<b><i>Governance</i></b>	Rules and norm settings; role of the Communication on Progress (COP)	Gilbert et al. (2011); Selmier (2015)

As the lack of transparency regarding the follow-up mechanisms of the medium and long-term impacts of the promised initiatives detailed in the company's reporting of its CSR initiatives has already been confirmed by various scholars (Devenin and Bianchi, 2017; Liu and Agusdinata, 2020), it is pertinent to assess whether the role of an

international framework of global public-private partnership, such as the UNGC, as well as its learning networks and community governance approaches, has an impact on sustainable long-term CSR initiatives, as there is limited research linking CSR initiatives to the UN Global Compact (Abdelzahera et al., 2019). In this context, it is of interest whether active participation in the UNGC and its local networks actually leads to a change in business behaviour or whether already existing programmes are now presented to the public as great progress that has already been planned and implemented, leading to cover-up effects and *greenwashing* of CSR programmes.

Moreover, the choice of the Chilean lithium industry - of all places - is not only because of the largest lithium reserves and the impact of mining on the environment and other stakeholders, but also because of Chile's neoliberal past. As part of the neoliberal transformation of the state during the Pinochet military dictatorship, any existing regulation of the mining industry through 'hard laws' was not only weakened, but this particular industry was given special treatment through the 1982 Constitution and the 1983 Mining Decree, which elevated the industry to a matter of national interest (Jarvela & Aho, 2022). Although previous governments, especially in the last 10 years, have improved Chilean environmental governance through the creation of the National Commission of the Environment and the establishment of environmental permitting and impact assessment processes such as the Environmental Impact Declaration (EID) or Environmental Impact Assessment (EIA), which include citizen participation (Petavratzi et al., 2022), the ideological mindset of self-regulation and limited state intervention still persists (Gentes & Policzer, 2022). However, with the recent announcement of Chile's new National Lithium Strategy by President Boric in April 2023 (Government of Chile, 2023), a new era may have begun in which the state takes a more active role in the governance of the industry. As the strategy promotes a public-private lithium model as a basis, the argument for the impact and role of the UNGC as a global governance initiative in the global PPP spectrum on (future) CSR initiatives in the lithium industry has only become more relevant with these recent events. Given the renewed commitment of the Chilean government organisation in charge of promoting national productive activity, CORFO, which is also responsible for the territorial lithium mining permits, it is quite certain at this stage that there will be continued cooperation with the existing lithium mining companies, rather than a complete shutdown through nationalisation (CORFO, 2023).

Consequently, the Chilean case provides a unique opportunity to assess the influence of voluntary global governance frameworks for CSR, such as the UNGC, in the historical context of neoliberal deregulation policies and the recent increase in state control over lithium mining, in which both lithium mining companies will continue to play a significant role for decades to come (at least until the end of their current mining contracts). This case study therefore aims to explore the role and impact of the UNGC on the CSR practices of the mining industry in northern Chile through semi-structured interviews with Albemarle, one of the world's largest lithium producers, and the UNGC National Office in Santiago de Chile.

The case study therefore begins with an introduction to the terms global governance and global public-private partnerships in [Chapter 1](#), looking at their definitions and how they differ from other existing frameworks. Emphasis is made on the interplay between authority, legitimacy, power, and public interest in the case of global governance and on the role of the UNGC as global PPP initiative. Subsequently, the study will deepen the knowledge of the role of the UN Global Compact (UNGC) as an international framework to provide guidance for sustainable business practices in lithium extraction, as suggested by Petavratzi et al. (2022) in [Chapter 2](#). In particular, the influence of the UNGC on the CSR perceptions and programmes of the Chilean lithium industry is addressed through the case study. In doing so, the findings of Beckman et al. (2009) on mapping of the emergence of CSR initiatives in Chile can be applied and adapted to the changing environment of international business and multilateralism under the Agenda 2030. Moreover, the discussion carried out by Abdelzaher et al. (2019) on the factor variables that determine the adoption of the UNGC can be enriched by the actual value of participating in the framework and its effects on companies' CSR initiatives (see in particular [Chapter 4.3](#)). Accordingly, the case study seeks to contribute to the debate of the effectiveness of the UNGC as discussed, for example, by Arevalo & Fallon (2008) or Voegtlin & Pless (2014) by providing insights into its influence on CSR initiatives in the lithium mining industry in Northern Chile. However, after discussing global governance, global PPPs and the UNGC in order to obtain a holistic approach, [Chapter 3](#) introduces CSR in general and applied to the (lithium) mining sector. [Chapter 4](#) concludes with the qualitative case study on the impact of the UNGC on the CSR practices based on semi-structured interviews with the local network of the UNGC in Chile and Albemarle. Finally, this case study concludes with a conclusion and summary that links the literature review with the empirical findings.

## **Research question**

How does the UN Global Compact, as an instrument of global governance in the field of global public-private partnership, influence the development of CSR programmes in the lithium mining industry?

## **Hypothesis**

1. The impact of the UNGC on sustainable development and the implementation of CSR initiatives in the lithium mining sector in Chile depends on the active participation of the member companies in the platform activities of the UNGC so that social mechanisms can take place.
2. As the UNGC does not have strong obligatory reporting strategy (COP), participant's CSR programmes tend to be of a philanthropic nature.

## **General objective**

Analysis of the role and impact of the UN Global Compact as global governance framework on the operational, governance and learning aspects of CSR programmes of the Chilean lithium industry.

## **Specific objectives**

1. Determine how the (local) learning network of the UN Global Compact influence the orientation and development of CSR programmes in the Chilean lithium industry.
2. Analyse the influence of the UN Global Compact on the operational aspects (implementation) of CSR programmes in the Chilean lithium industry.
3. Analyse the synergy between the UN Global Compact towards the development of guidelines related to the governance aspect of CSR programmes in the Chilean lithium industry.
4. Explore if the participation of the UN Global Compact concludes in higher commitments towards or changes of CSR programmes in the exemplary case of Chile's lithium mining industry.

## **Methods**

This case study uses semi-structured interviews with Albemarle and the UNGC local network in Chile as a qualitative approach to obtain the empirical results.

# CHAPTER 1

## GLOBAL GOVERNANCE AND GLOBAL PUBLIC-PRIVATE PARTNERSHIPS IN TRANSNATIONAL COOPERATION

The influence of globalisation and the neoliberal adoption of David Ricardo's model of comparative advantage have not only created strong interdependencies between countries, for example through interconnected networks of trade routes and supply chains but have also led to the emergence of contemporary actors participating in the international cooperation space previously occupied almost exclusively by states. Thus, against the background of the global effort to control and order a multilateral space of anarchy created by drivers such as the globalisation of economies, the interconnectedness of states and their citizens in participating in transnational issues, it can be argued that the aforementioned undisputed locus of control of governments, e.g. as seen in the formation of blocs during the Cold War era, has shifted towards the inclusion of sub- and supranational actors (Rosenau, 1992).

This plurality of actors that are operating in an international space opens up a controversial discussion about democratic legitimacy, authority, representativeness between the Global North and Global South as well as inclusiveness of participatory options (see for example Börzel & Risse, 2005). However, before those debates can be addressed, it is necessary to frame the stage of the discussion. For this matter, this Chapter is elaborating on the emergence of contemporary actors in international multilateralism as well as their collaboration together towards a framework denominated global governance. With this general orientation in mind, the main focus of the [first Chapter](#) lies on global Public-Private Partnerships (PPP) as an expression of global governance. After global PPP are introduced and characterised, the concept is applied to the United Nation Global Compact (UNGC) in the following [second Chapter](#), which serves not only as an example of successful global PPP (Voegtlin & Pless, 2014) but also as the main framework for this case study.

### 1.1 Panorama of new actors in international multilateralism

Until the end of the Cold War era, the participation of non-state actors, such as corporations, foundations or NGO, in international organisations (IOs), including the

various bodies of the UN, was marginalised compared to the prevailing state-centred interactions (Durkee, 2022). In addition, the institutions created after the Second World War are failing to provide answers to pressing issues of international cooperation. As technical solutions are not a viable option, new governance mechanisms need to emerge that reflect more participation and opposition rather than the proliferation of spaces dominated and abused by powerful states (Zürn, 2018b). Thus, a purely state-centric approach to international politics, as postulated by the realist approach, is potentially damaging when analysing world politics (Olajide et al., 2022).

Accordingly, driven by the process of globalisation, which can be seen in the increase of global interdependence and networks (Andonova, 2017), but also by the emergence of global problems and gaps in the current governance approach (Weiss et al., 2013), or as an attempt to democratise the UN (Durkee, 2022), the multilateral space of cooperation has gradually opened up for the participation of non-state actors since the 1990s. However, these contemporary actors are not simply filling what some scholars call the governance gap, which is the result of the loss of regulatory capacity of state actors due to globalisation, by assuming quasi-governmental responsibilities, but rather are building new forms of governance in cooperation with all the actors involved. While the list of newly empowered actors taking agency in global governance could be endless, Dingwerth & Pattberg (2022) identify four key players: intergovernmental organisations (IGO); international non-governmental organisations (NGO) subsumed by their non-profit character; corporations characterised by their focus on making profit; and sub-national, regional, and municipal actors. However, the assumption of a complete retreat of the state in the transnational space, handing over authority to the mentioned non-state actors is to be questioned, as the roles in governance authority are far more complex (for an overview see for example Eberlein, 2019; Kourula et al., 2019). As such, global governance in its essence reflects the plurality of state and non-state actors, which will be discussed in the [next Subchapter](#) as well.

Taking this dynamic further, the inclusion of non-state actors alongside state actors in global governance leads to the formation of a governance triangle, consisting of corporations, NGO, and states, which orchestrates regulation at the global level (Abbott & Snidal, 2009). In this triangle of actors, none of the actors has the necessary competencies to regulate the international space on its own, as shown in [Figure 3](#), which depicts the intersection between the regulatory process and the actors' competencies. While states and NGO have high competencies in the monitoring and

enforcement process, the private sector is highly competent in the implementation as well as negotiation and monitoring process as seen in the columns of the [Figure below](#). As companies are the key actors in the implementation of new regulations in global governance and perform this role with certain power as well as legitimacy, which gives them certain political power (Eberlein, 2019; Mende, 2022), this case study focuses on the role and influence of companies in the United Nations Global Compact as a specific global governance initiative.

**Figure 3: Relative Importance of Actors at Different Stages of Transnational RSS Schemes (Abbott & Snidal, 2009, p. 27).**

	Agenda-Setting	Negotiation	Implementation	Monitoring	Enforcement
Expertise	States NGOs	Business - Firms Normative - States NGOs	Firms	Firms NGOs (States)	States NGOs
Operational Capacity	States NGOs (Firms)	All	Firms		States (NGOs)
Independence	States (NGOs)			NGOs States	States (NGOs)
Representativeness	States (NGOs)	States			States

(Parentheses) indicate a secondary capacity.

As some reasons for the emergence of non-state actors in international spaces have already been mentioned, it is important to understand, at least briefly, the justifications for the presence of these actors that go beyond global trends and needs. Nasiritousi et al. (2016), who build on the work of Willetts (2006), scrutinise three normative arguments for including non-state actors in global governance: These arguments are *functionalism*, *neocorporatism*, and *democratic pluralism*. While *functionalism* consists of the expertise of non-state actors applied to their problem-solving capacities and as such to their output legitimacy, *neocorporatism* refers to the inclusion of relevant interests from all relevant stakeholders in the decision-making process, which in turn relates to Mende’s (2022) case of companies as business power in global governance. While *neocorporatism* does not include voices of marginalised groups (Willetts, 2006), the democratic pluralist rationale addresses the enhanced democratic nature related to “transparency, representation, inclusion and accountability” (Nasiritousi et al., 2016, p. 926), which is achieved through the involvement of other actors apart from the state in global governance. A public dialogue between stakeholders further strengthens

democracy, which is essential since IO that wield authority farther away from their democratic elected representation increase possible dissatisfaction among citizens, as seen in the case of the European Union (Tallberg & Zürn, 2019). These three narratives and their conclusive arguments are further connected to the discussion of the definition of global governance in the [following Subchapter\(s\)](#).

As mentioned previously, it is essential to keep in mind that this case study places particular emphasis on the significance of private actors in global governance. It does not, however, imply neglect of other non-state actors and instead should be viewed as an analytical decision aimed at better restricting the scope of the study.

## **1.2 An introduction to global governance**

In the current scenario outlined earlier, it is crucial to differentiate between governance and the traditional notion of states as drivers of cooperative transnational spaces. While the legitimacy of governmental actors is based on their claims of sovereignty under the Westphalian system (Tallberg & Zürn, 2019), the absence of a central authority figure in the international anarchic system is noteworthy. The United Nations (UN) was created post-Second World War as a state-sponsored mechanism to steer global affairs, and its success led to it becoming a “major centre of global governance” (Rosenau, 1995, p. 34). Nevertheless, as evident from the recent Russian-initiated conflict in Ukraine, the United Nations' ability to solve problems and mediate has not kept up with the changing demands of a globalised world. Consequently, various actors with different steering mechanisms and authority foundations (Dingwerth & Pattberg, 2006; Rosenau, 1995) come into play to tackle global problems that are beyond the regulatory capabilities of states alone (Dingwerth & Pattberg, 2022).

Accordingly, the growing participation of non-governmental organisations (NGO), multinational companies (MNC) and scientific actors in the transnational space of cooperation in a manner of equal importance is an important reflection of the term global governance (Dingwerth & Pattberg, 2006) as well as justified by rationales of their inclusion referring to *functionalism*, *neocorporatism* and *democratic pluralism* as outlined in the [previous Chapter](#) (Nasiritousi et al., 2016; Willetts, 2006). Considering all the actors in an international scenario who thrive to control anarchy, one may

wonder what is meant by governance in contrast to government? As will be noted in the forthcoming paragraphs, a question that is even more relevant is what is covered by the term governance, which an understanding of government fails to encompass. For this purpose, the subsequent pages will provide an overall definition of global governance, which will be further differentiated from the power a state exerts and controls, which is subsumed by the term government.

### **1.2.1 Definition of global governance**

As prominent contributor to the emerging concept of global governance, the initial drawing of the term as “governance without government” (Rosenau, 1992, p. 5) from Rosenau can be seen as an attempt to define the term as actions towards finding norms and values to provide order and control in an inherently anarchic international order. This approach differs from sole state action by involving pluralistic participation and acknowledging the lack of an overarching authority in the transnational space. This opens the door for multi-actor cooperation (Dingwerth & Pattberg, 2006). Accordingly, global governance can be seen as an approach to “provide government-like services and public goods in the absence of a world government” (Weiss et al., 2013, p. 4). This approach occurs in the public realm, where it is justified and discussed through public communication, relating to common goods and global issues (Zürn, 2018a) that benefit all of humanity and cannot be provided only through state intervention. In this context Ruggie (2004) coins the term *global public domain*, which refers to how global public goods are addressed by a variety of players in a more institutionalised approach, to which the UNGC, which will be introduced in [Chapter 2](#), also contributes.

As outlined before, global governance does not only build on the interlinkage and inclusion of non-state actors but is also driven by its orientation towards public interests in the transnational space of cooperation. Therefore, the contribution on topics of public interest can be seen as the normative core of global governance. This is manifested either by participating explicitly in enforcing and spreading global norms, for example, the foundational principles of the United Nations or the protection of Human Rights or by engaging in capacity building and problem-solving measures that conform to accepted norms aiming to serve the public interest (Mende, 2022).

The inclusion of the earlier mentioned greater number of actors working together on topics of public interest also contributes to another characteristic of global governance: Perceiving world politics as multi-level system of governance. Of particular interest in global governance is the interlinkage between different levels, such as local, national, regional, and global processes. Therefore, the question of how global problems can be translated into the local context of each participant is a crucial concern of global governance (Dingwerth & Pattberg, 2006).

While the inclusion of a variety of actors in an attempt of finding controlling mechanism in the mentioned international space, which is lacking a central authority, marks a characteristic feature of global governance, Dingwerth & Pattberg (2006) also report on a politically motivated normative force behind the term. As control has been regained in the last few decades through a neoliberal globalisation process, the question arises as to how this control is to be practically steered and organised at various levels of analysis, ranging from systems of rule at the local level of families and neighbourhoods to international organisations (Rosenau, 1995). The term *Mobius strip*, which is a connected twisted surface with no ending, is coined to illustrate the complex, dynamic nature of global governance, where various structures and relationships at different network levels interconnect with each other through the inclusion of various actors (Rosenau, 2003).

The multi-level approach to global governance, involving various actors, not only demonstrates the pursuit of long-term global integration but also underscores the importance of intergovernmental organisations (IGO) in establishing spaces of international collaboration for meaningful discussions on striking a balance between interests, norms and values, and developing steering mechanisms further (Weiss et al., 2013). If those spaces are operationalised as loose networks or embedded in already existing or new created intergovernmental organisations highly shapes further which actors with what grades of authority come together to discuss which topics at hand.

While Rosenau (1992) creates a continuum of continuous evolution between nascent and institutionalised forms of control mechanisms in some sort of dynamic organisational drafts of governance, Weiss et al. (2013) clearly call for embedding global governance in already existing or newly created IGO to enhance problem-

solving, to integrate towards a binding international legal system and to solve legitimacy issues through adhering to more formal structures.

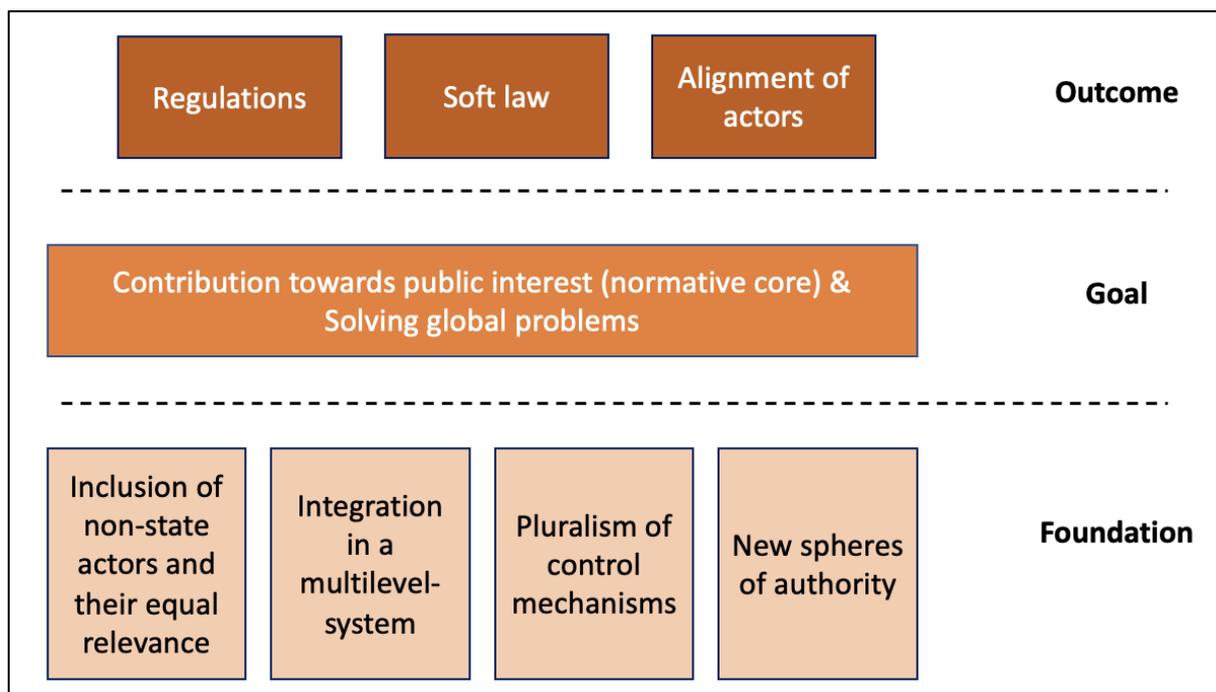
The resulting legitimacy aspect through adherence to any international organisation is crucial for the capacity of global governance to deliver on its purpose and to use authority for implementing the agreed programmes (Tallberg & Zürn, 2019). As legitimacy and its interplay with authority, power and public interest plays such an important role on different levels in global governance, [Chapter 1.2.3](#) is addressing this conglomerate in greater detail.

In the case of the UNGC as a global public-private partnership initiative in global governance, its own legitimacy claim is derived from the moral legitimacy and political backing (Rasche et al., 2013) of the General Assembly and through various UN documents, such as the Universal Declaration of Human Rights, Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development, and United Nations Convention Against Corruption (Berliner & Prakash, 2015), which are used as basis in the creation of its 10 principles, which in turn aim to provide structure and authority for the private sector. It is evident that this initiative serves as a suitable example of global governance as it demonstrates the shift from state-centric transnational politics towards interlinkages of various actors (Dingwerth & Pattberg, 2006), which promotes new spheres of authority and acceptable norms and rules towards global public goods, addressed by companies' Corporate Social Responsibility (CSR) practices introduced in [Chapter 3](#), through multilateral approaches in regional networks of the UNGC.

[Figure 4](#) summarises the fundamental features of global governance, which will be further elaborated in the next Subchapters through a comparison with the term government, various dimensions of authority, legitimacy, power, and public interest, as well as a critical analysis of global governance. As outlined, the foundation of global governance is built on the inclusion of non-state actors such as NGO, the private sector, civil society organisations, the academia in the entire decision-making process aiming to discover regulations and norms towards global public goods. In this way, the interplay among all these actors generates new domains of power that lead to the creation of new institutions or their integration into existing IGOs that are widened through the inclusion of new actors, thereby creating a genuinely multilateral approach. The outcome of this collective effort to manage global issues may range

from obligatory regulations to non-compulsory declarations of intent, all of which promote cooperation by enabling a collaborative decision-making process and aligning the aspirations of actors by taking part in the initiative and accepting accountability for finding solutions to global problems.

**Figure 4: Own compilation of characteristics of global governance based on the works of Weiss et al., 2013; Zürn, 2010; Dingwerth & Pattberg, 2006 and Rosenau, 1995.**



### 1.2.1 Global governance compared to global government

Global governance, however, is not a new system that arises without historical context as an antithesis to the understanding of government. Quite contrary, governance can be rather understood as the built-on development of the existing governmental system, referring to a more encompassing form of cooperation (Rosenau, 1995) that includes a whole range of actors with equal importance (Dingwerth & Pattberg, 2006) who seek to develop and utilize a range of regulatory options to solve global problems (Zürn, 2010). In this sense, governance's speciality, as opposed to government, is not the final output, but rather the process towards achieving it (Stoker, 2018). Thus, the plurality of actors discussed in the previous Chapter plays a crucial role in defining

global governance. According to Weiss et al. (2013), this plurality of actors reveals that the emphasis is not only on the process mentioned by Stoker (2018), but also on the product, leaving aside the producers. This sets it apart from the customary perspective of international relations, which solely focuses on producers and alliances amongst state actors. In this sense, governance is also distinct from government as it is recognised through informal rule systems amongst various actors, opposed to formal and legal procedures of government (Rosenau, 2003).

Nevertheless, upon being translated to the international supranational sphere, such informal rule systems are observed to be embedded within governance systems of global institutions, with or without government involvement (Zürn, 2010). Whereas those institutions were in the past characterized by states wielding their power of regulation taking effect between states, today 's international institutions rather focus on societal actors, such as business as target group in the present case study, as addressees of the regulations (ibid). Furthermore, modern international institutions face complex global issues stemming from internal challenges of government adoption, like environmental policies, which are addressed behind the border and carry a higher degree of outcome uncertainty (ibid). Thus, global governance incorporates government spheres, which predominantly occur within intergovernmental organisations (IGO) or international organisations (IO), with outcomes implemented within sovereign national territories. Nonetheless, as indicated earlier, IGO today are perforated by the active involvement of various non-state actors in the policy-making process (Dingwerth & Pattberg, 2022).

The traditional focus on powerful state players that wield authority can also be questioned due to the rapid changes caused by the advances in communication technologies in an interconnected globalised world. By providing decentralized access to knowledge, a broader range of stakeholders can participate in transnational discussions and access and distribute authority (Dingwerth & Pattberg, 2022). Therefore, the transition from a state-centric approach to a multi-centric approach in governance, as proposed by Rosenau already in 1995, is a significant alteration that distinguishes governance from an international relations approach centred on government action.

Furthermore, traditional notions of governments situating them within nation-state settings defined by Westphalian sovereignty and geographical boundaries are being

challenged. The increasing significance of non-state actors along with states creates fresh global arenas where power dynamics play out, and decisions are made (Stone, 2017). An interesting aspect to evaluate is how power dynamics are manifested in these global arenas. Additionally, exploring how the rules and norms are not just defined but also controlled would help provide insightful results. In this context as introduced beforehand in [Chapter 1.2.1](#), Ruggie (2004) coins the term global public domain, which refers to how global public goods are addressed by a variety of players in a more institutionalised approach, to which the UNGC contributes.

Nevertheless, to clarify the distinction between international relations, global governance does not centre its analysis around the new actors per se, but rather looks into the development and review of international rules and norms, asking where those controlling elements are coming from and the process on how they get created. Answers regarding the issues of authority, democratic legitimacy and sovereignty are intended to be found through the transformative discourse of global governance (Dingwerth & Pattberg, 2006).

### **1.2.3 Aspects of authority, legitimacy, power, and public interests in global governance**

To gain a deeper understanding of the relationship between authority, legitimacy, power, and public interests, which were previously emphasized in the governance vs. government discussion, this Chapter aims to explain the meaning of each term, their interconnection, and relevance to the present case study. The influence of these terms on private action in global governance will also be outlined. In this context, the *triadic model* advanced by Mende (2022) is employed and described in detail below.

For any change in the public realm under the framework of global governance, the participating actors need to acquire **authority** which is then to be exercised across national boarder and to be directed towards global problems or common goods (Zürn, 2010). As Mende (2022) points out, governance authority can be operationalised through power, legitimacy, and connection to public interests. In this triadic view, the interconnection of the components can be seen by the “[...] definition of governance authority as the power to participate in governance (i.e. to regulate matters that affect public interests) that strives or appears to be legitimate by a connection to public

interests” (Mende, 2022, p. 206). As authority can be seen as the overarching term, it needs to be pointed out that, especially in the emergence of global governance, the meaning of authority as solid power of command, as typically seen by the binding capacity of governments to enforce certain behaviour, shifts towards a more liquid form of authority (Krisch, 2017). According to Krisch (2017) and his *deference model*, authority structures are expanding since gaining solid authority based on formal-legal ties is difficult in a world made up of various actors, institutions, and soft law regulations. Thus, according to Mende (2022) the authority in global governance is to participate in the governance process and influence its results.

While authority is essential for participating in global governance frameworks, the question arises how it can be attained. One way of obtaining authority is through the perceived **legitimacy** by addressees and stakeholders. As legitimacy research is an advancing subject that extends itself beyond the present case study, the author refers towards Bexell et al. (2021) for a further discussion about process and choice of target groups as specific audience for generating legitimacy. However, for the purpose of the case study relevant aspects are briefly introduced.

Legitimacy is a paramount concern in global governance as it affects the ability to formulate regulations and/or soft law, facilitates compliance with regulations and international norms, serves to authorize democratic principles, and safeguards global governance initiatives from unilateral actions (Tallberg & Zürn, 2019). Additionally, the legitimacy of global governance institutions also influences on how they are able to “obtain resources, attract participation, take decisions, obtain compliance, and generally advance with handling critical transboundary problems” (Dellmuth et al., 2022, p. 3). Applied to the context of CSR in the present case study, legitimacy is obtained by businesses through CSR management in general as introduced in [Chapter 3.2.1](#), but also particularly through stakeholder management in order to obtain a so-called Social License to Operate (SLO) introduced in [Chapter 3.2.3](#), whereas the effectiveness of CSR is followed-up in [Chapter 3.2.2](#) about substantive or symbolic/ceremonial CSR adoption (Velte, 2023).

This view of legitimacy emerges out of legitimacy theory (Suchman, 1995) and refers to the congruence between business conduct and socially accepted norms and values, which is again a core driving force of companies to engage in CSR that is further explored in [Chapter 3.2.3](#) (Suchman, 1995; Velte, 2023).

However, to properly assess the legitimacy of global governance arrangements, it is necessary to differentiate between legitimacy in a normative and in a sociological sense. While the latter describes the perceived rightfulness of authority of an institution that is agreed on and accepted by a wide part of society (Steffek, 2015), normative legitimacy refers to how well-founded the justification of authority is (Nasiritousi et al., 2016). Additionally, for the debate on legitimacy in the context of the UNGC (see [Chapter 2.3.2](#)), it is useful to further distinguish between *input and output legitimacy*. **Input legitimacy** on the one hand can be seen as the legitimation derived from the plurality of voices heard and involved in the decision-making process, which typically is quite high in a democratic process of stakeholder involvement (Steffek, 2015). The normative rationale of *democratic pluralism* mentioned in the previous Chapter can be clearly linked to this form of legitimacy as it promotes dialogue and inclusion of various actors, which enhances representativeness and inclusion of public interests (Nasiritousi et al., 2016). But also the accountability of participants in the UNGC, as global governance framework of the case study, can shed light on whether an organisation has a high degree of input legitimacy – which according to Arevalo & Fallon (2008) can be called into question by its lax selection and admission criteria of participants for the UNGC, which is further developed in [Chapter 2.3.2](#).

On the other hand, **output legitimacy** refers to the increased effectiveness of international cooperation and efficient problem-solving capabilities through functioning global governance initiatives (Steffek, 2015). This form of legitimacy corresponds to the normative narrative of *functionalism*, which enhances legitimacy by incorporating non-state actors in global governance which in turn provide specific expertise in the agenda topics at hand (Nasiritousi et al., 2016). Again applied to the UNGC, Arevalo & Fallon (2008) make their case by looking at the learning process inside the network and their outcomes to assess its output legitimacy, which, together with their contribution on input legitimacy will be discussed in [Chapter 2.3.2](#), when the UNGC is put in context as global PPP initiative in the realm of global governance.

Additionally, it may be helpful to explain the meaning of legitimacy and legitimation. Legitimacy is the audience's belief that an actor or a group of actors appropriately exercise their authority, while legitimation refers to the directed attempts to improve one's perceived legitimacy or justified rule. (Tallberg & Zürn, 2019). Consequently, legitimacy can be seen as the outcome of a legitimation process. As authority rises or falls with legitimacy (Mende, 2022), international organisations are keen to maintain

high levels of legitimacy through incorporating strategies of transparency, greater inclusion of actors or further adherence to international norms (Zürn, 2018b).

Having obtained legitimacy and authority, actors or IO need the **power** to shape outcomes and influence decisions. As such, power is seen as a part of authority and can be defined through material power, agenda setting power as well as ideational power (Mende, 2022).

Referring to the initial interlinkage of the concepts, the connection to the **public interests** can be seen as the normative interplay of global governance. Only when global governance addresses global problems of public interest, actors in IO can attain authority, which is then needed for the implementation process of outcomes, as discussed in the previous Chapter. The earlier mentioned output legitimacy is, apart from its evaluation against rule of law and the upholding of human rights, also a valid measurement of the outcome of global governance arrangements by comparing it to the public interest (Steffek, 2015).

While the focus of global governance on the participation of non-state players has already been made clear in the previous Chapter, the exact relationship between public and private realms are still highly contested in academic debate (Mende, 2022). This case study follows the recent approach of (Mende, 2022), based on the mediation model of the relationship between *public* and *private* relationships which consists of including *societal* as a third category of analysis, since the mentioned work is highly focussed on the role of businesses as non-state actors, which consequently is the applied case for the UNGC. In this view, public, private and societal are the constituting elements of a three-side relationship in understanding which roles governance actors can assume as well as how they exercise their authority in global governance (Mende, 2022). Building on the above, it is possible to examine the authority of businesses in global governance further by integrating legitimacy, power, and the public interest in its creation, without differentiating them based on their size, form, or industry as non-state actors.

In the context of the present study, this work applies Mende's (2022) findings to the mining industry at the micro-level. The success of this industry is reliant on the perception and involvement of local societal groups who are linked geographically to the mining site and hold the power to grant the Social License to Operate (SLO).

Consequently, mining companies strategically utilise their authority to enhance their legitimacy and align their interests with public interest (Yousefian et al., 2023).

In particular, legitimisation attempts of the companies' operations, which can be confirmed through CSR programmes or participation in international agreements or frameworks such as the UNGC, is at the forefront of legitimisation efforts. It can be argued that only by obtaining high input and output legitimacy through comprehensive and inclusive CSR initiatives (see [Chapter 3.2.1](#) on critical reasons for adopting CSR) can mining companies justify their involvement in the respective region, emphasising the benefits to relevant stakeholders such as local communities and governments. [Chapter 4](#) of this case study will discuss in detail the role and impact of the UNGC in this regard.

#### **1.2.4 Closing thoughts on global governance**

To conclude, the author believes it is essential to recognise that global governance is not a value-free concept that exists independently of ideological discussions in international relations. On the contrary, the beauty of global governance lies in the wider incorporation of actors in an endeavour to achieve equitable participation and global problem-solving. However, this approach overlooks the influence of a neoliberal and capitalist perspective. As a result, power and influence are marginalised in the debate, since mechanisms such as quotas for equal and fair participation of all stakeholders are not established beyond UN organisations based on equal votes for member states. Therefore, the problematic discourse of who decides for whom is incorporated into a strategy to regain control of the international structure in the logic of neoliberalism, concealing its adverse effects, including heightened inequality or dependencies between the Global North and Global South (Dingwerth & Pattberg, 2006).

Additionally, it is important to consider that not all actors that get included in global governance arrangements are covered with the same amount of influence and power. Therefore, some scholars question the weight of the interests of certain non-state actors, especially the private sector, in their involvement in global governance and call

for a distinction between *elite-initiated PPP* versus *convenience-initiated PPP* to deduce their potential risks (Bull, 2010).

Finally, it is worth noting that the academic debate on global governance may not be as straightforward as depicted in this case study. Several scholars have discussed distinct generations of global governance studies (Dingwerth & Pattberg, 2022) or introduced new terms for emerging issues in the cooperation between multiple actors in multi-level approaches, such as hybrid institutional complexes (Abbott & Faude, 2022) or orchestration in international organisations (Abbott et al., 2015). Given the scope of this case study and its objective of applying global governance to the UNGC, the debate shall not be further explicated or commented upon. For a comprehensive summary, refer for example to Abbott et al., 2015; Abbott & Faude, 2022; Dingwerth & Pattberg, 2022 or Zürn, 2018.

### **1.3 Global Public-Private Partnerships (PPP) in a transnational setting**

As the multilateral system of international affairs is changing and becoming more inclusive of the participation of non-state actors, while at the same time assuming a retreat of the state in a zero-sum constellation of substitution of the state by business would be too simple (Eberlein, 2019), a particular example is taking a very prominent lead role as cooperation between the public and the private spheres of action: Public-Private Partnerships (PPP)<sup>1</sup>. However, PPP do not only occur in the multilateral space as a form of global governance but are also a common tool to formalize and subsume collaborations between state and private actors as can be dated back to the Roman Empire (Kwame Sundaram et al., 2016). That is why, under the consideration of the UNGC as operational angle on PPP of the present case study, it is necessary to clarify between the original sense-making of PPP used in infrastructure projects on a national or regional level and PPP that occur in the transnational setting.

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<sup>1</sup> It shall be remarked that the author of the present case study follows the naming proposal of Andonova (2017) and refers to *private actors* when a multiplicity of non-state actors, such as businesses, NGO, academia, foundations, etc. is meant, while the term *public-private partnership (PPP)* is exclusively referring to the interaction between private companies and the public sector. Embedded in the logic of applying PPP in the context of global governance, the case study refers to the aspect PPP in a global scenario in the following discussion, distinguishing it from national and or local PPP.

While PPP were originally devoted and limited to mechanism of outsourcing public infrastructure projects to private companies, its use got widespread through the rising idea of neoliberalism assuming higher efficiency rates through market competition and privatisation (Hodge & Greve, 2017). Thus, the modern idea of PPP can be described as a buzzword for different types of collaborations between the public and private spheres. However, it is only in the last 20-25 years, especially driven by the multi-stakeholder policy of the UN under its former Secretary General Kofi Annan, that PPP appear as a viable approach for national governments and IO to involve the private sector in the search for a structure of global governance (Andonova, 2017; Börzel & Risse, 2005).

In this Chapter the discussion will centre itself around the perception and usage of PPP in the transnational setting in the hope to further enhance the legitimisation of international decisions and norms through democratization as well as to booster the effectiveness of global governance. While PPP in a transnational setting will be addressed in detail in the next paragraphs of this Chapter, for an overview of the debate on PPP in a national setting the author of the present case study recommends referring to Roehrich et al. (2014).

In recent years cooperation between the public and the private sector in so-called **public-private partnerships (PPP)** are not only frequently occurring in the transnational context, shifting away from its mere usage in the national or regional sphere (Durkee, 2022), but also actively pursued and called for by various resolutions (latest 76/224 from December 2021) as well as reports of the Secretary General (latest A/76/319 from September 2021) underscoring their crucial importance for reaching the goals of the Agenda 2030 towards sustainable development including sustainable business practices (UN General Assembly, 2021, 2022). This upscaling of PPP initiatives between IO and the private sector goes hand in hand with the emergence and interconnectedness of global cross-border problems, such as climate change, migration, security threats or humanitarian crisis (Andonova, 2017), which can be characterized by the statement of the former Secretary General, Kofi Annan, calling them “problems without passports”.

According to the UN General Assembly, partnerships, which explicitly include PPP, can be defined as “voluntary and collaborative relationships between various parties, both public and non-public, in which all participants agree to work together to achieve

a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits” (UN General Assembly, 2022, p. 5). While Kaul (2006) argues that the challenge of a definition of global PPP consists in including a wide enough view to incorporate all relevant aspects while at the same time occupying a specific enough definition for further analysis and policy development, the definition of the UN General Assembly can serve as good starting point as it also complies with the identified characteristics of global PPP by Kaul (2006) as illustrated in [Figure 5](#).

**Figure 5: The 5 defining characteristics of global public-private partnerships (Kaul, 2006, p. 222).**

Box 1

**THE FIVE DEFINING CHARACTERISTICS OF GLOBAL PUBLIC-PRIVATE PARTNERSHIPS**

- *Voluntary.* Arising from the partners’ self-interest.
- *Horizontally organized.* Maintaining the partners’ autonomy.
- *Participatory.* Involving joint governance and specifying the issues on which partners will consult or decide jointly.
- *Multiactor-based.* Bringing together different actor groups, such as government and intergovernmental organizations, business, academia, civil society, and charitable or philanthropic foundations.
- *Global.* Addressing issues or involving activities of worldwide reach and sometimes of multigenerational scope.

Firstly, as global PPP are based upon a **voluntary** contribution from state and non-state actors, they are mostly organized in a network structure differencing itself from pure private networks through filling its partnership with resources and authority from all parties (Andonova, 2010). The involvement and mobilization of those resources are a sign of the interests and motivations of each actor but are not imposed through any external force. However, pressure can arise through the norms and expectations from in- and external stakeholders and their respective interest that can push the private or public sector to engage in those partnerships (Korab-Karpowicz, 2020). The voluntary nature of PPP also is the basis of the definition from the GA emphasising the idea of dialogue and consensus in international relations where legal authority and mandatory rules are scarce.

The second characteristic can be seen as an outcome of the voluntary nature of global PPP, referring to the way the parties are engaging with each other in their partnership. As the institutional embeddedness can vary (Andonova, 2017), all global PPP are characterised through a **horizontal relationship**, in which the partner's autonomy is preserved.

Additionally, global PPP are characterised through high levels of joint **participation** in decision making, which clearly distinguishes global PPP from domestic or regional PPP in which often state actors subcontract services or function to the private sector (Andonova, 2017). Quite contrary, global PPP are incorporating mechanisms of horizontal governance, based on an alignment of interests of the involved parties, which also consists of the involvement of each partner in the decision-making process. Accordingly, also Rosenau in his early work on global governance states that no issue regime can “prosper without control mechanisms that allow for some form of participation by all the interested parties” (Rosenau, 1995, p. 30), considering that regimes refer to the cooperation between the involved state as well as non-state actors and control mechanisms to the attempt of steering the collective action in a governance system. Since no global PPP (or “regime” to use the words of Rosenau) can ever achieve institutionalised binding legal authority over the involved actors (Rosenau, 1995), a participatory approach in resolving and clarifying the issues the partners are working on is crucial for considering a partnership as a global PPP.

Furthermore, the gathering of multiple actors can be seen as pre-condition of the participatory characteristic of those alignments, thus leading to the fourth characteristics from Kaul (2006): **Multiactor-based**. As already outlined in [Chapter 1.2](#) on global governance, a key feature of partnerships in this context is the alignment and interplay between various state and non-state actors to work together in a multi-centric view of governance as postulated already by Rosenau in 1995 (Dingwerth & Pattberg, 2022).

Lastly, those actors are united in the attempt of addressing problems of **global** reach, referring, for example, to public goods, like the environment and a such the manmade climate change (van der Ven et al., 2016), but also to other worldwide problems such as migration (van Riemsdijk et al., 2020) and health (Hoffman et al., 2015).

As global PPP operate on various dimensions and contexts and no single understanding exists (Kwame Sundaram et al., 2016), the definition of PPP from the

UN General Assembly stays vast and as such can only be used as a starting baseline with the need to be further narrowed down for its application to transnational settings. As such, in her work on PPP in multilateral systems, Andonova (2010), defines PPP as an intent “[...] to reinvent the intergovernmental system [...] [through which the concept] complement[s] the functions of intergovernmental institutions by creating numerous niches for incremental, outcome-oriented collective action, while at the same time linking them to the transnational sphere of governance” (Andonova, 2010, p. 26). The above-mentioned result-oriented collective action as a desired outcome of successful PPPs also refers to efficient capacity building by drawing on the expertise of all parties through a dialogue-based approach, as pointed out as central element of global governance in [Chapter 1.2.1](#). However, the way in which this capacity-building takes place depends on the type of PPP.

Having introduced PPP at the macro level, the following [Chapter 2](#) introduces the UNGC so that in [Chapter 2.3.2](#) the question can be answered, if and how the UNGC fits into the picture of a global PPP governance initiative.

## CHAPTER 2

### THE UN GLOBAL COMPACT (UNGC) AND ITS PRINCIPLES

With currently over 18.000 businesses and 3.800 non-businesses participating, the United Nations Global Compact (UNGC) is the biggest overarching initiative uniting companies of all sizes and industries around the world in their commitment towards meeting 10 key principles of voluntary CSR<sup>2</sup> (United Nations Global Compact, 2022). Launched in 2000 by the former UN secretary general, Kofi Annan, the UNGC can be characterized as a global learning network, in which organisations enter in mutual learning dynamics and sharing of their good practices (Gilbert et al., 2011; Kristek, 2022). Thus, the focus of the UNGC lies on dialogue and partnership, which is making it an accessible base-line initiative for all interested businesses by establishing a low threshold for joining the network and very liberal procedures for excluding member organisations (Berliner & Prakash, 2014).

The strategy of giving guidance to develop and foster corporate citizenship structures of the private sector through an economic-ethical forum in the sphere of international political relations (Kristek, 2022), while being backed-up by the United Nations as a legitimate framework for businesses, who are expecting legitimacy spill-over effects (Haack et al., 2014; Rasche, 2020), seems to be successful as the amount of participants is steadily rising and are expected to grow in the years to come (Podrecca et al., 2021). However, they predict that the initiative is limited in its growth due to lower perceived benefits as an effect of increasing the number of participants (Podrecca et al., 2021),

To understand UNGC's potential reach, but also its relevance, it is important to consider the core identity of the initiative. As such, an interesting approach is to differentiate what the UNGC is not. According to Williams (2014) the UNGC does not strive to become a global code of conduct, but rather is a development platform aligning the private sectors towards global ethical norms (Voegtlin & Pless, 2014),

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<sup>2</sup> Although the term *sustainability* is now used instead of CSR in the institutional discourse of the UNGC, which aims to incorporate the notion of thinking and doing business in a proactive, holistic and sustainable way from the beginning (Ducci, 2023), the term CSR is the terminology chosen in the present case study because it serves as an overarching term for the compromise and responsibility of business in modern society and is the most widely used concept in the past and present academic literature. In addition, it serves as an umbrella term rather than referring to internal company designations in order to allow for a discussion that is easier to understand. CSR will be introduced and discussed in detail in [Chapter 3](#).

which as such positions itself in the earlier discussion of control mechanisms in a global space of multiple actors without central authority in global governance in [Chapter 3.2.1](#). This again with the purpose, vision, and mission of the UNGC as summed up by Williams, who states that “the purpose of the UNGC is to create a world where all could lead a humane life. The vision is to give a human face to the global market. The mission, the way chosen to realize the vision, is to ‘facilitate a dialogue’ so that the ethical norms embodied in the ten principles of the UNGC are widely accepted in the global community” (Williams, 2014, p. 244). Accordingly, the UNGC consolidates and promotes the diffusion as well as commitment of global *hypernorms*, which will be further introduced in [Chapter 3.1](#), as basis for trust-building and action-taking towards sustainable business conduct (Selmier, 2015).

Following a general introduction to the UNGC in the next section, the 10 principles and other platform activities are outlined in [Chapter 2.2](#). In order to also provide an understanding about the positioning of the UNGC as global governance initiative, [Chapter 2.3.1](#) is discussing its historical background, before the UNGC is discussed in [Subchapter 2.3.2](#) in terms of its governance and legitimacy background and finally positioned as a global PPP.

## **2.1 An introduction to the United Nations Global Compact**

Referencing the neoliberal globalisation of the economy, promoting deregulation and free trade agreements as established by the Washington Consensus and implemented by the Bretton Woods organisations, the advancement of the global economy also caused an international space where national regulations lack enforcement possibilities and forms of multiactor-driven global governance arises as discussed in [Chapter 1](#). With the existence of those governance gaps, various forms of International Accountability Standards (IAS) got created that attempt to give orientation through regulation schemes focussing on negative externalities from social and environmental business practices (Gilbert et al., 2011; Rasche et al., 2013; Voegtlin & Pless, 2014). Especially the ability and role of Multi-National-Companies (MNC) with their operations in different areas of the world, can be a promising approach towards filling the legal vacuum (Scherer & Palazzo, 2011).

In this current debate about self-imposed governance of business conducts, as state control and regulation seem unable to meet the need for global control and order (for a critical review of the assumption of a transition from hard-laws to soft-laws, see, for example, Kourula et al. (2019)), the UNGC functions as a soft law approach, as compliance and accountability of companies' actions are neither regulated nor penalised by the Compact itself, and as participation in the UNGC is voluntary Gilbert et al. (2011). In addition, a deliberately low entry threshold for the UNGC encourages all types of companies to participate, regardless of their sector or level of maturity regarding CSR programmes. This soft law approach refers to a higher delegation of implementation authority to participating companies, a lower precision of the underlying rules and the absence of legally binding obligations (Rasche et al., 2013). As such, the only requirement for any company wishing to participate in the UNGC is to commit to an annual sustainability report, called a Communication on Progress (COP). This COP consists of two formal steps, such as a CEO Statement of Continued Support and a report on the 10 principles of the UNGC (United Nations Global Compact, 2023g), a policy that has evolved in recent decades from mandatory reporting on some of the 10 principles to reporting on all principles (Arevalo & Fallon, 2008; United Nations Global Compact, 2022). The final sections of this Chapter are devoted to the reasons for these changes in the COP. But first, the current debate on the UNGC will be introduced.

Irrespective of its voluntary character based on partnership and own commitment to the cause, pressure from various stakeholders around the companies can have a strong steering factor if a business becomes participant of the global governance framework (Rasche et al., 2013). In addition, pressure from industry peers, activism as well as visibility, for example through rankings, which have emerged as a product of improved global communication technology and the globalisation of MNC, lead companies to engage in CSR, as the published COPs are accessible to the public (Rasche, 2020; Waddock, 2008) and as such can create a certain drive to participate in the UNGC. However, it is not only external pressure that can lead to the adoption of CSR, but also the internal pressure of the learning and principles-based network after joining the initiative triggers learning processes in any organisation (Voegtlin & Pless, 2014). Haack & Scherer (2014) argue that it is particularly important to retain low-performing companies in terms of CSR, as they receive positive spill-over effects

and benefit most from interaction with high-performing members, even though this may negatively affect the overall legitimacy of the global governance framework. This internal and external pressure towards adopting CSR and its connection with the UNGC is further explored in [Chapter 3](#) and [4.3](#).

Taking the previously mentioned into account and connecting it with the classification of IAS from Gilbert et al. (2011), the UNGC can be categorized as principle-based standard in contrast to other types of global initiatives such as certification, reporting or process standards. In this context, Berliner & Prakash (2015) distinguish between incentive-based approaches and norm-based approaches, classifying the UNGC as the latter mentioned as the framework is telling a story of norm sharing, mutual learning and persuasion all embedded in a network structure (Arevalo & Fallon, 2008), which attributes compliance to socialization, norm acceptance and exchanging of best practices (Berliner & Prakash, 2015). As such, the UNGC works as a guidance system of moral values that supports businesses to align their practices with each other and towards the established 10 key principles (see the [following Chapter](#)) and towards the Agenda 2030 through incorporating sustainable CSR in their core strategy (Rasche et al., 2013).

Keeping in mind the global scope of the UNGC, the translation of those principles in the national market and work environment of each participating business can be challenging (Gilbert et al., 2011; Kristek, 2022). To address this challenge and according to the concept of “think globally, act locally”, the UNGC establishes local networks as a strategy to contextualise (Rasche, 2020) possible CSR initiatives inside the national spheres of influence enabling “localized solutions to governance problems, while, at the same time, embedding these solutions in a globally coherent governance framework” (Rasche et al., 2013, p. 17). As such, the local networks are designed to help in the implementation of the 10 principles through different measures such as seminars and trainings on CSR and reporting, policy dialogues to collective action projects, networking events, local newsletters, and awards (United Nations Global Compact, 2023a). In line with the work of Gilbert (2010), who describes local networks as key to the success of the UNGC and draws the framework as “network of (local) networks” (p.20), as well as Mwangi et al. (2013), who identify local networks as the key part of translating CSR programmes into practice through peer learning and capacity building, Schembera (2018) also finds that the implementation level of the

UNGC is enhanced by the existence of local networks. The success of the local networks is also confirmed by the empirical part of the case study (Ducci, 2023; Mehech, 2023) and is in line with the 2021-2023 strategy of the UNGC to further strengthen and diffuse the local networks, especially in the Global South through the establishment of new local and regional networks (United Nations Global Compact, 2021).

While the lack of monitoring and enforcement tools in place can be seen as an inclusive approach for dialogue, learning and cooperation (Mwangi et al., 2013; Rasche et al., 2013), it can also be assessed as a door-opener for mere ceremonial and superficial adoption of the principles governing participation in the UNGC (Haack et al., 2021). Sethi & Schepers (2014) argue in this context that the poor deadlines and requirements of the COP can be seen as a demonstration of the superficial compliance expectations of the UNGC, calling out the initiative of allowing free-riding and being unworthy of public trust. Not pursuing the values and programmes offered by the UNGC, but communicating participation in the Compact can in turn lead to *decoupling* and *bluwashing* in an attempt to achieve reputational gains (Berliner & Prakash, 2015). *Decoupling* in this context can be described as an attempt to formally adopt UNGC compliance, but not to further substantively integrate it into business operations and strategies, leading to a disassociation of structure and process (Behnam & Maclean, 2011) or CSR means and ends (de Jong & van der Meer, 2017). Being exposed to the pressures from the companies stakeholders (institutional environment), any IAS, but especially the UNGC as a lighthouse CSR initiative with low entry and low reporting requirements, is prone to *decoupling* (Behnam & Maclean, 2011; Voegtlin & Pless, 2014). Moreover, due to its network structure, the UNGC inherits, as the other side of the coin, the difficulty of ensuring the accountability of its participants (Arevalo & Fallon, 2008). “As diffused, complex, and weakly institutionalized collaborative systems” (Arevalo & Fallon, 2008, p. 464), networks can lead to blame avoidance and limited responsibility assignment for failure. The resulting extensive academic debate on the legitimacy and effectiveness of the UNGC is schematised in [Figure 6](#) below.

**Figure 6: Exemplary Overview of central arguments against and in favour of the UNGC. Own illustration based on a recompilation of the mentioned authors.**

	<b>Augmenting in favour of the UNGC</b>	<b>Raising questions about the UNGC</b>
<b>Soft/hard law; governance</b>	Hardening of soft law; pressure from stakeholders; realistic solution in times of lacking transnational regulation in global governance	No monitoring and enforcement mechanism; COP not adequate; <i>bluwashing</i> ; <i>decoupling</i> ; free riding
<b>Operational</b>	Learning and training platform for cooperation; opportunity for dialogue; peer learning approach; protected space of knowledge exchange and discussion	Exclusionary of participants of civil society; <i>ceremonial adoption</i> instead of <i>substantive adoption</i> ; no monitoring
<b>Institutional requirements</b>	Broad group, low entry barriers allow for poor CSR-performing companies to cooperate and to receive learning opportunities; COP and letter of commitment from CEO	No distinction between socially responsible companies and laggards; no regulations; lax deadlines, low entry barriers lead to free-riding
<b>Respective Authors</b>	(Gilbert et al., 2011; Gilbert, 2010; Haack & Scherer, 2014; Rasche, 2020; Rasche & Waddock, 2014; Scherer & Palazzo, 2011; Williams, 2014)	(Arevalo & Fallon, 2008; Behnam & Maclean, 2011; Berliner & Prakash, 2015; Sethi & Schepers, 2014)

While critics of the UNGC argue that the missing monitoring and sanction mechanisms on compliance, lead to a lack of accountability of participants of the UNGC to traduce their exposure to the principles and learning network into their business practice, the advocates of the UNGC highlight that exactly this exposure conduces to a successive adoption of sustainability values in business practice, especially through exchange and dialogue (Voegtlin & Pless, 2014). Finding an optimal balance between the reporting and enforcement of adopted CSR measures on one side as well as the entry threshold of participants to join the initiative on the other side is an interesting discussion in this context sparked by Berliner & Prakash (2015). The consecutive debate around the creation of an effective and legitimate international framework that encourages the biggest number of businesses to participate whereas maintaining certain core requirements of accountability and compliance (Berliner & Prakash, 2015)

gets especially accounted for in the modelling efforts of Haack et al. (2021), who evaluate the usefulness of transparency of CSR initiatives against the background of the type of adoption (hypocritical or opportunistic as well as ceremonial or substantive), which is again referred to in [Chapter 3.2.2](#). Even though the UNGC is a widely researched initiative of global governance in terms of its historical, learning network, multi-stakeholder, governance, as well as participation and CSR implementation aspects, Voegtlin & Pless (2014) note that the majority of studies remain theoretical. [Figure 15](#) in the appendix from Voegtlin & Pless (2014) depicts an overview of those theoretical perspectives. However, this theoretical discussion of the UNGC outlines the relevance of adapting the discussion around the governance framework to a specific setting. This is intended in this case study by investigation its impact on the Chilean lithium mining industry.

#### New Communication on Progress (COP) policy in 2023:

In response to the criticism of the non-standardised format for not clearly defined indicators (Berliner & Prakash, 2014), the reporting deadlines and content scope of the COP were adjusted in 2023 to improve the accountability and credibility of the UNGC, as the obtained data through the new COP policy is more centralised and accessible through the introduction of an online questionnaire format (United Nations Global Compact, 2023g). As pointed out in the empirical interview with Margarita Ducci (2023) of this case study, the new process of submitting the COP through an online format allows for a better comparability and usage of sustainability data from over 20.000 members in the UNGC worldwide, as there was no single structure for sustainability reporting existed, which is making it cumbersome to extract and compare information. The new COP, submitted through an online platform, therefore recognises the value of the information available by tracking the progress of each member company, but also by creating local, regional, and global benchmarks. Another important change in the COP policy is that member companies are obliged to answer all questions on all dimensions of the 10 principles (United Nations Global Compact, 2023d), not just on selected ones as in the past. Furthermore, the deadlines for sending the COP have been tightened, so that companies become “non-communicating” if they have not submitted their COP between March and June each year and will be publicly delisted if no COP was submitted by the end of the respective year. In this way, the UNGC incorporates criticism on their lax COP policy (see, for

example, Arevalo & Fallon, 2008) and promotes accountability, transparency, and commitment from its participants (United Nations Global Compact, 2023d). In addition, the development of the new questionnaire tool in close collaboration with the Global Reporting Initiative (GRI) also provides for the homologation of indicators, leading to greater transparency and consistency (Ducci, 2023).

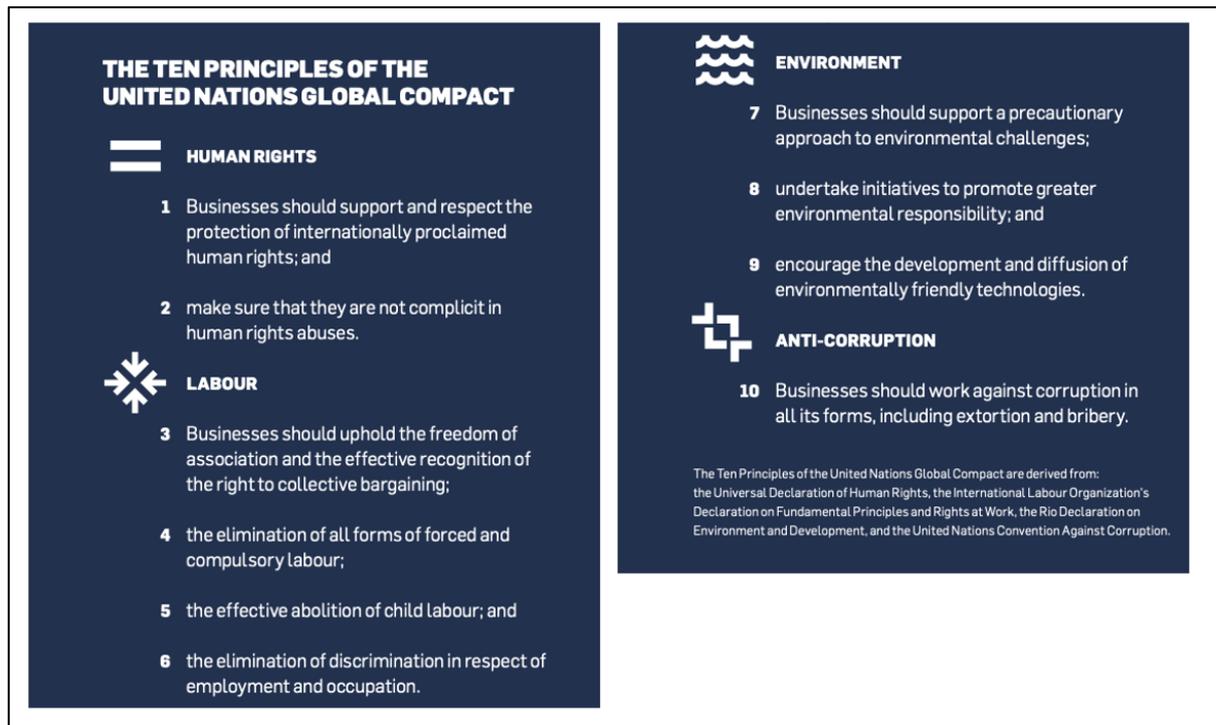
## **2.2 The 10 principles of the UNGC (Human Rights, Labour, Environment, Anti-Corruption) & other mechanisms**

The backbone of the UNGC is its 10 principles, depicted in [Figure 7](#), that are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption and are thus endowed with a globally accepted legitimacy through various UN bodies (United Nations Global Compact, 2022). Through its formal recognition in the resolution A/RES/62/211, *Towards Global Partnership*, the UN General Assembly integrates the UNGC into the intergovernmental structure of the UN (Andonova, 2017). Fully endorsed by the 193 participants countries of the UN General Assembly, the UNGC promotes the alignment of the private sector in all industries and countries around the world to globally accepted ethical standards of conducting business. Those 10 principles can be seen as baseline for any business activity around the world, especially regarding MNC taking advantage of global supply chains. Therefore, the UNGC requires not only a formal commitment by the CEO of member companies to adhere to the 10 principles, but also calls for their integration into business strategies, policies and procedures, which is intended to foster a culture of integrity in the private sector, calling for business responsibility not only to shareholders, but also to stakeholders in a triple bottom line approach of profit, people and planet (Elkington, 1997; United Nations Global Compact, 2023m) as further outlined in [Chapter 3.1](#) on CSR.

Furthermore, those principles can be seen as globally accepted *hypernorms* (Logsdon & Wood, 2002), which complement already existing government regulation, and thus are applied to the local business environment through support from the UNGC local networks. Additionally, the local networks play a crucial role to discuss local ethical

requirements of the location of business operation, taking into account what is appropriate in the view of relevant stakeholders, such as local communities (Selmier, 2015). This is especially relevant for the mining industry and will be explored in greater detail in [Chapter 4.3](#).

**Figure 7: The Ten Principles of the UNGC (United Nations Global Compact, 2022, p. 85).**



Apart from the adherence and promotion of the ten core principles, the UNGC offers various opportunities and platforms for learning and exchange of good practices. Rasche (2009) differentiates between learning and dialogue events as well as partnership projects through which the business and civil society participants in the UNGC are engaged through global and local mechanisms in each local network if existent (Voegtlin & Pless, 2014). Examples of these local platform events are accelerator programmes such as the Climate Ambition Accelerator, the SDG Ambition Accelerator or the Target Gender Equality Accelerator, as well as the implementation of leadership working groups on selected SDGs, both programmes implemented by the local network in Chile (United Nations Global Compact, 2023a, 2023e, 2023i, 2023b, 2023l). At the same time, global mechanisms to engage UNGC participants at

the global level take the form of peer learning groups, think labs or training sessions through the UN Global Academy (United Nations Global Compact, 2023h).

In response to the above-mentioned pressure from stakeholders and governance institutions, the UNGC has also established a number of tools for classifying and rewarding the sustainability performance of its member companies. These publicly available classifications are relevant because they increase the moral obligation of companies to either follow through on their commitments to the 10 Principles by submitting the COP, or to deliver on their CSR performance once they have been awarded. For this reason, the UNGC launched a differentiation programme in 2011 that aims to distinguish between the GC Active and GC Advance learning platforms (Deloitte, 2011). Following the successful launch of the enhanced COP policy in 2023, the initial differentiation programme was suspended and will likely be replaced in the future with other forms of distinction that demonstrate the varying levels of progress of member companies (United Nations Global Compact, 2023c).

An additional platform created by the UNGC and launched in 2020 is called CONECTA, which is directed to visualise the actions undertaken by member companies in regard to the SDGs and thus to facilitate knowledge exchange (United Nations Global Compact, 2020). Annual rewards are given to recognise the private sector's important role in contributing towards Agenda 2030 by highlighting successful business initiatives. In the end of 2023, the distinguished businesses will be publicly awarded (United Nations Global Compact, 2023k).

To understand the relevance of the 10 principles, the overall orientation of the UNGC towards the Agenda 2030 and sustainable business practices and strategies, but also the enforcing mechanisms through public recognition and reporting, Haack & Scherer (2014) propose a pertinent approach, referring to the UNGC HQ and local networks as “father”, while the participating companies are seen as “children”. Through their metaphor, the authors advocate that companies cannot be “educated” through obedience, discipline, and punishment akin to the variant of a “strict father” through monitoring and compliance enforcement mechanisms. Instead, they should be nurtured, just like a “nurturant parent” would do, highlighting the importance of empathy and learning. In recalling the issues and uncertainties around global governance, including finding control mechanisms (norms and structures) in an

international space lacking central authority (Dingwerth & Pattberg, 2022), the “strict father” position is problematic. Enforcement of the already established rules such as the UNGC's 10 principles overlooks the diverse ambiguity that companies encounter and further emphasises the need for mutual learning and dialogue platform (Haack & Scherer, 2014).

Instead, the authors bring forward two social mechanisms that promote the “nurturant parent” model. On the one hand, a so-called *moral entrapment* mechanism, which is based on the public announcement of member companies to uphold and integrate the 10 principles in their business strategy, leads companies to a “creeping commitment” by following up on their rhetoric and coupling their previous talk about CSR policies to actual CSR programmes. This mechanism is promoted by the UNGC through public listings of the COPs of their participants as well as the annual renewal of the pledge of the companies’ CEO to the cause of the UNGC. On the other hand, Haack & Scherer (2014) contend that through various differentiation approaches in the UNGC, such as the CONECTA platform and awards, the leadership working groups or the “naming and shaming” listings of companies regarding their submission of the COP, a so-called virtuous *upward competition* drive emerges. Through these COP policies, free riding and mere *bluwashing* are made more difficult in the pursuit of achieving good rankings. Therefore, a cycle of endogenous regulation through social interaction among member companies comes into play which negates the necessity for a hard regulation mechanism (Haack & Scherer, 2014). This argument aligns with the earlier discussion on global governance regulation where implementing hard regulation has limited feasibility (Williams, 2014).

However, to prevent *decoupling* and to enter the path of upward competition, it can be argued that both approaches require an **active membership** of the participants in the platform activities of the UNGC. If that is the actual case will be explored for the Chilean lithium industry in the empirical part of the case study in [Chapter 4](#).

### **2.3 Historical, governance and legitimacy background of the UNGC**

With the launch of the UNGC by Kofi Annan in 2000, the UN attempts not only to deliver an answer on the discussion about a rising participation of non-state actors in international affairs, but also intends to reshape the institution from being a forum of

global diplomacy between member states towards a forum where wider global politics through the inclusion of non-state actors takes place (Willettts, 2006). However, the response of this transition was mixed, as seen in the public discussion of the Cardoso Report published in 2004 and named after the chairman of the convened Panel of Eminent Persons on UN-civil society relations, Enrico Cardoso, and according to Willettts (2006), apart from other neglects and insensitivities, mainly due to a confusion about underlying frameworks. As such, Willettts (2006) proposes three different normative frameworks for the inclusion of NGO in global governance, *functionalism*, *neocorporatism* and *democratic pluralism*, which influence got empirically tested by Nasiritousi et al. (2016) and are discussed in the previous Chapter, whereas Anheier (2008) refers to legitimacy, transparency and efficiency as well as effectiveness to be considered in the debate about UN-NGO relations.

Accordingly, to better understand the nature of the UNGC, the disarray in terms of the future orientation of the UN, which not only but also consists of the struggle for inclusion of NGO in the space of global governance, needs be acknowledged. Consequently, in this Subchapter the present case study looks first at the historical perspective of the UNGC as well as its sources of legitimacy as to where the UNGC draws partially its power and attractiveness from. These factors serve as a baseline for assessing the effectiveness of UNGC as a PPP-tool of global governance that fills regulatory gaps and codifies global *hypernorms* (Logsdon & Wood, 2002; Selmier, 2015) to culminate this part of the case study.

### **2.3.1 Historical perspective of the UNGC**

Referring to the aforementioned introduction, the UNGC serves as an alliance for businesses and other actors towards sustainable growth, international development, and CSR. The initiation of the UNGC as an invitation of collaboration with the private sector resulted from several factors, such as a funding crisis of the UN, an ideological shift, a change in leadership through its former UN Secretary General, Kofi Annan, and structural reorganisations within the UN (Arevalo & Fallon, 2008). As such, the creation of the UNGC occurred during strategic debates about the responsibilities and the mandate of the UN Secretary as the entity that received delegated authority from member states of the UN. The inherent ambiguity around the formal responsibilities of

the Secretary General together with the quest on finding answers to globalisation as well as to the future funding of the UN, led Kofi Annan to take advantage of the lacking cooperation at the time with the private sector to implement his vision on a suitable collaboration, announced – no by accident – at the World Economic Forum in Davos in 1999 (Andonova, 2017). The United Nations' new position involved an ideological shift in the organisation's relationship with business from a confrontational/reactive stance to a cooperative/proactive mentality (Rasche et al., 2013). This shift of the UN in terms of their collaboration with the private sector is additionally unique as it was driven and implemented by the UN Secretary instead of an initiative of a group of member states. As such, the initiative started as “The Global Compact” and only later, after its endorsement and recognition through the General Assembly, was acknowledged as “United Nation Global Compact” (Andonova, 2017). Therefore, in light of the turbulence in globalisation that occurred around the turn of the century, a crucial aspect of the UNGC's development was its experimental approach towards granting globalisation a human aspect and encouraging businesses to become part of the solution rather than the problem, which led Andonova (2017) to characterise the UNGC as governance entrepreneurship.

In this experimental approach, the UNGG started with an agreement on already accepted core values or *hypernorms* (see [Chapter 3.1](#)), agreed between the International Labour Organisation, United Nations Environment Programme, and the Office of the High Commissioner for Human Rights (Andonova, 2017). While the resulting 10 principles are derived from the mentioned UN bodies and documents, and thus are equipped with a globally accepted legitimacy, its 10<sup>th</sup> principle was added and based upon the United Nations Convention Against Corruption. Consequently, the integration of the 10<sup>th</sup> principle on anti-corruption in 2004 together with current debates promoted by Rose (2020) to include a 11<sup>th</sup> principle on anti-money laundering shows that some margin for further expansion of the sustainable core values of the framework exists. As already outlined before in [Chapter 2.2](#), the 10 principles of the UNGC can be seen as the backbone of the framework that enhances awareness by translating public UN norms into private sector realities.

However, the UNGC does not only focus its work on the alignment and commitment of businesses towards these 10 isolated principles, but rather accompanies its participants through learning and dialogue networks, partnership projects and outreach (Whitehouse, 2003). To carry out this quest of spreading awareness and

getting business to incorporate the *hypernorms* on those four dimensions into their practices and strategies, local networks of the UNGC were created as already discussed in [Subchapter 2.1](#). Another focus area is the creation of dialogue spaces – in the logic of global governance and global PPPs as introduced in the previous Chapters [1.2](#) and [1.3](#) – between different state and non-state actors to work on regional differences (Voegtlin & Pless, 2014).

According to the UNGC Annual Report from 2022, the UNGC covers currently 63 local networks and is active in 101 countries of the world (United Nations Global Compact, 2022), which is an increase of 110% compared to 30 local networks in 2013 (Andonova, 2017). A similar picture in terms of the expansion of the UNGC shows itself in the number of signatories. While the UNGC had 7,090 companies participating in 2012, 18,012 business participants are members of the UNGC in 2022 demonstrating an increase of 154,5% over the course of the last ten years. According to a study based on a logarithmic prediction model from Podrecca et al. (2021), those numbers will likely increase to a feasible saturation of 25,992 participants in 2033, underlining the current and future attractiveness and significance of the UNGC.

However, the distribution of the participants by region is not equally balanced. 52% of all business participants are located in Western Europe and North America, while Latin America and the Caribbean take the second place with 20% (United Nations Global Compact, 2022). Those differences are likely to decrease as Podrecca et al. (2021) predict the feasible saturation rates in developing countries as significantly higher as in developed countries, which shows that the UNGC will be diffused more extensively in regions out of Western Europe and North America. Those tendency are also accounted for if accounted for instability and consistency, which allows for the outlook that the UNGC is a maturing and widespread initiative with no detected disproportions around the world (Podrecca et al., 2021). Furthermore, considering the distinction between small (<50 million), medium (>50 million – 1 billion) and large (>1 billion) from the UNGC, it can be reported that 64% of all participants are small companies, while 22% are medium and 15% categorized as large (United Nations Global Compact, 2022). However, as pointed out by Ducci (2023), in the case of the Chilean network, most participating companies are medium and large, as nearly no small companies, using the same categorisation limits as mentioned before, are currently partaking.

As mentioned before, the UNGC highly depends on its local networks to implement the directives from the head office and adapt the programmes to the local business and regulatory environment. As such, the Chilean network of the UNGC counts currently with eight full-time employees offering most programmes outlined by the parent institution in New York (Ducci, 2023). Moreover, the network is obtaining operational and administrative assistance from the Andrés Bello National University, facilitating a decrease in fixed expenses and affordable use of infrastructure services, which enables allocating more resources to its platform-based working and learning events (Ducci, 2023).

Concluding, it can be said that the UNGC evolved into the biggest and most prominent CSR framework in the world (United Nations Global Compact, 2022), which, through its alignment with various bodies of the United Nations, takes on a unique position in global governance, demonstrated by its rising numbers of signatories as well as its further institutionalisation in the United Nations. Having started as an entrepreneurial alignment of 9 principles, the UNGC expanded into a multi-actor compact of dialogue, learning and partnership initiative (Andonova, 2017; Rasche et al., 2013), embedded in and acting as catalyst for the broader objectives of the Agenda 2030 (Podrecca et al., 2021; Rosati & Faria, 2019).

### **2.3.2 The UNGC as a global PPP initiative in the realm of global governance**

After reviewing the previous discussion and in concert with other academics, the writer of this case study concludes that the UNGC can be categorised as a Global Governance Framework. By creating a new global public domain of cooperation between state and non-state actors (Rasche et al., 2013; Ruggie, 2004), it addresses the outlined characteristics of global governance in [Chapter 3.2](#). Hereby, the UNGC is relying on a model of self-regulation, as well as voluntary adoption and membership. Thereby, its governance structures are to be attained through mutual dialogue and public pressure as no hard regulatory measurements are in place. Following the classification of Abbott et al. (2021), which is represented in [Figure 16](#) in the appendix, the UNGC is positioned in the category of collaboration, which refers to its soft but direct regulatory approach. However, as argued by Haack & Scherer (2014) there

might not be a need for external regulators monitoring the compliance of upholding the 10 principles of the UNGC and if needed to administer sanctions, as the social interaction between members in the light of *moral entrapment* and *upward competition* (see the [previous Subchapter 2.2](#)), or soft power regulation, can alter business conduct in the future. This application of soft law takes place according to the earlier discussed understanding of global governance as cooperation between stakeholders in the attempt of mutual learning and knowledge sharing towards global problems (Williams, 2014).

Although the UNGC operates on a voluntary basis, it has always aimed to discourage companies from participating solely for branding purposes, and mandates that a commitment towards the outlined goals must be demonstrated (Whitehouse, 2003). As outlined in the beforehand discussion in this Chapter, it can be questioned how effective measurements such as the COP, CEO's annual letter of commitment, as well as the delisting as an intended publish shaming are (Behnam & Maclean, 2011; Berliner & Prakash, 2015; Sethi & Schepers, 2014). However, it is important to note that the UNGC was not designed as code of conduct, and as such the evaluation and follow-up of accountability is not a central goal of the framework (Selmier, 2015). This leads the UNGC into the dilemma of finding as much resonance as possible in the private sector in order to fulfil its mission of disseminating standards, including companies that score poorly on CSR, while at the same time not damaging the legitimacy it has gained through its organisational and political adherence with the UN. As global mechanisms of reporting and transparency of companies are becoming more prominent, CSR programmes are also gaining much more relevance in the recent years, which can also be seen through the emergence of various IAS such as the Global Reporting Initiative (GRI), various ISO norms such as ISO14001 or ISO26000, as well as industry specific certifications, such as Initiative for Responsible Mining Assurance (IRMA) in the mining context. As such, it can be argued that the UNGC also ramped up its reporting efforts (Halkos & Nomikos, 2021; IRMA, 2023a), which refers to the changed process for the COP initiated in 2023 by the UNGC as outlined in [Chapter 2.1](#).

Recalling the definition in the anterior [Chapter 1.3](#) on global PPP as outcome-orientated collective actions by a voluntary multi-actor based approach on problems of global reach, the UN General Assembly stresses in its further operational clauses

the role of the 10 global principles and local networks of the UN Global Compact as governance tools in creating “a core business model that takes account of the environmental, social and governance impacts of their activities” (UN General Assembly, 2022, p. 6). While the UNGC addresses the integration of the mentioned 10 principles into the business strategies and orientation of the private sector, it is further useful to place the UNGC in the larger context of global PPP classifications as elaborated by Börzel & Risse (2005).

In their assessment, PPP occur in different settings with varied purposes and types which can be appreciated in [Figure 8](#) below. While the *types* (rows) of PPPs differ in the authority and involvement delegated from the government to corporations, the *purpose* (columns) describes the form of participation of the private sector (Börzel & Risse, 2005). Their intersections show examples of PPPs in the transnational setting, which can be defined as “institutionalized cooperative relationships between public actors (both governments and international organisations) and private actors beyond the nation-state for governance purposes” (Börzel & Risse, 2005, p. 198) and by this underscore their aim in finding and implementing “norms and rules for the provision of goods and services that are considered as binding by members of the international community” (Börzel & Risse, 2005, p. 198). Accordingly, their definition coincides with the previous usage of the term in [Chapter 1.3](#), highlighting the fit of their categorisation but, however, raises questions about the binding nature of PPP in an inherently diffuse space without supranational unilateral global governance authority. Furthermore, the authors call for additional examination of the legitimacy gain of a joint action between the public and private sector together with an enhanced problem-solving capacity of international governance by future research (Börzel & Risse, 2005), which this present case intends to develop on using the UNGC as independent variable and the CSR of the Chilean lithium mining sector as dependent variable.

Back to [Figure 8](#), the classification of the UNGC takes place in the quadrant of the intersection of rule implementation as purpose and self-regulation in the *shadow of hierarchy* as type based on its aim to implement its 10 principles in a form of a voluntary self-regulation of the participating corporations. The term *shadow of hierarchy* refers in this case to the pressure added towards the altering of business behaviour and commitment by future threats of hard laws imposed by the government (Schneider & Scherer, 2019). For further information and categorisation see also

[Figure 17](#) in the appendix about the authority from the public and private sector in global governance extracted from Eberlein (2019).

**Figure 8: PPPs Exemplary Overview of PPP according to Type (columns) and Purpose (rows). Adapted from Börzel & Risse, 2005, p. 6.**

Purpose \ Type	Rule Setting	Rule Implementation	Service Provision
Cooptation	Human rights regimes	UN Human Rights System	UN Development Agencies
Delegation	International Standardisation Organisation (ISO)	Executive Outcomes	Humanitarian and Development Aid Sectors
Co-Regulation	International Labour Organisation (ILO)	Various Emission Trading Schemes of Climate Change Regime	UNAIDS
Self-Regulation in the Shadow of Hierarchy	Safe Harbor Agreement	United Nations Global Compact	Rating Agencies?

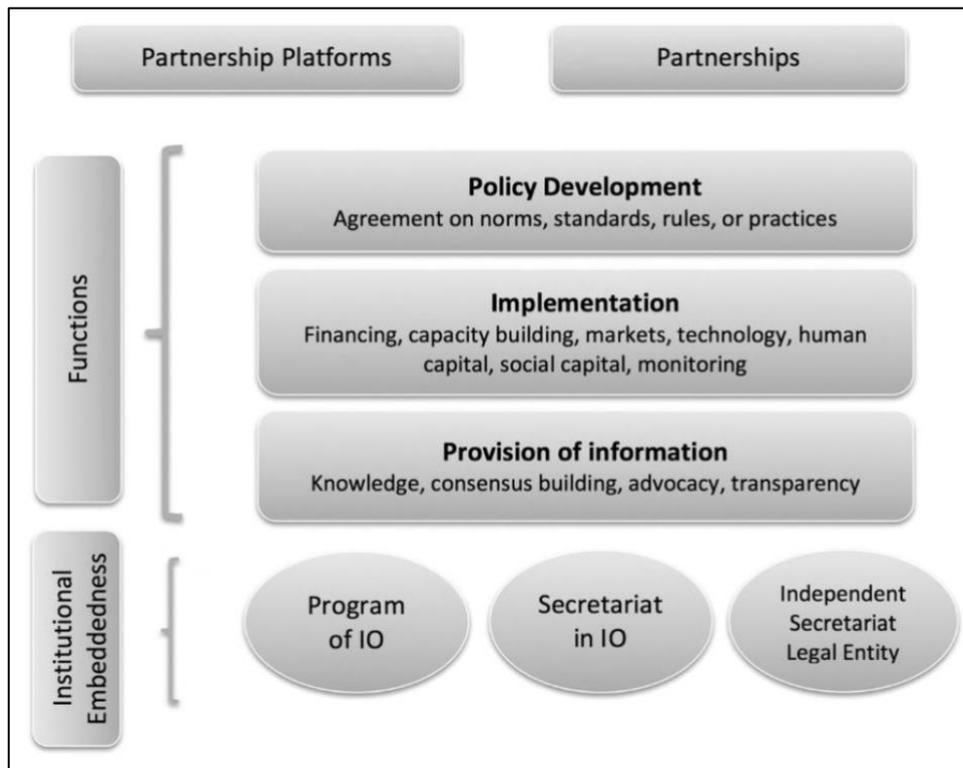
However, in the context of the UNGC as a global PPP, when it comes to public space, it is important to distinguish between a global international level and a national public space where the UNGC acts as a bridge to its local networks. Since the problematisation of a lack of internationally binding sets of rules in the international space is in the nature of global governance, the pressure of possible regulatory interventions in the *shadow of hierarchy* seems to unfold more in the context of national state regulation, which can, however, draw its impetus from resolutions of UN bodies or other IGO. Additionally, in the international as well as domestic level it could be argued that the influence of other stakeholders, such as the state itself, industry benchmarks, the civil society, NGO, or others can also create pressure points to voluntarily adopt measurements. Also the internal social pressures as mentioned before can contribute to the *shadow of hierarchy* (Haack & Scherer, 2014). In the case of the UNGC, the preceding discussion consequently refers to the integration of the 10 principles into the corporate strategy in order to obtain control, legitimacy and also a certain room for manoeuvre in the implementation.

Considering the motives of companies to impose themselves stricter, however still soft, voluntary rules to avoid hard governmental regulations, the UNGC plays a critical role to explore such behavioural changes before hard laws are imposed. As pointed out in the interview with the CEO of the Chilean network of the Global Compact, Margarita Ducci (2023), the main contribution of different working groups on sustainable topics consists in a development of implementation guidelines applied to the local context, which facilitate an early adoption of measurements of member companies. The diffusion of those practical guidelines constitutes a timely and better integrated approach, instead of a reactive integration after a hard regulation has been passed. For example, the UNGC helps to proactively work on integrating human rights into business processes and structures before it becomes necessary, as demonstrated by the recent adoption of EU Directive 2022/2464 of the European Parliament and of the European Council on corporate due diligence in the field of sustainability. The UNGC thus facilitates taking action to address emerging ethical demands from society and give companies a head start before such corporate behaviour, e.g., human rights due diligence as seen in the EU, becomes mandatory as a hardening of soft law (Eberlein, 2019). Furthermore, the local network is establishing secure spaces to foster an open and honest collaborative environment, where sustainability related dimensions are deliberated in a trial mode, and the experiences of other firms are then tailored to suit the reality of each company (Ducci, 2023; Mehech, 2023).

In conclusion the characterization of the UNGC in [Figure 8](#) aligns with its focus on the creation of local networks (Gilbert, 2010) and learning communities (Rasche et al., 2013), hereby including corporations not as part of the problem but as part of the solution to boost legitimacy as well as effectiveness of problem-solving capacities (Börzel & Risse, 2005). As the UNGC rather operates as access point for companies to implement emerging rules and norms in a sustainable transition of the business in order to avoid hard regulations with less margin, it does not create any forms of *shadow of hierarchy* itself. Considering the scope of the present case study, which does not allow for further in-depth discussion, the author calls for further investigation of the UNGC and its interaction with the government (Eberlein, 2019) as well as modes of governance (Abbott et al., 2021) in the context of *shadow of hierarchy*.

Andonova (2017) made another potentially valuable contribution to the use of PPP in a transnational context in her research about governance entrepreneurs in an evolving international system. According to her, it is relevant to distinguish between *public-private partnerships* and *public-private partnerships platforms* as shown in [Figure 9](#).

**Figure 9: Diversity of global partnerships (Andonova, 2017, p. 17).**



In her view, *partnership platforms* are characterized through a more integrated approach in which two layers of collaboration enable stakeholders to first establish programmatic rules and then implement partnership projects in different areas often with joint funding. While those types of *partnership platforms* are quite institutionalised, *partnerships* are marked by a rather individual approach which is defined by the contribution of participants towards governance objectives that vary through each individual partnership (Andonova, 2017). In this context, the UNGC can be assigned to the typology of *partnership platforms* as it consists in a first step of an agreement between various actors, such as companies, UN organisations, states, and NGO on the 10 key principles of responsible business conduct. Additionally, in a second step the participating companies are deciding on their own on which principles to act upon and how to derive strategies from the guidelines presented by the UNGC (Andonova,

2017) and facilitated through its local networks. The *platform* approach is especially evident if the orientation of the UNGC on dialogue, learning as well as partnership between all member companies is taken into account (Berliner & Prakash, 2015; Scherer & Palazzo, 2011). Through the local network of the global framework, an accessible *platform* is created for the implementation of the 10 principles and other relevant topics at hand, such as the local platform events or leadership working groups as mentioned in [Chapter 2.2](#).

Coming back to the classification of the UNGC as global governance framework, it can be useful to better understand its positioning by analysing the governance aspect of the UNGC. As such, the institutional set-up of the organisation shows how it aims to contribute to the public interest, which in the context of the UNGC is to put a human face on the private sector and promote dialogue to incorporate globally accepted standards into business practices. The UNGC exercises governance in the global public domain through its global program and secretariat, responsible for the general strategy and initiatives, as well as through its local networks, which are to carry out the global strategy while translating it to the local requirements (Ducci, 2023; Rasche et al., 2013). In its functions, the UNGC has a strong focus on the *policy development* as well as *provision of information* aspect in [Figure 9](#), as it promotes the diffusion of *hypernorms* as well as standards and practices through their 10 principles, which addresses the global collective as well as individual firm-level identity (Brown et al., 2018). Offering various learning and engagement opportunities, the UNGC also has a strong stand on the *implementation* function in [Figure 9](#), especially through capacity building.

However, the institutional focus on the UNGC also shows how much the initiative is geared towards the private sector. While power disbalances are in the nature of global PPP in global governance, it is evident that the UNGC overrepresents business, while civil society actors and labour unions are not represented equally (Rasche et al., 2013). This aligns with the strong role of businesses in a new global governance setting, fostering interests of the private sector over interests of other stakeholders (Bull, 2010). Nevertheless, as the UNGC is based in its 10 principles on the labour norms from the ILO, which explicitly covers the representation of labour unions, the initiative does not only cater to business needs, but acts as voice for relevant impulses of other stakeholders to the targeted business audience.

An essential factor to consider when evaluating the UNGC as a global governance framework is the legitimacy of the initiative. As previously mentioned, the UNGC's legitimacy is derived based on 10 principles formulated by UN bodies and formal adoption by the UN General Assembly. Although legitimacy and effectiveness discussions are frequently theoretical (Voegtlin & Pless, 2014), it is worthwhile to briefly discuss the legitimacy of the UNGC, taking into account the differentiation between **input and output legitimacy** outlined by Steffek (2015) in [Chapter 1.2.3](#).

[Figure 18](#) in the appendix offers a visual assistance in comprehending the factors that impact UNGC's input and output legitimacy. It includes evaluation criteria like *candidacy*, *actors*, and *processes* that have an effect on input legitimacy and *outcomes* that influence output legitimacy.

Accordingly, the UNGC can be assessed with a high **input legitimacy** of its 10 principles, as they have been adopted by legitimate UN bodies and endorsed by their respective assemblies. Additionally, Furthermore, member firms are encouraged to participate, and provide input in distinct formats, such as leadership working groups engaged in attaining the SDGs (United Nations Global Compact, 2023e). Accordingly, Arevalo & Fallon (2008) highlight the considerable CSR learning opportunities in the *process* dimension of [Figure 18](#) in the appendix, which also relates to input legitimacy as the efficiency of the members' participation may increase with the existence of various events and knowledge exchange platforms. As previously noted, the protected learning network can be viewed as the most significant strength of the UNGC. This is reinforced by the empirical findings of this case study (Mehech, 2023), and boosts the input legitimacy of the UNGC (Arevalo & Fallon, 2008).

However, the UNGC can be considered a special circumstance, since the 10 principles and the Agenda 2030 are enforced by the organisation and not open to criticism within the initiative. This can be viewed as an argument against input legitimacy. However, in this context, the UNGC can be viewed as a unique instance, as its fundamental values and norms are based on decisions that are globally agreed upon and ratified by the General Assembly and other organisations of the UN, which have already attained considerable input legitimacy through discussion and design.

On the other hand, Arevalo & Fallon (2008) argue that the non-existence of a selection process for possible members as well as minimal information on participating organisations result in a lack of accountability and transparency impairing its input legitimacy. Since the publication of their article, however, the UNGC governance

policies have been adapted, especially in 2023, in light of the new roll-out of the COP. Nowadays, before the admission of any new member organisation, a background check on interested candidates is executed and is now administered by the head office in New York (Ducci, 2023). Furthermore, the website of the UNGC provides more information on participating companies.

In conclusion, considering the 10 principles' diffusion as global norms agreed upon previously through UN resolutions and implemented by various UN organisations, alongside its specificity towards the private sector and new COP process, the UNGC's input legitimacy seems reasonably high for a global public-private partnership initiative. Nevertheless, the UNGC's input legitimacy faces some limitations resulting from the unbalanced engagements of private versus public stakeholders and missing participation of workers' representatives, which is worth further investigation, but exceeds the scope of this case study.

The argument for **output legitimacy**, which refers to the effectiveness of the initiative and can be considered as the opposite of the *decoupling* criticism of the UNGC mentioned in [Chapter 2.1](#), is a contested issue. As depicted in [Figure 18](#) in the appendix, the *outcome* dimension of the graphic is classified as evaluation criteria of the output legitimacy. The contested nature arises because the participation and results of the UNGC are not legally binding (Arevalo & Fallon, 2008). Although the UNGC is not a certification and code of conduct-driven undertaking as outlined previously, it has some mechanisms in place to ensure accountability, which have been enhanced over the years (Ducci, 2023). Accordingly, it is crucial to operationalise the measurement of effectiveness of the UNGC in order to measure its output legitimacy. Whilst the mission of the UNGC, as stated on the website of the local network in Chile, refers to the promotion, dissemination and integration of the 10 principles of sustainable business (United Nations Global Compact, 2023j), it can be evaluated in different ways, as illustrated below.

To tackle output legitimacy, one approach is to consider the delisting of unresponsive companies that do not submit their COP in time, which the UNGC uses openly as tool to avoid *bluwashing* and free riding. The freedom of the UNGC to publicly delist a member company from the framework can trigger some public debates, which in turn can cause consequences for the reputation of the respective company. This impact only matters if delisting is viewed as a credible threat, and the resulting loss of

reputation becomes noticeable (Rasche et al., 2022). For instance, this could occur through public debate. As such, Rasche et al. (2022) argue in their study that the public delisting policies of the UNGC have stronger effects on publicly listed companies, whereas small and medium-sized enterprises (SME) do not perceive the delisting as a big threat for their reputation. Nevertheless, the apprehension of facing reputational consequences due to public delisting could improve output legitimacy as it extrinsically compels adherent companies to honour their commitment.

Another method to evaluate output legitimacy is to examine the number of participants who joined the initiative since its establishment in 2000, which is likely to increase according to the predictions from Podrecca et al. (2021). With the entrance of more participants into the initiative, the overall contribution to sustainable business practices can be expected to increase.

Also, the CSR performance of UNGC can serve as an indicator of the effectiveness of the UNGC. In their study, Orzes et al. (2020) demonstrated that the adoption of the UNGC had a positive impact on sales growth and profitability. However, their study focused on publicly listed companies and a short period after joining the UNGC. Therefore, their results are subject to criticism, as pointed out by Rasche et al. (2022) and need further replication.

Finally, another encouraging strategy concerns the impact of the new COP policy's implementation, which enables a transparent measurement of companies' growth and comparison across industries and regions (Ducci, 2023). Despite relying on self-reported data and voluntary adoption of evidence (United Nations Global Compact, 2023d), this approach could facilitate assessing the outcomes of the UNGC over the following years, focusing on a more extensive range of indicators aligned with e.g. the Global Reporting Initiative (Ducci, 2023).

In a nutshell, the measurable output legitimacy of the UNGC is controversial, primarily due to the challenge of determining its influence in isolation. Nevertheless, there are promising approaches, such as the ones listed earlier, that could help clarify the matter further. It should also be noted that qualitative effects are certainly experienced in the organisations, as the sustainability debates triggered by the UNGC are carried into the organisations (Mehech, 2023). However, measuring the development of policies or new programmes purely based on quantifiable terms is impossible. Therefore, using a more comprehensive and all-encompassing approach, which will be addressed again in the case study's conclusion, is of importance.

In conclusion of this Subchapter, the UNGC through its network character, allowing for a light and non-bureaucratic governance structure (Arevalo & Fallon, 2008), has proven relevant in its contribution towards a self-regulatory global governance model (Brown et al., 2018), which is putting into practice the call for public-private partnerships in target 17.H of SDG 17 (partnerships for the goals). Nevertheless, its limited monitoring and enforcement mechanisms, which as some scholars argue do not counteract the possibilities of *bleuwashing* and *decoupling* sufficiently (Berliner & Prakash, 2015; Sethi & Schepers, 2014), deserve further scholarly scrutiny and investigation. Thus, it is necessary to conduct additional empirical studies on the UNGC in different industry and company sizes to evaluate its impact on output legitimacy at different levels of operationalisation, following the outlined attempts, and exploring other possibilities for measurement. Moreover, conducting further research that considers the data available from the renewed policy on the COP introduced in 2023 might lead to more reliable and comparable information, which could aid in evaluating the effectiveness of the PPP called-for in goal 17.H of SDG 17.

Without refuting the previous, however, it is still essential to see the UNGC not as a mere reporting and certification tool, but as a learning and dialogue platform for sustainable business in relation to the Agenda 2030 and the 10 Principles of the UNGC. As such, applied to the lithium mining context in Chile, the present case study intends to contribute not per se to the output legitimacy of the UNGC, but rather attempts to capture the general influence of the UNGC as institution of global governance.

## **CHAPTER 3**

### **CORPORATE SOCIAL RESPONSIBILITY (CSR), ITS DIMENSIONS AND CONNECTION WITH THE UNGC**

The UNGC is open to all companies, irrespective of their size or industry, and mandates the same universal requirements for all member organisations, as outlined by the 10 principles. Although a company can only operate sustainably to the best of its ability, it is encouraged to align itself with the 10 principles and the SDGs as well as to share their experiences with other participants in the network (Mehech, 2023; Ducci, 2023). Through this orientation of the UNGC, the connection to sustainable business practices is apparent. However, to better understand the context of how the private sector is involved in its sustainable transformation today, it is helpful to look in depth at the concept of corporate social responsibility (CSR), which is the comprehensive term for progressive sustainable business behaviour in academic literature. In this sense, [Chapter 3.1](#) starts with a historical classification of the CSR debate and ends with a reference to the ethical responsibility of modern companies. [Chapter 3.2](#) along with its subsections, contextualises the concept of CSR and its implementation in the mining sector.

#### **3.1 From shareholder to stakeholder capitalism: An introduction to CSR**

Over 50 years have passed since Milton Friedman has published his neoclassical doctrine on social responsibility of businesses as an answer to the – at the time pressing – debate about Corporate Social Responsibility (CSR) in an article in the New York Times in 1970. In this essay he argues in favour of a form of shareholder capitalism that is described through a free, competitive, and self-regulating market, in which – in order to honour democracy in a free society – all businesses should only follow one social responsibility that is to increase their own profit (Friedman, 1970). This follows the ideology of an invisible hand from Adam Smith, which justifies the use of egoistic decision-making as ethical, which in turn benefits the whole society more as if an actor would have had pursued purposefully actions towards the societies' interest (Smith, 1776).

Even if the underlying assumptions of these doctrine decades later happened to be criticised and questioned (see for example Chang (2002)), already during the years of Friedman's work other more progressive voices existed that argued in favour of businesses assuming responsibility through CSR (Carroll, 1999). In the debate about the social role of businesses, already approximately 50 years ago Davis (1973) states that society decided that business should take on social responsibility and describes it as "hallmark of a mature, global civilisation" (Davis, 1973, p. 321).

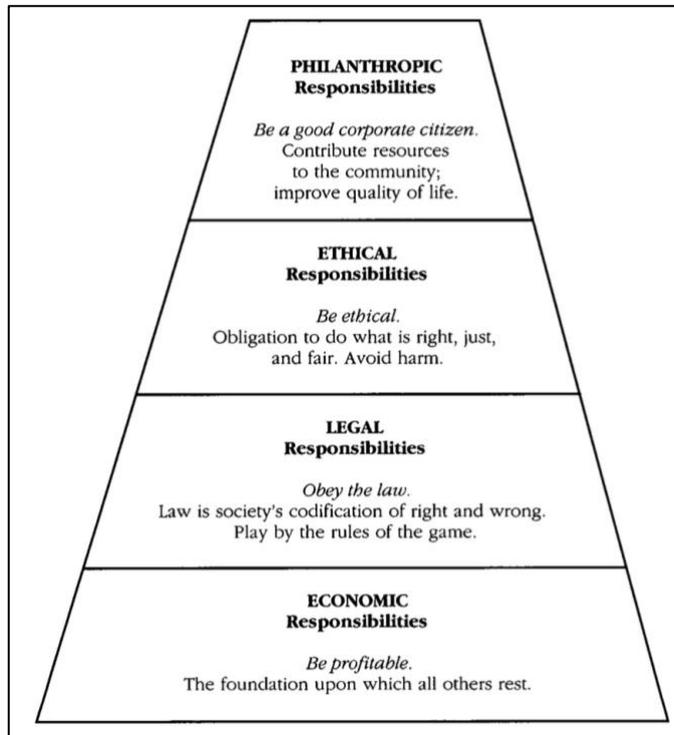
Furthermore, Carroll (1991) identifies four business responsibilities when talking about CSR that are depicted in [Figure 10](#) in form of a pyramid. Accordingly, the duty of a company is not only to make profit, but also to simultaneously obey the law, to be ethical and to be a good corporate citizen (ibid). Even though all responsibilities are important for the reputation of a business in society, it is to be argued that the economic dimension is in fact the basis of the CSR pyramid and that philanthropic social responsibility is actually less important (Carroll, 1991). Nevertheless, a subsequent analysis on who the business is trying to address with those CSR dimensions opens the door to a debate about stakeholder management instead of a narrow-minded focus of businesses on shareholder's profits.

Another prominent expression of the shift towards a more sustainable business management comes from Elkington (1997), who develops a so-called *Tripple-Bottom-Line* framework, which accounts for the responsibility of a company to not only focus on financial profits, but equally on its social and environmental performance. Through the integration of Profit with People and the Planet, also described as *3P* in the academic discourse, companies, in addition to their profitability concern, take responsibility to follow a more sustainable and holistic approach on their business practices achieving success on a long-term basis by contributing to society as well as maintaining an intact environment (Elkington, 1997).

However, coming back to the beginning of this Chapter, it is to be acknowledged that when looking at the second part of Friedmann's case, who claims that the only duty of businesses is "to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (Friedman, 1970, without page), already two other aspects of the CSR definition from Carroll are included – the *legal* and *ethical* dimension. The last component of the pyramid of CSR is, *philanthropic* responsibilities, can in the logic of shareholder

capitalism even be rationalised through catering self-interest (Carroll, 1991) as it creates a stable and further growing community, in which the business operates.

**Figure 10: The pyramid of Corporate Social Responsibility (Carroll, 1991, p. 42).**



After this early discussion (for a detailed historical overview of CSR please refer to Carroll (1999)), the discourse regarding the societal role of businesses shifts towards a stakeholder capitalism concept that emphasises the existence of various stakeholders around the business who influence and are impacted by its activities. Stakeholder theory posits that the primary goal of a business is to build and generate value for all its stakeholders, which typically encompass employees, customers, the local community, society at large, the financiers of a company, and secondarily, subgroups of employees, suppliers, competitors, special interest groups, government, and the media (Carroll, 1991; Freeman & Dmytriiev, 2017). Conversely, CSR has a narrower focus as it deals with the responsibilities of businesses (ibid). Therefore, CSR can be seen as an embedded concept in stakeholder theory. A useful definition that underlines the plurality of forces involved in the fight for sovereignty of opinion and interest according to each stakeholder comes from Voegtlin & Pless who define CSR as “a shifting political contest between business, government and civil society actors

over governance of the corporation” (Voegtlin & Pless, 2014, p. 182). By referring to this political contest as governance of the corporation, a connection can be drawn to the discussion of global governance in [Chapter 1](#), in which governance was characterized as an attempt in finding norms and structures between a variety of actors in an anarchic global space of missing supranational authority. Also, in the narrow sense of a search of governance in CSR, a plurality of actors can be identified that try to make their case of interest and attempt to find ways of cooperation and alignment of interests towards (local) goods, such as social and environmental rights, that are shared between all other stakeholders.

This dynamic political contest deals in their substantive arrangements with the idea that “the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” (McGuire, 1963, as cited in Carroll, 1999, p. 271). Those responsibilities of a modern company are applied towards a “multiplicity of purposes [such as] economic, social, psychological, educational, environmental and even political” (Teck et al., 2018, p. 106), which expands the initial drawing of CSR dimensions from Carroll’s CSR pyramid. Following a **neo-institutionalist** approach, this case makes the dynamic nature of CSR evident as it not only encompasses the activities of a company – linked directly or indirectly to their operations – towards the purposes mentioned by Teck et al. (2018), but also demonstrates the influence of expectations and social norms of stakeholders directed towards the company (Bice, 2013; DiMaggio & Powell, 1983). Consequently, CSR is more than just a goal-oriented outcome. As it includes the social debate around the responsibilities of a company, which will be expanded in the next paragraphs, it can be rather seen as a process (Bice, 2013) in which various stakeholders groups are involved.

When a company assumes those responsibilities and obligations for society that go beyond solely making profit, it also fulfils expectations of corporate citizenship (CC). Whereas Matten and Crane (2005) focus on an individual level as corporations cannot be citizens in themselves but are rather seen as enabler or administrator of social, civil and political rights, Logsdon & Wood (2002) argue from a communitarian point of view. In their often-cited article, they acknowledge corporations as distinct members of a community and therefore allow for the concept of citizenship to be applied to companies as well. In this context, it is important to recall that for the mentioned authors *corporate citizenship* refers to the local acts of voluntary service and duty of

companies, whereas *business citizenship* is related to multinational companies as actors in a local and global environment (Logsdon & Wood, 2002). Consequently, making the case of the latter, businesses have a moral obligation to adhere to *hypernorms*, constituted through the declaration of human rights, as well as to listen to *consistent norms*, which characterise cultural variations of *hypernorms*. Now, the authors argue that in a globally integrated world companies are obliged to follow universal ethical principles as their moral obligation as well as for their own benefit of creating a stable and reliable business environment (Logsdon & Wood, 2002). Additionally, to establish checks and balances for companies to behave as business (global) citizens, social control mechanisms such as market pressures and global media attention leading to reputational threats are in place (ibid). Concludingly, businesses have a social duty to take responsibility in a globalised world which results out of their view as global citizens according to the theory of Logsdon & Wood (2002). In this context, the contribution of the UNGC, as outlined in [Chapter 2](#), becomes apparent, as it serves as a focal point in the alignment of sustainable business conduct towards global *hypernorms* translating the mentioned social duty and responsibilities from society into practice (Ducci, 2023).

For the further discussion in the present case study, it is important to be clear on the used concepts. As the terms Corporate Social Responsibility and Corporate Citizenship are often used interchangeably in the academic reality (Fatima & Elbanna, 2023), as no widespread accepted differentiation exists, and as the involved dimensions are congruent in most core themes (Carroll, 2021), for the purpose of this case study, no further distinction is made. Both terms are used synonymously, while CSR, as more widely used term, is maintained as central terminology. It shall be concluded with the work from Dahlsrud (2008), who reviews 37 definitions of CSR and argues that the definitions have more in common than what keeps them apart. Accordingly, CSR refers to an environmental dimension, a social dimension, an economic dimension, a stakeholder dimension, and a voluntariness dimension (Dahlsrud, 2008), which encompass the terms of corporate citizenship, stakeholder management, responsible management, or shared value creation (Carroll, 2021). Additionally, the author of the present case study argues that the initial dimensions from Carroll (1991) of legal, ethical, and philanthropic responsibilities can be subsumed into the social dimension of Dahlsrud (2008) for a holistic picture of CSR. Nevertheless, the notion of a moral duty and obligation of companies to act as

business citizens based on *hypernorms* such as the human rights (Logsdon & Wood, 2002) – or based on the other principles of the UNGC – is integrated in the further usage of the term CSR, instead of just seeing CSR as voluntary philanthropical concept.

### **3.2 CSR in the (lithium) mining industry**

Based on the preceding discussion, the following Subchapters introduce CSR in the context of the extractive industry in general and, whenever possible, apply it directly to lithium mining. Insights are given into critical reasons for adopting CSR ([Chapter 3.2.1](#)), its implementation ([Chapter 3.2.2](#)), its connection with relevant stakeholders to obtain a so-called *Social License to Operate* ([Chapter 3.2.3](#)) and a summary of some main criticisms of CSR in the mining sector ([Chapter 3.2.4](#)).

#### **3.2.1 Critical reasons for adopting CSR initiatives**

Before the implementation process of any CSR activity is addressed, it is relevant to broaden and then synthetise the view on motives behind the implementation of CSR initiatives from the already outlined moral obligation and societal pressure in the [anterior Chapter](#) to other factors. As characterized by de Jong & van der Meer (2017), it can be differentiated between *intrinsic*, *extrinsic* as well as *societal expectation and stakeholder pressure* motives.

**Intrinsic motives** of CSR adoption refer to a value-driven approach towards contributing to society, which can either stem from an ethic motive, interpreting CSR as moral duty, or from an altruistic motive, which can be seen as desire to facilitate help to others (de Jong & van der Meer, 2017). As an application scenario for the present case study, when applied to the mining industry, this motive of engaging with CSR aligns with the philanthropic dimension from Carroll's pyramid. It can be put into practice through social activities targeting basic needs such as offering wholesome meals, other needs linked to education or healthcare, as well as environmental activities such as tree plantation, or through philanthropic donations (Cesar, 2020; Selmier, 2015). Despite the lofty aims of those CSR initiatives that companies undertake to fulfil ethical obligations, the outcome of individual activities is often either

unsuccessful or only results in short-term success as applied to the mining industry in Chile (Devenin & Bianchi, 2018), which will be discussed in [Chapter 3.2.4](#).

The second motive behind business engagement in CSR relates to an **extrinsic** view of CSR as strategic toolset towards self-focused and self-serving behaviour, in which it is seen as means towards obtaining organisational benefits (de Jong & van der Meer, 2017). This type of motive is deeply rooted in a positivistic business logic that follows the premise to strategically integrate CSR in the business framework by measuring and then justifying the incorporation of social values in business decisions (Teck et al., 2018). This positivist framing of CSR as a responsibility to stakeholders, particular to communities in the mining context, avoids conflict with shareholder pressure to make profits (Jenkins, 2004) and rather presents extrinsic CSR as a strategic initiative to get something in return (Fatima & Elbanna, 2023).

Therefore, numerous academic studies have been conducted on the potential benefits of CSR in the mining industry, the results of which confirm positive economic growth, including firm value and profitability, of companies (Yousefian et al., 2023). Another trend supporting the extrinsic motive is considering CSR as a tool for risk management in the mining industry. The aim is to prevent operational, reputational, and political/regulatory risks through interventions from CSR activities (Frederiksen, 2018). The consequences of reducing CSR as risk management approach and the effectiveness of those activities is again part of the debate of [Chapter 3.2.4](#). Given the increasing public concern and regulation around environmental degradation in mining, companies are cautious not to harm their reputation. CSR programs are, therefore, established to reduce the likelihood of public disapproval, eventually resulting in the introduction of stricter national laws and regulations (Selmier, 2015). The actions taken by a company towards a more sustainable strategy can also be seen in the light of “hardening of soft law” by acting proactively on pressing issues, such as their environmental and/or social impact, before lawmakers are imposing hard regulations (Eberlein, 2019), which relates to the debate of the UNGC acting as bridge towards national regulations in the *shadow of hierarchy* mentioned in [Chapter 3.3.2](#).

In this context, Teck et al. (2018) argue that companies are often too focused on proactive CSR in order to anticipate those risks to increase the possibilities to better manage them in a positivistic approach, while little attention is paid to responsive CSR, which sustains that a moral reboot after a reputational crisis with a deep structural change process can lead to a more credible sustainable corporate behavior as well as

a reputational boost in the long run. A thorough responsive CSR approach, however, after a successful moral reboot, can yield a long-lasting deconstructing of the firm, the creation of a new CSR DNA and restoration of its reputation after a scandal. As the authors detect various research gaps, such as missing investigation on reactive CSR in uncontrolled change processes, they call for more empirical investigation (Teck et al., 2018).

In connection to the UNGC, the governance framework follows very much the theorem of a rationalistic model of change (Teck et al., 2018), allowing for the step-by-step proactive implementation of CSR. Developing an agile and dynamic approach towards CSR in responsive management could be an intriguing capability that the UNGC could provide in the future. However, the case study did not explore this matter further, given its limited scope.

Apart from the intrinsic and extrinsic views of CSR, there are other factors closely linked to a company's reputation that encourage the adoption and communication of CSR initiatives within organisations and act as key drivers for CSR implementation. These factors can be categorised as **societal expectations and stakeholder pressure**, which constitute the third group of motives according to de Jong & van der Meer (2017). Since CSR is part of the stakeholder theory, businesses are required to take responsibility for different groups both inside and outside the company. This involves taking into account the perspectives and needs of these stakeholders, which conforms with this motive. The speed and accessibility of communication, including the power of social media, lead to a more dynamic evaluation of CSR activities and result in a higher probability of reputational effects by stakeholders. Therefore, de Jong & van der Meer (2017) conclude in their study that finding the optimal CSR fit for stakeholders, which refers to a match between CSR initiatives and their evaluated effect on stakeholder groups, cannot be generalised across all typologies. Instead, effective **CSR communication** plays a key role in achieving this objective.

Hence, businesses must understand “which types of fit matter, why, to whom, and under which circumstances” (de Jong & van der Meer, 2017, p. 80) in order to enhance targeted communication to fulfil their CSR adoption objectives. This is corroborated by the results from Amores-Salvadó et al. (2022), who argue that *brownwashing* or green quiet is not beneficial to the company's market capitalisation. Instead, they emphasise the importance of communication, as highlighted by the superior performance of high-

communication clusters (green parrots and green leaders) compared to low-environmental-disclosure clusters regarding investment and financial markets (Amores-Salvadó et al., 2022).

Those findings are in line with the call from Hawn & Ioannou (2016) to not only integrate CSR in the internal process and structures of a company, but also to externally communicate those changes to gain legitimacy and market returns. Furthermore, building upon de Jong & van der Meer's (2017) differentiation between *intrinsically*, *extrinsically*, and *societal expectation and stakeholder pressure*, it can be argued that CSR is not a monolithic construct (Hawn & Ioannou, 2016). On the contrary, CSR is divided into **internal actions** that take place within a company, such as the creation of CSR committees and trainings, and **external actions** that involve the communication of CSR messages to audiences outside the organisation (García-Sánchez et al., 2021; Hawn & Ioannou, 2016). When exploring the market value of firms that practice CSR, Hawn & Ioannou (2016) contend that a lack of alignment between internal and external actions can be harmful to the firm. As organisations are pressured to engage in sustainable corporate practices in various social aspects, such as community involvement, labour standards, and transparency, as well as environmental aspects, such as carbon footprint, pollution, and water consumption, bridging the gap between CSR disclosure and performance, and aligning internal and external actions, becomes an essential (García-Sánchez et al., 2021; Hawn & Ioannou, 2016; Waddock, 2008).

To conclude, it is highly likely that the CSR strategy of mining companies is not determined by a single motive, rather it is caused by a combination of motives as discussed in [Chapter 4.3](#). However, nowadays, CSR is perceived as an essential investment by mining companies for their survival and reputation (Selmier, 2015).

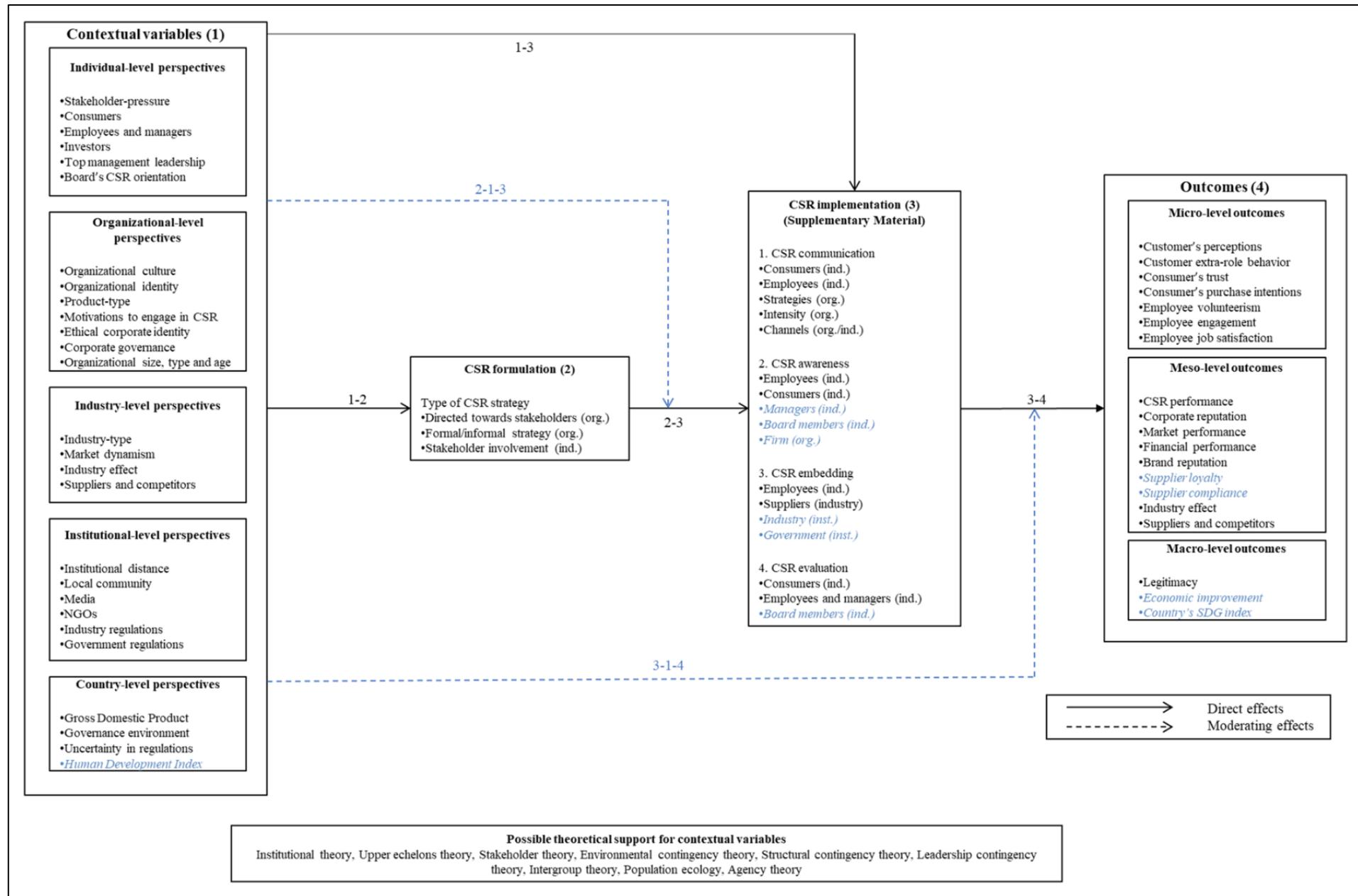
### **3.2.2 Implementation of CSR**

While the concept of CSR and the debate about the societal role of businesses have long been in the public domain and academia, evaluating the effectiveness of CSR as voluntary measures toward diverse stakeholders in the economic, social, and environmental aspects, as Dahlsrud (2008) remains a persistent challenge. Therefore, the work of Fatima & Elbanna (2023) will be referenced, whose research consists of

reviewing 112 empirical studies on CSR implementation to develop a holistic framework. Furthermore, the upcoming discussion is relevant to the empirical portion of this case study since it looks into the practical application of CSR and how the UNGC, as outlined in [Chapter 2](#), influences business conduct and strategy.

As the majority of studies on the implementation of CSR lack multi-level and multi-dimensional perspective, Fatima & Elbanna (2023) elaborate their framework as a holistic approach highlighting the interconnectedness and influence of a great number of moderating variables between *CSR formulation* and the *CSR outcomes*. [Figure 11](#) demonstrates the impact of multi-level contextual variables, ranging from individual to country level perspectives, on the *formulation* and *implementation* of CSR, which is divided in various dimensions such as *CSR communication*, *CSR awareness*, *CSR embedding* as well as *CSR evaluation*. They claim that *CSR outcomes* can only be understood through the incorporation of those variables. The use of this framework can also be related to the earlier discussion about the fit between CSR initiatives and their evaluated effect on stakeholder groups by differentiating between a means-level and ends-level CSR fit. By assessing the means, which can be seen as the consistency between the core business and the CSR activity, the organisation intends to receive certain ends, which refer to the goals or objectives of the CSR activity. In the light of the framework in [Figure 11](#), the company can make sure that means and ends are aligned (de Jong & van der Meer, 2017). For instance, if a mining corporation highlights the significance of attracting skilled labour to its business (means), then it should look for sufficient means to engage with the local community and recruit labour from its vicinity to acquire legitimacy (goals), instead of just using skilled personnel from other parts of the nation.

Figure 11: An integrative multi-level CSR implementation framework (Fatima & Elbanna, 2023, p. 111).



However, issues can arise when the *formulation of CSR* policies (step 2 in [Figure 11](#)), the *CSR implementation* (step 3) and the *CSR impacts* (step 4) are not coherent but instead diverge (Graafland & Smid, 2019). This concept is called *decoupling* and, analogue to its discussion in [Chapter 2.1](#), is especially relevant in the mining sector, as conditions between the on-ground situation in the local areas of mining operation can differ substantially from the CSR policies developed in the companies' headquarter (Bice, 2013). Connected to the discussion about “talking the walk or “walking the talk”, CSR *decoupling* can be seen as the “difference between external CSR efforts (reporting/“talk”) and internal CSR actions (performance/“walk”)” (Velte, 2023, p. 2). Accordingly, *decoupling* occurs in two variants; as an overstatement, also seen as *greenwashing* drawing a romantic picture of CSR efforts, and as an understatement, also referred to as *brownwashing* or silent green sweeping actual CSR actions under the carpet (García-Sánchez et al., 2021).

In this context, it is relevant to introduce the concepts *ceremonial adoption* and *substantive adoption* of CSR. If CSR policies, implementation and impacts are in disarray, demonstrating a symbolic adoption of CSR and no further internalisation, it is referred to *ceremonial adoption* (Graafland & Smid, 2019; Haack et al., 2021). *Substantive adoption* of CSR is defined as the integration of CSR in the processes and core activities of the business (Haack et al., 2021; Kemp & Owen, 2013). Considering the need to achieve legitimacy and a so-called *Social License to Operate* (SLO), presented in the following [Chapter 3.2.3](#), it is critical to observe whether the announcement of communication of CSR, which is conducive to achieving the aforementioned legitimacy and SLO, is actually consistent (*decoupling*) with implementation and impact (Bice, 2013; Graafland & Smid, 2019).

For the use of the present case study, the role of the UNGC can be seen as an overarching and constant influence on the whole CSR implementation framework from Fatima & Elbanna (2023). Through the 10 principles of the UNGC, the individual-level and organisational-level perspectives (human rights, labour rights, anti-corruption) as well as the institutional-level perspectives (environmental rights) as contextual variables depicted in [Figure 11](#) on the left-hand side are addressed. By participating in the local (learning) networks, benchmarks of other companies in the same industry are also taken into account as an *industry perspective*. Those local networks influence the *CSR formulation* and *implementation* dimension as knowledge as good practices

are shared, which can lead to an adaption of these two dimensions. Additionally, leadership working groups develop their own CSR implementation guidelines and/or platforms for selected SDGs in order to leverage the expertise of interested companies, creating synergies and facilitating easier practical application, which also translates into lower implementation costs (Ducci, 2023).

Lastly, the obligatory reports on the measures undertaken from the companies, communicated in the yearly COP process, and other communications about CSR activities during the previously mentioned knowledge sharing as well as public disclosure, are referring to the *outcome dimension*, which can then be used for feedback loops for the whole implementation process. As such, the UNGC can contribute to reduce *decoupling* and lead to a more *substantive adoption* of CSR. The empirical findings of this theoretical influence are backed-up through qualitative interviews with the local network of the UNGC in Chile and the private company, Albemarle, as organisation representing the lithium industry in Chile, and are discussed further in [Chapter 4.3](#).

In the discussion about the implementation of CSR, another recent contribution comes from Haack et al. (2021) on the primacy of transparency for *substantive adoption* of CSR activities. The authors' point of view can be included in the discussion of Fatima & Elbanna (2023), who refer to *CSR communication* as a dimension of *CSR implementation* (step 3) in the framework of [Figure 11](#), as also emphasised by de Jong & van der Meer (2017) in the [previous Chapter](#). As such, it is argued that a temporary period of *transitory opacity*, seen as an initial experimentation phase of limited communication on the CSR initiative, which is then later merged into a phase of *transparent communication*, can be a beneficial sequence in the roll-out of CSR activities that helps to institutionalise CSR in companies (Haack et al., 2021). Their research relates to the debate mentioned in [Chapter 2](#) about the need for stricter sanctions and compliance mechanisms of the UNGC to act upon companies who are not delivering on their commitment to the 10 principles and whose actual implementation of CSR initiatives differ from what they announced (*decoupling*). The debate between viewing the UNGC as regulatory initiative with greater compliance (Sethi & Schepers, 2014) or rather as principle-based approach (Rasche et al., 2013) is enriched not just by viewing both positions as complementary elements rather than dichotomies (Rasche & Waddock, 2014), but also by the *bait-and-switch mechanism*,

which is allowing the company to adopt CSR activities *ceremonially* under *opacity*, but later is pressuring for a switch towards a *substantive adoption* under *transparency* (Haack et al., 2021). As such, the UNGC can serve towards more sustainable CSR implementation in this *bait-and-switch-model* through its low entry barriers, as well as learning and network opportunities, which can be seen as *bait*, while also encouraging the *switch* moment through the COP reporting deadline, which got reduced significantly in 2023 as mentioned in [Chapter 2.1](#), with delisting consequences as well as stakeholder pressure. Accordingly, the UNGC could act as moderator variable in the relationship between *ceremonial* and *substantive CSR adoption*, especially directed towards companies with low CSR awareness through exposure in the (local) learning and knowledge sharing network. In consequence, the model from Haack et al. (2021) applied to the UNGC can act as a promising guidance towards a long-term institutionalisation of CSR in business conduct, strengthening the role of companies in the bigger setting of the Agenda 2030.

### **3.2.3 Social license to operate (SLO) and legitimacy**

As pointed out, one important aspect of CSR implementation is the experience of the society over the CSR policies of the company. To be part of the initiatives and to obtain knowledge about them, the collaboration with relevant stakeholders and the communication of the CSR programmes are key elements of the earlier discussed implementation framework (Fatima & Elbanna, 2023), which help a company to obtain a so-called *Social License to Operate* (SLO) from relevant interest groups. The SLO can be defined as “the degree to which a corporation and its activities are accepted by local communities, the wider society, and various constituent groups” (Gunningham et al. 2003, as cited in Nielsen, 2013, pp. 1585–1586).

This definition aligns itself with the definition of legitimacy, operationalised through input and output legitimacy, as discussed in the [Chapter 1.2.3](#) of global governance and in [Chapter 2.3.2](#) regarding the UNGC. Even though input legitimacy refers to the intake of a plurality of actors and output legitimacy describes the effectiveness in terms of outcomes, both dimensions of legitimacy fall under the umbrella definition of legitimacy from Suchman. Following the approach of legitimacy theory and recalling the definition of Suchman (1995) describing legitimacy as “a generalized perception

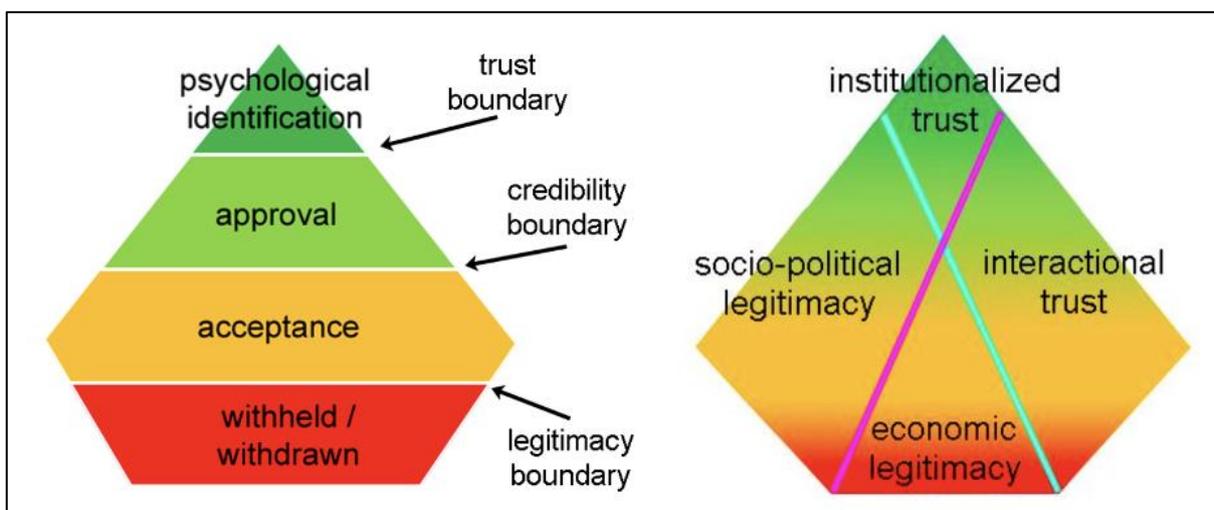
or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, as cited in Gehman et al., 2017, p. 302), the connection between SLO and legitimacy is apparent. While legitimacy is consequently tied to institutional and legal as well as socio-cultural and ethical norms, SLO is a narrower concept directed towards the local community and society (Gehman et al., 2017). Thus, SLO encompasses this social space of acceptance in its application to companies in the mining sector and refers to a unidirectional assessment of a company's mining activities by relevant stakeholders. It and can be further operationalised as a path-dependent process in different layers (applied to the pyramid model which is introduced later in this Chapter), whereby each stakeholder group answers to a specific subset of SLO dimensions (Gehman et al., 2017).

As the concept of SLO emerged specifically in the context of the extractive industry and is a widely used term in mining (Cesar, 2020; Gehman et al., 2017), its relevance is pertinent in the present case study to capture whether and how the UNGC is addressing it. Furthermore, the extraction of national mineral reserves is not only evaluated by whether it meets formally regulatory requirements, but also by whether it meets the concerns and needs of citizens (Zhang et al., 2015). That is why a range of stakeholders are participating in the establishment of an SLO such as the local and indigenous community, NGO, employees, the media as well as national and international players (Cesar, 2019; Gehman et al., 2017; Zhang et al., 2015). As such, CSR practices of mining companies do not only try to address the environmental challenge (e.g. climate change, life on earth and water) in relation to their extractive operations, but also to gain the endorsement and acceptance (SLO) of their stakeholders (Amores-Salvadó et al., 2022), which refers to the social dimension of CSR. As a consequence, greater legitimacy in terms of the right to operate in a certain territory can be obtained through an increased participation of relevant stakeholders in the development part of the CSR initiatives (input legitimacy), transparency and adherence to recognised international norms and cultural standards, and the effectiveness of the CSR programmes (output legitimacy), which is linked to the successful implementation scheme of [Figure 11](#) and the discussion of the means and ends of CSR from de Jong & van der Meer (2017) with the expectations of the aforementioned stakeholders.

The earlier mentioned pyramid of CSR as outlined by Carroll (1991) and depicted in [Figure 10](#) can serve as first idea as to what it means to obtain the SLO. Following this concept, the *ethical dimension*, which deals with companies' efforts to take into account society's emerging values and norms, and the *philanthropic dimension*, which identifies voluntary actions for the benefit of stakeholders, can serve to achieve a certain level of SLO (Carroll, 1991; Nielsen, 2013). However, in order to understand the local requirements and thresholds of how much responsibility a company must demonstrate in order to receive the SLO, Carroll's model stays too limited (Nielsen, 2013).

To introduce SLO further, this paper references Boutilier & Thomson's (2011) model with enriched insights from Gehman's et al. (2017) discussion. Firstly, the pyramid or spearhead model (see [Figure 12](#)), developed in the mining context in Bolivia at the beginning of the 21<sup>st</sup> century, illustrates the reduced socio-political risk a company faces by taking actions aimed at gaining the legitimacy and trust of community stakeholders (Boutilier & Thomson, 2011). Their model highlights that while legitimacy is essential for gaining a certain level of acceptance for a new mining operation in a given area, it must be complemented by *credibility* and *trust* to obtain higher levels of support in the pursuit of a more robust SLO (Gehman et al., 2017).

**Figure 12: The “pyramid” model – Levels of Social License with Four Factors (Boutilier & Thomson, 2011, p. 2).**



The role of *trust* is especially crucial as it reflects the belief of stakeholders that the mining company follows accepted principles and norms (Zhang et al., 2015). Factors that lead to a high level of *trust*, according to Zhang et al. (2015), are *distributional fairness*, *procedural fairness*, and *confidence in governance arrangements*, which for the purpose of this case study can be seen as synonyms for *socio-political legitimacy*, *interactional trust*, and *institutionalized trust* from Boutilier & Thomson (2011) respectively. Whereas *socio-political legitimacy* is referring to the fairness regarding the contribution of the outcome of the mining operation to the well-being of the of the region, *interactional trust* relates to the participation of stakeholders in the decision-making process through mutual dialogue and reciprocity (Boutilier & Thomson, 2011; Zhang et al., 2015). *Institutionalised trust* refers to the confidence between the parties of continued good relations in all their interests (Boutilier & Thomson, 2011), which is also influenced by stakeholders' faith in the regulatory actions of governments to intervene and set limits if social and environmental requirements are not met (Zhang et al., 2015).

From the discussion of the model, each CSR activity in the Chilean lithium mining sector is directly assessed according to the fairness of its means and ends. Recalling the duty of businesses to act in a responsible way in today's society (Logsdon & Wood, 2002), stakeholders are exercising social control to grow their welfare (Fatima & Elbanna, 2023), which is amplified through the emergence and distribution of social media. This means that local mining conflicts can quickly escalate to national or international levels of outrage, forcing extraction companies to react and adapt (Gehman et al., 2017). Out of the earlier mentioned, Cesar (2019) builds his framework in which he argues that mining companies should follow an inside-out approach. This approach dictates that companies begin with their behaviour and communication based on normative stakeholder theory to answer "why" they are undertaking a particular CSR activity. It then progresses to the instrumental view, which answers "how" the company carries out the initiative and ends with the descriptive stakeholder theory approach that outlines "what" will be done (Cesar, 2019).

Through constant communication, as for example proposed by the model from Cesar (2019), dialogue, and participation between the stakeholder groups as means (de Jong & van der Meer, 2017), the steps of the *pyramid model* from Boutilier & Thomson (2011) can be climbed up, so that a mining company earns a sustainable and lasting

SLO as ends (de Jong & van der Meer, 2017). Selmier (2015) also stresses the significance of dialogue and participation among stakeholder groups, emphasizing relationship-specific transactional relations instead of only extrinsically motivated ones (see [Chapter 3.2.1](#)). This prompts mining companies to consider both global and local perspectives allowing for deliberation on *hypernorms* as well as local norms and requirements (Selmier, 2015).

However as appealing and relevant the case of an SLO has been outlined, the term neither encompasses a clear path towards a development agenda for the mining industry, nor provides a clear differentiation which stakeholders are to be involved to obtain the SLO (Owen & Kemp, 2013). As such, it could happen that larger stakeholder groups, such as the region of Antofagasta in Chile takes over the agenda of the local, actually affected, communities in the Atacama Salt Flats (ASF). Owen & Kemp (2013) argue that the use of the term is driven by the strategical mindset of mining companies who value engagement with local communities as risks against which business cases must be made to justify the allocation of resources to mitigate these risks. As a result of being driven by a business case logic, any engagement is short-term and production-oriented. This leaves a lack of real collaboration on agenda formation (Owen & Kemp, 2013). As a consequence, Owen & Kemp (2013) argue for a proactive and critical review of the term SLO, the points of which are taken up again in the following [Chapter 3.2.4](#) when reviewing critiques of CSR programmes of mining companies.

### **3.2.4 Criticism of CSR initiatives in the mining sector**

Having outlined the important role of CSR initiatives from mining companies “to counter negative public sentiments, build a positive reputation, and ultimately obtain organisational legitimacy for long-term survival” (Devenin & Bianchi, 2018, p. 866), for example, through the described stakeholder dialogue approach of attaining a SLO, it is crucial to examine whether these CSR activities are actually effective or rather a form of *greenwashing*. This might occur if mining companies exploit the asymmetric power dynamics of their economic relevance, which are advantageous to them, by subordinating their social and environmental responsibility to profit-making (Teck et

al., 2018), thus remaining superficial as well as focused on short-term gains in return for obtaining the SLO (Owen & Kemp, 2013; Sagebien & Lindsay, 2011).

Particularly in the case of lithium mining in Chile, certain narratives emerged that shed an eco-friendly light on lithium, calling it an environmentally benign resource (Voskoboynik & Andreucci, 2022). Framing the extraction process in brines in the ASF in Northern Chile as a positive contributing to climate change not only by seeing lithium as model mineral for the green transition towards electromobility (Voskoboynik & Andreucci, 2022), but also by connecting the evaporation process to climate change mitigation and distinguishing brines from “normal water”, show attempts of making an industry appear as green extractivism (Blair et al., 2023). In consequence, the attention is kept on the positive impact of lithium for the worldwide decarbonisation, while the harmful causes on the environment, such as on the hydrological balance in the ecosystem and its effect on wildlife (Blair et al., 2023), are kept small in the public discourse. Accordingly, CSR activities of lithium mining companies can be criticised for obscuring and relativising environmental impacts in an attempt to *greenwash* the resource extraction by shifting the focus to their social and environmental commitment, instead of encouraging critical debates on the negative consequences of the mining.

For the mining context in Chile, Devenin & Bianchi (2018) are reporting in their qualitative interviews with local stakeholders close to mining sites in Chile three ineffective situations between the declared ends from CSR activities and the actual benefits from those initiatives for the community. These are the failure to contribute to real community beneficiary needs, the failure to adjust to the socio-cultural characteristics of the beneficiary group and the failure to ensure sustainability in the long run (Devenin & Bianchi, 2018). Frederiksen (2018) adds that a missing internalisation and integration of CSR activities into the business model of mining companies is causing fragmented approaches that do not add value to the local communities nearby. A similar result comes from the investigation of Kemp & Owen (2013), who demonstrate that community relations and development (CRD) is only seen as part of a mining companies’ core business in a crisis scenario, when it is employed as a “fire-fighter-containment-approach” to mitigate any damage caused by mining operations. As a result, the agenda of community relations is rather being pushed in by the community, instead of pulled by the mining company itself (Kemp & Owen, 2013). This transactional approach of community management, leading to

missing functional equity of CRD functions in comparison to other business functions in the mining company, shows that CRD is seen as “core to the business” but still not valued as “core business” (ibid). A metaphorical example of the point made by Kemp & Owen (2013) can be seen in the frequently used differentiation between “talking the walk” or “walking the talk” in the context of CSR in [Chapter 3.2.2](#), demonstrating that only through an integration in the business core through new processes and structures, the mining company is “walking the talk”, internalising its responsibility and not staying superficial in its commitment. Exactly this is the entry point of the UNGC, as it promotes the integration of sustainability in the corporate strategy through its 10 principles and the alignment with the Agenda 2030. Thus, offering spaces of cooperation with stakeholders and through learning as well as good practice sharing and guidelines elaboration (Ducci, 2023) directed to viewing sustainability as “core business” and to motivate companies to “walk the talk” (United Nations Global Compact, 2023f).

As consequence of the anterior mentioned failure to deliver to local stakeholders, even if the local community does not reflect the opinion of the multiple stakeholder groups involved, the lack of involvement in the decision-making process of the design of the CSR activity can cause civil unrest and the withdrawal of economic and social legitimacy leading also to a loss of the SLO. A possible solution, apart from the inclusion of stakeholder’s view in the whole process of CSR in form of a collaborative adaptive management (CAM) approach, can be to form public-private partnerships with the local municipality so that the CSR programmes are integrated in a holistic and sustainable regional development strategy (Devenin & Bianchi, 2018). Additionally, mining companies can opt for better evaluation measurements of their CSR activities, so that a coherent fit exists not only between the means and ends of their efforts but also between their programmes and the needs of the stakeholders. This can be achieved through a better contextual understanding obtained through participatory proactive stakeholder engagement (Isacowitz et al., 2022). Here again the UNGC can serve as platform tool for companies to learn from experiences of other organisations and to acquire knowledge as to how to implement permanent dialogue platforms with the local community, for example through grievance mechanism, so that the local community can raise concerns as outlined in *principle 1* of the UNGC.

## CHAPTER 4

### THE CASE OF LITHIUM MINING IN NORTHERN CHILE

The final Chapter of this case study completes with [Chapter 4.1](#) the connections between the theoretical bases built in the previous Chapters. Therefore, the United Nations Global Compact, a global PPP within the global governance context, is briefly linked to CSR and the increasing demand for sustainable business practices. As the Chilean lithium industry is the application field of this case study, its particularities are outlined in a second step. Thus, [Chapter 4.2](#) starts by briefly introducing the industry's key players, then delves into the social and environmental impacts of lithium mining, before concluding with a summary of Albemarle's CSR performance against the four dimensions of the UNGC's 10 principles. After having established the contextual setting for the case study, [Chapter 4.3](#) explores the impact of the UNGC on CSR development in the Chilean lithium sector from three different perspectives: [Chapter 4.3.1](#) reviews the UNGC as a learning network, while [Chapter 4.3.2](#) examines its impact on operational CSR. Additionally, [Chapter 4.3.3](#) delves into the governance aspects of CSR.

#### **4.1 Connecting the dots: The relationship between global governance, the UNGC and CSR within the mining industry**

The UNGC is frequently seen as the biggest and most prominent voluntary CSR framework initiative in the world (Ducci, 2023; United Nations Global Compact, 2023f). Based on the introduction of the history of the UNGC in [Chapter 4.3.1](#), it can be recalled that the framework resulted on the one hand out of organisational turbulence inside the UN, such as financial and political pressure in terms of decreased funding as well as calls for enhanced efficiency and reorganisation respectively, and on the other hand out of the growing influence of the private sector in global governance and (global) public-private partnerships as detailed in [Chapter 1.2](#) and [1.3](#) (Andonova, 2017; Arevalo & Fallon, 2008). Combined with the leadership and organisational changes implemented under the former UN Secretary Kofi Annan, a use case of a new approach of the UN with the private sector emerged (Andonova, 2017).

However, it is also crucial to mention that the discussion of the roles and responsibilities of companies as a side-effect of globalisation, liberalisation and global communication networks occurred in national and international public discourse. As developed in [Chapter 3.1](#) and with a transition towards stakeholder management, companies were pressured to act as corporate citizens, not just focussing on the bottom line of making profit, but also on serving the people and the planet in an integrated so-called multi-bottom-line strategy (Waddock, 2008). As especially MNC, making profit through international division of labour, are held accountable for labour, environment, corruption and human rights abuses, a new institutional infrastructure around CSR started to arise (Voegtlin & Pless, 2014).

In this context, the UNGC takes its place as voluntary mechanism relying on a principle-based standard (Gilbert et al., 2011) or a norm-based approach (Berliner & Prakash, 2015), which calls for “self-regulation in order to fill the regulatory vacuum that has emerged as a result of the process of globalization” (Scherer & Palazzo, 2011, p. 900). As Voegtlin & Pless (2014) argue, the UNGC has become a role model for global governance initiatives as it accomplished a widespread consensus on the responsibility of businesses to uphold global ethical values towards sustainability, what Logsdon & Wood (2002) call *hypernorms* as discussed in [Chapter 3.1](#), and thus to engage in CSR.

Having established the connection between global governance, the UNGC and CSR, the next paragraphs situate the debate in the context of the mining industry. In the discourse around sustainability, the mining industry is a frequent focal point as it inherently causes environmental and social changes apart from its creation of sustainable wealth in Chile (Ghorbani & Kuan, 2017). To balance the harm of mining activities with its relevance for the economy and development of Chile, mining companies are expected to follow the principles of CSR by recognising their responsibility towards their stakeholders (ibid). Already in 2007 Bennie et al. argue that companies out of the extractive industry are more likely to join the UNGC due to their geographical limitation and higher risks of conflicts with external local stakeholders (Bennie et al., 2007).

As for the scope of the current case study, the two firms operating in the Chilean lithium sector only recently became members of the UNGC within the past three years. Therefore, can it be inferred that CSR did not play any role in the Chilean lithium context before? Was a membership in the Chilean network of the UNGC not attractive

enough or did the companies fear negative repercussions as their CSR would undergo further public analysis? Whatever the reasons, perhaps did the UNGC help to consolidate the CSR activities in the last years? Or were CSR practices already in place since decades, independently of the recent subscription to the initiative? And what did motivate the industry to finally participate in the UNGC in the recent years? While [Chapter 4.2](#) continues with the background of lithium mining in Chile, [Chapter 4.3](#) attempts to answer some of the mentioned questions by looking at the impact of the UNGC on a learning, operational and governance dimension.

## **4.2 Antecedents of lithium mining in Northern Chile**

Recalling the discussion about the research problem of the present case study in [Chapter 2](#), lithium can be seen as a key mineral in the decarbonisation transition of the world economy (Petavratzi et al., 2022). As the Atacama Salt Flat (ASF) in Northern Chile hosts approximately 60% of the world's reserve of lithium dissolved in brines (Cabello, 2021) and considering that Chile recently announced its national lithium strategy to expand production through PPP under increased governmental control (Government of Chile, 2023), the country plays an important role for providing the material for the world's decarbonisation. Therefore, the next sections will first introduce the company interviewed, Albemarle, while the social and environmental challenges of lithium mining will be discussed in the remainder of this Chapter.

In the Chilean context, only two companies have currently received approval from the state-owned Corporación de Fomento de la Producción (CORFO) to lease an area in the north of the country where they can mine lithium: SQM and Albemarle (Cabello, 2021). While SQM is a Chilean company and the largest lithium producer in Chile, Albemarle is an American multinational mining company with global operations and is considered one of the largest – if not the largest – lithium producer in the world (Albemarle, 2022; Liu & Agusdinata, 2020).

With \$7.3 billion net sales and 6.600 employees around the globe, the company specialises in the production to market process of lithium, bromine, and catalyst solutions (Albemarle, 2022). For its lithium extraction operation, the company is maintaining mines in Chile, Australia, and the USA. Applied to Chile, as focus area of

the present case study, Albemarle entered the countries lithium industry in 2015 through its acquisition of Rockwood Holdings, which, in a chain of acquisitions, is linked to the first company, Cyprus Foote, that started the production of lithium carbonate in Chile (Dorn & Gundermann, 2022).

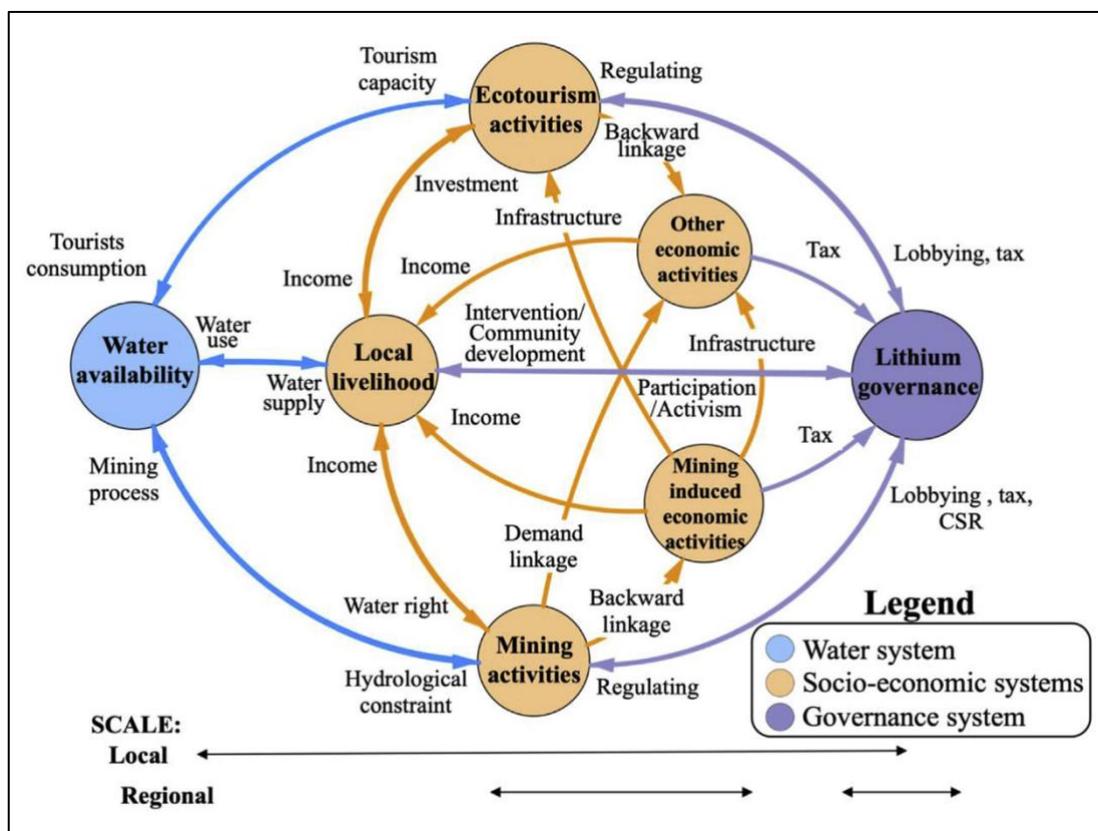
The results of the present case study rely on the qualitative information obtained from the local network of the UNGC and the experience of Albemarle as SQM was not available for an interview. However, as Albemarle through its acquisitions is not only the first company that started the lithium exploitation in Chile but is also the biggest lithium producer worldwide, as well as responsibly for various technological advancements in the industry at large, its experience can be seen as a highly relevant and representative for the lithium industry worldwide and in Chile.

Narrowed down to the lithium production, as briefly mentioned in [Chapter 3.2.4](#), the extraction process of this material, however, has created various conflicts related to local territories of indigenous communities and their recognition (Jerez et al., 2021), water access and rights (Seefeldt, 2022) as well as environmental degradation such as biodiversity (Liu et al., 2019). In this case, Petavratzi et al. (2022) identify three key challenges posed by lithium mining in the Atacama Salt Flats (ASF) area based on previous stakeholder mapping. These are environmental, social and governance challenges (Petavratzi et al., 2022), which by no coincidence also reflect the previously mentioned dimensions of CSR, as these challenges potentially generate socio-political conflicts that are addressed through measures taken towards obtaining the SLO. Additionally, Liu & Agusdinata (2020) identify impact categories using the sustainable livelihoods framework in their qualitative research with various stakeholder groups in the ASF. Five categories can be distinguished: Water availability, long-distance labour influx, employment and displacement, social activism, and CSR initiatives (Liu & Agusdinata, 2020). Before discussing Albemarle's CSR programmes to tackle the mentioned issues, a brief summary of the main challenges within the ASF is provided.

While the above mentioned challenges and impact categories are key to comprehend the substantive aspects of lithium mining in Northern Chile, it is important to understand that they are embedded in a larger conglomerate of interdependencies between natural and social systems, as shown in [Figure 13](#) (Liu & Agusdinata, 2020). This overview highlights, for example, the important role of water in the Atacama

Desert, which directly affects local livelihoods, ecotourism, and mining activities, and is also seen as a link between the three dimensions (environmental, social and governance) from Petavratzi et al. (2022). While mining companies rely on a water-intensive evaporation process for lithium production, local communities feel their livelihoods threatened by the depletion of water reservoirs and increased water consumption (Liu & Agusdinata, 2020), which could lead to social conflict and SLO withdrawal if those threats are not met with adequate countermeasures through CSR. Over the course of the last years a noticeable water depletion tendency in the ASF can be detected, with a consequent rising water consumption tendency (ibid). Both trends are mainly caused by the mining industry as compared to domestic and touristic consumption (ibid). Furthermore, Petavratzi et al. (2022) add other environmental aspects of lithium mining activities in the ASF, connecting parts of the mining process, such as energy production, infrastructure development, and waste management, with a decline in biodiversity.

**Figure 13: Coupled natural and social system of lithium mining-community interdependency (Liu & Agusdinata, 2020, p. 4).**



However, the water-intensive lithium production is not the only issue in the area. Liu & Agusdinata (2020) also report an imbalance in migration flows into ASF, characterised by commuting workers who contributing little to the local economy, while employment of workers from local communities is declining. Additionally, they argue that although CSR reporting has increased over time, the credibility of the activities is being questioned, which has partly led to an increase in social activism against lithium mining expansions not only in the region of the ASF, but also in the capital of Chile. Petavratzi et al. (2022) associate in this context lithium mining activities in the Lithium Triangle with a lack in the social participatory process of local communities. Moreover, they criticise the governance component of lithium mining, pointing to the fragmented regulatory frameworks, the administration of mineral royalties and their distribution to local communities as well as the lack of transparency. For example, Petavratzi et al. (2022) contend that although Chile implemented an environmental guideline for lithium extraction in 2021 that recognizes the fragility of the ecosystem, it fails to guarantee sustainable development effectively.

Moreover, Chile designated lithium as a strategic resource during its military dictatorship, and this has been further reinforced by the present administration's announcement of the National Lithium Strategy. This strategy envisages a change in the composition of private and state actors in the lithium industry (Government of Chile, 2023). Whatever the National Lithium Strategy will play out in the next years, environmental, social and governance challenges will persist and need to be addressed adequately through CSR initiatives of current and future lithium extracting companies, for which endeavour the UNGC can be a guiding element.

For this reason, the commitments of CSR programmes of the Chilean lithium sector will be narrowed down to the involvement of the UNGC. For a general review of the CSR practices of the lithium sector, reference is made to the authors mentioned in this Chapter as well as the sustainability reports of the respective companies in the last years. However, in order to provide a rough overview, and since the UNGC distinguishes four main dimensions of its 10 Principles, the next paragraphs briefly discuss each area, based on the interview with Albemarle and a review of the company's public disclosures on its website, such as its sustainability reports, its IRMA certification process and other relevant policy documents.

### Human rights (principle 1 – 2)

Albemarle recognises its human rights due diligence (*principle 1*) through its human rights policy outlining its commitment to respect and uphold those principles in regard to their labour environment, community engagement and procurement (Albemarle, 2020). Although Albemarle has committed in its Sustainability Report 2022 to apply its due diligence to its vendors' supply chain (Albemarle, 2022), it can be argued that the company does not undertake sufficient efforts to ensure that human rights violations do not take place in its supply chain as required by *principle 2* of the UNGC (IRMA, 2023b). Nevertheless, it shall be noted that Albemarle created a Business Partner Codex that indirectly covers the company's expectation of its business partners in terms of sustainable behaviour in relation to all 10 principles (Albemarle, 2022). Through the aforementioned policy and the establishment of human rights due diligence processes, the company intends to comply with *principle 2* by not becoming complicit of any human rights abuse, which, however, is difficult to verify for the present case study.

As their lithium operations occur in the remote areas of the ASF, engagement with indigenous groups is especially relevant to obtain the previously introduced SLO. For this purpose, Albemarle signed an agreement in 2016 with the Consejo del Pueblo Atacameño (CPA), which represents 18 indigenous communities in the ASF, to manage its community relations (Albemarle, 2023). However, this agreement does not necessarily ensure that all interest of the local communities are taken into account, as some community leaders indicate that their interests are not represented (IRMA, 2023b). In light of the recent external audit of human rights at Albemarle mining sites in Northern Chile, the Initiative for Responsible Mining Assurance acknowledges progress made on human rights, but points to opportunities for improvement in the communication process with potentially affected groups to seek mitigation solutions (IRMA, 2023b). Nevertheless, a 24/7 integrity helpline as well as internal and external grievance mechanisms are available for all complaints related to adverse human rights impacts (Albemarle, 2022; IRMA, 2023b).

### Labour (principle 3 – 6)

Answering the critics of Liu & Agusdinata (2020) on disproportionate labour influx, Albemarle states that 83% of the workers in their lithium plants are from the Atacama region as well as 40% have indigenous origins (Albemarle, 2023), which supposedly

demonstrates their commitment and benefits to local communities, promoting their SLO. Additionally, as indicated by the report from the Initiative for Responsible Mining Assurance, Albemarle complies with the *principle 3* on the freedom of association, providing information and access to union membership and collective bargaining (IRMA, 2023b).

#### Environment (principles 7 – 9)

According to Albemarle's Sustainability Report 2022 and the empirical assessment, the company actively manages its impacts on energy, greenhouse gas emissions, air quality, freshwater, waste, minerals, and biodiversity (Mehech, 2023; Albemarle, 2022). As such, Albemarle sees itself as innovative pioneer in lithium mining, actively managing and searching for new technologies to reduce its environmental impact (Mehech, 2023). Accordingly, the reduction of water demand in one of the driest places on earth used for the extraction is linked to the implementation of new technologies, as the lithium extraction process in Chile is highly dependent on water and brine resources (*principle 9*). As part of this commitment, Albemarle states in its 2022 sustainability report that it will reduce freshwater usage in Chile by 25% by 2030, and aligns this effort, among other measures, with signing the UN Global Compact CEO Water Mandate (Albemarle, 2022). This UNGC headquarter initiative seeks to mobilise the private sector to scale up their commitment towards sustainable use of water across their entire business operations by working progressively on six commitment areas (UN Global Compact CEO Water Mandate, 2023).

While the current lithium extraction process through evaporation in Chile does not require additional water nor energy, the implementation of new technological innovations driven by *principle 9* of the UNGC, such as the integration of a thermal evaporation system at their La Negra lithium mining site in the ASF, as well as the investigation of a direct lithium extraction (DLE) method instead of the use of the current evaporation process (Albemarle, 2022), require large amounts of freshwater in the ASF. However, the DLE is also especially promising, because it attempts to solve the issue of sinking groundwater level due to the evaporation of water taken out of the water cycle in the complex ecosystem of the Salar. As the DLE process includes a reinjection part of the brine used for lithium extraction, the effect on the groundwater level can be reduced significantly (Mehech, 2023), which is also why this technological innovation is pushed forward by Chile's recently announced National Lithium Strategy

(Government of Chile, 2023). For the purpose of further testing as DLE can be seen as a complex technological process with uncertain outcomes, Albemarle recently started a pilot investigation programme to explore this technology (Villegas, 2023). Hand in hand with this process, the company works together with local partners on supplying the Atacama basin with desalinated water that is then required for the DLE process as in the current extraction process no additional water is needed (Mehech, 2023; Albemarle, 2022). Additionally, it is intended to supply local communities with access to water that nowadays struggle with water availability (Mehech, 2023).

Concluding with the previous mentioned, Liu & Agusdinata's (2020) studies show a declining trend in water levels that illustrates how the role of water can act as a deterrent in determining the feasibility of transitioning to new technologies. This is because DLE technology requires additional fresh water which has to be delivered to the mining site (Mehech, 2023). These insights about the relevance of the introduction of new technological innovations, which the Albemarle calls the new era of lithium, are additionally in line with the 2023 announced National Lithium Strategy, in which it is highly likely that Albemarle also plays a significant role in the future (CORFO, 2023; Government of Chile, 2023; Mehech, 2023).

However, further analysis is required to better understand the water use for lithium production in comparison to other factors such as tourism or climate change, so that the impact of mining on the area can be more reliably predicted as called for by Agusdinata et al. (2018). As such, Albemarle setup water monitoring stations and trained the local communities to allow them to accompany the organisation in obtaining and assessing data regarding water consumption and availability as part of its agreement with the CPA (Mehech, 2023). However, there is no holistic automated procedure for collecting biotic environmental data that measures various water and biodiversity indicators (SQM, 2020) as offered by its competitor SQM.

As mentioned briefly before, Albemarle's efforts are also related to the environmental dimension of the UNGC in terms of reforestation and research contribution towards climate change and its effect on biodiversity, especially related to water scarcity (Albemarle, 2022). However, *principle 7* directly calls for precautionary measures in a context where there is no scientific certainty, which is the case for the water and biodiversity issue in the ASF (Liu & Agusdinata, 2020). As outlined by Mehech (2023) Albemarle is aware of the water issue and adheres to *principle 7* by communicating

the potential risks, maintaining two-way communication with relevant stakeholders, and supporting scientific research as mentioned above. Additionally, through its participation in the local network of the UNGC, the company is sharing its acquired knowledge with interested partner companies in the local network of the UNGC (Mehech, 2023).

Furthermore, Albemarle's 2021 Climate Strategy commits to net zero carbon emissions by 2050 and to expand their lithium operations by 2030 without increasing greenhouse gas emissions cost as compared to the emitted emissions in 2019, which becomes especially relevant considering the surging demand of lithium and subsequent expected capacity growth (Albemarle, 2022).

#### Anti-Corruption (principle 10)

Corruption and bribery are addressed by Albemarle's anti-corruption policy, which is translated into a due diligence and pre-approval process, periodic assessments of compliance risks and trainings for relevant staff that is dealing with government officials (Albemarle, 2022).

### **4.3 The impact of the UNGC for the development of CSR programmes in the Chilean lithium sector**

For the analysis of the discussed subjects of the present case study the initially set objectives will be recalled. Hereby, the approach of using the lens of three different perspectives on the UNGC attempts to better structure the investigative approach but, in any case, shall not be seen as sufficient or all-encompassing. While the first category, **learning**, is based upon the key differentiative element of the UNGC as knowledge and dialogue platform (Voegtlin & Pless, 2014), it gets complemented by two more dimensions, **operational** and **governance**, adopted from the discussion of Rasche et al. (2013) on the UNGC. Through the earlier outline of the **historical** component of the UNGC in [Chapter 2.3.1](#), all perspectives of the holistic picture drawn from Rasche et al. (2013) on the UNGC are replicated and applied to the Chilean lithium industry, maintaining a **macro** focus while addressing the governance perspective and using a rather **micro** focus on the learning and operational view.

### **4.3.1 Learning perspective**

As the UNGC's local (learning) network is at the heart of the global governance initiative, it is discussed in first place. From the internal perspective of the UNGC, the local network acts an autonomous entity linked to the headquarter through a Memorandum of Understanding. As such, the local network is delivering on the governance standards of and transmitting the communication from the headquarter to their local participating members, while having the freedom to set local priorities (Ducci, 2023). The combination of compliance and local network flexibility allows the network in Chile to catalyse the global agenda into local business reality (Gilbert, 2010), as such pushing the global sustainability agenda and demand to the Chilean case. At the same time, member companies can pull the programs and knowledge intakes according to their current internal strategy and requirements. This is in line with Albemarle's perspective on the local network in Chile, underlining the value of knowledge and practices sharing with other parties in a protected and facilitated space (Mehech, 2023).

As such, the UNGC contributes to the issues mining companies are facing by facilitating access to various learning formats to acquire knowledge on how to address those factors in a sustainable way (Ducci, 2023). In this context, it is important to clarify again that the UNGC can be a good starting mechanism to address issues related to the 10 principles or the SDGs but does not fulfil the often called for role of a monitoring and certifying institution. However, given that the mining industry as a whole in Chile is not only highly influential, generating around 14% of GDP, 60% of Chilean exports and 20% of tax revenues in a relatively stable manner over the last 10 years (Consejo Minero, 2013; Statista, 2023), but also faces similar challenges in terms of community engagement, environmental impact assessment, as well as working conditions and infrastructural development in a remote area (Ghorbani & Kuan, 2017), synergies can be created through the exchange of knowledge and practices. In this context, Albemarle perceives a lasting (sustainable) impact of the UNGC in the dissemination of good practices of companies in their local network, making them more visible and accessible for other businesses (Mehech, 2023). The current challenge lies with implementing the shared knowledge in member companies. Hence, collaboration could be widened, and high-performing firms could engage in mentoring relationships with low-performing member organisations in the CSR field to further enhance and promote the use of available experiences (Mehech, 2023).

In this context, the collaboration between the local networks of the UNGC in Chile with its counterparts in Argentina and Bolivia, especially in the topic of lithium extraction in the Lithium Triangle, can be seen as another promising approach. This cooperation between the regional local networks was especially enforced during the pandemic of COVID-19 pandemic as mutual spaces of shared responsibilities and experience were created as each network set its own priorities in the adoption of the programmes of the UNGC head office (Ducci, 2023). This applies to the implementation of seminars and global programmes, such as the aforementioned accelerators, in which companies from all local networks can participate and share their experiences and practices (Ducci, 2023). As the lithium extraction process in the Lithium Triangle is consistently brine-based, with similar challenges due to its remoteness and environmental impacts (Agusdinata et al., 2018), the shared spaces of the seminars provide additional opportunities for participating companies to network and learn from each other. However, Albemarle states that no networking space has been used in the past but acknowledges its potential for future learning on sustainable business practices (Mehech, 2023).

Additionally, the UNGC can also facilitate the implementation framework of CSR as outlined by Fatima & Elbanna (2023). As already the development of weak CSR policies has a positive effect on CSR impacts Graafland & Smid (2019), the UNGC's fundamental orientation of a low entry threshold provides the first step to "*walk the talk*" of CSR and allow for "moral entrapment" as presented in [Chapter 2.2](#) (Haack & Scherer, 2014). As learning mechanisms are embedded in the foundations of the UNGC, the implementation of CSR can also be enhanced, which in turn favours the impact of CSR. Even though these outcomes are not strictly regulated and monitored, apart from the renewed policy regarding the submission of a COP, the mere exposure and active participation in the UNGC can already have its impact, according to the studies by Graafland & Smid (2019). As the UNGC local network offers, based on the elaboration of leadership working groups, various relevant practical guidelines to be translated into business CSR policies, a positive effect on the real CSR outcome is to be expected, which is supported by the interview with Albemarle (Mehech, 2023). Additionally, the metaphor of Haack & Scherer (2014), arguing for an understanding of the UNGC as "nurturant parent" instead of "strict father" figure, is reflected in the empirical part of this case study. As such, the learning network creates protected

spaces considering the diverse realities that companies encounter, which can only fulfil its impact through a collaborative team-culture relying on cooperation and empathy (Haack & Scherer, 2014), which seems to be the case for the Chilean network (Mehech, 2023).

Without diminishing the achievements of the UNGC, in the applied case of the Chilean lithium industry, Albemarle sees itself more as a company that can provide expertise through its own sustainability experience to other member companies that have a lower performance on sustainability as operationalised through the 10 principles and alignment of business efforts towards the targets of the SDGs (Mehech, 2023). As an example of this commitment, Albemarle was elected to the Board of Directors of the Chilean network of the UNGC (ibid). Consequently, their own benefit in terms of knowledge acquisition in the UNGC is rather low (ibid.). For companies that have not yet been exposed to sustainability before, the UNGC— according to the *bait and switch model* presented in [Chapter 3.2.2](#) – offers a safe space for learning, adoption and new orientation towards sustainable business conduct (Mehech, 2023), first under internal opacity, as it counts with a protected and confidential learning space, and then through increased transparency, as results of its implementation and internal probation is publicly communicated, as suggested by Haack et al. (2021).

However, an essential requirement for the effects of the (local) learning network and the application of the developed guidelines is that the involved companies participate actively in the local UNGC and share their own experiences related to CSR. In this context, participants could *brownwash* their experiences, which in contrast to *greenwashing* refers to the non-disclosure of environmental business practices as introduced in [Chapter 3.2.2](#), thus silencing the peer-learning efforts of the UNGC, inhibiting the sharing of good practices and better environmental governance strategies (Huang et al., 2022). Although *brownwashing* might help the individual company to deal with potentially rising stakeholder demands and expectations, thereby maintaining its leadership position and avoiding additional investments, other stakeholders and competitors suffer from the concealment of knowledge about policies and strategies that address the the environment as public good (García-Sánchez et al., 2021; Huang et al., 2022). This is particularly tragic because the UNGC, embedded

in global governance, deals precisely with the elements of public interest, which remains an empty phrase without participation and knowledge-sharing.

However, only a very limited number of companies do not participate in the activities carried out by the local network of the UNGC in Chile, whereas the lithium sector is especially active in various initiatives, demonstrating genuine interest in sustainable transformation (Ducci, 2023). Additionally, the concept of a “nurturant parent” (Haack & Scherer, 2014) is validated for the Chilean network (Mehech, 2023), discouraging *brownwashing*. In terms of Albemarle's experience, the company reports limited participation in UNGC initiatives due to a lack of internal resources. Nevertheless, with recent participation—Albemarle joined the network in April 2021—in the UNGC, the framework's accelerator programmes and other initiatives are attracting significant internal interest in the company, which already led to the mobilisation of further internal resources for greater participation in the near future (Mehech, 2023).

#### **4.3.2 Operational perspective**

While no published academic research exists on the direct implication of the UNGC on CSR programmes, neither in the lithium mining nor in any other mining sector in Chile, which illustrates the relevance of this present case study, Selmier (2015) links the UNGC to the extractive industry on a micro level. Recalling the 10 principles of the UNGC and the challenges faced by mining companies in particular, Selmier (2015) connects both aspects in [Figure 14](#). Therefore, the relevance of conducting *substantial* CSR as part of a sustainable orientation of the mining company is made apparent to obtain the discussed SLO from relevant stakeholders and especially the local community, as modern mining frequently takes place in remote areas, which is also the case for lithium extraction in the ASF region in Northern Chile. The connection in [Figure 14](#) also demonstrates the use case for how the lithium mining companies are affected by the UNGC (Selmier, 2015).

**Figure 14: Links between Eight Factors of Mining CSR Challenges and UNGC Principles (Selmier, 2015, p. 88).**

Factor	Link to UNGC Principle(s)	Notes
1 Labor-intensive	1, 2, 3, 4, 5, 6	Labor conditions require special consideration of miners and their communities.
2 Very dangerous work	1, 2, 3, 4, 5, 6	
3 Enormous capital investment	7, 8, 9, 10	Combination of large investment in remote, often less-institutionally developed areas encourages cutting costs; some mining MNEs choose to do this through corrupt practices.
4 Remote environments	All, especially 1, 2, 6, 8, 10	
5 Weak rule of law with corrupt mining ethical practices	All, especially 10	
6 Complex production and logistics chains	2, 4, 7, 8, 9, 10	Combination of complexity, investment risk, and the social and environmental effect on all stakeholder communities necessitates open, honest communication, and extensive, ongoing social and environmental impact studies before, during, and after a mining project.
7 Long payback horizons	All, directly or indirectly	
8 Environmentally and socially intrusive and extensive	All	

Thus, the local network of the UNGC in Chile provides guidelines at the operational level for the implementation of the earlier discussed 10 principles in the area of human rights, labour rights, environment and anti-corruption. However, in line with Andonova (2017) and Williams (2014), a clear finding of the interview with Albemarle's Country Manager in Chile, Ignacio Mehech (2023), is that the UNGC serves more as baseline starting package for companies that have merely been exposed to CSR and sustainability, which is in line with the theoretical discussion in [Chapter 2.1](#). As such, the 10 principles are a good guiding tool to visualise the efforts needed to be more sustainable and to meet the ethical demands of stakeholders but – in the case of Albemarle – have already been implemented in recent years, not only because mining companies have been heavily scrutinised in the last decades (Agusdinata et al., 2018; Blair et al., 2023; Liu & Agusdinata, 2020; Petavratzi et al., 2022), but also because of Albemarle's inner conviction as well as the fact that the company's business model is profitable and therefore has the financial means to transfer, for example, 3.5% of its profits to the Atacameño People's Council in Chile (Mehech, 2023).

However, through different leadership working groups, which open spaces on selected SDG related topics, such as human rights or climate change, interested companies

can work together on relevant business cases facilitated by UNGC staff in Chile. Those working groups culminate in a platform or a guideline document for the implementation of the respective topic in the reality of the company. In this way, the companies participating in the working groups acquire intensive knowledge on the topic as well as take advantage of the opportunity to network with other actors in Chile, while the entire network benefits as valuable opportunities are created to integrate sustainability into business operations in an efficient way, as not every company has to start its own costly process on its own (Ducci, 2023). In light with the previously mentioned, this synergy effect is particularly high for companies with low sustainability performance and give advanced businesses like Albemarle the opportunity to share their knowledge and take a leading role (Mehech, 2023). This goes hand in hand with the UNGC spirit of promoting sustainable development and community engagement but also recognising that the reality of each company is different (Mehech, 2023), and therefore the same requirements cannot be imposed on all companies regardless of size and industry. As such, expressed metaphorically, every step in the right direction is at least a step forward.

Additionally, in their literature review, Rasche et al. (2013) also include the underlying motivation and impact on companies' operations in their level of analysis of the operational level of the UNGC. Applied to the experience of Albemarle in the UNGC, it can be noted that the company mainly joined the local network of the UNGC in Chile to engage in dialogue with other companies, to discuss common sustainability issues faced by each business, and to share the company's own experience (Mehech, 2023). No direct impacts on the company's operations and business strategy were reported, as Albemarle points out that it was already, before joining the UNGC, aligned with the 10 principles, as well as the Agenda 2030 and SDG targets (Mehech, 2023).

#### **4.3.3 Governance perspective**

As companies perceive a lot more public interest and scrutiny in relation to their sustainable behaviour, the UNGC helps to structure what Teck et al. (2018) call a legal paternalistic approach. While the moral demands of stakeholders and their influence on an SLO-prone industry like mining increase, the UNGC legalises and codifies those

demands into globally recognised *hypernorms*: The 10 principles. As Mehech (2023) points out in relation to Albemarle's experience, it is common sense for the company, especially in a sensitive industry like lithium, not just to do things right, but to go beyond regulatory requirements and pioneer sustainable initiatives and developments.

Here, however, the greatest contribution of the UNGC is not the existence of those 10 principles, but the adaptation to local requirements as well as the facilitation of educational programmes focused on practical implementation (Ducci, 2023). This practical operational implementation needs to be integrated into a core sustainable business strategy, as addressed in the debate between core business vs core to business in [Chapter 3.2.4](#), which is then aligned with structures and processes as well as internal monitoring and risk management, as called for by various scholars (de Jong & van der Meer, 2017; Kemp & Owen, 2013; UN General Assembly, 2022). This aligns with the view of the interviewed Executive Director of the Chilean network of the UNGC, Margarita Ducci, who calls for sustainability to be holistic integrated into the core business strategy from the beginning, rather than being seen as an add-on that is simply tacked on at the end (Ducci, 2023).

In this context, Albemarle has adopted various governance policies to support their sustainable governance effort that are directly related to the 10 principles, such as their human rights policy, global labour policy, health, safety security and environmental policy as well as anti-corruption policy (Albemarle, 2022). This also underlines the company's ethical CSR responsibilities while it also yields criteria against which the company's sustainable business conduct can be measured, thereby addressing the requirements for transparency and gaining *institutional trust* through confidence in governance arrangements (Boutillier & Thomson, 2011; Zhang et al., 2015), which in turn is necessary to step up the SLO pyramid as illustrated in [Figure 12](#) and described in [Chapter 3.2.3](#).

However, these governance structures and processes were already in place before joining the UNGC. Albemarle therefore states that participation in the network has not yet had a direct impact on its governance structure. This can be attributed to their recent accession to the framework (04/2021) as well as their limited internal resources to participate in UNGC activities. Additionally, in line with the previously mentioned, in the learning and knowledge sharing occasions in which Albemarle participated, the company currently rather sees itself as a provider of experience rather than a beneficiary of learning through the expertise of other member companies (Mehech,

2023). However, the fact that Albemarle's Chilean subsidiary initiated the participation in the UNGC, while the U.S. headquarters joined only afterwards (Mehech, 2023), shows Albemarle's active role and ambitions in the Chilean network. It is therefore very relevant to observe the future results and changes in the companies' governance that can be expected through active participation due to the aforementioned commitment to higher human resource allocation.

Another theoretical link of the UNGC to the development on CSR at a governance level can be developed based on institutional theory coined by DiMaggio & Powell (1983), who explore out of a sociological perspective how organisations tend to become more similar to each another, a tendency that they call isomorphism. In their pioneering work, they distinguish between **mimetic, normative, as well as coercive isomorphism**.

As **mimetic** isomorphism refers to a model behaviour that follows other companies to bridge uncertainty (DiMaggio & Powell, 1983), the (learning) network within the UNGC can encourage companies to imitate good sustainable behaviour from high performing and legitimate companies. This effect is not only limited to the UNGC itself but can have a lighthouse effect if sustainable practices of leading companies are seen as model worth following in Chile – even by organisations that are not partaking in the UNGC (Ducci, 2023). As the main motive for Albemarle to join the UNGC is to be part of a grouping that pursues sustainable development goals and is based on mutual support to help other businesses improve their practices, the practical influence of the mimetic role is evidenced by the company's practical experience (Mehech, 2023).

While no coercive isomorphism can be associated with the UNGC, as there is no strict regulation in global governance to follow in the initiative, a **normative** pull and influence can be connected to the UNGC. As mining companies in particular are keen to be perceived as legitimate and socially acceptable companies, especially in relation to their SLO, which is also evident through the use of narrative related to green extractivism in the lithium extraction sector in Chile (Blair et al., 2023; Voskoboynik & Andreucci, 2022), the UNGC cannot only provide current moral guidance for companies, but also helps to channel future societal expectations to companies (Ducci, 2023). As organisations face rising societal expectations to become inherently sustainable, the UNGC can facilitate the exchange of practices from advanced companies in the field of sustainability (Mehech, 2023), which may elevate

expectations for other member companies through Haack & Scherer's (2014) social effects, leading to the diffusion of networks that span across organisation, what DiMaggio & Powell (1983) describe as professionalisation.

In summary of the governance dimension, Albemarle's experience with the UNGC relates more to its own knowledge and experience sharing, rather than to the incorporation of the framework's guidance into its own corporate governance structures. This is due to its maturity in CSR as well as its recent decision to join the framework. However, future research on the governance impact in the upcoming years is recommended.

## CONCLUSION

The current empirical investigation affirms the theoretical perspectives previously discussed concerning the primary function of the UNGC as a dialogue and learning network, and the importance of CSR as a normative prerequisite for sustainable business in the future. However, this facilitating and accelerating effect of the UNGC's local network in Chile can only fulfil its effect through frequent participation in the framework's platform initiatives. Moreover, for the mentioned social mechanisms (Haack et al., 2014; Haack & Scherer, 2014) to have an impact, the attendance and contributions of the member companies is crucial. Thus, [hypothesis 1](#) can be confirmed, which connects the impact of the UNGC's impact on sustainable development and implementation of CSR initiatives to the member company's active involvement in the UNGC's platform activities. The creation of secure internal learning and collaboration instances seem to be a great success for the Chilean network of the UNGC. As supported by the importance given from Albemarle to the local network and collaboration instances, it can be concluded that the orientation and development of CSR programmes across all member companies is enhanced by the Chilean UNGC office. However, as Albemarle sees itself more as a facilitator and promotor of learning opportunities within the local UNGC network, the learning network itself has no impact on the lithium industry CSR programmes in Albemarle's eyes, which corresponds [specific objective 1](#) of this case study.

However, as Albemarle only joined the UNGC recently (04/2021) and thus cannot be seen as norm entrepreneur in the light of the UNGC (Rasche et al., 2022), but rather, as an MNC, pursuing its own sustainability approach, the impact of the UNGC on the company's CSR practices is rather limited. On the contrary, the company currently sees itself in a position to support other companies by sharing its sustainable practices and experiences, opting for a change of mentality towards more collaboration and the usage of synergies in the mining industry. In any case, Albemarle's commitment to create more internal resources for broader participation in UNGC programmes is promising and reflects both the perceived relevance of the programmes offered by the local network in Chile and the internal and external lighthouse effect after joining the initiative.

Consequently, given Albemarle's limited time in the governance framework and its low participation in network instances, [hypothesis 2](#) on lower commitment towards CSR programmes due to the low reporting requirements of the UNGC, can neither be supported nor refuted due to lack of evidence. Therefore, further research is needed in the upcoming years to determine the relation between the UNGC's low reporting threshold and the substance of CSR development, especially to account for the outcomes of the recent COP policy changes that directly relate to the aforementioned relationship.

To this end, it could be beneficial to include the perspectives of other companies operating in the lithium industry in Chile or in the region of the lithium triangle. Further research on the impact of the UNGC on lithium mining could be helpful to close the performance gap between means and ends of CSR (de Jong & van der Meer, 2017), which has been criticised as *decoupling* (Berliner & Prakash, 2015), especially in the extractive industry (Velte, 2023), and to provide results on operational impacts, which this case study has failed to accomplish. As such, with regards to the [specific objective 2](#) of the case study, it can be therefore summarised that the impact on operational aspects (implementation) of CSR programmes in the Chilean lithium industry is rather low, which, however, can also be attributed to the limitations mentioned above. Nevertheless, in light of the debate of [Chapter 2.1](#) on the effectiveness and contribution of the UNGC, Albemarle confirms its relevance as a much-needed tool to leverage learning experiences as well as a possible instrument to bridge the existing social distrust towards business operations in the Chilean case (Mehech, 2023).

A similar outcome can be drawn for the [specific objective 3](#) examining the governance impact of the UNGC to the Chilean lithium industry. Although Albemarle's own governance structures are not immediately affected by the UNGC, its participation in network events can create a mimetic and normative isomorphism that leads other member companies to learn from Albemarle's experience with regards to their CSR governance. Therefore, the network nature of the UNGC directly enables the development of institutionalised spaces towards new forms of governance in business (Gilbert, 2010).

The experiences on sustainability and the development of CSR programmes (see [Chapter 4.1](#)) that Albemarle is willing to share with other participants is only possible because the company decided to join the UNGC in the first place. Moreover,

Albemarle's dedication to mobilise more internal resources for a wider participation in the network, also hints a higher commitment towards their CSR. Accordingly, as pointed out in [specific object 4](#), participation in the UNGC actually does indeed lead to higher commitment to CSR in the Chilean lithium industry, linking it to social mechanisms such as upward competition (Haack & Scherer, 2014).

These findings of the case study are in line with the emergence of contemporary actors in transnational governance spaces, as these multi-actor learning partnerships towards the creation and implementation of global norms are particularly accounted for by the term global governance. Hereby, the UNGC demonstrates the importance of (inter)national collaboration with the private sector, leveraging its own functional problem-solving capacities in line with its core democratic principles, as illustrated by the election of the Executive Committee and Board of Directors of the Chilean local network. This collaboration is supported by legitimate international public actors and the expertise of civil society actors. In this context, the UNGC is primarily directed to leveraging the responsibilities of the private sector and creating new spheres of authority, on the one hand through its governance structure, such as the Executive Committee and Board of Directors, and on the other hand through its horizontal learning network approach, which aims to foster the contribution of the private sector to public interest of sustainability as a normative core by offering solutions to global problems.

Through the anterior mentioned aspects, the case study helps to understand how the UNGC is positioned as global PPP in the context of global governance, particularly in relation to its voluntary, horizontally organised, participatory, and global character of network collaboration (see [Figure 5](#) in [Chapter 1.3](#)) Also, with the new COP policy roll-out in 2023, the UNGC responds to criticism of lax regulation and aims for more accountability and transparency in its network governance framework, which is vulnerable to *bluwashing* due to its structure (Arevalo & Fallon, 2008). As such, the input and output legitimacy are enhanced by the new policy, as well as by advances in communication technologies that offer more public awareness through a faster information flow on sustainable business practices, which seems promising for the future development of the framework.

As described by Albemarle, their CSR is mainly driven by its *intrinsic view* and by *societal expectations and stakeholder pressure* (see [Chapter 3.2.1](#)) as the company considers that giving something back to the community, in which it operates, is their moral duty (Mehech, 2023). Through innovation, Albemarle sees itself as sustainability pioneer in the lithium mining sector through proactive CSR, genuinely interested in obtaining its SLO through long-term social and environmental development, and not just focussed on using CSR for marketing purposes. However, Albemarle's CSR performance as well as the coupling between means and ends of their CSR (see [Chapter 3.2.2](#)) should be further reviewed through field research to better understand how the company is “walking their CSR talk”. Additionally, it will be interesting to see how the cooperation and communication with local communities, e.g. through their work group with the Consejo del Pueblo Atacameño (CPA), acts out in practice and how the suggestions from their IRMA report are taken into account (IRMA, 2023b).

Another interesting aspect revealed in the empirical part of this case study pertains to the UNGC's future development options, as both interviews mentioned comparable potential areas for optimisation. For example, a lack of thorough monitoring of the practical implementation of the programmes and knowledge sharing opportunities provided by the framework may lead to more *substantive* CSR. To avoid a solely superficial acceptance of CSR for *ceremonial* purposes, practical, hands-on programmes, like mentoring initiatives (Mehech, 2023), could provide added guidance to enhance the efficiency of the learning environments established by the UNGC. Additionally, practical in-depth initiatives are necessary to serve companies that are already more advanced in sustainability (Ducci, 2023; Mehech, 2023).

As the mining industry in Chile struggles to develop a progressive mindset in terms of mutual collaboration on issues that all extractive companies face (Mehech, 2023), such as social impacts, e.g. communities involvement to obtain the SLOs, environmental issues, e.g. impact on water levels, and the introduction of chemicals to the environment with effects on biodiversity and local livelihoods, the UNGC could provide a platform that serves as a bridge to a higher level of collaboration and knowledge-sharing within the industry in relation to their CSR. This, in turn, provides the opportunity to exploit synergies in the pursuit for greater sustainability, which could help to restore the current low level of public trust and legitimacy of the mining industry in Chile (Mehech, 2023). By promoting global *hypernorms* and through its focus on

dialogue and cooperation, the UNGC can be seen as a piece of the puzzle towards a world where companies play their role in fostering their SLO by gaining legitimacy through substantive and long-term CSR and integrating the idea of sustainability in their core business strategy (Kemp & Owen, 2013). In particular, the provision and transfer of knowledge by the private sector, facilitated by the operations of more than 69 UNGC local networks worldwide, helps to ensure further effective multi-stakeholder partnerships (see targets 17.G and 17.H. of SDG 17) to meet the Agenda 2030. As such, perhaps the greatest contribution of the UNGC, aside from all the critiques of *decoupling* and *bluwashing*, is the mobilisation of the private sector for sustainable development, which serves as a wake-up call to transform the role of business from being seen as part of the problem to being considered as part of the solution.

## LIMITATIONS

As the conclusion of the present case study indicates, the influence of the UNGC on CSR programmes of the Chilean lithium mining industry is currently rather low. Nevertheless, the empirical part of the case study accounts for the relevance and impact of the UNGC as collaboration and networking instrument of important cross-industrial private actors in Chile, which is highlighted by the interviewed stakeholders (Ducci, 2023; Mehech, 2023). Additionally, it should be considered that the UNGC operates as one cogwheel in a larger complex of international frameworks of global governance, which aim to guide corporate sustainability through different approaches. As pointed out by Gilbert (2010) those emerging International Accounting Standards (IAS), in addition to the UNGC as principles-based standard, function as certification standards, such as SA 8000, ISO 14001 or industrial audits, such as IRMA for the mining industry; as reporting standards, such as the Global Reporting Initiative; and as process standards, such as ISO 26000. Accordingly, the influence of one independent variable, such as the UNGC, which by nature cannot be seen as independent from other institutions, IAS, and UN bodies, on the Chilean lithium industry as dependent variable is a challenging endeavour as this relationship can hardly be isolated from other influences, possibly leading to confounding or limited singular effects.

Furthermore, as the mining industry, especially for lithium, has been under increasing pressure to adopt sustainable practices in recent decades, it is difficult to identify suitable comparison cases in settings similar to those in the Chilean lithium industry, in an attempt to further isolate the effect of this particular governance framework. Nevertheless, to gain further insights into the impact of the UNGC on CSR programs, it would be pertinent to consider SQM's perspective as another company in the Chilean lithium industry. In any event, since Albemarle only became a member of the UNGC in April 2021, it is probable that the framework's impact still needs more time to manifest, as evidenced by the projected expansion of Albemarle's staff working with the local network. Given the impact of the revised COP policy and Albemarle's dedication to invest in more human capital for its participation in the initiative, the future collaboration between Albemarle and the UNGC is an intriguing topic worthy of further investigation and is therefore called for by the results of this case study.

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## APPENDIX

**Figure 15: Theoretical perspectives of the UN Global Compact (Voegtlin & Pless, 2014, p. 35).**

Perspective	Theories	Main focus	Purpose and assumptions about the UNGC	Opportunities for development
Economic	Economic theory of the firm  Principal agency theory	Effectiveness	The UNGC is an institution to enhance/regulate participants' CSR engagement and signal CSR efforts of firms to markets  Design should guarantee transparency and compliance  Insufficient compliance and monitoring systems create problems of adverse selection, moral hazard, free-riding or shirking	The UNGC could introduce stricter compliance and monitoring systems and increase transparency of signatories' CSR engagement
Socio-historical	Learning and developmental theories  Institutional theories	Legitimacy and effectiveness	The UNGC offers a platform for learning and development in CSR  The governance structure of UNGC is a historical development of the relationship between the UN and business firms  Low entry barriers and low monitoring enable learning by firms with insufficient CSR engagement	The UNGC could enhance the effectiveness of COP reporting to guarantee transparency that allows tracking learning and development of participants over time
Normative	Ethical theories (universal ethics)  Political theories (deliberative democracy)	Legitimacy	The goal of the UNGC is to achieve a consensus on universal moral norms  The ten principles are an important step towards such globally accepted norms  UNGC is an initiative that offers possibilities for deliberative political processes between international organizations, national governments, private and public actors. It provides a platform for dialogue and partnership projects	The UNGC could create further possibilities for exchange and dialogue and should try to better integrate the different networks and programs

**Figure 16: Four Modes of Governance (Abbott et al., 2021, p. 145).**

	Direct	Indirect
Hard	Hierarchy	Delegation
Soft	Collaboration	Orchestration

Figure 17: Constellations of Public and Private Authority in Global Governance (Eberlein, 2019, p. 1132).

	(1) Substitution	(2) Support	(3) Shadow of hierarchy, incl. - Extraterritorial effects - Hardening of Soft Law	(4) Soft steering/orchestration
<b>Role of government</b>	Absent: unable or unwilling to provide certain public goods; political decision to outsource governance to private actors; but reverse substitution as an option	Encourage, fund, promote private initiatives, without prescribing or directing them	Elicit corporate public interest contributions through regulatory/judicial threat; turning voluntary practices into hard law commitments	Catalytic role, mobilizing, enrolling and leveraging voluntary private-sector action; steering regulatory targets through intermediaries (orchestration)
<b>Mechanisms to induce responsible business conduct:</b>	Embed corporate engagement in deliberative processes to ensure public interest orientation; or governments take (back) public responsibilities	Material & ideational incentives to enlarge space for instrumental CSR	Regulatory threats and hardened law incentivize/coerce corporations to accept larger public interest contributions	Intermediary, embedded, governance offers corporations benefits (reduced uncertainty, information access, regulatory influence, legitimacy) in exchange for self-commitments
<b>Anticipated corporate political response</b>	Corporations accept public responsibilities as they are transformed into stewards of public interest; or they lose public role to governments	Corporations accept public responsibilities within enlarged instrumental CSR space	Corporations accept public responsibilities depending on the extent and credibility of threat/coercion	Corporations accept larger public responsibilities in exchange for organizational benefits, and as result of social mechanisms (e.g. entrapment, socialization)

Figure 18: From Input to Output Legitimacy of the UNGC (Arevalo & Fallon, 2008, p. 467).

