


Chapter 1

Strategic CSR and Carbon Offsetting in Financial and Accounting Practices

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ABSTRACT

This chapter examines the strategic integration of corporate social responsibility (CSR) and carbon offsetting within financial and accounting practices, highlighting their role in sustainable value creation. CSR has shifted from primarily philanthropic activities to a core component of corporate strategy, particularly regarding environmental responsibility. This chapter draws on empirical research and real-world cases to explore carbon footprint measurement, selection of offset projects, accounting treatments, and ESG reporting, as well as their influence on managerial decision-making. Findings suggest that well-designed carbon offset programs, supported by credible verification, robust governance, and transparent reporting, can enhance stakeholder confidence and long-term organizational value. However, challenges such as fragmented carbon markets, greenwashing concerns, and risks related to the permanence of offsets highlight the importance of clearer standards and stronger regulatory oversight to ensure that carbon offsetting delivers climate benefits.

1. INTRODUCTION

Corporate Social Responsibility (CSR) has evolved from a voluntary philanthropic activity into a strategic and financially material component of corporate governance,

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risk management, and disclosure practices. Contemporary CSR frameworks encompass community engagement, responsible labor governance, ethical supply-chain oversight, environmental stewardship, and transparent sustainability reporting—each now central to maintaining corporate legitimacy and long-term value creation (Carroll & Shabana, 2010; Kolk, 2016). Within financial and accounting domains, CSR considerations increasingly shape investment appraisal, influence risk-adjusted decision-making, and reinforce disclosure obligations as firms respond to heightened regulatory scrutiny and stakeholder expectations. Recent empirical evidence demonstrates that high-quality environmental and carbon disclosures significantly enhance environmental, social, and governance (ESG) performance and firm value, particularly when supported by green innovation and strong regulatory environments (Wen & Kang, 2025; He et al., 2025; Zhou et al., 2025). Parallel research shows that carbon credit schemes can positively influence financial performance when embedded within robust CSR strategies and governance structures, underscoring the growing integration of climate finance instruments into corporate decision-making (Martielli et al., 2025; Salvi et al., 2025).

Carbon offsetting has become a central mechanism within environmental CSR, enabling organizations to compensate for residual greenhouse gas emissions through investments in certified reduction or removal projects. When applied credibly, carbon offsetting supports corporate climate accountability while contributing to global mitigation objectives (World Bank, 2023). As voluntary carbon markets expand, carbon credits have become increasingly intertwined with ESG reporting, sustainability accounting, and enterprise-wide risk management systems, reinforcing the need for rigorous verification, accurate carbon accounting, and transparent disclosure (Badgley et al., 2021; Zetterberg et al., 2021). However, recent analyses highlight persistent integrity challenges in voluntary carbon markets—including non-additionality, leakage, permanence risks, and double counting—that can undermine the credibility of offset claims and inflate reported climate benefits (ICVCM, 2024; SBTi, 2024; Salguero, 2025).

Empirical evidence further suggests that the climate effectiveness of corporate offsetting remains ambiguous. Large-scale studies show that voluntary credit use often does not correlate with measurable emissions reductions (European Commission, 2011) unless paired with substantial internal decarbonization efforts (Stolz & Probst, 2025). This finding aligns with broader concerns about greenwashing, as firms with high emissions sometimes produce extensive ESG disclosures without corresponding improvements in environmental performance (Bolognesi et al., 2025; Siddique et al., 2026). Legal and regulatory scrutiny has intensified accordingly. Courts and consumer protection authorities increasingly challenge misleading “carbon neutral” and “net-zero” claims, as illustrated by the Nuremberg Fürth Regional

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