The Moral Boundary of the Firm

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ABSTRACT

Scholars have wrestled with the legal boundary of the firm for generations. The legal boundary limits the extent to which a firm can be held liable for the torts, contractual, and regulatory obligations of other corporations. The existence of a legal boundary suggests that the law limits incentives for firms to control the climate and other environmental harms caused by their corporate suppliers. Yet recent research demonstrates that many of the largest corporations impose environmental requirements on their suppliers that exceed the legal requirements imposed on these suppliers. This suggests that some factors other than the threat of liability may be encouraging corporations to try to reduce the environmental harm caused by their suppliers. In this paper, we refer to the attributions of responsibility to firms by customers, employees, and other stakeholders as imposing a "moral boundary" on corporate action that may be more constraining than the legal boundary. Drawing on three surveys with 2,400 respondents, this Article evaluates the extent to which the public may influence this moral boundary of the firm—whether potential employees, retail customers, community members, and other stakeholders hold firms morally accountable for the environmental harms of their suppliers even if they are not legally accountable. The survey results suggest that they do: these stakeholders assign moral blame to corporate buyers for the emissions of their first- and second-tier suppliers, although the moral boundary is nuanced: the assignment of blame has limited effects on consumer behavioral intentions, increases with the control the buyer exercises over the supplier, and decreases from tier one to tier two suppliers. The Article concludes that corporate managers may be protecting the reputation-driven economic interests of their firms when they adopt environmental supply chain requirements, and it suggests the need for research on whether the moral boundary interacts with the legal boundary in ways that lead to an efficient balance between the legal boundary's incentives to take financial risks, externalize harms, and exercise limited control over third parties, and the moral boundary's incentives to be cautious about financial risks, internalize harms, and exercise a greater degree of control over third parties.

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I. INTRODUCTION

Why do eighty percent of the largest firms in seven global sectors impose environmental requirements on their suppliers even though they face little or no risk of legal liability and have no regulatory obligation to do so?[1] Why have over 1,000 companies committed to reduce their carbon emissions consistent with limiting global warming to 1.5 °C, absent any government regulatory requirement?[2] Why do all six of the leading national banks in the United States impose climate-related requirements on their borrowers even though they are not required to do so?[3] Why have many of the largest investment firms in the world adopted environmental, social, and governance (ESG) or related requirements?

The answers are undoubtedly complex. Some firms could simply be responding to the economic incentives arising from the long term physical and transition risks from climate change or anticipating future government regulation.[4] Some critics argue that these actions are often just a form of costless signaling, allowing cynical managers to engage in greenwashing by making commitments without intending to bear the costs of fulfilling them.[5] Other critics argue that these actions just reflect the policy preferences of liberal corporate managers who are not sufficiently constrained by legal or economic considerations.[6]

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[1] Michael P. Vandenbergh & Patricia Moore, *Environmental Governance by Contract: The Growth of Environmental Supply Chain Contracting*, 12 MICH. J. OF ENVTL & ADMIN. L. 1 (2022). *See also* Michael P. Vandenbergh, *The New Wal-Mart Effect: The Role of Private Contracting in Global Governance*, 54 UCLA L. REV. 913 (2007)(reporting a 50% environmental supply chain contracting rate based on 2004 data).

[2] *See Companies Taking Action,* SCIENCE BASED TARGET INITIATIVE (last visited Jan. 6, 2024), https://sciencebasedtargets.org/companies-taking-action#table. See also Paris Agreement, Art. 2 para 1(a) Dec., 12, 2015 (Committing the signatories of the UN Framework Convention on Climate Change to "pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.")

[3] For a discussion of the role of lenders in private environmental governance, see Sarah E. Light & Christina P. Skinner, *Banks and Climate Governance*, 121 COLUMBIA L. REV. 1895 (2021). In the last year, some banks have backed off of their environmental commitments. See *US Banks Abandon "Bare Minimum" Environmental Standards Project, Alarming Climate Groups*, THE GUARDIAN, Mar. 3, 2024, at https://www.theguardian.com/business/2024/mar/05/us-banks-leave-esg-finance-climate-crisis.

[4] *See* Ryan Thomas Trahan & Brad Jantz, *What is ESG?: Rethinking the "E" Pillar,* 32 BUS STRAT ENV. 4382-91 (2023). See also *ESG Risk,* Moody's (last visited Jan. 2, 2024) at https://www.moodys.com/web/en/us/capabilities/esg-risk.html; *cf.* Greg Lemos-Stein, Orla Obrien & Arnaud Humblot, *S&P Global Ratings Update on ESG Credit Indicators,* S&P GLOBAL (Aug. 4, 2023) *https://www.spglobal.com/_assets/documents/ratings/esg_credit_indicators_mr.pdf* (S&P pausing numerical ratings in favor of qualitative assessments); *General Criteria: Environmental, Social, and Governance Principles In Credit Ratings,* S&P GLOBAL RATINGS (Dec. 20, 2023) https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/12085396; Cynthia A. Williams, *Fiduciary Duties and Corporate Climate Responsibility*, 74 VAND. L. REV. 1875, 1885 (2021) (concluding that "exposure to climate risks extends to companies across almost every sector of the U.S. economy."); Madison Condon, *Externalities and the Common Owner*, 95 WASH. L. REV. 1 (2020)(identifying the climate risks for universal owners).

[5] *See, e.g.*, Shelley Welton, *Neutralizing the Atmosphere*, 132 YALE L. J. 171, 172-77 (2022)(discussing greenwashing risks with corporate net zero commitments); Daniel C. Esty and Nathan de Arriba-Sellier, *Zeroing in on Net-Zero: From Soft Law to Hard Law in Corporate Climate Pledges*, 94 U. COLO. L. REV. 635 (2023)(examining concerns with net zero commitments). See also Amanda Shanor & Sarah E. Light, *Greenwashing and the First Amendment,* 122 COLUM. L. REV. 2033 (2022).

[6] *See, e.g.*, Elodie O. Currier, *Virtuous Cycles*, 40 PACE ENVT'L. L. REV. 526, 534 (2023) (citing Cindy Chan, Jonah Berger & Leaf Van Boven, *Identifiable but Not Identical: Combining Social Identity and Uniqueness Motives in Choice*, 39 J. CONSUMER RSCH. 561, 561 (2012)); Jonah A. Berger & Chip Heath, *Who Drives Divergence? Identity-Signaling, Outgroup Dissimilarity, and the*

Although these are plausible answers for some corporate actions, another motivation may explain much of this activity: retail customers, employees, managers, and community stakeholders may hold firms morally responsible for the actions of their suppliers, the companies they invest in, and the companies they lend to even when the law does not hold them legally accountable. The legal boundary limits the extent to which a firm can be held liable for the actions of others and delineates firm managers' span of control. Absent extraordinary circumstances, a firm cannot be held liable for the actions of a third-party supplier or even a wholly owned subsidiary, an investor cannot be held liable for the actions of the companies in which it invests, and a lender cannot be held liable for the actions of its borrower.[7] But a firm that loses retail customers, that cannot attract and retain the best employees, that cannot open or expand a facility without resistance from the local community, and so on will often suffer economic consequences regardless of the absence of legal liability and the economic advantages of externalizing environmental harms.[8] Importantly, because employees, corporate customers, investors and lenders may have a broader view of the moral responsibility of a large firm, and those firms are often the customers of other firms, the economic effects may be felt not only by firms with substantial consumer exposure (business-to-consumer or B-to-C firms), but also by those that are insulated from retail consumers (business-to-business or B-to-B firms).

The importance of reputation or brand has been widely recognized in the business and legal literatures,[9] and reputation has been identified as an important driver of private environmental governance.[10] But the literature is surprisingly unclear about the extent to which the public's attribution of moral responsibility – what we are calling the "moral boundary of the firm" – is broader than the legal boundary and may explain the reputational drivers of firms' interactions with suppliers, the firms they invest in, and borrowers. Understanding the contours of the moral boundary is essential for predicting firm behavior, assessing when firm managers are acting within their permissible

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Abandonment of Cultural Tastes, 95 J. PERSONALITY & SOC. PSYCH. 593 (2008); Interpersonal Attachments as a Fundamental Human Motivation, 117 PSYCH. BULL. 497, 498 (1995)).

[7] *See* Frank H. Easterbrook, *Limited Liability and the Corporation*, 52 U. Chi. L. Rev. 89, 94 (1985).

[8] *See* Joshua Galperin, *Governing Private Governance*, 56 AZ. ST. L.J. 765 (2023). It is important to recognize that the recent resistance to corporate environmental actions may be affecting environmental supply chain contracting requirements. For instance, in 2019, CDP reported that supply-chain contracting was reducing 563 million tons of CO2 per year, and in 2024 it reported that supply-chain contracts were only reducing 43 million tons, and that only 15% of corporate buyers have set emissions reduction targets for their suppliers. Additional research will be necessary to understand whether this is a long-term trend or a near-term response to critiques of socially responsible corporate activity, economic trends, or other factors. See CDP Worldwide, Strengthening the Chain: Transform the Norm (CDP Worldwide) (2024), https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/890/original/CDP_HSBC_Report_2024.pdf?1727343420 (last visited Nov 6, 2024); CDP North America, Changing the Chain: Making Environmental Action in Procurement the New Normal (CDP North America) (2019), https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/004/811/original/CDP_Supply_Chain_Report_Changing_the_Chain.pdf?1575882630 (last visited Jun 7, 2020); CDP & Boston Consulting Group, Scope 3 upstream: Big challenges, simple remedies (CDP) (2024), https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/834/original/Scope-3-Upstream-Report.pdf?1721043058 (last visited Nov. 6, 2024).

[9] *See, e.g.*, DANIEL DIERMEIER, REPUTATION RULES: STRATEGIES FOR BUILDING YOUR COMPANY'S MOST VALUABLE ASSET (2011); DANIEL DIERMEIER, REPUTATION ANALYTICS: PUBLIC OPINION FOR COMPANIES (2023).

[10] Michael P. Vandenbergh, *Private Environmental Governance*, 99 CORNELL L. REV. 129-199 (2013).

decisional space under the fiduciary duty and business judgment rules, designing new interventions to drive socially desirable behavior by firms, and assessing the optimal legal boundary of the firm.

This Article focuses on supply chain contracting and reports on the results of a new survey that examines the public's view of the importance and extent of the moral boundary. The results are preliminary and subject to further analysis, but they suggest that the public's view of the moral boundary is substantially broader than the legal boundary. The survey results also identify the contours of the moral boundary, clarify the differences between the moral and legal boundaries and help explain the situations in which firms seek to control third parties even when there is no meaningful risk of legal liability. The results suggest that potential retail customers, employees, and others assign moral blame to corporate buyers for the greenhouse gas (GHG) and other air pollution emissions of their first- and second-tier suppliers. But the moral boundary is nuanced. The assignment of blame appears to have limited effects on consumers' intentions to purchase retail products. The assignment of blame also increases with the level of control the buyer exercises over the supplier, potentially creating risks to firms that seek to control suppliers but fail to do so successfully. Not surprisingly, the assignment of blame also decreases from tier one to tier two suppliers, reducing incentives to control tier two suppliers and potentially creating incentives to interpose a low-risk supplier between the corporate buyer and its high-risk suppliers.

On the whole, however, given the risks of reputation or brand damage arising from the assignment of moral responsibility by potential retail customers, employees, and others, it is not surprising that firm managers take steps to reduce risks arising from third parties that are outside the legal boundary. The survey results provide insights into why firms often police their suppliers' behavior more strictly than tort liability and government regulatory requirements would suggest. For instance, why have firms made commitments to reduce not only their own carbon emissions and other climate impacts (e.g., scope 1 and 2 GHG emissions), but also those of their suppliers (scope 3 emissions), over the last few decades even though there has been no legal or regulatory requirement to do so? Are these economically defensible responses to the broader moral boundary of the firm– to customers, employees, and local communities' ascription of responsibility for activities by third party contractors? The survey results suggest that economically cognizable, reputation-driven risks may arise from failing to control the environmental harms of suppliers, and these results in turn may suggests that the corporate managers are often within the decisional space the law provides for managers to respond to economic risks that arise from suppliers' actions.[11]

Understanding the moral boundary of the firm is also important for pedagogical reasons. Generations of lawyers are taught to understand the legal boundary and the rationales behind it, and their training shapes their advice to corporate managers. Yet from Nike to Kathie Lee Gifford, a long list of firms and individuals have suffered severe economic consequences from the failure to regulate the actions of suppliers who were

[11] *See* Einer Elhauge, *Sacrificing Corporate Profits in the Public Interest*, 80 NYU L. REV. 733 (2005). See also Gunningham, Thornton & Kagan, supra (re social license to operate).

well outside the legal boundaries that are taught in law school classes.[12] Understanding the differences between the moral and legal boundaries and the effects of the interactions between the two may enable more effective training of corporate and regulatory lawyers and improve the advice given by practicing lawyers.

The survey results also raise interesting questions about the optimal legal boundary of the firm. The data demonstrate that the moral boundary is complex, but it is clearly broader than the legal boundary. Both boundaries affect firm behavior, and they interact with one another. The legal boundary creates incentives to take risks, externalize harms and outsource production or buy rather than make. In contrast, the moral boundary softens the effects of the legal boundary by creating incentives to be more risk averse, to reduce negative externalities, and to make rather than buy. The two boundaries not only interact, but they also likely shift over time, with courts narrowing or expanding the legal boundary, and the public doing the same with the moral boundary, such as through retail customers and employees broadening the ascription of moral responsibility as it becomes clear that government is not satisfying their preferences for environmental protection. An accurate understanding of the moral boundary of the firm and its interactions with the legal boundary thus can inform assessments of the optimal extent of the legal boundary.

The remainder of the Article proceeds in five Parts. Part II explores the legal boundary of the firm and the leading explanations for the boundary. Part III then explores the social psychological and legal literature on the moral boundary of the firm, discusses the methodology for the survey of perceptions of the moral boundary, and presents the results of the survey. Part IV examines the implications of the survey results for explaining firm behavior and for assessing the combined effects of the moral and legal boundaries of the firm. The Article concludes in Part V by identifying new areas for research.

II. THE LEGAL BOUNDARY OF THE FIRM

The legal boundary of the firm serves two important functions: (1) it limits a firm's liabilities for the actions of individuals and organizations outside the legal boundary; and (2) it creates a zone of management control that affects a wide range of corporate relationships, including supply chain buyer-seller relationships, parent-subsidiary relationships, landlord-tenant relationships and others. Although we focus on supply chain contracting, we recognize the importance of the legal boundary for understanding the role of investors, lenders, insurers and others in influencing firm climate-related behavior.

A. Supply Chain Contractors

To explore how the legal boundary of the firm may influence corporate buyers' decisions to add environmental requirements to its supply chain contracts, we ask a simple question: When is a corporate buyer legally liable for the actions of a corporate

[12] *See, e.g.*, Nike, Inc. v. Kasky, 539 U.S. 654, 123 S. Ct. 2554, 156 L. Ed. 2d 580 (2003)(addressing first amendment issues).

seller in a way that might explain these actions? More specifically, to understand corporate behavior, we focus on what corporate managers are likely to *believe* the risks to be. To assess likely perceptions of risks by corporate managers, we focus here not only on cases and statutes, but also other sources of information that might form the beliefs of corporate managers and the lawyers who advise them, such as restatements, model jury instructions, treatises, and the client alerts distributed by corporate law firms. Products liability cases include numerous instances of corporate buyers facing liability for selling defective products purchased from corporate suppliers, but product liability cases are not instructive because the risks addressed by climate mitigation and many other environmental supply chain contracting requirements often do not arise from the harms caused by the product that the corporate buyer sells to others but from the provenance of the good – the harms caused by the corporate seller in the production of the good (e.g., the GHG emissions released during production at the seller's factory).

The legal risks to a buying corporation arising from the actions of a supplier can arise from contracts, torts, federal, state, local, and foreign environmental laws, and other federal, state, and local laws, such as consumer protection laws. We focus principally on common law contract and tort risks because until very recently federal, state, local or foreign environmental or consumer protection laws did not create a risk of liability for corporate buyers regarding the climate actions of their suppliers. As a result, compliance with these more recent laws cannot be the basis for the growth in climate-related supply chain contracting that has occurred over the last decade, although it is possible that some firms are acting in anticipation of future legal changes. We briefly discuss these more recent laws, though, because they provide signals about what firms may be anticipating and how anticipated government actions may affect the incentives for climate-related corporate supply chain contracting in the future.

1. Common Law Contract and Tort Risks

Express Assumption of Liability. Under basic principles of contract law, a contract can create liability for a corporate buyer for the acts of its supplier if the buyer explicitly assumes liability for the acts of the seller.[13] We are not aware of any such provisions in standard supply chain contracts despite years of research on the topic, however, so express assumption of liability cannot explain the widespread use of climate and other environmental supply chain contract requirements.[14] To ensure that our survey respondents are fully informed on this issue, the questions in our survey indicate that the buying corporation has not expressly agreed to bear the liabilities of the selling corporation.

[13] *See generally* McNeilus Truck & Mfg. v. Linfor, Inc., 2021 Minn. Dist. LEXIS 1124 (Minn. Dist. Ct., Hennepin Cnty., 4th Jud. Dist. 2021) (discussing contract principles).

[14] S*ee generally Id.* (discussing examples of a buyer assuming liability expressly).

Independent Contractor and Principal-Agent Claims. As a general rule, a corporation is not liable for the actions of its independent contractors,[15] and a corporate purchaser is not liable for the actions of its corporate sellers.[16] These widely accepted concepts may explain the lack of cases alleging that corporate buyers are liable for the climate or other environmental harms of their corporate suppliers.[17] Even if a corporate seller is an independent contractor, though, a risk of legal liability can arise for a corporate buyer if a principal-agent relationship is found to exist, with the supplier acting as the buyer's agent.[18] This can occur if the buyer dominates or controls the operations of the seller, but the extent of the control necessary to create a principal-agent relationship varies.[19] The more control a corporate buyer exercises over a corporate seller, the greater the risk that it will be held to be legally liable for the actions of its supplier, but we were unable to find any case in which a corporate buyer exercised sufficient control over a corporate seller to create common law contract- or tort-based environmental liabilities for the buyer.[20]

Third Party Beneficiary, Negligence, and Unjust Enrichment Claims. Several reported decisions have addressed allegations that a corporate buyer has contract or tort liability for labor or human rights practices under legal theories relevant to climate change mitigation such as third-party beneficiary, negligence, and unjust enrichment claims. For instance, in *Doe I v. Wal-Mart*, the Ninth Circuit addressed supply chain liability issues in a class action brought by employees of Wal-Mart's foreign suppliers. The claims were based on the working conditions in the supplier's facilities and Wal-Mart's failure to implement a 1992 private code of conduct that was included in Wal-Mart's standard supply chain contract.[21] Although the case did not involve environmental harms, the

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[15] *See, e.g.*, Illinois Jury Instruction 50.10 (noting that "[t]he principal is liable to third persons for the negligence of his agent in the transaction of the business of the principal, if the agent himself is liable. But one who engages an independent contractor is not liable to others for the negligence of the contractor.").

[16] *See* RESTATEMENT Section 101, at 30 (noting that "The court rejected plaintiffs' argument that importer, which was present in the United States, acted as factories' agent, noting that, under Restatement Third of Agency § 1.01, a purchaser generally was not acting on behalf of a supplier in a distribution relationship in which goods were purchased from the supplier for resale." Ratha v. Phatthana Seafood Co., 35 F.4th 1159, 1173 (2022).

[17] For instance, the form jury instructions in Delaware provide that "Generally, an independent contractor is not considered the agent of an owner or contractee who ordered the work performed. But if the owner or contractee's control or direction dominates the way that the work is performed, the independent contractor becomes an agent of the owner/contractee, making the owner/contractee vicariously liable for the acts of the independent contractor."

[18] Courts often describe agency as being comprised of three elements: consent or assent by the principal and agent, control of the agent by the principal, and action by the agent. See, e.g., WILLIAM T. ALLEN ET AL., COMMENTARIES AND CASES ON THE LAW OF BUSINESS ORGANIZATION 7-8 (6th ed. 2021)(citing RESTATEMENT (THIRD) OF AGENCY). See also RESTATEMENT (THIRD) OF AGENCY Section 101 Comment g, stating that "Performing a duty created by contract may well benefit the other party but the performance is that of an agent only if the elements of agency are present. A purchaser is not "acting on behalf of" a supplier in a distribution relationship in which goods are purchased from the supplier for resale." See also Wiggs v. City of Phoenix, 10 P.3d 625, 628 (Ariz.2000) ("While it is always the case that an independent contractor is not a servant, it is not always the case that an independent contractor is not an agent"); FRANCIS M.B. REYNOLDS, BOWSTEAD & REYNOLDS ON AGENCY 22 (17th ed. 2001) (expressing doubt that agency terminology "can be reduced to a satisfactory scheme").

[19] *See, e.g.,* Illinois Form Jury Instructions (instructing jurors to weigh nine factors).

[20] *See* ALLEN ET AL., *supra* note 18, AT 7-8. A court also may conclude that an agency relationship exists if the buyer exerts sufficient control over the seller's internal affairs. *See* A. Gay Jenson Farms Co. v. Cargill, Inc., 309 N.W.2d 285, 285 (Minn. 1981).

[21] Although a joint employment claim is unlikely to be raised in an environmental case, the court's conclusions are based on considerations that may arise in environmental cases: "The key factor to consider in analyzing whether an entity is an employer is "the right to control and direct the activities of the person rendering service, or the manner and method in

decision demonstrates the narrow legal boundary for corporate buyers under common law contract and tort principles.[22]

The Wal-Mart code of conduct included in the 1992 supply chain contract provided Wal-Mart with a right to inspect the suppliers' facilities, required suppliers to comply with local laws, and required suppliers to follow industry standards on forced labor, child labor, discrimination, and working conditions. The employees alleged that Wal-Mart failed to adequately monitor its suppliers, rarely conducted unannounced audits, and allowed inspectors to be pressured to create positive reports on working conditions in the suppliers' factories. The plaintiffs also alleged that Wal-Mart's short deadlines and demand for low prices pressured suppliers to violate the labor standards in the code of conduct.[23]

The complaint sought relief based on three theories that are relevant to climate change mitigation: (1) that the employees were third-party beneficiaries of the supply contracts; (2) that Wal-Mart negligently breached a duty to monitor the suppliers; and (3) that Wal-Mart was unjustly enriched by the mistreatment of the employees.[24] In theory, plaintiffs bringing a climate-based complaint could make similar third-party beneficiary, negligence, and unjust enrichment claims on behalf of individuals injured by climate change, but the Wal-Mart case demonstrates the limited risks faced by corporate buyers. In the Wal-Mart case, the Ninth Circuit affirmed the District Court's dismissal of the complaint, and as to the third-party beneficiary claim the Ninth Circuit concluded that Wal-Mart had no legal duty under the labor standards included in the supply chain contract.[25] As to the common law negligence claims, the court concluded that a negligence claim based on a third-party beneficiary theory failed not only because Wal-Mart's supply contracts did not create a legal obligation to third parties, but also that Wal-Mart did not have a duty to monitor the suppliers or to protect the suppliers' employees from the suppliers' intentional acts.[26] Similarly, a claim for "negligent retention of control and supervision," failed because it required the plaintiffs to demonstrate that Wal-Mart "exercised significant control over Plaintiffs and that 'exercise of retained control affirmatively contributed to the employee's injuries.'"[27] Instead, the court concluded that "Wal-Mart exercised minimal or no control over the day-to-day work of Plaintiffs in the

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which the work is performed." Serv. Employees Int'l Union v. County of L.A., 225 Cal.App.3d 761, 275 Cal.Rptr. 508, 513 (1990) (internal quotations and citation omitted).

[22] Doe I v. Wal-Mart Stores, Inc. 572 F.3d 677 (9th Cir. 2009).

[23] The Doe I v. Wal-Mart case is one of many class actions filed against major corporations based on the labor practices of their suppliers. Another example is Doe I v. Apple et al., in which plaintiffs brought a class action on behalf of child laborers at mines producing cobalt for major technology firms, alleging state-law causes of action and violations of the Trafficking Victims Protection Reauthorization Act, 18 U.S.C. §§ 1581 et seq. See Doe I v. Apple Inc., No. 1:19-cv-03737, 2021 WL 5774224 (D.D.C. 2021).

[24] *See* 572 F.3d at 681. The case also addressed a claim arising from a claim of "joint employment," based on an allegation that Wal-Mart was liable as a joint employer with the suppliers. See discussion supra note 23.

[25] A contract provision stating that "Wal-Mart will undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor said standards" did not create a duty for Wal-Mart to monitor the suppliers or give the employees a right of action against Wal-Mart as third-party beneficiaries.

[26] *Id.* (citing Paz, 93 Cal.Rptr.2d 703, 994 P.2d at 980-81).

[27] *Id.* (citing Hooker v. Dep't of Transp., 27 Cal.4th 198, 115 Cal.Rptr.2d 853, 38 P.3d 1081, 1083 (2002) (emphasis in original).

suppliers' foreign factories,"[28] and thus it did not owe the employees a special duty to protect them from the suppliers' misconduct.[29]

The Ninth Circuit also rejected an unjust enrichment claim. The court noted that the employees alleged that Wal-Mart was unjustly enriched at their expense by profiting from suppliers that Wal-Mart knew were engaged in substandard labor practices, but the court concluded that "[t]he lack of any prior relationship between Plaintiffs and Wal-Mart precludes the application of an unjust enrichment theory," noting that "Wal-Mart is not Plaintiffs' employer, and the relationship between Wal-Mart and Plaintiffs is too attenuated to support restitution under an unjust enrichment theory."[30]

An irony arising from the Wal-Mart case is that Wal-Mart's adoption of standards designed to improve the working conditions of its suppliers' employees increased the legal risk to Wal-Mart, even if the plaintiffs' claims ultimately failed. The employees' claims arose from the alleged shortcomings of Wal-Mart's attempt to add a labor code of conduct to its supply chain requirements and to improve working conditions by monitoring the suppliers' operations. Increasing the control over suppliers to reduce their GHG emissions, a common feature of many supply chain contracting initiatives, may also increase legal risks for companies that adopt climate change requirements in supply chain contracts.[31] We included questions in our survey to assess whether a corporate buyer's effort to improve the climate performance of its supplier may inadvertently increase its moral or normative risks as well, and we report on the results in Part III.

2. Federal, State, Local and Foreign Climate-Related Laws

Federal Tort and Statutory Liability. A corporate buyer is also unlikely to be liable for federal common law torts regarding GHG emissions that are released by its corporate suppliers. In *Connecticut v. American Electric Power*, the U.S. Supreme Court concluded that the Clean Air Act displaces federal common law tort actions arising from GHG

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[28] *Id.*

[29] The employees also raised a negligence claim that is unlikely to be viable in an action not involving labor conditions: negligent undertaking. The court concluded that this claim required a conclusion that Wal-Mart undertook to protect the employees, and thus was required to exercise reasonable care in monitoring the suppliers. See Delgado v. Trax Bar Grill, 36 Cal.4th 224, 30 Cal.Rptr.3d 145, 113 P.3d 1159, 1175 (2005) (stating that one who "undertakes to provide protective services to another" must exercise a duty of care). The court concluded that "[t]his theory fails because, as we have already concluded, Wal-Mart did not undertake any obligation to protect Plaintiffs. …[and] [T]he scope of any duty assumed depends upon the nature of the undertaking," and here Wal-Mart merely reserved the right to cancel its supply contracts if inspections revealed contractual breaches by the suppliers." Id.

[30] *Id.* (citing Smith v. Pac. Props. Dev. Corp., 358 F.3d 1097, 1106 (9th Cir. 2004)). The Ninth Circuit panel also stated that "Plaintiffs essentially seek to disgorge profits allegedly earned by Wal-Mart at Plaintiffs' expense; however, we have already determined that Wal-Mart is not Plaintiffs' employer, and we see no other plausible basis upon which the employee of a manufacturer, without more, may obtain restitution from one who purchases goods from that manufacturer. That is, the connection between Plaintiffs and Wal-Mart here is simply too attenuated to support an unjust enrichment claim. See, e.g., Sperry v. Crompton Corp., 8 N.Y.3d 204, 831 N.Y.S.2d 760, 863 N.E.2d 1012, 1018 (2007) (holding that "the connection between the purchaser of tires and the producers of chemicals used in the rubbermaking process is simply too attenuated to support" the purchaser's claim of unjust enrichment)." Id.

[31] *See, e.g.*, JOANA SETZER AND CATHERINE HIGHAM, GLOBAL TRENDS IN CLIMATE CHANGE LITIGATION: 2024 SNAPSHOT, part III A, at 41, LONDON SCHOOL OF ECONOMICS (2024), https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/06/Global-trends-in-climate-change-litigation-2024-snapshot.pdf (discussing cases such as Spence v. American Airlines and Wong v. New York City Employees Retirement System, which raise claims arising from the allegation that corporations breached fiduciary duties by pursuing ESG actions at the expense of short-term profits).

emissions, and the Clean Air Act does not have current provisions creating liability for suppliers' emissions.[32] Similarly, no other federal statutes or regulations restrict or create liability for the release of GHG emissions from a corporation's suppliers. Although the Securities and Exchange Commission (SEC) has promulgated rules requiring reporting of some climate risks, and a proposed rule would have included limited reporting requirements for supply chains, the supply chain requirements were not included in the final rule, and the SEC has stayed the rule pending review by the federal courts.[33] State tort actions alleging corporate liability for GHG emissions on multiple grounds are working their way through the courts, but they typically address the emissions from corporations arising from their operations or products rather than from suppliers' emissions, and the emergence of widespread climate and other environmental supply chain contracting requirements predated the filing of these state tort actions.

State and Foreign Legal Risks. During the emergence of climate and other environmental supply chain contracting requirements over the last decade, no state in the United States regulated or created liability for supply chain-based GHG emissions from companies operating in the state. In recent years, some states have begun to regulate, tax, and create liability for GHG emissions, and in 2023 California adopted state securities disclosure requirements for businesses operating in California that include a requirement to disclose some Scope 3 supply chain GHG emissions.[34] California has not adopted restrictions on the quantity of emissions from suppliers, but a business may be subject to administrative penalties for failure to properly disclose its Scope 3 emissions.

In 2024, Vermont enacted the Climate Superfund Cost Recovery Program, which created a state liability scheme modeled on the federal Superfund statute.[35] The law provides for Vermont to issue demands for payment to those companies responsible for over 1 billion tons of GHG emissions from 1995-2024. The demands will be based on the share of harms caused to Vermont and will be contribute to a state climate adaptation fund. The law creates successor liability, but it does not address the responsibility of corporate buyers for their suppliers' emissions. New York also appears to be poised to adopt a statute similar to the Vermont statute. In sum, a corporate buyer is highly unlikely to be liable under state statutes and regulations in most states for the GHG emissions or other climate-relevant actions of its corporate suppliers, but the recent legislative activity by Vermont may signal legal risks on the horizon for corporate suppliers' emissions.

The laws of other countries also have created little or no risk over the last decade to corporate buyers arising from corporate suppliers' GHG emissions. The EU recently adopted a disclosure measure,[36] however, and it includes provisions that may create supply chain reporting obligations. The measure provides that "[t]hird-country

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[32] 564 U.S. 410 (2011).
[33] *See* U.S. Securities and Exchange Commission, The Enhancement and Standardization of Climate-Related Disclosures for Investors, 89 Fed. Reg. 21668 (2024).
[34] *See, e.g.*, California SB-253 (the Climate Corporate Data Accountability Act).
[35] *See* Vermont Climate Superfund Cost Recovery Program.
[36] *See* https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464.

undertakings which have a significant activity on the territory of the Union should also be required to provide sustainability information, especially on their impacts on social and environmental matters, in order to ensure that third-country undertakings are accountable for their impacts on people and the environment and that there is a level playing field for companies operating in the internal market. Therefore, third-country undertakings which generate a net turnover of more than EUR 150 million in the Union and which have a subsidiary undertaking or a branch on the territory of the Union should be subject to Union sustainability reporting requirements."[37]

3. Legal Risks Arising Under Environmental Statutes Not Related to Climate Change

Federal Regulatory Violations or Liability. Under a limited number of federal statutory provisions, risks arise for corporate buyers from the environmental actions of corporate sellers. CERCLA liability poses the greatest risk of liability to corporate buyers through the "owner," "operator," and "arranger" provisions in CERCLA Section 107. In *United States v. Bestfoods* the United States Supreme Court addressed this issue regarding owners and operators,[38] and in *Burlington N. & Santa Fe Ry. Co. v. United States* the Court addressed this issue regarding arranger liability. The Court has interpreted these provisions narrowly, with the result that the risks posed to corporate buyers are not substantially different from general supplier liability arising under tort law.[39] In addition, CERCLA liability only applies to activities relating to the release or threatened release of hazardous substances, so CERCLA statutory provisions do not create risks regarding corporate supply chain actions involving GHG or air pollution emissions.[40]

Risks can arise under the Clean Water Act, however, for corporate buyers in limited circumstances that roughly parallel the principal-agent analysis under tort law. In short, a corporate buyer is typically not liable for the Clean Water Act violations of its corporate suppliers, but even if the corporate buyer is not the holder of a Clean Water Act permit, if the buyer exercises excessive control the Act ''imposes liability both on the party who actually performed the work and on the party with responsibility for or control over performance of the work.''[41] For example, in *Assateague Coastkeeper v. Hudson Farm*, Perdue, a poultry "integrator," purchased chickens from Hudson Farm, a poultry producer, but also was heavily involved in the day-to-day actions of the producer. Hudson Farm violated its Clean Water Act discharge permit by discharging manure into a ditch that emptied into a branch of the Pocomoke River.[42] An environmental advocacy group, Assateague Coastkeeper, filed a Clean Water Act Section 505 citizen suit against

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[37] DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022, amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

[38] United States v. Bestfoods, 524 U.S. 51, 118 S. Ct. 1876, 141 L. Ed. 2d 43 (1998).

[39] For instance, CERCLA "arranger" liability may arise for the buyer of waste disposal services if the transaction was entered into with the sole purpose of discarding a used and no longer useful product containing hazardous substances, but corporate supply chain contracting policies typically do not involve contracts for disposal of hazardous substances.

[40] *See* Burlington N. & Santa Fe Ry. Co. v. United States, 129 S.Ct. 1870 (2009)(discussing 42 U.S.C. 9607).

[41] U.S. v. Lambert, 915 F. Supp. 797, 802 (S.D. W.Va. 1996),

[42] Assateague Coastkeeper v. Hudson Farm, 727 F.Supp.2d 433, 449 (D. Md. 2010).

Hudson Farm and Perdue.[43] Perdue moved to dismiss the suit based on the fact that it was a third party corporate entity, but the District Court denied the motion, concluding that Perdue controlled "nearly every aspect" of Hudson Farm's operations.[44]

As the court noted, the complaint alleged involvement far beyond a standard supply chain contract: "Perdue owns the chickens and provides all of the feed, fuel, litter, medications, vaccinations and other supplies necessary for the Hudson Farm CAFO to grow the chickens. Plaintiffs also allege that Perdue dictates the aspects of care for the chickens such as the type of buildings, equipment, and other facilities used in the operation, and makes periodic site visits to ensure compliance with its dictates."[45] In short, under the Clean Water Act, if a corporate buyer controls "nearly all" of the operations of the seller, that level of control may induce a court to conclude the buyer "may be considered a 'person who violates' " the Act.[46]

4. Summary

The discussion above suggests that a corporate buyer's common law and statutory risks for climate-related matters are limited so long as the corporate buyer does not become heavily involved in controlling the operations of the seller.[47] The principal exception to the limited liability of the buyer arises when an agency relationship is formed,[48] such as when the buyer exerts substantial control over the seller's internal affairs.[49] The precise amount of control necessary to trigger liability by a corporate buyer based on the climate actions of a climate seller is unclear, but anything short of "domination" or "controlling nearly every aspect" of the supplier's operations appears to be insufficient to create a substantial risk of liability.[50] The current legal risks arising from climate actions of suppliers alone thus appear to be insufficient to explain the extent and breadth of the observed environmental and climate supply chain contracting requirements.

III. THE MORAL BOUNDARY OF THE FIRM

The widespread adoption of climate and other environmental supply chain contracting provisions absent legal risks may result from managers' concerns about reputational risks, their policy preferences, risk averse advice from corporate lawyers about the extent of the legal liability arising from suppliers, anticipation of future

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[43] *See* Clean Water Act Section 505, 33 U.S.C. Section 1365.
[44] See Taft. See Assateague, at 440.
[45] See *Assateague, supra* note 40, at 449.
[46] See Assatague, 441 (concluding that "an integrator's liability is determined on the basis of its level of control over their contractors' chicken operations.").
[47] One of the most famous supply chain cases is Nike v. Kasky, but it was resolved on free speech grounds rather than liability for suppliers' actions. *Nike, Inc. v. Kasky*, 539 U.S. 654, 123 S. Ct. 2554, 156 L. Ed. 2d 580 (2003). Kasky sued under California Unfair Competition and False Advertising Laws and the case reached the Supreme Court of California and the U.S. Supreme Court, but the courts focused on the issue of commercial speech rather than on the liability of a corporate buyer for the harms caused by its supplier.
[48] *See generally* Byrd v. Republic of Hond., 613 F. App'x 31 (2d Cir. 2015).
[49] *See* Jenson Farms Co. v. Cargill, Inc., 309 N.W.2d 285, 285 (Minn. 1981).
[50] *See* Vandenbergh & Moore, *supra* note 1.

regulation, or other sources.[51] Our survey explores the extent to which reputational risks arise from an accurate perception that potential retail customers, employees, and other stakeholders hold corporate buyers morally responsible for the actions of corporate suppliers. Part III explores the social science and legal research regarding public perceptions of the social responsibility and moral boundary of the firm.[52] It then discusses the methodology and results of a survey regarding the moral boundary.

A. The Moral Boundary

The bulk of the research by social scientists on what we are calling the moral boundary of the firm falls under the concept of "corporate social responsibility (CSR)",[53] which describes the extent to which companies are or should be socially accountable to stakeholders and the broader society.[54] Several conceptions of CSR have been proposed, but they generally divide the responsibilities of the firm into economic, legal, ethical, and altruistic responsibilities.[55] Notably, the definition of ethical responsibilities specifically includes societal-based responsibilities beyond legal ones, including responsibilities that reflect "implicit social norms and values."[56] Researchers have discussed the directional role of business's responsibilities to society and how these responsibilities shape consumer responses, but researchers have paid considerably less attention to how the expectations of society shape these responsibilities. Namely, when does the public care about the moral, not legal, boundaries of the firm?

No direct empirical evidence exists on the degree to which the public's perceptions of the moral boundaries of the firm differ from its legal boundaries. The moral boundary has been inferred, however, from a wide range of sources. For instance, the purchasing behavior of consumers provides a common demonstration of the extent to which people care about the moral boundaries of the firm. Consumers have been holding social

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[51] Law firms appear to be advising corporate managers that the risks of legal liability arising from suppliers' GHG emissions are limited. See, e.g., Taft Stettinius & Hollister LLP, Five Steps to Protect Your Business from Being Liable for Your Supplier's or Distributor's Environmental Contamination, Law Bulletins, at https://www.taftlaw.com/news-events/law-bulletins/five-steps-to-protect-your-business-from-being-liable-for-your-supplier-s-or-distributor-s-environmental-contamination/ (not identifying a risk from the GHG emissions of suppliers).

[52] For an example of the legal research on the influence of social norms on corporate environmental behavior, see Michael P. Vandenbergh, *Beyond Elegance: A Testable Typology of Social Norms in Corporate Environmental Compliance*, 22 STAN. ENVTL. L.J. 55-144 (2003).

[53] Andreas Georg Scherer & Guido Palazzo, *The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and Its Implications for the Firm, Governance, and Democracy.*, 48 J. MGMT. STUD. 899, 899-930 (2011)

[54] Julia Patrizia Rotter, Peppi-Emilia Airike & Cecilia Mark-Herbert , *Exploring Political Corporate Social Responsibility in Global Supply Chains.*, 125 J. BUS. ETHICS 581, 581-99 (2014). Social and behavioral scientists have assessed the activation of moral norms regarding individuals as well. For instance, early research concluded that one of the steps associated with altruistic acts is the belief that the individual is the kind of person who should take action on a problem, and in addition to ascribing responsibility for action to the self, individuals often assign responsibility to government or corporations. *See* Paul C. Stern, Thomas Dietz & J. Stanley Black, *Support for Environmental Protection: The Role of Moral Norms*, 8 POPULATION AND ENVT. 204 (Fall/Winter 1985-86).

[55] Geoffrey P. Lantos, *The Boundaries of Strategic Corporate Social Responsibility.*, 18 J. CONSUMER MKTG. 595, 595-632 (2001)

[56] Jee-Won Kang & Young Namkung, *The Effect of Corporate Social Responsibility on Brand Equity and the Moderating Role of Ethical Consumerism: The Case of Starbucks.*, 42 J. HOSP. & TOURISM RSCH. 1130, 1132 (2018).

responsibility in increasingly higher regard when making purchasing decisions,[57] deciding which brands to be loyal to,[58] and in determining their satisfaction with their purchase[59] and willingness to purchase from the company again.[60] Although these social responsibility initiatives are often costly to undertake, the consumer loyalty gained from them means that it can be in a corporation's best financial interest to act within the moral boundary, even if that results in actions that are not required by government regulations and do not create a substantial risk of legal liability.[61]

Research also investigates consumers' attitudes towards firms when firms fail to behave in ways that align with consumers' views of the firms' corporate social responsibilities or ethical responsibilities. Consumers have been found to express feelings of moral outrage,[62] including contempt and disgust, in response to a firm's perceived moral transgressions.[63] These powerful negative emotions, often triggered by human rights violations, are hard to overcome and often lead to consumer complaints,[64] boycotting,[65] and brand avoidance.[66] Consumers also respond similarly to environmental misdeeds by corporations, including expressing feelings of anger and outrage when a company engages in non-green actions, but rewarding them for green initiatives.[67] The moral behaviors associated with firms can go as far as to influence the product consumption experience of the consumer even when immoral behaviors are irrelevant to the products themselves.[68]

Research suggests that the consumer response to moral or ethical transgressions by the firm can reach beyond just the individual business committing the transgression, and the entire supply-chain may be susceptible to consumer pressure, as consumers may not differentiate across levels of the supply-chain in their responses. For example, one recent study found that the perception of firms suffers when there is a mismatch between their

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[57] Ali Azizzadeh , Hossein Mehdizadeh & Nematollah Shiri, *Effect of Corporate Social Responsibility on Customer Behavioral Intention.*, 2014 J. BUS. ADMIN. RSCH.ES 203, 203-28; Pedro Cuesta-Valiño, Pablo Gutiérrez-Rodríguez, Blanca García-Henche & Estela Núñez-Barriopedro, *The Impact of Corporate Social Responsibility on Consumer Brand Engagement and Purchase Intention at Fashion Retailers*, 41 PSYCH. & MKTG. 649, 650 (2023).

[58] Id., at 650.

[59] Khawaja Fawad Latif , Andrea Pérez & Umar Farooq Sahibzada, *Corporate Social Responsibility (CSR) and Customer Loyalty in the Hotel Industry: A Cross-Country Study*, 89 INT'L J. HOSP. MGMT. (2020).

[60] Xueming Luo & C.B. Bhattacharya, *Corporate Social Responsibility, Customer Satisfaction, and Market Value*, 70 J. MKTG. 1, 1-18 (2006).

[61] Markus Kitzmueller & Jay Shimshack, *Economic Perspectives on Corporate Social Responsibility*, 50 J. ECON. LITERATURE 51, 60 (2012).

[62] Paolo Antonetti & Stan Maklan, *An Extended Model of Moral Outrage at Corporate Social Irresponsibility*, 135 J. BUS. ETHICS 429, 429-44 (2014).

[63] Silvia Grappi, Simona Romani & Richard P. Bagozzi, *Consumer Response to Corporate Irresponsible Behavior: Moral Emotions and Virtues*, 66 J. BUS. RSCH. 1814, 1814-21 (2013).

[64] *Id.*

[65] Jörg Lindenmeier, Christoph Schleer & Denise Pricl, *Consumer Outrage: Emotional Reactions to Unethical Corporate Behavior.*, 65 J. BUS. RSCH. 1364, 1364-73 (2012).

[66] Anni Rahimah et al., *The Subsequent Effects of Negative Emotions: From Brand Hate to Anti-Brand Consumption Behavior Under Moderating Mechanisms*, 32 J. PROD. & BRAND MGMT. 618, 618-31 (2023).

[67] Chunyan Xie, Richard P. Bagozzi & Kjell Grønhaug, *The Role of Moral Emotions and Individual Differences in Consumer Responses to Corporate Green and Non-Green Actions*, 43 J. ACAD. MKTG. SCI. 333, 333-56 (2014).

[68] Aner Tal, Yaniv Gvili & Moty Amar, *The Influence of Companies' Moral Associations on the Product Consumption Experience: The Role of Moral Disgust*, 39 PSYCH. & MKTG. 1871, 1871-87 (2014).

legal-ethical actions and their supply chain partners' legal-ethical actions.[69] Other research suggests that consumers may hold a firm responsible for the transgressions committed by upstream suppliers,[70] although the extent to which consumers hold firms responsible above and beyond the legal requirements of the supply-chain relationship is unclear, as is the extent to which consumers hold all levels of the supply chain to the same moral standards.

The causes of these mismatches may be due to several different types of pressure arising from a perceived moral boundary that is broader than the legal boundary. These include pressures arising from corporate partnerships and media coverage, as well as consumer pressure.[71] The power of the moral boundary of the firm also can lead to public support for legislation that shifts the legal boundary. For example, research suggests that the Fair Labor Standards Act was created as a response to the moral outrage about the use of sweatshop labor.[72]

One recent review paper concluded that several different factors predict when consumers choose to punish corporations for failing to uphold their corporate social responsibilities.[73] Several of these factors are unrelated to the corporation, including specific features of the wrongdoing or moral transgression—such as the severity of the harm done to the victims—as well as specific features of the consumer, including the strength of their moral values. Consumers also consider characteristics of the specific firm itself, however, including the size and previous commitment to social responsibility, when determining how much to punish the corporation for a moral misdeed. The willingness of consumers to attenuate their moral response to a corporation—and even potentially forgive them—implies that unlike a legal boundary, a moral boundary is flexible and can shift along with changes in societal norms and other factors.

Corporations may also be subject to internal pressure from their employees about extending their moral obligations beyond their legal requirements.[74] Employees with pro-social and pro-environmental attitudes often want to work for companies that match their values, and thus may self-select into them. This in turn may encourage corporations to increase their social responsibility initiatives to attract high-value workers.[75] These internal pressures may benefit companies in the long run to the extent pro-social

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[69] Yi Liu, Xingping Jia, Xingzhi Jia & Xenophon Koufteros, *CSR Orientation Incongruence and Supply Chain Relationship performance – A Network Perspective*, 67 J. OPERATIONS MGMT. 237, 237-60 (2020).

[70] Julia Hartmann & Sabine Moeller, *Chain Liability in Multitier Supply Chains? Responsibility Attributions for Unsustainable Supplier Behavior*, 32 J. OPERATIONS MGMT. 281, 281-94 (2014).

[71] Haesun Park-Poaps & Kathleen Rees, *Stakeholder Forces of Socially Responsible Supply Chain Management Orientation*, 92 J. BUS. ETHICS 305, 305-22 (2020).

[72] Denis G. Arnold & Laura P. Hartman, *Moral Imagination and the Future of Sweatshops*, 108 BUS. & SOC'Y REV. 425, 425-61 (2020) *Available at SSRN 469380*.

[73] Carmen Valor, Paolo Antonetti & Grzegorz Zasuwa, *Corporate Social Irresponsibility and Consumer Punishment: A Systematic Review and Research Agenda*, 144 J. BUS. RSCH. 1218, 1218-33 (2022)

[74] Joseph Lanfranci & Sanja Pekovic, *How Green is My Firm? Workers' Attitudes and Behaviors Towards Job in Environmentally-related Firms,* 100 ECOLOGICAL ECON. 16, 16-29 (2014).

[75] Kjell Arne Brekke & Karine Nyborg, *Attracting Responsible Employees: Green Production as Labor Market Screening,* 30 RESOURCE AND ENERGY ECON. 509, 509-26 (2008).

employees working for green firms report more positive attitudes and increased motivation towards their jobs.[76]

In addition, investor behavior suggests that many investors believe they bear moral responsibilities when deciding which corporations to invest in.[77] For example, investors may believe that they financially enable a corporation's immoral or unethical behavior, thus they may believe that they are morally responsible for the bad behavior of corporations they invest in, even if they are not legally responsible.[78] Research demonstrates that laypeople often make harsh moral judgments about certain types of investing behavior, even when that behavior is legally permissible.[79] Given these beliefs regarding moral accountability, it is not surprising that some investors engage in socially responsible investing (SRI), in which they take into account the ethical implications of their investments.[80] For example, when consumers in a particular market care more about the environment and sustainable initiatives, investors in that market tend to invest more in "green" and environmentally-friendly markets.[81] Additionally, moral expectation influences the SRI behavior of both parties in the investment relationship—consumers react negatively to companies with a sustainable reputation accepting investments from less-than-sustainable investors.[82] The gap between the moral boundary and the legal boundary of the firm can also be seen in the lending sector, where the general public is placing an increasing emphasis on the social and ethical implications of a bank's actions.[83]

One way to conceptualize the difference between the legal and the moral boundary of the firm is to investigate how the public attributes responsibilities to corporations beyond legally stated ones. For instance, a recent paper by Amengual and colleagues[84] examined public perceptions of human rights "soft-laws"—where corporations have human right obligations that are not legally or otherwise defined. In this research, participants were presented with several vignettes about multinational enterprises being potentially involved in human rights violations and were asked about the extent to which

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[76] Joseph Lanfranci & Sanja Pekovic, *How Green is My Firm? Workers' Attitudes and Behaviors Towards Job in Environmentally-related Firms,* 100 ECOLOGICAL ECON. 16, 16-29 (2014).
[77] Martin E. Sandbu, *Stakeholder Duties: On the Moral Responsibility of Corporate Investors*, 109 J. BUS. ETHICS 97-107, 97 (2012).
[78] *Id.* at 100.
[79] Sebastian Lotz & Andrea R. Fix, *Not All Financial Speculation Is Treated Equally: Laypeople's Moral Judgments About Speculative Short Selling*, 37 J. ECON. PSYCH. 34, 34-41 (2013).
[80] Steve Schueth, *Socially Responsible Investing in the United States.*, 43 J. BUS. ETHICS 189, 189-94 (2003).
[81] Boey Huey Ming, Gerald Guan Gan Goh & Suganthi Ramasamy, *The Role of Concern for the Environment and Perceived Consumer Effectiveness on Investors' Willingness to Invest in Environmentally-Friendly Firms*, 33 KAJIAN MALAY. 173, 173-89 (2015).
[82] Merika Mattila, SUSTAINABLE INVESTING AND THE ETHICAL DILEMMA: CONSUMER REACTIONS TO SUSTAINABLE COMPANIES CHOOSING CONTROVERSIAL INVESTORS 37-42 (Apr. 9, 2021) (unpublished manuscript) (on file with https://aaltodoc.aalto.fi/server/api/core/bitstreams/90b0750d-9298-4c6a-b1ec-cec8e0e0f14b/content).
[83] Csaba Lentner, Krisztina Szegedi & Tibor Tatay, *Corporate Social Responsibility in the Banking Sector*, 60 PUB. FIN. Q. 95, 95-103 (2015); Roger Bennett & Rita Kottasz, *Public Attitudes Towards the UK Banking Industry Following the Global Financial Crisis,* 30 INT'L J. BANK MKTG. 128, 128-46 (2012); Rafael Bravo, Jorge Matute & José M. Pina, *Corporate Social Responsibility as a Vehicle to Reveal the Corporate Identity: A Study Focused on the Websites of Spanish Financial Entities.*, 107 J. BUS. ETHICS 129, 129-46 (2012); Meng-Wen Wu & Chung-Hua Shen, *Corporate Social Responsibility in the Banking Industry: Motives and Financial Performance*, 37 J. BANKING & FIN. 3529, 3529-47 (2013); aul Thompson & Christopher J Cowton, *Bringing the Environment Into Bank Lending: Implications for Environmental Reporting.*, 36 BRIT. ACCT. REV. 197, 197-218 (2004); Jasmine Elliott & Åsa Löfgren, *If Money Talks, What Is the Banking Industry Saying About Climate Change?*, 22 CLIMATE POL'Y 743-53, 743 (2004).
[84] Matthew Amengual, Rita Mota & Alexander Rustler , *The 'Court of Public Opinion:'Public Perceptions of Business Involvement in Human Rights Violations.*, 185 J. BUS. ETHICS 49, 49-74 (2023).

they held the corporation morally responsible for the transgression. Within the vignettes, the researchers varied several factors, including the supply chain relationship (subsidiary, supplier, beneficial complicity, and silent complicity), involvement in the transgression (due diligence: none, no action, tried to prevent), size of the corporation (small, large), the industry (oil, clothing, auto, solar), and the justifications the corporations gave regarding the transgression.

The study found "substantial gaps between the judgments of American adults and the prescriptions of soft law."[85] Put differently, when it comes to human rights violations the public's standards for corporate responsibility exceeded the legal standards for the same actions. Among the different factors, the supply chain relationship and firms' attempt at due diligence were the most predictive of public judgments of the firm. Less important were the characteristics of the individual firm, including the size and specific industry, suggesting that consumers are attending to the details of the transgression itself, rather than relying on other heuristics for their judgments. Importantly, Amengual et al. conclude that public opinion matters more than legal boundaries when it comes to the reputation of multinational enterprises, and they specifically link specific aspects of these situations to public perceptions of corporate social irresponsibility.[86]

B. Empirical Studies 1-3

We conducted three surveys to examine the public's views regarding the moral boundary of the firm as to the GHG and other air pollution emissions from first- and second-tier suppliers.

1. Overview of Empirical Study Methodology

Our research employed a structure similar to that used in previous work (e.g., Amengual et al., 2023), with the primary stimuli consisting of a hypothetical scenario describing a corporation's potential wrongdoing and the survey assessing participants' reactions toward the corporation. Appendix A presents the survey instrument in full.

Description of Scenario and Key Scenario Manipulations. We generated a scenario that described an outdoor furniture company named The Acme Corporation and its supply chain relationship with either a first-tier (Beta Corporation, Study 1) or second-tier (Century Corporation, Study 2) supplier, whose manufacturing process is known to cause environmental harms. In each study, we orthogonally manipulated the description of the relationship between the buying company (i.e. Acme) and the first-tier supply chain partner (i.e. Beta)[87] in two main ways. The first involved Acme's contractual ability

[85] Id. at 49, 65.
[86] *Id*. at 49-74.
[87] Although the scenario employed in Study 2 described a second-tier supply chain partner (i.e. Century) as responsible for the air pollution, the scenario manipulations always described the contractual agreement and manufacturing partnership between The Acme Corporation and The Beta Corporation.

to influence Beta's manufacturing process as stipulated by the terms of the Acme-Beta contract, and the second involved the actual control Acme exhibited over Beta.

The first key factor, referred to as contractual ability, manipulated Acme's potential involvement in Beta's manufacturing process—as per the terms of their contract. The contractual ability variable had three levels—limited [contractual ability], intermediate, and high— that varied in their description of the manufacturing input that Acme was contractually allowed to have. For example, the limited contractual ability condition included wording such as "Acme's contract with The Beta Corporation allows…limited input into the manufacturing process…" while also describing some of the allowed input as "…set[ting] requirements regarding minimum quality standards." In contrast, the high contractual ability condition describes the contract as allowing "…Acme complete control and input over all parts of Beta's manufacturing process, from material sourcing to the building and operation of the machines and facilities."

The second key scenario manipulation followed the first and described the level of actual control that Acme exhibited over Beta's manufacturing process. The actual control manipulation also had limited, intermediate, and high levels that varied Acme's actual involvement—separate from its contractual terms. For example, in the limited control version, participants read about how "Once the manufacturing process was ready to begin, Acme communicated a list of lawn chair part quality requirements… but otherwise was not involved," while in the high actual control condition "Acme employed inspectors to oversee and direct the manufacturing process" along with additional involvement.

The combination of these two manipulations created a set of nine scenarios describing situations in which Acme was not legally liable for the environmental harms but where people might still attribute responsibility to them—based on either the terms of their contract, their actual manufacturing involvement, or both. By orthogonally manipulating Acme's contractual ability and the actual control it exhibited, we were able to examine whether a corporation's potential or actual ability mattered more to potential consumers when attributing responsibility for environmental harms.

Main Measures. Two primary dependent variables were of interest in this research. The first and key dependent variable assessed participants' attribution of moral responsibility and read "In your view, is The Acme Corporation morally/ethically responsible for the greenhouse gases created by Beta Corporation's manufacturing process?" Participants answered on a seven-point Likert-type scale with verbal anchors on all seven points, from "not at all responsible" to "extremely responsible", with a midpoint labeled "somewhat responsible."

The second dependent variable was a likelihood-of-purchasing measure and read "Based upon the information in the scenario, how likely are you to buy a lawn chair from The Acme Corporation?" This was also answered on a seven-point Likert type scale anchored on all points, from "extremely unlikely" to "extremely likely," and the midpoint labeled as "neither likely nor unlikely." For analysis purposes, this measure was recoded as -3 to +3, with the midpoint labeled as 0.

Participant Recruitment. All participants were recruited through the Prolific online behavioral science participant pool. To participate, they had to self-report living in the United States, be at least 18 years old, and speak English as their first language. For Study 1, Prolific's researcher tools were used to collect a nationally representative sample of participants, ensuring distribution by demographics such as sex, age, and ethnicity/race. Participants in each of the three studies were paid $1.25 for their participation and excluded from joining either of the other two studies.

Procedure. Participants who qualified for and chose to engage in the study on Prolific first read an informed consent sheet before being welcomed to the study. They were instructed that they would read a scenario about companies and told that they would provide their views and opinions towards the company. Their understanding of the instructions was assessed through a brief instruction check question before they read one of nine potential scenario versions. After they read the scenario in full, they answered both dependent variables as well as an open-ended question asking them to explain their answer to the moral responsibility measure. They next answered a scenario-specific attention/memory check question to ensure participant attentiveness. They then completed measures about their political attitudes and several demographic questions, before being debriefed and provided the code for payment through Prolific.

2. Study 1

Study 1 asked participants to take on a hypothetical consumer point of view by asking them to imagine that they were looking to purchase new outdoor furniture from "The Acme Corporation," before detailing the relationship between Acme and Beta. Study 1 used the full set of nine scenarios—as previously detailed—to examine if people attribute moral responsibility to corporations above and beyond the legal standard, based on the corporation's contractual or actual involvement in a supply-chain partner's manufacturing process.

Our overall hypothesis was that participants would attribute a degree of moral/ethical responsibility to The Acme Corporation for the environmental harm caused by The Beta Corporation. We also preregistered two directional hypotheses—specifically that participants would find The Acme Corporation more morally responsible when they had increased contractual ability and actual control.

In addition to the contractual-ability and actual-control manipulations, Study 1 also manipulated the phrase used to describe the environmental harm. Half of participants read that Beta Corporation's manufacturing process "increase[ed] local air pollution" while the other half read that it "emit[s] greenhouse gases." We were interested in potential differences this phrase manipulation might have on moral responsibility attributions, but we did not have any a priori directional predictions about this effect.

Design, Participants, and Preregistration. The design of Study 1 was a 3 (Contractual Ability: low, intermediate, high) x 3 (Actual Control: low, medium, high) x 2 (Phrase: air

pollution vs. GHG) completely between-subjects design. We preregistered a sample size of 1200 participants on the Open Science Framework, which allowed for 80% statistical power to detect and deconstruct a small interaction effect between all the factors. To ensure we maintained adequate statistical power after participant exclusions,[88] we initially collected a sample of N = 1289 Prolific participants, but our final sample in Study 1 consisted of N = 1171 participants (543 men, 610 women, 16 identified otherwise, 2 did not answer; M_{age} = 45.83, SD_{age}= 18.12).

Study 1 Results. A first research question of interest is if, and to what degree, people attribute moral responsibility to a buying corporation for its suppliers' environmental harms. In support of our key hypothesis, the grand mean for moral responsibility attributions across all scenario manipulations (M = 4.22, SD = 1.62) indicated that participants generally believed Acme Corporation held some degree of moral responsibility for the environmental harms caused by the Beta Corporation—despite Acme facing no legal risk for the harm. In fact, the average was significantly above the scale midpoint labeled as "*somewhat responsible,*" suggesting that Acme was generally perceived as more-morally-responsible-than-not, $t(1170) = 4.63$, $p < .001$, $d = 0.14$, 95% CI [0.13, 0.31].

Second, participants' attributions of moral responsibility to Acme negatively correlated with their purchase considerations, $r_{MoralxPurchase} = -0.29$, $p < .001$. Participants generally reported being less-than-likely to consider purchasing a lawn chair from Acme, as indicated by the grand mean being significantly less than the scale midpoint of 0 (M = -0.19, SD = 1.54), $t(1170) = -4.28$, $p < .001$, $d = -0.13$, 95% CI [-0.28, -0.10].

Although we found that participants held Acme Corporation more responsible than not, our main research questions and preregistered analyses concerned the scenario manipulations describing the buyer-seller supply chain contractual relationship rather than Acme's direct responsibility. Recall that we were interested in whether people differentially attributed moral responsibility to Acme for Beta's environmental harm based on either Acme's contractual ability to enact control, the actual control they exhibited, or some interaction of the two.

To investigate these questions, we submitted the moral responsibility measure to a 3(Ability) x 3(Control) x 2(Phrase) between-subjects ANOVA. In support of our hypothesis, results showed that participants differentially attributed moral responsibility to Acme Corporation based on Acme's contractual ability to be involved in Beta's manufacturing process, $F(2, 1162) = 56.13$, $p < .001$, $\eta^2_p = .088$. Post-hoc analyses showed significant differences between each of the three levels of contractual ability (all

[88] For each of the three reported studies, participant exclusions occurred during data cleaning and after all data collection was finished. Participants were excluded from the final data analysis for one of three reasons. First, we excluded those who did not answer both dependent variables. Second, participants that were flagged by the Qualtrics platform as likely duplicate respondents were excluded. Third, for each study, we preregistered exclusion criteria based on the scenario attention check. For Study 1, the attention check question read "*In the scenario you read, what were you looking to purchase?*", with five possible options consisting of *garden tools*, *lawn chairs*, *living room couch*, *outdoor shed*, and *patio umbrella*. Participants who did not correctly answer "lawn chairs" (n = 17) were excluded.

*p*s < .025). Participants who read about Acme having a limited amount of contractual ability over Beta (*M* = 3.72, *SD* = 1.53) believed Acme to be significantly less morally responsible than those who either read about intermediate (*M* = 4.05, *SD* = 1.56) or high levels of ability (*M* = 4.87, *SD* = 1.62). It is important to note however, that even participants in the limited contractual ability condition attributed some degree of moral responsibility to Acme.

The ANOVA also produced a significant main effect regarding the actual control that Acme exhibited over Beta's manufacturing process, $F(2, 1162) = 16.35$, $p < .001$, $\eta^2_p = .027$. Post-hoc analyses revealed significant differences between each level of the manipulation in a similar fashion as contractual ability, all *p*s < .05. In support of our hypothesis, participants who read about a high level of exhibited control attributed more moral responsibility to Acme ($M_{high} = 4.53$, $SD = 1.51$) than participants in either of the other conditions, ($M_{limited} = 3.88$, $SD = 1.59$; $M_{intermediate} = 4.26$, $SD = 1.67$).

In addition to these two main effects, the ANOVA also produced a small but significant two-way interaction between contractual ability and actual control on moral responsibility attributions, $F(4, 1162) = 3.09$, $p = .015$, $\eta^2_p = .011$. A series of simple main effect analyses revealed that participants who read about Acme having limited contractual ability only attributed more responsibility to Acme when Acme also exhibited high levels of actual control over Beta, $F(2, 391) = 10.75$, $p < .001$. In contrast, participants who read about Acme either having intermediate or high levels of contractual ability more greatly penalized Acme for its exhibition of actual control, $F(2, 378) = 11.39$, $p = .009$. and $F(2, 399) = 6.60$, $p = .002$, respectively.

Finally, recall that a secondary interest in Study 1 was whether the phrase used to describe the environmental harm (i.e., air pollution vs. GHG) had either a main or interactive influence on responsibility attributions. The phrase used did not have a significant influence on the degree of moral responsibility participants ascribed to Acme, $F(1, 1153) = 0.05$, $p = .816$, $\eta^2_p < .001$, and there were no significant two- or three-way interactions with either ability or control, $F(2, 1153) = 1.25$, $p = .288$, $\eta^2_p = .002$, $F(2, 1153) = 0.50$, $p = .607$, $\eta^2_p = .001$, and $F(4, 1153) = 0.68$, $p = .606$, $\eta^2_p = .002$, respectively.

We also ran the same 3(Ability) x 3(Control) x 2(Phrase) between-subjects ANOVA on participants' ratings of their likelihood to purchase lawn chairs from Acme. The ANOVA produced no significant two or three-way interactions (all *F*s < 1.00 and *p*s > .10) but it did produce a significant main effect of contractual ability $F(2, 1153) = 10.96$, $p < .001$, $\eta^2_p = .019$. Post-hoc analyses revealed that participants who read about Acme exhibiting a high level of contractual ability over Beta (*M* = -0.48, SD = 1.53) were less likely to purchase from Acme than participants in either the limited (*M* = 0.02, SD = 1.56) or intermediate ability (*M* = -0.12, SD = 1.50) conditions. In contrast to the moral responsibility findings, however, there was no significant main effect of actual control, $F(2, 1153) = 2.01$, $p = .134$, $\eta^2_p = .003$, meaning that participants did not alter their intentions to purchase from the Acme Corporation based on the control Acme exhibited over Beta.

The ANOVA also produced a small but significant main effect of phrase on participants' likelihood of purchasing, $F(1, 1153) = 6.97$, $p = .008$, $\eta^2_p = .006$, but this did

not significantly interact with any other factors (all ps > .10). Participants who read about Beta increasing local air pollution indicated that they were less likely to purchase from Acme than participants who read about Beta emitting GHGs. Importantly, participants reading about air pollution were unlikely to purchase from Acme Corporation, as shown by the group mean being significantly less than the scale midpoint of 0, (M = -0.33, SD = 1.55), t(576) = -5.04, p < .001, d = -.21, 95% CI [-0.29, -0.13]. The grand mean for participants who read about GHG emissions was not significantly different from the scale midpoint, meaning they generally rated themselves as neither likely nor unlikely to purchase from Acme, (M = -0.64, SD = 1.53, t(593) = -1.02, p =.307 , d = -.042, 95% CI [-0.19, 0.06].

3. Study 2

The results from Study 1 indicated that people attribute moral responsibility, even in the absence of a legal standard, to a buying company for harms created by a first-tier supplier. Additionally, people attribute a higher degree of moral responsibility to the firm both when the buying firm has increased ability to control as well as when it actually exhibits increased control over the manufacturing process of first tier supplier. Study 2 further investigated the boundaries of this finding by examining whether people attribute responsibility to a buying company for the harms produced by a *second-tier* supplier.

In Study 2, participants read a scenario that described and manipulated both the contractual and actual relationship between Acme and Beta in the exact same ways as Study 1. The scenario described the supply chain with three tiers, however, namely that Acme receives lawn chair parts from Beta, who now in turn sources materials from "The Century Corporation." Critically, Century Corporation is now the corporation responsible for producing the environmental harm, and we are interested in whether participants hold Acme Corporation morally responsible for Century's environmental wrongdoings.

Based on the null findings from Study 1, we also made one other key change to Study 2's design by no longer including 'phrase' (air pollution v. GHGs) as a scenario manipulation. Instead, all participants read about "local air pollution" as the environmental harm produced by Century Corporation's manufacturing.

Design, Participants, and Preregistration. Study 2 consisted of a 3 (Contractual Ability: low, intermediate, high) x 3 (Actual Control: low, medium, high) completely between-subjects design. We employed the same power calculations as in Study 1 to determine our target sample size but in anticipation of a potentially truncated effect, we preregistered a slightly larger target sample size of 700 Prolific participants. Also similar to Study 1, we oversampled slightly to ensure that enough statistical power for our key analyses remained after participant exclusions.[89] This resulted in an initial

[89] Study 2 followed the same exclusion criteria as Study 1, but with one notable exception. Study 2 employed three attention check measures to ensure participants attended to and comprehended the details of both the contractual and supply chain relationships (see Appendix A for the exact wording of these questions). We preregistered that we would exclude

collected sample of N = 786 Prolific participants but after all exclusions, our final sample consisted of N = 666 Prolific participants (302 men, 346 women, 15 identified otherwise, 3 did not answer; M_{age} = 44.35, SD_{age} = 15.72).

Study 2 Results. In a similar fashion as Study 1, we first examined whether there was a general sample-wide tendency to attribute moral responsibility to the buying corporation for the action of its second-tier supplier. Results showed that participants were indeed holding Acme morally responsible for the actions of Century. Unlike Study 1, however, the grand mean across all manipulations was significantly less than the scale midpoint, (M = 3.73, SD = 1.55), $t(665) = -4.50$, $p < .001$, d = -0.17, 95% CI [-0.39, -0.15]. This indicates that although participants hold Acme to some degree of moral responsibility for the air pollution from a second-tier supplier, the responsibility is truncated.

Our primary research question and preregistered analyses again regarded the contractual ability and actual control manipulations present in the scenario. We submitted the measure of moral responsibility attributions to a 3(Ability) x 3(Control) between-subjects ANOVA. In support of our hypothesis, the ANOVA produced a significant main effect of contractual ability, indicating that the contractual terms between Acme and Beta had an influence on the degree of moral responsibility participants attributed to Acme for Century's environmental harms, $F(2, 657) = 13.78$, $p < .001$, $\eta^2_p = .040$. Post-hoc analyses revealed significant differences across the three levels of contractual ability (all ps <.05), such that participants who read about Acme having more limited ability attributed less responsibility for the harms of Century than participants who read about Acme having higher levels of ability.

The ANOVA also produced a significant main effect of the actual control exhibited by Acme on the degree of perceived moral responsibility, $F(2, 657) = 8.12$, $p < .001$, $\eta^2_p = .024$. Post-hoc analyses revealed that participants who read about Acme having either a limited (M = 3.55, SD = 1.48) or intermediate (M = 3.59, SD = 1.56) amount of control perceived Acme as significantly less responsible than participants in the high-control condition (M = 4.09, SD = 1.57, ps < .005). Lastly, in a departure from the findings of Study 1, the ANOVA did not produce a statistically significant interaction between the ability and control factors on attributions of moral responsibility, $F(4, 657) = 0.71$, $p = .587$, $\eta^2_p = .004$.

We also examined participants' likelihood of purchasing lawn chairs from Acme by submitting them to a 3(Ability) x 3(Control) between-subjects ANOVA. In contrast to the findings from Study 1, this ANOVA did not produce a significant main effect for either ability $F(2, 657) = 1.70$, $p = .184$, $\eta^2_p = .005$, or control, $F(2, 657) = 0.19$, $p = .828$, $\eta^2_p = .001$, nor was there a significant interaction between the two, $F(4, 657) = 0.51$, $p = 0.732$, $\eta^2_p = .003$. This suggests that participants are not altering their purchasing

participants who incorrectly answered more than one of the three questions (n = 63). Put differently, all participants in the final analysis answered at least two of the three attention check questions correctly.

behavior towards the buying corporation based on environmental harms caused by a second-tier supplier.

4. Study 3

Studies 1 and 2 demonstrate that consumers hold a corporation morally responsible for the actions of both its first- and second-tier suppliers, even though those suppliers' actions do not create substantial legal risks. In these first two studies, participants were told to take on the point of view of a potential consumer and asked about purchasing behavior. Study 3 examined another relevant group—employees of for-profit corporations. We were interested in whether potential employees exhibit similar attributions of moral responsibility as potential customers, and if in turn that influences their likelihood to accept a job with Acme.

Although Study 3 described the same Acme-Beta supply chain relationship and included the same ability and control manipulations as Study 1, we made a couple of small but important changes in Study 3 to investigate the moral attributions of employees. Our first and most critical change in Study 3 involved narrowing our potential participant pool to Prolific participants who indicated in their screening questions that they are employees of a for-profit manufacturing or retail industry. Second, participants were asked to imagine that they were interviewing for a job with Acme Corporation, during which they were told about the supply chain relationship with Beta Corporation. Lastly, instead of a likelihood-of-purchasing measure, participants were asked a likelihood-of-job-acceptance measure, which was anchored and coded on the same 7-point scale as the purchasing measure.

Design, Participants, and Preregistration. Study 3 consisted of the same 3 (Contractual Ability: low, intermediate, high) x 3 (Actual Control: low, medium, high) completely between-subjects design that we used in the previous studies. We preregistered a target sample size of 600 employees, which would allow us roughly 80% statistical power to detect and deconstruct a small interaction effect between the factors. Our sampling procedure was akin to the first two studies, thus our initial data collection was for a sample of N = 650, but our final sample size for Study 3, after participant exclusions[90], consisted of N = 563 Prolific participants self-identifying as employees of for-profit corporations (244 men, 307 women, 10 identified otherwise, 2 did not answer; M_{age} = 37.62, SD_{age}= 10.45).

Study 3 Results. Study 3 allowed us to examine if potential employees of a corporation attribute moral responsibility to the corporation for the actions of its supplier. In support of our hypothesis and akin to the findings of the first two studies, participants generally thought Acme held a significant degree of moral responsibility,

[90] The attention check question used in Study 3 was the same as in Study 1, thus any participant who did not answer "lawn chairs" was excluded (n = 17).

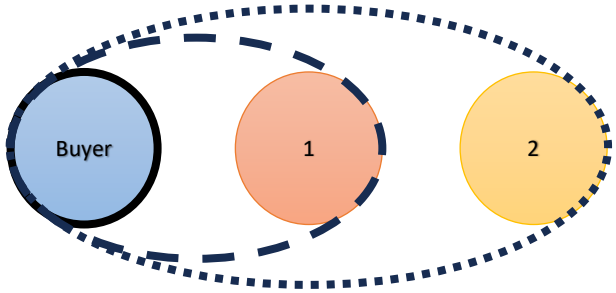
as the grand mean was significantly above the scale midpoint (M = 4.17, SD = 1.56), t(562) = 2.52, p = .012, d = 0.10, 95% CI[0.04, 0.29]. Additionally, these perceptions of moral responsibility significantly correlated with responses about job likelihood, such that the more responsibility they perceived Acme to have the less likely they were to accept the job a working there, r(563) = -0.21, p < .001, 95%CI[-0.28, -0.13]. Despite this relationship, however, participants still indicated they were more likely to take the job than not, as indicated by a one-sample t-test showing the grand mean to be significantly above the scale midpoint of 0 (M = 0.73, SD = 1.49), t(562) = 11.61, p < .001, 95% CI [0.61, 0.85]. This suggests that when reacting to a corporations' supplier's emissions, potential employees may be less willing than consumers to alter the relevant behavior.

Study 3 used the same analysis plan as the previous studies, namely a 3(Ability) x 3(Control) between-subjects ANOVA(s) on attributions of moral responsibility. In support of our hypotheses and similar to the previous findings, the ANOVA produced significant main effects for both the contractual ability and actual control factors, F(2, 554) = 24.36, p < .001, η^2_p =.081 and F(2, 554) = 19.55, p < .001, η^2_p =.031, respectively. For contractual ability, post-hoc analyses revealed that participants who read about Acme having a high level of contractual ability over Beta attributed a significantly higher degree of moral responsibility (M = 4.78, SD = 1.49, both post-hoc ps < .001) than participants who read about Acme having either limited (M = 3.77, SD = 1.56) or intermediate (M = 3.99, SD = 1.45) levels of contractual ability. The latter two groups did not differ in their perceptions (p = .344).

Post-hoc analyses revealed an opposite pattern, however, for the control manipulation. Participants who read about Acme engaging in limited actual control (M = 3.82, SD = 1.44) attributed significantly less moral responsibility than participants who read about either intermediate (M = 4.35, SD = 1.64) or high (M = 4.34, SD =1.54) levels of control (post-hoc ps =.001 and .002, respectively). In turn, the latter two groups did not differ in their perceptions (p=.998). Lastly, the ANOVA did not produce a significant interaction, F(4, 554) = 1.79, p = .129, η^2_p =.013.

5. Overview of Findings

This study examined situations in which people may perceive a corporate buyer to have a moral boundary that extends beyond the legal boundary regarding environmental harms created by suppliers. Across all three studies (total N = 2400), we found that peoples' perceptions of the moral responsibility of a buying company we broader than its legal responsibility for its suppliers' environmental wrongdoings. People attributed significant degrees of moral responsibility to the buying corporation for the environmental harms caused by its suppliers—despite not being told of any legal requirements or responsibility by the buying corporation. We also found consistent evidence that higher levels of both contractual ability to control suppliers and the actual exhibited control influenced moral responsibility attributions. Figure 1 depicts the legal boundary of a corporate buyer with a solid line and the moral boundaries suggested by the survey results for first-tier and second-tier suppliers with dotted lines.



The research also presented evidence that other relevant factors influence people's perceptions of a buying corporations' moral responsibility for the harms of its suppliers. Although people generally believed the buying corporation held some degree of moral responsibility for the environmental harms caused by both first-tier (Study 1) and second-tier (Study 2) suppliers, Study 2 suggested that the moral responsibility is less when the producer of the harm is one step further down the supply chain and further removed from the buyer. Lastly, the research provided evidence for a broader moral boundary of the firm with two key relevant social groups, the potential retail customers (Studies 1 and 2) of the firm and the potential future employees of the firm (Study 3), although the effects on retail customers were somewhat limited. Future studies should manipulate these and additional situational factors to examine potential further influences on peoples' perceptions of the moral boundary of the firm.

IV. THE ROLE OF THE MORAL BOUNDARY

The survey results demonstrate that retail customers, employees, and community stakeholders attribute responsibility to corporate buyers in many situations that pose little or no substantial risk of legal liability. These results demonstrate that the moral boundary is broader than the legal boundary for many individuals who can affect the economic success of firms, and the three studies delineate the contours of the moral boundary. It is thus not surprising that many companies feel pressure to engage in climate mitigation actions even when they have outsourced emissions-heavy aspects of their businesses and that they take this pressure seriously even though the legal risk is low. The survey results are valuable for at least three reasons: (1) they help explain firm behavior regarding environmental and climate requirements in supply chain contracting; (2) they suggest the value of accounting for the moral boundary when teaching law and business students; and (3) they suggest the value of additional research on accounting for the moral boundary when assessing the efficiency of the legal boundary of the firm.

A. Explaining Firm Behavior

Supply Chain Motivations. To what extent does the broad moral boundary of the firm explain climate change mitigation activities by corporate buyers? Supply chain buyers are typically not legally liable for the acts of their contractors and few, if any, laws require

them to regulate the environmental actions of their suppliers. Yet as we noted at the outset of this Article, supply chain contracting requirements are remarkably widespread, with roughly 80% of the largest firms in seven global sectors imposing environmental requirements on their suppliers.[91] Why? The drivers for these supply chain requirements could include responses to government regulation that have been identified for years, such as a desire to raise rivals' costs and anticipation of future regulation. For instance, the SEC has identified the physical and transition risks of climate change as sources of potentially material financial risks to investors, and for transition risks the SEC has provided examples of how government regulations or carbon pricing may affect the demand for a company's products.[92]

The drivers also could include several non-reputation-based and non-regulatory factors. For instance, cost savings can occur from the efficiency gains that often arise from reducing energy and resource use associated with carbon reductions.[93] Garvey et al. find that ESG performance is positively related to future profitability and improved stock returns in large part because "carbon emission works like an input to production along with the more traditional capital and labour," thus ESG initiatives can reduce this input and the costs of production.[94]

These drivers of firm behavior are important, but reputation-based concerns are likely to provide strong additional motivations for inclusion of environmental requirements in supply chain contracting if suppliers are included in the moral boundary of the firm. If retail customers, employees, and likely local communities hold beliefs consistent with the survey results, a firm manager cannot treat a third-party supplier as an unrelated third party without accounting for reputational concerns. Environmental harms caused by the supplier will be attributed to the buyer by key stakeholders, thus prudent managers may find ways to reduce the harms caused by the seller or at least obscure them from view.

The moral boundary is nuanced, however. For instance, the assignment of blame occurs among consumers but appears to have limited effects on whether they will buy a firm's products. Similarly, the assignment of blame increases with the level of control the buyer exercises over the supplier, potentially creating reputational risks for those firms that impose controls on suppliers but fail to implement them successfully.

The survey results thus have complex implications. The results suggest not only that firms face reputational risks from suppliers' polluting activities, but also that they may have incentives to avoid imposing pollution-reduction conditions in their supply-chain contracts because consumers are less likely to assign moral responsibility to them if they

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[91] As we indicated in note 8, there is some indication that the growth in supply chain contracting requirements may have reversed as to greenhouse gas requirements, with the CDP 2024 report finding that only 15% of corporate buyers impose greenhouse gas emissions targets on their suppliers.

[92] *See* U.S. Securities and Exchange Commission, *supra* note 32.

[93] *See* Khan M.R. Taufique, Kristian S. Nielsen, Thomas Dietz, Rachael Shwom, Paul C. Stern & Michael P. Vandenbergh, *Revisiting the Promise of Carbon Labeling*, 12 NATURE CLIMATE CHANGE 132, 134-40 (2022) (discussing examples of corporations identifying efficiencies arising from reducing the carbon footprint of their products). See also McKinsey at https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx at 5

[94] See Gerald T. Garvey et al., *Carbon Footprint and Productivity: Does the "E" in ESG Capture Efficiency as Well as Environment?*, 16 J. OF INVESTMENT MGMT. (2018). As we note supra n. 31, litigation is underway based on the reverse allegation – that ESG activities have reduced firm profits.

do not appear to exert control over their suppliers' emissions. In addition, the survey results are consistent with the observed pattern of corporate buyers focusing more on first-tier suppliers than second- or other-tier suppliers. Our respondents attributed moral responsibility to first- and second-tier suppliers, but the intensity of the attribution faded as the distance between the buyer and the supplier grew.

B. Assessing the Policy Implications of the Legal and Moral Boundaries

The economics and management literatures have explored the economic determinant of the "make" versus "buy" decision by corporations – should they make an input used in downstream production or should they acquire the input from an upstream supplier?[95] This literature focuses on comparative production costs. A more recent, but still largely undeveloped literature focuses on the economic question of who should be held liable for harms caused in the upstream production process as between the purchasing firm and the upstream supplier.[96] We have observed that, at least in the U.S., corporations are largely protected from legal liability for harms caused by their upstream suppliers.[97] This arrangement may be efficient if upstream suppliers are better situated to prevent harms to the environment or to their workforce than the downstream purchasing firms. But even if upstream suppliers have a lower cost of avoiding harms, they may not do so if they do not internalize the costs imposed on others by their production methods. Downstream buyers, however, may be in a position to impose the costs of avoiding harms on their suppliers, thus encouraging them to adopt harm prevention strategies. Downstream buyers may also be willing to pay more to the suppliers who adopt harm-reduction operating processes. But why would they do this if they cannot be held liable?

Despite the apparent lack of direct financial incentives encouraging buyer corporations to address social harms caused by their suppliers, there is evidence that many corporations are becoming more active in pressing their upstream suppliers to meet stricter standards for environmental and social performance.[98] Why would they do this? In this Article, we have explored whether customers and potential future employees might be motivated by moral judgments against buyer corporations for harms that happen up in the supply chain. These moral judgments may be costly to corporations if potential customers reduce their demand for the downstream buyer's products, or if potential employees are discouraged from accepting or remaining in jobs with the

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[95] *See, e.g.*, Oliver Williamson, *Transaction Cost Economics: The Governance of Contractual Relations*, J. OF L. AND ECON. 233 (1979); Bengt Holmstrom and John Roberts, *The Boundaries of the Firm Revisited*, 12 J. OF ECON. PERSPECTIVES 73 (1998); Joseph L. Badaracco, Jr., The Boundaries of the Firm, in AMITAI ETZIONI AND PAUL R. LAWRENCE, SOCIO-ECONOMICS: TOWARD A NEW SYNTHESIS, Routledge, 1994, 293 – 327; John T. Mentzar, et. al., *Defining Supply Chain Management*, 1 J. OF BUSINESS LOGISTICS 18 (2001).

[96] See, e.g., Carsten Koenig, An Economic Analysis of Supply Chain Liability, Working Paper (September 2024), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4819667; Sarah Labowitz and Dorothee Baumann-Pauly, "Business As Usual Is Not an Option – Supply Chain Sourcing after Rana Plaza," NYU Center for Business and Human Rights Report (April 2014), available at http://www.stern.nyu.edu/sites/default/files/assets/documents/con_047408.pdf.

[97] *See* text, *supra* n. 7.

[98] *See, e.g.*, Livia Ventura, *Supply Chain Management and Sustainability: The New Boundaries of the Firm*, 26 UNIF. L. REV. 599, 603 (2021)(observing that "an increasing number of private enterprises are setting and enforcing strict supply chain's internal regulations to assess social, environmental, and integrity performances of prospective supplier").

downstream buyer. In the terms used in this paper, potential customers and employees are operating under a "moral boundary" of firms that is broader and encompasses more activity than would create liability under the "legal boundary" of the firm.

As the survey results demonstrate, firms operate in an economic and social milieu in which they are being held morally responsible for some actions that are not legally required and do not create meaningful risks of legal liability. Accounting for this moral boundary is important when assessing not only the motivations of firm managers, but also the firm-specific and society-wide effects of the legal boundary. In short, the narrow legal boundary creates incentives for risk-taking by investors and externalization of harms by corporate buyers. These incentives may increase economic activity, but they also can lead to investments that have negative social effects to the extent that firms do not have to account for the harms such as those arising from their GHG and other air pollutant emissions.

In contrast, the more extensive moral boundary provides countervailing pressure against the incentives for risk-taking and externalization by creating risks of reputation-based economic harms to the firm's ability to sell products to retail consumers, recruit and retain employees, and gain the support of community stakeholders for facility expansions and other activities. But it does so by moderating rather than eliminating those incentives. In fact, this combination of a formal legal boundary that is risk- and externality-promoting combined with an informal socially and economically enforceable moral boundary that is risk- and externality-inhibiting creates strong legal and economic incentives for productive activity but also surprisingly strong, if soft, social and economic pressures to reduce negative externalities.

It is unclear if the legal and moral boundaries create the optimal balance of hard and soft incentives for firm behavior, but the interplay of these boundaries raises interesting questions that should be explored in greater detail by researchers and in the classroom. In particular, assessments of the effects of the legal boundary should account for these moral boundary effects on firm behavior. Research is also needed to better define the contours and effects of the moral boundary.

The two boundaries not only interact, but they also likely shift over time. Courts reduce or expand the legal boundary, such as through expanding or narrowing the risk that firms will be liable for the torts of third parties. At the same time, the public's moral norms shift in response to new information, such as through retail customers and other stakeholders using social media to increase information flow and broaden ascriptions of moral responsibility as they become aware of new environmental threats such as climate change. When the public confronts the effects of narrowing legal boundaries and government gridlock on climate mitigation actions, the narrowing legal boundary may provoke a widening moral boundary, with the public expressing widely-held preferences for climate mitigation through naming and shaming of firms and their suppliers. Of course, this public naming and shaming can work both ways. In the last several years, anti-ESG naming and shaming on the right has led large corporate buyers, such as Tractor Supply Company, and investment funds, such as Blackrock, to retreat from climate-related ESG statements, including climate-related

supply-chain contracting.[99] An accurate understanding of the moral boundary of the firm and its interactions with the legal boundary can inform assessments of the efficiency of the resulting combination of legal and moral effects on firm behavior and thus can contribute to reforms to the legal boundary.

The survey results also suggest a response to critiques that managers are allowing their preferences to inappropriately affect their decision-making. Well-informed managers are likely aware of the broad moral boundary held by their retail customers, employees, and community stakeholders regarding environmental issues, and these managers may be folding the resulting reputations risks into their efforts to improve shareholder monetary returns. The moral boundary evident from the survey results support corporate managers' efforts to police their suppliers' behavior more strictly than the tort and government regulatory requirements would suggest – for instance to insist on reductions in the carbon emissions and other climate impacts of their suppliers (e.g., scope 3 GHG emissions) even when there is no regulatory requirement to do so. It is important to recognize, though, that the survey results suggest that if firms are perceived to be increasing their control over their suppliers, they also may be increasing their exposure to moral blame-casting.

The extensive literature on corporate overcompliance or "voluntary" environmental measures has identified brand or reputation pressure as a driver of corporate activity, but corporate responses are often assumed to be limited to consumer willingness to pay for green goods. The survey results reinforce the notion that retail consumers in the United States often have limited willingness to change purchasing behavior based on environmental factors, but retail consumers do include suppliers within a firm's moral boundary, and the views of employees and community stakeholders are likely to play an important role as well. The survey results thus bolster the view that managers are likely often acting not just in response to their own values but in response to the potential effects on firm profitability of employees and others beyond retail consumers. The moral boundary-driven influences may not be hard law commands that are enforceable through a court order, but they may have equal or greater effect on a firm's incentives to engage in climate mitigation or reduce pollution than a risk of tort liability or government regulatory enforcement.[100]

V. CONCLUSION

We investigate the moral and legal boundaries of the firm regarding climate and environmental initiatives. We report on the results of an empirical study demonstrating

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[99] *See* Tractor Supply Company, Tractor Supply Company Statement at https://corporate.tractorsupply.com/newsroom/news-releases/news-releases-details/2024/Tractor-Supply-Company-Statement/default.aspx.

[100] See Wesley A. Magat & W. Kip Viscusi, *Effectiveness of the EPA's Regulatory Enforcement: The Case of Industrial Effluent Standards,* 33 J. L & ECON. 331 (1990)(examining substantial compliance with Clean Water Act permit standards and concluded that substantial compliance occurred only 75% of the time). Similarly, studies of environmental enforcement have concluded that many facilities are rarely inspected by federal or state government enforcement officials. See OFFICE OF INSPECTOR GENERAL, U.S. ENVIRONMENTAL PROTECTION AGENCY, EPA MUST IMPROVE OVERSIGHT OF STATE ENFORCEMENT (2011).

that the public perception of the moral boundary of the firm is much broader than the legal boundary of the firm regarding responsibility for the actions of third-party supply chain contractors. In other words, our study suggests that people hold corporations ethically and morally responsible for actions far outside their legal responsibilities. The results suggest that potential retail customers, employees, and others assign moral blame to corporate buyers for the GHG and other air pollution emissions of their first- and second-tier suppliers. The environmental requirements imposed by corporate buyers on corporate sellers thus may be a rational response to the economic risks perceived by these stakeholders. The moral boundary is nuanced, however: the assignment of blame has limited effects on consumer behavioral intentions, increases with the level of control the buyer exercises over the supplier, and decreases from tier one to tier two suppliers.

By establishing the existence of a moral boundary of the firm that is broader than the legal boundary, the survey results increase our ability to explain firm behavior regarding climate change and a wide range of other ESG issues. Additional research is needed, though, to understand the extent and contours of the moral boundary and the implications for corporate management and environmental law and policy. Additional research is also needed on the ways that the moral and legal boundaries interact. The narrow legal boundary incentivizes risky behavior and externalization of harms, while the reputational effects of the broader moral boundary provide softer but important social and economic constraints on those incentives. The optimal balance between the legal and moral boundaries is difficult to assess, but an understanding of firm behavior and the optimal legal boundary is not complete without a more thorough understanding of the moral boundary.

APPENDIX A

A. Scenario Opening

Study 1. Imagine that you are looking to purchase new outdoor furniture for your home. There are multiple competitors that you can purchase furniture from and there is not much variation among the furniture. When looking for lawn chairs, you discover **The Acme Corporation**. The Acme Corporation, located in Ohio, is a company that assembles and sells lawn chairs and sells them to retail stores across the United States.

The Acme Corporation has a contract to purchase some lawn chair parts from **The Beta Corporation**. The Beta Corporation factories are in Indiana. Recently, it has become publicly known that The Beta Corporation uses a manufacturing process that has been shown to increase local air pollution [emit greenhouse gasses].

Study 2. Imagine that you are looking to purchase new outdoor furniture for your home. There are multiple competitors that you can purchase furniture from and there is not much variation among the furniture. When looking for lawn chairs, you discover **The Acme Corporation.** The Acme Corporation, located in Ohio, is a company that assembles and sells lawn chairs and sells them to retail stores across the United States.

The Acme Corporation has a contract to purchase some lawn chair parts from **The Beta Corporation**, and the Beta Corporation sources the materials for the lawn chair parts from **The Century Corporation.** The Century Corporation factories are in Indiana. Recently, it has become publicly known that The Century Corporation uses a manufacturing process that has been shown to increase local air pollution.

Study 3. Imagine that you are looking for a new job at a factory production facility. You have experience working at different types of facilities that produce and assemble outdoor furniture. When looking at companies that sell outdoor furniture, you discover **The Acme Corporation.** The Acme Corporation, located in Ohio, is a company that assembles and sells lawn chairs and sells them to retail stores across the United States.

You receive an interview for the manufacturing facility. During your interview, you find out that The Acme Corporation has a contract to purchase some lawn chair parts from **The Beta Corporation.** The Beta Corporation factories are in Indiana. Recently, it has become publicly known that The Beta Corporation uses a manufacturing process that has been shown to increase local air pollution.

B. Scenario Manipulations

1. Contractual Ability Manipulation

Limited contractual ability. Acme's contract with The Beta Corporation allows Acme to have limited input into the manufacturing process. According to the contract, Acme is allowed to set requirements regarding the minimum quality standards of the lawn chair parts, as well as holding the rights to purchase the parts.

Intermediate contractual ability. Acme's contract with The Beta Corporation allowed Acme to have some input into the manufacturing process. According to the contract, Acme is allowed to periodically inspect Beta's manufacturing facilities in Indiana, as well as require Beta to comply with both local laws and industry standards.

High contractual ability. Acme's contract with The Beta Corporation allowed Acme to have complete input into the manufacturing process. According to the contract, Acme is allowed complete control and input over all parts of Beta's manufacturing process, from material sourcing to the building and operation of the machines and facilities.

2. Actual Control Manipulation

Limited actual control. Once the manufacturing process was ready to begin, Acme communicated a list of lawn chair part quality requirements and standards to the Beta corporation manufacturing facilities in Indiana, but otherwise was not involved in the manufacturing process.

Intermediate actual control. Once the manufacturing process was ready to begin, Acme sent inspectors to the Beta Corporation lawn chair part facility in Indiana to check that they were following local laws and industry standards.

High actual control. Once the manufacturing process was ready to begin, Acme employed inspectors to oversee and direct the manufacturing process at the facilities for Beta Corporation in Indiana. They also provided the production equipment, fuel, and helped source raw materials for building lawn chair parts.

C. Main Measures

Study 1 Measures.

In your view, is The Acme Corporation morally/ethically responsible for the air pollution [greenhouse gasses] created by **Beta Corporation's** manufacturing process?

(1) Not at all responsible
(2) Barely responsible
(3) Slightly responsible
(4) Somewhat responsible
(5) Moderately responsible
(6) Mostly responsible
(7) Extremely responsible

Based upon the information in the scenario, how likely are you to buy a lawn chair from The Acme Corporation?

(-3) Extremely unlikely
(-2) Somewhat unlikely
(-1) Slightly unlikely
(0) Neither likely nor unlikely
(1) Slightly likely
(2) Somewhat likely
(3) Extremely likely

You answered that The Acme Corporation is "X responsible" for the air pollution [greenhouse gases] created by Beta Corporation's manufacturing process. Please explain your answer in your own words. Why do you believe that The Acme Corporation is "X responsible"?

Based on the information provided in the scenario, does the Acme Corporation's contract allow for input into the pollution created by Beta Corporation's manufacturing process?

(1) Yes (2) No

Based on the information provided in the scenario, is The Acme Corporation legally responsible for the pollution created by Beta Corporation's manufacturing process?

(1) Yes (2) No

In the scenario you read, what were you looking to purchase?

(1) Garden tools

(2) Lawn chairs
(3) Living room couch
(4) Outdoor shed
(5) Patio umbrella

Study 2 Measures.

In your view, is The Acme Corporation morally/ethically responsible for the air pollution created by **Century Corporation's** manufacturing process?

(1) Not at all responsible
(2) Barely responsible
(3) Slightly responsible
(4) Somewhat responsible
(5) Moderately responsible
(6) Mostly responsible
(7) Extremely responsible

Based upon the information in the scenario, how likely are you to buy a lawn chair from The Acme Corporation?

(-3) Extremely unlikely
(-2) Somewhat unlikely
(-1) Slightly unlikely
(0) Neither likely nor unlikely
(1) Slightly likely
(2) Somewhat likely
(3) Extremely likely

Would learning about Beta's supplier relationship with Century make you more or less likely to buy a lawn chair from The Acme Corporation?

(-3) Extremely less likely
(-2) Somewhat less likely
(-1) Slightly less likely
(0) Would not change my purchase intention
(1) Slightly more likely
(2) Somewhat more likely
(3) Extremely more likely

You answered that The Acme Corporation is "X responsible" for the air pollution created by Century Corporation's manufacturing process. Please explain your answer in your own words. Why do you believe that The Acme Corporation is "X responsible"?

Based on the information provided in the scenario, does the Acme Corporation's contract allow for input into the pollution created by Century Corporation's manufacturing process?

(1) Yes (2) No

Based on the information provided in the scenario, is The Acme Corporation legally responsible for the pollution created by Century Corporation's manufacturing process?

(1) Yes (2) No

In the scenario you read, what were you looking to purchase?

(1) Garden tools
(2) Lawn chairs
(3) Living room couch
(4) Outdoor shed
(5) Patio umbrella

In the scenario you read, which corporation produced pollution?

(1) The Acme Corporation
(2) The Beta Corporation
(3) The Century Corporation

Which contract was described in the scenario you read?

(1) The contract between Acme and Beta
(2) The contract between Beta and Century
(3) The contract between Acme and Century

Study 3 Measures.

Based upon the information in the scenario, how likely are you to accept a job offer from The Acme Corporation?

(-3) Extremely unlikely
(-2) Somewhat unlikely
(-1) Slightly unlikely
(0) Neither likely nor unlikely
(1) Slightly likely
(2) Somewhat likely
(3) Extremely likely

In your view, is The Acme Corporation morally/ethically responsible for the air pollution created by **Beta Corporation's** manufacturing process?

(1) Not at all responsible
(2) Barely responsible
(3) Slightly responsible
(4) Somewhat responsible
(5) Moderately responsible

(6) Mostly responsible
(7) Extremely responsible

You answered that The Acme Corporation is "X responsible" for the air pollution created by Beta Corporation's manufacturing process. Please explain your answer in your own words. Why do you believe that The Acme Corporation is “X responsible"?

Based on the information provided in the scenario, does the Acme Corporation’s contract allow for input into the pollution created by Beta Corporation’s manufacturing process?
(1) Yes (2) No

Based on the information provided in the scenario, is The Acme Corporation legally responsible for the pollution created by Beta Corporation’s manufacturing process?
(1) Yes (2) No

In the scenario you read, what is The Acme Corporation a distributor of? Garden tools
(1) Lawn chairs
(2) Living room couch
(3) Outdoor shed
(4) Patio umbrella