

## SUSTAINABILITY CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

By  
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### I. Abstract:

Corporate Social Responsibility (CSR), a term widely used for defining the responsibilities of Corporate world towards the society & environment. Although the term is not new in this Corporate world but its scope & meaning has undergone major changes from treating it as a mere charity in comparison with the responsibilities/duties of the Corporate towards the outer world.

There are many big entities who have been actively engaged in the CSR activities but unfortunately the number is relatively less. In order to encourage more entities to participate in the process of development of the society via- CSR, the Government of India has actually implemented the concept of CSR in the new Companies Act 2013, On 27th February, 2014, the Government of India has notified the rules for CSR spending u/s 135 of the New Companies Act 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 effective from 1st April 2014.

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into

a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholder including consumers, employees, investors, communities, and others.

The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

Proponents argue that corporations increase long term profits by operating with a CSR perspective, while critics argue that CSR distracts from business' economic role. A 2000 study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral

financial impact, were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes.

Critics questioned the "lofty" and sometimes "unrealistic expectations" in CSR. or that CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

Political sociologists became interested in CSR in the context of theories of globalization, neoliberalism and late capitalism. Some sociologists viewed CSR as a form of capitalist legitimacy and in particular point out that what began as a social movement against uninhibited corporate power was transformed by corporations into a 'business model' and a 'risk management' device, often with questionable results.

CSR is titled to aid an organization's mission as well as a guide to what the company stands for to its consumers. Business ethics is the part of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation.

The notion is now extended beyond purely commercial corporations, e.g. to universities.

Turning the CSR from voluntary activities to the mandated responsibilities, also governed by the bundle of regulations as follows:

## II. INTRODUCTION

The demand for sustaining excellence is related to a lot of issues. In the past, many activities of companies have primarily been led by programmes. As a result, at the very beginning it has been obvious that a programme has a lifespan – and then the next programme will follow. This is not a good precondition for sustainable success. Therefore, different approaches had to be found to gain sustainability based on a continuous improvement process. But again, there are limits if not all relevant target groups are in the focus. As a consequence, this topic deals with the relevance of a stakeholder orientation in a frame of corporate social responsibility as a precondition for sustainability

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Eligibility Criteria:

Company (includes foreign company with branches or project in India) having:

Minimum net worth of rupees 500 Crore.

Turnover up to "1000 Crore" having a net profit of at least '5crore' during any financial year, are covered by this provision.

Composition of CSR Committee

The Company should constitute a Corporate Social Responsibility Committee as follows:

1. The Committee shall consist of minimum 3 (three) including 1 (one) Independent Director, however in case of Private Company or the Company, which is not required to appoint Independent Director on board, or Foreign Company the committee can be formulated with (2) two directors.

2. The CSR Policy shall be formulated in accordance with Schedule VII and the CSR Committee will be responsible for framing the policy, finalizing the amount to be spent on CSR, monitoring & implementation of the Scheme.

3. If Company ceases to fulfill the eligibility criteria for three consecutive years, then the company is not required to comply until the company will meet the eligibility criteria once again.

The CSR Rules provides the manner in which CSR committee shall formulate, monitor the policy and manner of understanding for CSR activities.

Under the rules, the Government has also fixed a threshold limit of 2% of the "Average" Net Profits of the block of previous three years on CSR activities and if Company fails to spend such amount, disclosures are to be made for the same. But an exemption has been given to the Companies that do not satisfy the above threshold for three consecutive years.

### III. COMPANIES ACT 2013

'Governance' is derived from the Greek verb *kubernáo* meaning 'to steer'. A Brief on CSR Activities as prescribed under Schedule VII of CA, 2013

1. Objective to efface the daily life segments including poverty, malnutrition and hunger while enhancing the standard of living and promoting the facets of better health care and sanitation.

2. Initiative to promote the different segments of education including special education and programs to enhance the vocation skills for all ages like children, women, elderly and conducting other livelihood enhancement projects.

3. Aim to bring the uniformity in respect of different sections of the society to promote gender equality and other facilities for senior citizens and developing hostels for women and orphans and taking initiative for empowering women and lowering inequalities faced by socially and economically backward groups.

4. Elevate the segment of flora and fauna to bring the ecological balance and environmental sustainability in respect of animal welfare, conservation of natural resources and agro forestry while maintaining the quality of air, water and soil.

5. Enhancement of Craftsmanship while protecting art and culture and measures to restore sites of historical importance and national heritage and promoting the works of art and setting up of public libraries.

6. Steps to bring worthy to the part of war windows, armed force veterans and their departments.

7. Sports programs and training sessions to enhance the level of rural sports, nationally recognized sports, Paralympic sports and Olympics sports.

8. Favoring to Prime Minister's National Relief Fund and contribution to other fund set up by the central government to promote

socio-economic development and welfare of the schedule castes and Schedule Tribes and for supporting backward classes, minorities and women.

9. To uplift the technology of incubator that's comes under academic institutions and which are approved by the Central Government.

10. Introducing varied projects for Rural Development.

The below activities doesn't include under the CSR activities of the Company.

1. Business run in the normal course.

2. Outside the territory of the India or abroad.

3. For the welfare of tshe employees and their families.

4. Political party contribution of any amount directly and indirectly as defined u/s 182 of the Act.

The above CSR activities shall be undertaken by the Company, as per its stated CSR policy, in consonance with the new or ongoing projects excluding activities undertaken in pursuance of its normal course of business. The Board of Directors may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society.

#### IV. BACKGROUND AND CONTEXT

Sustainability (corporate sustainability) is derived from the concept of sustainable development which is defined by the Brundtland Commission as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”<sup>4</sup>. Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business, which is a larger idea, a fact that is evident from various sustainability frameworks. An interesting case in point is the NVGs for social, environmental and economic responsibilities of business issued by the Ministry of Corporate Affairs in June 2011. Principle eight relating to inclusive development encompasses most of the aspects covered by the CSR clause of the Companies Act, 2013. However, the remaining eight principles relate to other aspects of the business. The UN Global Compact, a widely used sustainability framework has 10 principles covering social, environmental, human rights and

governance issues, and what is described as CSR is implicit rather than explicit in these principles.

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## V. SCOPE AND OBJECTIVE

### Yearly Compliances:-

1. The Annual Report of the Company shall include a comprehensive Report on CSR in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014, containing particulars on Overview of CSR Policy, Composition of the Committee, Avg. Net Profit, prescribed expenditure and details of its spending, reason in case of failure etc.

2. The disclosure on CSR in Board Report should also be available on the Company's Website.

3. The activities included in the CSR Policy and the prescribed expenditure being undertaken/ spent shall be ensured by the Board, in the respective manner. This means all the Companies falling in the aforesaid criteria needs to ensure CSR compliance but it is debatable to say that the same is for welfare of the society or the companies are doing it just to avoid penalties. CSR stands to support the Company's Vision as well as directions to what Organization stands for and will sustain its clients. An ISO 26000 is the accepted worldwide standard for Corporate Social Responsibility (CSR).

**CSR term has been reevaluated with an aim to embrace responsibility for the**

**Company's actions and encourage a positive impact through its activities on the environment, consumers, conscience, corporate citizenship, social performance, employees, communities and all stakeholders.**

## VI. OVERVIEW OF DISSERTATION

### CSR in India

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India's freedom movement, and embedded in the idea of trusteeship. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official

websites, annual reports, sustainability reports and even publishing CSR reports. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

## VII. CONCLUSION AND SUMMARY

### Benefits of CSR programme

- a. As the business environment gets increasingly complex and stakeholders become vocal about their expectations, good CSR practices can only bring in greater benefits, some of which are as follows:
- b. • Communities provide the licence to operate: Apart from internal drivers such as values and ethos, some of the key stakeholders that influence corporate behaviour include governments (through laws and regulations), investors and customers. In India, a fourth and increasingly important stakeholder is the

community, and many companies have started realising that the 'licence to operate' is no longer given by governments alone, but communities that are impacted by a company's business operations. Thus, a robust CSR programme that meets the aspirations of these communities not only provides them with the licence to operate, but also to maintain the licence, thereby precluding the 'trust deficit'.

- c. • Attracting and retaining employees: Several human resource studies have linked a company's ability to attract, retain and motivate employees with their CSR commitments. Interventions that encourage and enable employees to participate are shown to increase employee morale and a sense of belonging to the company.
- d. Communities as suppliers: There are certain innovative CSR initiatives emerging, wherein companies have invested in enhancing community livelihood by incorporating them into their supply chain. This has benefitted communities and increased their income levels, while providing these companies

with an additional and secure supply chain.

- e. • Enhancing corporate reputation: The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programmes. This allows companies to position themselves as responsible corporate citizens.
- f. The CSR clause of the new Companies Act, 2013 may be critical for SMEs. By requiring companies, with a minimum net profit of 5 crore INR, to spend on CSR activities, the Companies Act, 2013 is likely to bring in many SMEs into the CSR fold. The SMEs will have to quickly learn to be compliant with these diverse set of requirements.

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