

Course 2T6 – Corporate Social Responsibility & Sustainability

Module 1: Introduction to CSR- Meaning & Definition of CSR, History & evolution of CSR, Motives of CSR, Benefits and Internal scope of CSR, Enterprise Social Responsibility, Concept of sustainability & Stakeholder Management. CSR through triple bottom line and Sustainable Business; environmental aspect of CSR; Chronological evolution of CSR in India

CO1: Given the concept of CSR, the future manager will be able to identify the various activities which can benefit the organization under the banner of CSR.

Q1: Explain the concept of CSR. List some CSR activities of an organisation.

Answer:

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. It is important to distinguish between CSR, and charity, sponsorships or philanthropy. Though it can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Corporate social responsibility (CSR) is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature or by engage in or support volunteering or ethically-oriented practices. While once it was possible to describe CSR as an internal organisational policy or a corporate ethic strategy, that time has passed as various international laws have been developed and various organisations have used their authority to push it beyond individual or even industry-wide initiatives. While it has been considered a form of corporate self-regulation for some time, over the last decade or so it has moved considerably from voluntary decisions at the level of individual organisations, to mandatory schemes at regional, national and international levels.

Corporate Social Responsibility (CSR) is a concept that suggests that it is the responsibility of the corporations operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large. Although there is no fixed definition, however the concept revolves around that fact the corporations needs to focus beyond earning just profits. The term became popular in the 1960s and now is formidable part of business operations. Key CSR Activities / Areas: Education, environment, community development, health, safety, security, resource and energy conservation, women empowerment, skill development and livelihood generation.

Q2: Companies use various frameworks to manage their responsibilities, practices and other related issues of organization. Elaborate the role of the companies with the help of various frameworks to manage their CSR. (Students can use diagrams wherever possible)(3.5 marks - each framework + 2 marks - introduction)

Answer:

Companies have a greater responsibility towards the environment. In the present era, there are many consultants and experts who are helping companies inside and outside to be socially more responsible. There are four influential frameworks that are primarily used by the companies. These frameworks have been developed over a period of time. They are:

- | | |
|-----------------------------|-----------------------------------|
| 1) The CSR Pyramid | by Archie Carroll |
| 2) The Stakeholder Approach | by R. Edward Freeman |
| 3) The Triple bottom Line | by John Elkington |
| 4) Shared Value | by Michael Porter and Mark Kramer |

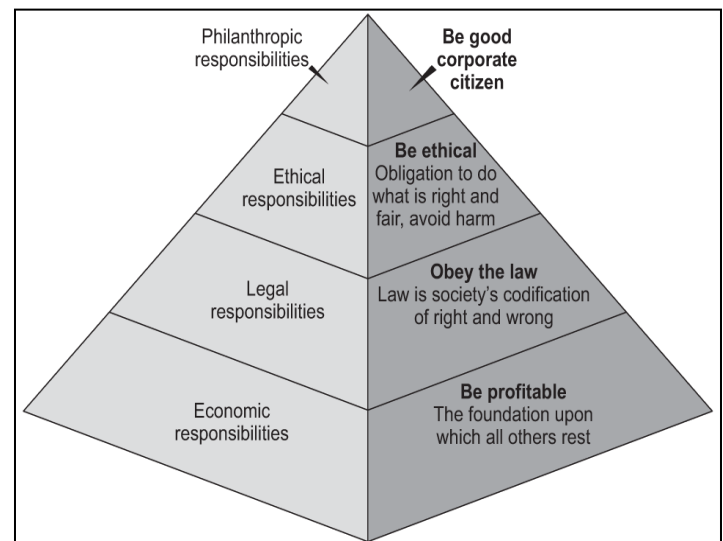
These frameworks help companies: (THINK – MANAGE – COMMUNICATE)

- To **THINK** about their responsibilities in terms of what, to whom, why and how
- To **MANAGE** their organizational system and resources
- To **COMMUNICATE** externally about their CSR activities

The frameworks are discussed as follow:

1. The CSR Pyramid

- It creates a formative influence on CSR
- It distinguishes four types of responsibilities in a hierarchy
- Carroll distinguishes the types of social issues and different business responses to such issues
- It was criticized to be overly descriptive and finding difficulty to manage the tensions arising between economic, legal and ethical issues.



2. The Stakeholder Approach

- Stakeholders are the ones who are affected by the fortune of the company.
- Firm depends on stakeholders for its success.
- As per this approach, valuing the stakeholders will add the value to the firm.
- Primary stakeholders are investors, employees, stakeholders and customers.
- Secondary stakeholders include media and civil society organizations.
- This approach successfully helps to identify the groups, to which company is responsible.
- The approach faces challenges in terms of considering “the natural environment” concept
- The broad societal impacts of the company may get underestimated in this actor centered model of CSR

3. The Tripple Bottom Line

- John Elkington of SustainAbility Consultancy of UK, developed this approach.
- The three Ps are **PROFIT, PEOPLE** and **PLANET**
- It assumes that companies should not only focus on attaining the bottom line of the financial accounts, but it should also focus on their social and environmental impacts.
- Companies are including them in their vision and missions e.g. P&G whose vision lines.
- UN has adopted the standard for urban and community accounting.
- In India, ITC is running a new campaign to make a first mover advantage to build mass awareness (students are expected to include more examples)

4. Shared Values

- This approach recommends that the companies must:
 - Re-conceive their products to suit the needs of the society
 - Redefine productivity in the value chain system to maximize positive impact and reduce negative impact
 - Encourage local cluster development for effective networking for business and society.
- Nestle company has used shared value as the apex of the pyramid in the hierarchy after compliance at the base and sustainability in the middle.
- This approach has worked for the companies as a success model to increase financial value through social and environmental investments.

Q3: Discuss Sustainability Management System: Explain the Triple Bottom Line

Answer:

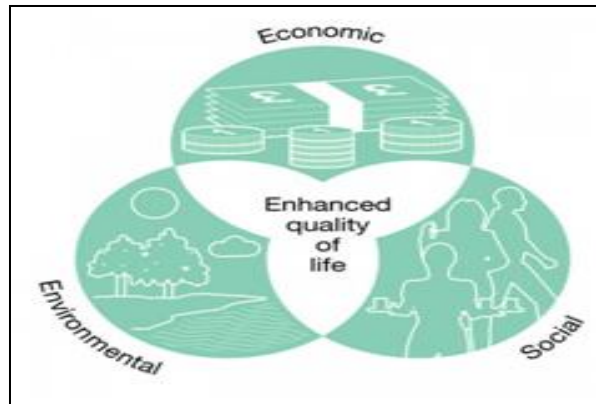
What is the Triple Bottom Line?

Incorporating sustainability into your corporate strategy can raise a lot of questions:

- How do you measure sustainability?

- How do you make sustainability work for your business?
- How do you define sustainability for your corporation?

The **Triple Bottom Line** is one of the main systems being used by businesses to assess the profits they are making through their corporate sustainability solutions. The Triple Bottom Line method asks you to see beyond the traditional bottom line of business to the profits that your business makes socially, environmentally, and economically. Measuring your business using the Triple Bottom Line is one of the best markers of how sustainable your business is, and how profitable it really is.



Social Sustainability

The Social bottom line measures your business' profits in human capital, including your position within your local society. Your social bottom line is increased by having fair and beneficial labour practices and through corporate community involvement, and can also be measured in the impact of your business activities on the local economy. For example, some questions you can ask yourself when measuring **Corporate Social Responsibility** are:

- Is your business a job-growth driver in your city? Do you or your employees give back to the community?
- Are the people you hire statistically better situated within the community in terms of economic stability and community health?
- Does your business support local initiatives and grow the overall sustainability of your community/region?
- Do you implement fair hiring standards? What are your employee demographics?

After all, if your business is not nurturing positive relationships with your community, your client base and employee pool shrinks accordingly. The **social bottom line** questions the belief that the less a business pays its work force the longer it can afford to operate. Instead, the social bottom line measures the long-term sustainability of business human capital, with the understanding that **a business that is also a desirable workplace will always be able to operate into the future, since there will be a work force striving to be part of the business.** Essentially, corporate interests and labour interests are seen as interdependent.

Like most subjective public relations efforts or intangible benefits, your social bottom line can be difficult to measure. However the Global Reporting Initiative (GRI) has developed guidelines to enable businesses to report and measure their social impact.

Environmental Sustainability

The Triple Bottom Line approach to sustainability takes the view that the smaller impact your business has on the environment and the fewer natural resources you consume, the longer and more successful your business will be.

Controlling your Environmental bottom line means managing, monitoring, and reporting your consumption and waste and emissions. This is typically the work of your EHS department, though most sustainable business models also make waste reduction and green policies corporate-wide values across all levels of management. A sustainability committee is often required to communicate your sustainability solution and sustainability goals across all departments.

Measuring and reporting your environmental bottom line is certainly possible, though depending on the size of your business, it can be a time-consuming and difficult process. However, EHS or corporate sustainability software can make the process much quicker and cost effective.

Again, the Global Reporting Initiative offers a few helpful metrics for measuring and reporting your environmental triple bottom line. These include (but are not limited to):

- Renewable energy use and energy consumption (direct and indirect)
- Amount of material that is recycled
- Amount of water withdrawn from local water sources
- Total NO_x, SO_x, and GHG emissions

Economic Sustainability

In the Triple Bottom Line approach, economic sustainability is not simply your traditional corporate capital. Your economic capital under the Triple Bottom Line model should be measured in terms of how much of an impact your business has on its economic environment.

The business that strengthens the economy it is part of is one that will continue to succeed in the future, since it contributes to the overall economic health of its support networks and community. Of course, a business needs to be aware of its traditional profits as well, and the Triple Bottom Line accounts for this.

- Does your business help local suppliers stay in business and innovate? Or do your activities put the local economy at risk?
- Do you pay employees enough to stimulate economic growth and spending? Or does your compensation policy shrink local economy?
- Do you choose materials that are economically a good investment? Or do you buy cheaper products that create issues in other areas? For example, do you buy chemical products that are low emission, or cheaper high-VOC products that put your environmental compliance at risk?

Why to Use the Triple Bottom Line Method

By using the Triple Bottom Line method, your business can expand how it understands its position in the current economy and its ability to survive in the future. Corporate sustainability measures your ability to be in business indefinitely, based on your impact on the environment, your relationship to your community, and contribution to your economy. In reality, all three factors play a major role in determining if your business can stay in business and generate a profit - no single bottom line can sustain a business alone.

- Your business needs a healthy workforce with diverse skills, different perspectives, and the workforce must be content enough to deliver growth.
- Your business can only operate in an economic situation that sees your supply chain and local businesses thrive. If your city or region becomes a dead zone economically, your own business won't have access to people or resources in the long term.
- Your business needs good stewardship of natural resources to ensure they are available 5 - 10 years down the road and beyond.

Unlike the traditional method, the Triple Bottom Line allows you to see your business as a social and environmental entity and measure it along these parameters.

Q4: Write a detailed note on environmental aspects of CSR.

Answer:

A. The environment movement is said to have begun after environmentalists brought the sorry state of the global environment, particularly the depletion of ozone layer due to global warming, to world notice at the 1972 UN Conference on Human Environment. This led to the establishment of the United Nations Environment Programme (UNEP) to assess environmental conditions, organize conventions on different aspects, develop international agreements and facilitate technology and knowledge transfers.

A world report on environment and development (Brundtland report), for the first time, mentioned the term 'sustainable development', which was used to mean that 'today's needs should not compromise the ability of future generations to meet their needs'. All actions of the present generations should consider the impact upon future generations. In 1992 Rio Summit on Environment and Development (known as Earth Summit) worked out an action plan for local, national and international level actions to conserve environment, combat poverty and provide for sustainable development.

Following these developments, industry started realizing the importance of environment. Simultaneously, government also encouraged industry to undertake projects for environmental protection. There are three main ways in which industrial operations impact the environment:

1. Air and water pollution;
2. Over-exploitation of natural resources like water, forests and minerals; and
3. Unsafe disposal of toxic wastes, which are by-products of industrial operations.

Uncontrolled carbon emissions into the air are not only harmful for human and animal health but also lead to depletion of the ozone cover and climate change. Excess energy consumption using conventional fuels similarly has an adverse effect on the climate. Discharge of untreated industrial effluents into drinking water sources like rivers and lakes and into the ground harms the whole ecosystem including cultivation of food.

Cutting down forests for timber and over-exploitation of mineral resources by clearing forests below which much of mineral wealth lies turns large tracts of forests into wasteland. This affects the climate, the bio system and wildlife, as well as the livelihood of the poor communities dependent of forests. Mining ruins the land, water, forests and air by causing soil erosion and loss of biodiversity; lowers ground water table; affects public health by pollution of water streams and wells by discharge of effluents into them, and dust and methane gases into the air. Leaching of mercury and arsenic from dyes used in leather, chemical and other industries and from coal and mining waste seeps into the ground and into water too, causing serious health problems. Oil spills from ships ruin marine biology.

Collaboration among SMEs in a cluster also provides an opportunity to manage environmental issues and respond better to the pressure from buyers. Indian companies have become aware of the adverse impact of industrial activity on environment. As a result, CSR initiatives of many companies are aimed towards the betterment of the environment and include green initiatives such as tree plantation drives to promote afforestation, as well as efforts to conserve water and to manage disposal of waste, responsibly. Green initiatives garner the highest attention with 76% of all companies undertaking specific initiatives to improve the environment and approximately 64% taking measures to conserve water.

Q5: (i) State and briefly mention the advantages of CSR to a business firm.

(ii) XYZ Limited has a turnover for last three years, as mentioned below:

2016-17	2017-18	2018-19
1200 Cr.	1250 Cr	1080 Cr.

The company makes a net profit of 3%, 4% and 5% during these three years, respectively. Find out the amount of CSR expenditure that the company is required to spend as per section 135 of the companies Act, 2013.

Answer:

(i) Following are the advantages of undertaking CSR to a business firm:

1. Win new business & retain customers
2. It supports public value outcomes
3. Develop and enhance relationships with customers, suppliers and networks
4. Attract, retain and maintain a happy workforce and be an Employer of Choice
5. Save money on energy and operating costs and manage risk
6. Differentiate yourself from your competitors
7. Generate innovation and learning and enhance your influence
8. Improve your business reputation and standing
9. Provide access to investment and funding opportunities
10. Generate positive impact in community. Creates publicity and media opportunities due to media interest.

(Students are required to briefly elaborate on the above points.)

(ii) CSR is covered under Section 135 of the Companies Act 2013. It is applicable to every company registered under the Act. If a company qualifies for any of the following criteria, then it has to compulsorily undertake CSR activities:

- A net worth of Rs 500 Cr. or more
- Or a turnover of over Rs 1,000 Cr.
- Or a net profit of 5 Cr. in a financial year.

The amount of expenditure for CSR has to be a minimum of 2% of avg. net profit of the last 3 preceding financial Years. This is the prescribed CSR spend.

In the above example, the net profits (3rd criteria) for three years is –

$$(1200 \times 3\%) + (1250 \times 4\%) + (1080 \times 5\%)$$

$$= 36 + 50 + 54 = \mathbf{140 \text{ Cr}}$$

As per the prescribed norms, the amount of expenditure for CSR has to be a minimum of 2% of avg. net profit of the last 3 preceding financial Years.

$$2\% \text{ of } 140 \text{ Cr.} = \mathbf{2.8 \text{ Crores}}$$

Hence, the amount of CSR expenditure that the company is required to spend as per section 135 is **Rs.2.8 Crores.**

Module 2: Framework of Social Orientations- Management and Social Theories, Five types of managers, organization classification; International framework for corporate social Responsibility, Millennium Development goals, Sustainable development goals, Relationship between CSR and MDGs. Unite Nations (UN) Global Compact 2011; UN guiding principles on business and human rights; OECD CSR policy tool, ILO tri-partite declaration of principles on multinational enterprises and social policy

CO2: Given a chance, the future manager will be able to frame and recommend the CSR policy according to sustainable development.

Q1: Discuss CSR policy according to sustainable development.

Answer:

CSR creates values and improves economic performance for organisations, and sustainable development is the key to manage economic social and environmental challenges that we are meeting and will be meeting in the future. Together we are creating companies that are more responsible for a more sustainable planet because we are all actors of the world of tomorrow.

Sustainable development and CSR aren't just environmental issues. Humans believes in sustainable development and the most important thing is that organisations make decisions in regards to social responsibility and sustainability. In order to be sustainable, organisations should have policies and actions in link with the required issues.

CSR is a business model which promotes business contributions to sustainable development i.e, it creates a balance between economic interests, environmental needs and social expectations by integrating the spirit of Sustainable Development into the business strategy.

Sustainability can be defined as the practice of maintaining world processes of productivity indefinitely—natural or human-made—by replacing resources used with resources of equal or greater value without degrading or endangering natural biotic systems Sustainable development is, subject to criticism, including the question of what is to be sustained in sustainable development. It has been argued that there is no such thing as a sustainable use of a non-renewable resource, since any positive rate of exploitation will eventually lead to the exhaustion of earth's finite stock; this perspective renders the Industrial Revolution as a whole unsustainable. It has also been argued that the meaning of the concept has opportunistically been stretched from 'conservation management' to 'economic development'. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The term corporate social responsibility is very wide and complex and it has different meanings. Generally, corporate social responsibility means, those activities taken by corporate with aim of welfare of the society.

According to UNIDO “CSR is a management concept where by companies integrate Social and environmental concerns in their business operations and interactions with their stakeholder” CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives. Corporate social responsibility s.a. Reduce carbon footprints to mitigate climate change. Improve labor policies and embrace fair trade. Engage in charitable giving and volunteer efforts within your community.

Q2: What are the Ten Principles of UNGC? Elaborate them in the context of business and human rights.

Answer:

The students are expected to understand the principles internationally accepted and adopted and that drive the overall working of the organizations in the similar context. (Each principle with explanation = 1.5 marks; Introduction – 1 mark)

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

Corporate sustainability starts with a company’s value system and a principles-based approach to doing business. They must meet the fundamental responsibilities. UNGC principles derived from various conventions and agreements are discussed as below:

Principle One: Human Rights

“Businesses should support and respect the protection of internationally proclaimed human rights.”

(Support human rights, “Do not harm”, Special attention towards the to the rights of vulnerable groups, including women, children, people with disabilities, indigenous peoples, migrant workers, older persons etc., baseline responsibility to respect human rights, strengthens the social license and relationship with stakeholders,

There are at least four ways business can support or promote human rights:

- Through their core business activities in support of UN goals and issues
- Strategic social investment and philanthropy
- Advocacy and public policy engagement
- Partnership and collective action

Principle Two: Human Rights

“Businesses should make sure that they are not complicit in human rights abuses.”

Complicity is generally made up of 2 elements: ‘An act or omission’ and ‘the knowledge’ of abuse

Companies can avoid the complicity by:

- Establish clear safeguards

- Privately and publicly condemn abuses
- Continuously consult with relevant stakeholders
- Identify functions that are risky for human rights or identify internal 'functional risks'
- Conduct human rights impact assessment regularly

Principle Three: Labour

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining".

("Principle of good faith", "descent work cycle", "voice at work")

- steps to improve the climate in labour-management relations
- Use collective bargaining as a constructive forum
- Address any problem-solving or other needs of interest to workers and management
- Put in place non-discriminatory policies and procedures

Principle Four: Labour

"Businesses should uphold the elimination of all forms of forced and compulsory labour".

Forced labor can take a form of slavery, bonded labor, physical abducting or kidnapping, physical confinement at workplace, exploitative practices etc.

- Employment contracts
- No recruitment fees and also Avoid financial deposits from labors
- Carefully monitor supply chains and subcontracting arrangements.

Principle Five: Labour

"Businesses should uphold the effective abolition of child labour."

Minimum Age for Admission to Employment or Work

Type of Work	Developed countries	Developing countries
Light Work	13 Years	12 Years
Regular Work	15 Years	14 Years
Hazardous Work	18 Years	18 Years

Children have the same human rights as adults. But by virtue of their age and the fact that they are still growing and gaining knowledge and experience, they have some distinct rights as children.

Principle Six: Labour

"Businesses should uphold the elimination of discrimination in respect of employment and occupation."

Discrimination can arise in a variety of work-related activities. These include access to employment, to particular occupations, promotions and to training and vocational guidance.

Non-discrimination in employment means simply those employees are selected on the basis of their ability to do the job and that there is no distinction, exclusion or preference made on other grounds.

Principle Seven: Environment

“Businesses should support a precautionary approach to environmental challenges.”

The precautionary approach suggests a systematic application of risk assessment, risk management and risk communication. Companies can use the code of conduct, support scientific research, join industry wide collaborative efforts to share the knowledge.

Principle Eight: Environment

“Businesses should undertake initiatives to promote greater environmental responsibility.”

The Rio Declaration says that business has the responsibility to ensure that activities within their own operations do not cause harm to the environment. Society expects business to be good actors in the community. Business gains its legitimacy through meeting the needs of society, and increasingly society is expressing a clear need for more environmentally sustainable practices.

Company can use Assessment or audit tools, Management tools and Communication and reporting tools.

Principle Nine: Environment

“Businesses should encourage the development and diffusion of environmentally friendly technologies”

Where production processes that do not use resources efficiently generate residues and discharge wastes, environmentally sound technologies can be applied to reduce day-to-day operating inefficiencies, emissions of environmental contaminants, worker exposure to hazardous materials and risks of environmental disasters.

Principle Ten: Anti-Corruption

“Businesses should work against corruption in all its forms, including extortion and bribery.”

The UNCAC is the underlying legal instrument for the 10th Principle. Corruption is "the abuse of entrusted power for private gain". Companies must sign and follow the guidelines of "Anti-corruption Call to Action". Internal, external and collective action elements must be considered to fight against the corruption.

Q3: What is ILO tri-partite declaration of principles on multinational enterprises and social policy

Answer:

“The MNE Declaration provides clear guidance on how enterprises can contribute through their operations worldwide to the realization of decent work.

Its recommendations rooted in international labour standards reflect good practices for all enterprises but also highlight the role of government in stimulating good corporate behaviour as well as the crucial role of social dialogue.”

The Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration) is the ILO instrument that provides direct guidance to enterprises on social policy and inclusive, responsible and sustainable workplace practices. The aim of this Declaration is to encourage the positive contribution which multinational enterprises can make to economic and social progress and the realization of decent work for all; and to minimize and resolve the difficulties to which their various operations may give rise. These principles do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all. Multinational and national enterprises, wherever the principles of the MNE Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular.

Its principles are addressed to MNEs, governments of home and host countries, and employers’ and workers’ organizations and cover areas such as employment, training, conditions of work and life, and industrial relations as well as general policies.

1. General policies

2. Employment

- Employment promotion
- Social security
- Elimination of forced or compulsory labour
- Effective abolition of child labour: minimum age and worst forms
- Equality of opportunity and treatment
- Security of employment

3. Training

4. Conditions of work and life

- Wages, benefits and conditions of work
- Safety and health

5. Industrial relations

- Freedom of association and the right to organize
- Collective bargaining
- Consultation

- Access to remedy and examination of grievances

The guidance is founded substantially on principles contained in international labour standards (ILO conventions and recommendations listed in Annex I of the instrument), and on obligations that States have through their ILO membership and following their ratification of ILO conventions.

The MNE Declaration highlights the importance of the rule of law, law enforcement and social dialogue and recalls that all parties should respect workers' rights and contribute to the realization of the fundamental principles and rights at work. It emphasizes the importance of dialogue and consultations among the different parties to ensure inclusive, sustainable, responsible business behaviour of MNEs in host countries and compatibility with national development objectives and policies. It encourages home and host country governments of MNEs to engage in consultations with each other as well as with their enterprises on social and labour policy.

The MNE Declaration is the only global instrument in this area that was elaborated and adopted by governments, employers' and workers from around the world. Adopted by the Governing Body of the ILO at its 204th session (Geneva, November 1977), the instrument was amended several times. It was last amended in March 2017 following a tripartite review process to respond to new economic realities and to take into account developments since the last update in 2006. These developments included new labour standards and policy outcomes adopted by the International Labour Conference, the Guiding Principles on Business and Human Rights endorsed by the Human Rights Council in 2011, and the adoption of the 2030 Agenda for Sustainable Development.

The revision has enriched the MNE Declaration by strengthening and adding principles addressing specific decent work issues related to social security, forced labour, transition from the informal to the formal economy, wages, safety and health, access to remedy and compensation of victims. And by outlining the different roles that different actors have in achieving the aim of the MNE Declaration, aligned with the Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework.

To stimulate the uptake of the principles of the MNE Declaration by the various parties, the Governing Body has also adopted a number of operational tools that are listed in Annex II of the MNE Declaration. The MNE Declaration is influencing and guiding policies of international and regional organizations, national governments, multi-stakeholder initiatives as well as policies and codes of enterprises of all sizes.

Q4: What is the importance of United Nations Global Compact (UNGC)? Describe/write a note.

Answer:

United Nations Global Compact

An important development which had an impact on CSR thinking and practice worldwide is the Global Compact (GC). In 1999, the Secretary General of the UN, Kofi Annan, invited corporate leaders to participate and deal with global socio-ethical and environmental issues. The GC programme envisaged to promote nine principles covering three broad areas, namely, human rights, labour rights and sustainable development. A fourth area – governance – was added later, principally focused on corruption. The Global compact is a partnership between the United Nations, the global business community, the International Labour Organization (ILO) and NGOs. Companies are asked to adopt a set of core values in the above broad areas.

The GC has over 3,000 business participants in the world from 100 countries. A hundred leading organizations from India have joined the GC programme. A society call the 'Global Compact society' was registered in 2003 to act as a nodal agency representing the different stakeholders committed to the programme. Companies not meeting the commitments are removed from the membership.

The 10 principles of the UNGC are:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labour

1. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
2. The elimination of all forms of forced or compulsory labour;
3. The effective abolition of child labour; and
4. The elimination of discrimination in respect of employment and occupation.

Environment

1. Businesses should support a precautionary approach to environmental challenges;
2. Undertake initiatives to promote greater environmental responsibility; and
3. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

1. Businesses should work against corruption in all its forms, including extortion and bribery.

The UNGC has attracted widespread academic attention since its establishment, due to its 'principle-based' initiative to stakeholder management, rather than earlier 'reporting' initiatives like certifications,

etc. Compliance is not based on any set of regulations, but it is ensured by way of 'learning and arguing'. The UNGC effectively offers a platform to discuss how global stakeholder expectations can be effectively satisfied via CSR mechanisms in specific local contexts. This is facilitated by the UNGC's 'local networks' which bring together participants at a local level.

In 2003, a society called the Global Compact Society of India was registered to act as a nodal agency representing the different stakeholders committed to the programme. Companies not meeting the commitments are removed from the membership. Initially, 100 leading organizations from India had joined the GC programme, but membership as on 31st March, 2011, of the GC Network India is only 90 (annual report of GCNI, 2010-11).

While most large corporations now disclose some information on their social or environmental programmes – with BHEL, Dr. Reddy's, HLL and TISCO in the leading position – much of this remains highly descriptive and qualitative, lacking the rigor of common quantified performance information that characterizes company financial accounts. Companies routinely claim that their employees are their assets, but provide no evidence of how this asset is being valued and enhanced. Similarly, there are no generally accepted standards for measuring the success of community development programmes in place. It is, therefore, difficult for companies and their stakeholders to judge the efficiency or effectiveness of these programmes.

Q5: What are millennium development goals? Discuss them.

Answer:

Millennium Development Goals (MDGs)

In year 2000, Millennium Summit was launched with the report of the Secretary-General entitled, "*We the Peoples: The Role of the United Nations in the Twenty-First Century*". This summit brought together representatives of over 1,000 non-governmental and civil society organizations from more than 100 countries. The Forum met to conclude a two-year consultation process, which covered issues such as poverty eradication, environmental protection, human rights and protection of the vulnerable. A Millennium Declaration was the main outcome of the Millennium Summit. It asserted that every individual has dignity and hence, the right to freedom, equality, a basic standard of living, freedom from hunger and freedom from violence.

The Millennium Summit Declaration was, however, only part of the origins of the MDGs. More ideas came from OECD, the World Bank, the IMF a series of UN-led conferences.

There are eight goals with 21 targets and a series of measurable health indicators and economic indicators for each target. Following are the goals and their respective targets:

Goal 1: Eradicate extreme poverty and hunger

- Target 1A: Halve, between 1990 and 2015, the proportion of people living on less than \$1.25 a day
- Target 1B: Achieve Decent Employment for Women, Men, and Young People
- Target 1C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education

- Target 2A: By 2015, all children can complete a full course of Primary education/primary schooling, girls and boys

Goal 3: Promote gender equality and empower women

- Target 3A: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

Goal 4: Reduce child mortality rates

- Target 4A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Goal 5: Improve maternal health

The Maternal Mortality Ratio is the KPI used by the UN to measure maternal health

- Target 5A: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio
- Target 5B: Achieve, by 2015, universal access to reproductive health

Goal 6: Combat HIV/AIDS, malaria, and other diseases

- Target 6A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
- Target 6B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it
- Target 6C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure environmental sustainability

- Target 7A: Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
- Target 7B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
- Target 7C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation
- Target 7D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers

Goal 8: Develop a global partnership for development

- Target 8A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
- Target 8B: Address the Special Needs of the Least Developed Countries (LDCs)
- Target 8C: Address the special needs of landlocked developing countries and small island developing States

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- Target 8D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
 - Target 8E: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
 - Target 8F: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.

The above targets are evaluated against specific measurable (not mentioned above).

Module 3: CSR-Legislation In India & the world- Section 135 of Companies Act 2013.Scope for CSR Activities under Schedule VII, Appointment of Independent Directors on the Board. The Drivers of CSR in India, Changing expectations of social responsibility, four faces of social responsibility, the regulatory environment in India Counter trends. Performance in major business and programs

CO3: Given the framework, the future manager will be able to plan the CSR activity according to the various laws and regulations.

Q1: Explain CSR policy applicable according to Indian Company Act.

Answer:

India is the first country in the world to make corporate social responsibility (CSR) mandatory, following an amendment to the Companies Act, 2013 in April 2014. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of any CSR compliance.

The amendment notified in the Companies Act, 2013 requires companies with a net worth of INR 500 crore (US \$70 million) or more, or an annual turnover of INR 1000 crore (US \$140 million) or more, or net profit of INR 5 crore (US \$699,125) or more, to spend 2 percent of their average net profits of three years on CSR.

Prior to that, the CSR clause was voluntary for companies, though it was mandatory to disclose their CSR spending to shareholders. CSR includes but is not limited to the following:

- Projects related to activities specified in the Companies Act; or
- Projects related to activities taken by the company board as recommended by the CSR Committee, provided those activities cover items listed in the Companies Act.

Businesses must note that the expenses towards CSR are not eligible for deduction in the computation of taxable income. The government, however, is considering a re-evaluation of this provision, as well as other CSR provisions recently introduced under the Companies (Amendment) Act, 2019 (“the Act”).

CSR amendments under the Companies (Amendment) Act, 2019

Until now, if a company was unable to fully spend its CSR funds in a given year, it could carry the amount forward and spend it in the next fiscal, in addition to the money allotted for that year.

The CSR amendments introduced under the Act now require companies to deposit the unspent CSR funds into a fund prescribed under Schedule VII of the Act within the end of the fiscal year. This amount must be utilized within three years from the date of transfer, failing which the fund must be deposited in to one of the specified funds.

The new law prescribes for a monetary penalty as well as imprisonment in case of non-compliance.

The government, however, is reviewing these rules after the industry objected to the strict provisions, especially with respect to the jail terms for CSR violations, and is yet to operationalize them.

Q2: Explain how the Government is ensuring the implementation of CSR. Explain with the help of regulatory framework for CSR in India.

Answer:

REGULATORY FRAMEWORK FOR CSR IN INDIA

The **Department of Public Enterprises (DPE) in April 2010 issued the guidelines on Corporate Social Responsibility for Central Public Sector Enterprises.** They revised the 99 guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises in 2013. National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (**NVGs**) were issued by Ministry of Corporate Affairs in 2011. Based on NVGs, **SEBI** came out with Business Responsibility Reporting (**BRR**) in 2012 which was mandated for top 100 listed entities based on market capitalization at BSE and NSE. BRR has to help companies monitor, measure, manage and communicate change for sustainable growth.

1) SECTION 135 OF THE COMPANIES ACT, 2013=) This was made applicable with effect from April 1, 2014. Every Company including holding, subsidiary and foreign company meeting any of these criteria in any of last 3 financial years

Net Profit >=Rs.5 crores

OR Net Worth>= Rs.500 crores

OR Turnover>= Rs.1000 crores

Spend, in every financial year, at least 2% of its average net profits made during 3 immediately preceding financial years.

2) PERMISSIBLE ACTIVITIES- SCHEDULE VII =) a. Eradicating extreme hunger, promoting preventive healthcare **b.** Promotion of education, vocation skills **c.** Promoting gender equality and empowering women **d.** Ensuring environmental sustainability **e.** rural development projects **f.** Protection of national heritage, art and culture **g.** Measures for the benefit of armed forces veterans, war widows **h.** Training to promote rural sports, nationally recognized sports **i.** Contribution or fund provided to approved technology incubators **j.** Slum area development **k.** Spending on relief operations in disaster hit areas.

3) CSR COMMITTEE COMPOSITION =) a. Minimum 3 directors **b.** At least 1 independent director if such director is required to be appointed, otherwise not **c.** Private Company with 2 Directors will have both on committee

4) COMMITTEES RESPONSIBILITIES =) a. Formulate and recommend CSR policy **b.** Recommend amount of expenditure **c.** Monitor CSR policy **d.** Institute monitoring mechanism for implementation.

5) BOARD'S RESPONSIBILITY => **a.** Approve and disclose CSR Policy in the Annual Report and on Company's website **b.** Ensure implementation as per CSR Policy **c.** Specify reasons in Board Report, if the required amount is not spent

6) ANNUAL REPORTS CONTENT ON CSR =>

a. Brief outline of the CSR policy **b.** Composition of CSR Committee **c.** Average net profit of the company for the last three financial years **d.** Prescribed CSR expenditure (2% of Average net profit as above) **e.** Total amount to be spent for the financial year **f.** Amount unspent if any **g.** Activity-wise details of the amount spent during the financial year **h.** Responsibility statement of the CSR Committee **i.** Minimum 3 directors **j.** At least 1 independent director if such director is required to be appointed, otherwise not **h.** Private Company with 2 Directors will have both on committee.

The above guidelines ensure the proper implementation of the CSR to eradicate the malpractices in the business which is ultimately harmful for the society at large. They are also in line with the international standards to benefit all the stakeholders.

Q3: Mention Drivers of CSR in India

Answer:

Demand for greater Disclosure: There is a growing demand for Corporate Disclosure from stakeholders, including customers, suppliers, employees, communities, investors and activist organizations. "Disclosure" means showing the current or actual position of the company's performance. Mills & Garden (1984) concluded in their analysis of the relationship between social disclosure and financial performance that companies are more likely to disclose social responsibility expenditures when their financial statements indicate favorable financial performance [13]. Company size, industry classification, profitability, and the presence of a corporate social responsibility committee were hypothesized as potential influences on corporate social disclosures.

Ecological Sustainability: Environment Sustainability, one of the important drivers which concerns over pollution, waste, natural resource depletion, climate change and the like continue to fuel the CSR discussion and heighten expectations for proactive corporate action. After all, it is in the best interest of firms to protect for the sustainable future the long-term availability of the resources on which they depend.

Globalization: Globalization has had considerable impacts. First, the increased wealth and power of multinational corporations has led to questions on the decreased authority of the nation-state, especially in developing areas. Further, cultural differences have added to the complexity of CSR as expectations of acceptable behavior vary regionally. With increased power comes increased responsibility and globalization has fueled the need to filter all strategic decisions through a CSR lens to ensure optimal outcomes for diverse stakeholders.

Free Flow of Information: The Internet and other electronic mediums the flow of information has shifted back to the stakeholders, especially in the case of three important groups: consumers, NGOs and the general media. Easily accessible and affordable communication technologies have permanently changed the game and only truly authentic and transparent companies will profit in the long term.

The Power of the Brand: Brands are today the focal point of corporate success and much of the health of the brand depends on public perception of the corporation. In other words, reputation is the key and honest CSR is a way to protect that reputation and therefore the brand.

Employees demand their company to be socially responsible: Five years ago, it was considered good if a company simply did not harm the environment. However, times have changed, and now employees demand that their company do more than simply not be bad. They need to do good, too. According to Forbes:

- 32% of employees would seriously consider leaving their company if they gave no / little money to charity;
- 65% would seriously consider leaving their job if their company harmed the environment;
- 83% would seriously consider leaving their job if their employer used child labor in sweatshop factories.

Furthermore, a landmark international Corporate Social Responsibility (CSR) study of human resource practitioners conducted by the Society for Human Resource Management (SHRM), reveals that CSR practices are seen as important to employee morale (50%), loyalty (41%), retention (29%), recruitment of top employees (25%) and productivity (12%).

Q4: Throw light on specific features of section 135 of the Companies Act 2013.

Answer:

Section 135 of the Companies Act 2013

The provisions of the CSR Act apply to all companies that have any one of the following in any financial year:

- Net worth of INR 500 Crores or more
- Turnover of INR 1,000 Crores or more
- Net profit of INR 5 Crores or more

An average of the previous three financial years' PAT will be considered for calculating the 2% amount for CSR. The CSR policy of the company should ensure that surplus arising out of a CSR activity will not become part of business profits. The CSR policy should specify that the CSR corpus will include the following:

- 2% of average net profit,
- Any income arising thereof,
- Surplus arising out of CSR activities.

Companies may collaborate or pool resources with other companies to undertake CSR activities any expenditure incurred on such collaborative efforts will qualify for computing CSR spending. All companies falling under the provisions of Section 135 (1) of the Act should report, in the prescribed format, the details of their CSR initiatives in the director's report and on the company's website. The following provision needs to be noted:

- CSR spend greater than that prescribed cannot be carried forward to the subsequent year.
- Unspent amount of prescribed CSR spend can be carried forward (over that year's prescribed spend).
- Monetisation of the pro-bono services provided by employees will not be counted as CSR expenditure.
- Contribution in kind cannot be monetised to be shown as CSR expenditure.

In case a company has failed to spend 2% of the average net profit, the reason for doing so should be mentioned in the annual board report.

Key concerns:

- The CSR act does not provide for any penal provision if a company fails to spend the required 2% amount on CSR. Only, the board is required to explain reason in its report.
- Threshold limit of 5 Cr. is way below the other criteria specified. This may result in companies getting covered even if they do not meet net worth/NP criteria.
- It is now clear that CSR expenditure will be taxable. However, from 2014-15, few activities will be allowed tax exemption (under various section of IT Act 1961), such as:
 - PM's National Relief Fund
 - Scientific research
 - Rural development projects
 - Skill development projects
 - Agricultural extension projects
- A concerning aspect of Section 135 relates to the linking of the company's profit-making with development of some local area (CSR). To some, this appears an absurd proposition as it will increase inter-state disparities in social indicators. For example, states like Gujarat, Maharashtra, Andhra Pradesh and Odisha, with large number of industrial units, are likely to see greater social development on account of higher CSR spend by companies in these states.
- What happens to development projects (long term) when companies make losses?

- It is during recessionary times that such spending may actually become unavailable. This is also a time when the need for CSR expenditure may be highest among vulnerable groups of society.
- Companies are more likely to spend on activities specified in the Act, which have a lower long-run social impact. As a result, real problems like inter-regional inequality or social stigmas may get ignored.

After the enactment of the Companies Act-2013, it is estimated that approximately 2,500 companies have come in the ambit of mandated CSR; the budget could touch INR 15,000 Crores, appx. It is very likely that the new legislation will be a game-changer, infusing investments, strategic efforts and accountability in the way CSR is being managed and looked at in India. CSR in India is heading in a positive direction as there exist a number of supporting organizations and regulatory bodies like Department of Public Enterprises (DPE), Ministry of corporate Affairs (MCA) and Indian Institute of Corporate Affairs (IICA). These institutions are playing an important role in making CSR a widespread practice without risking business growth.

Q5. What are the various drivers of CSR in India? Describe each.

Drivers of CSR in India

In recent years, there has been a trend, particularly among large organizations, to adopt a more socially responsible approach to their business activities. In various marketing textbooks, this concept is usually explored when discussing marketing ethics and the role of a company in the overall market place. In the marketing concept, companies seek to add value to the overall society and in the communities in which they operate.

There are numerous drivers in the marketplace that have encouraged larger companies to be more socially responsible, as discussed in more detail below. But the key drivers for firms becoming more socially responsible are:

1. Government legislation
2. Customers expectations of firms
3. Consumer lobby groups
4. The extent of costs involved
5. Type of industry in which they operate
6. Potential for competitive advantage
7. Top-level corporate culture.

These are briefly described, as below.

1. GOVERNMENT LEGISLATION

In many countries across certain industries, the government has imposed legislation that requires companies to conform and behave in a certain manner. In this case, however, the organizations impacted by this legislation are only complying with various requirements because of regulation. They may or may not be willing to incorporate social responsibility initiatives into their day-to-day operations of an overall strategy.

Examples here would include legislation relating to environment, pollution, use of workers and conditions, product disposal, materials used in production, and so on. Therefore, this is not necessarily a driver of corporate social responsibility, but is adopted and followed by companies as it is a requirement imposed upon them by government.

2. CUSTOMERS' EXPECTATIONS OF FIRMS

Consumers are becoming more aware of social and environmental issues and the consideration of the future is becoming slightly more important when consumers consider purchase decisions. As a result, some consumers will have an expectation that certain companies behave in an appropriate manner, relative to society and the communities.

For instance, Disney has faced significant criticism in the past relating to the use of low paid workers in developing countries to produce toys, games and novelties. Likewise, some consumers have been critical of KFC because of the conditions that their supply chickens are held in. The changing expectations of consumers has resulted in firms being more responsive to these issues and adopting a more corporate responsible outlook.

3. CONSUMER LOBBY GROUPS

In conjunction to the previous driver of corporate social responsibility, the Internet and social media has made it much easier for consumer lobby groups to form, to generate attention and adverse media coverage, and therefore achieve its goals of change.

Typically, these consumer lobby groups will target large and well-known companies within industries that adversely affect the environment were deemed to not provide a of product value. For example, Walmart is often the target of lobby groups because of their perceived actions and impact on local communities and business centers. Another example is McDonald's, who are frequently criticized for the perceived impact that they may have on obesity and people's health.

Therefore, larger companies who are more likely to be the target of lobby groups, become more likely to be willing to be engaged in corporate social responsibility initiatives.

4. THE EXTENT OF COSTS INVOLVED

A shift to increase social responsibility may come at a reasonable cost to the organization. For example, a manufacturer choosing to manufacture its products in more developed countries or choosing to pay the production workers a much better salary – rather than “exploiting” unskilled workers in developing countries – will significantly impact their unit margin and overall profitability.

However, a bank can shift its customer bank statements from paper-based to electronic (known as e-statements) on the basis that they are saving lots of paper – but this has the impact of reducing costs for the organization. Likewise, a major hotel chain can encourage its customers to reuse their bath towels each day. Again the hotel can claim an environmental benefit of reduced water and power usage, all the while delivering themselves a reduction in costs and increase in profitability.

Therefore, where the social responsibility initiative represents a win-win scenario, an organization is far more likely to implement it.

5. THE TYPE OF INDUSTRY IN WHICH THEY OPERATE

There are a number of more significant industries where there is greater pressure and expectation on the firms to become responsible corporate citizens. Following the Global Financial Crisis, there has been an increased expectation on banks and other financial institutions to be more transparent and ethical in their business operations.

Obviously manufacturing is another industry that has greater pressure on it – particularly heavy manufacturing where there could be significant pollution, or large companies deciding to manufacture in developing countries, or manufacturers who have issues with product disposal (e.g. mobile phones and batteries and chemicals).

6. POTENTIAL FOR A COMPETITIVE ADVANTAGE BY IMAGE

There are some companies that are attempting to build their core image, or at least parts of their brand association around their socially responsible behavior. Some companies will highlight that they are ethical manufacturers – ‘Etiko’ is one such manufacturer, and ‘bankmecu’ is a financial institution that rewards customers with cheaper home loans if they have environmentally friendly houses.

In this case, these types of organizations are truly practicing the societal marketing concept. They are foregoing some profitability in order to contribute to society or to certain communities.

7. CORPORATE CULTURE AND TOP MANAGEMENT VALUES

Corporate social responsibility is also a reflection of the overall corporate culture and of top management values. In other words, how important is making a contribution to society to the senior management of the organization? This will guide how embedded social responsibility is the overall strategy, or is it simply an exercise in publicity?

Module 4: Identifying key stakeholders of CSR & their roles- Role of Public Sector in Corporate, government programs that encourage voluntary responsible action of corporations. Role of Nonprofit & Local Self- Governance in implementing CSR; Contemporary issues in CSR & MDGs. Global Compact Self- Assessment Tool, National Voluntary Guidelines by Govt. of India. Understanding roles and responsibilities of corporate foundations

CO4: Given the details pertaining to government and non government organizations, the future manager will be able to ascertain the role of various stakeholders in CSR activities and incorporate the guidelines issued by regulatory guidelines in CSR policy.

Q1: Analyze the role of various stakeholders in CSR activities.

Answer:

CSR is the procedure for assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following stakeholders of each business:

- Customers;
- Suppliers;
- Environment;
- Communities; and,
- Employees.

The most effective CSR plans ensure that while organizations comply with legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable – involving activities that an organization can uphold without negatively affecting their business goals.

Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes.

It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large.

Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programs and set separate budgets to support them.

Most of the time, these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

Corporate Social Responsibility and Sustainability programs for those are materially affected – customers, suppliers, employees, local communities, investors and others – also known as their

stakeholders. More recently, CSR has become recognized as a growing area of strategic value creation for companies. Almost all big companies have a CSR program. The committed core of these companies is spending while many are achieving positive results.

Q2: What is Global Compact Self-Assessment Tool?

Answer:

The Global Compact Self Assessment Tool is designed for use by all company sizes and sectors who are committed to upholding social and environmental standards in their operations. It is designed to be easy to use. The tool consists of 45 questions with a set of 3-9 indicators for each question.

The management section enables your company to evaluate the extent to which issues covered by the UN Global Compact principles are anchored in the company strategy and integrated in decisions and management systems. The other four sections are designed for you to assess your company performance in relation to the four areas of the UN Global Compact. The tool is in line with the UN Guiding Principles on Business and Human Rights.



Human Rights Coverage of the Self Assessment Tool

The UN Guiding Principles on Business and Human Rights (UNGPs) have clarified the role of business actors in respecting human rights focussing in particular on the internationally recognized human rights contained in the International Bill of Human Rights*, coupled with the principles concerning fundamental rights in the eight ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work.

For an overview of how these rights are covered by the Assessment tool click here: [Human Rights Coverage](#)

The UN Global Compact Self Assessment tool is designed to help companies identify due diligence processes needed at the level of each right, including tailored key performance indicators (KPIs) for evaluating company policy, company procedures and company performance. The assessment tool

unpacks the substantive content of what it means for a business to respect each human right through business relevant questions and indicators.

About the UN Global Compact

The UN Global Compact seeks to promote responsible corporate citizenship so that business can help realise the United Nations Secretary-General's vision: a more sustainable and inclusive global economy. Joining the UN Global Compact is a commitment to the initiative's ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

The UN Global Compact is the world's largest voluntary corporate citizenship initiative. With several thousand participants from 130 countries, the UN Global Compact has emerged as a truly global initiative with a strong presence in both North and South.

To search among the signatories, go to the UN Global Compact web site.

The UN Global Compact IS...

- a voluntary initiative to promote sustainable development and good corporate citizenship
- a set of values based on universally accepted principles
- a network of companies and other stakeholders
- a forum for learning and exchange of experiences

The UN Global Compact is NOT ...

- legally binding
- a means of monitoring company behavior and enforcing compliance
- a standard, management system, or code of conduct
- a regulatory body
- a public relations channel

Q3. Discuss the role of public sector in corporate social responsibility.

Answer:

In India the state has played a dominant role in promoting industrial development since the 1950s. The state was provider of public goods and basic infrastructure for the society and the economy. There was no major player in the economy. The Indian government has focused on industrial development through large public enterprises (PSU), where only the state provides financial and institutional resources. It was assumed that investment by government in PSUs over a time would attract private investment and thus private sector would also be encouraged to act as an actor in the economy. Objectives of setting up PSUs were to:

1. Ensure rapid industrialization of the country and create the necessary infrastructure for economic development;
2. Promote redistribution of income and wealth;
3. Create employment opportunities;
4. Promote balanced regional development;
5. Assist the development of small scale and ancillary industries and
6. Promote import substitution, save and earn foreign exchange for the economy.

Since their inception, the central public enterprises started with several philanthropic activities and over a period of time introduced schemes for community development. The concept of fulfilling social obligation is rooted in the charter of these public enterprises. The Government of India is the principal owner of such enterprises and it emphasizes the need for undertaking social sector development measures. However, corporate level and plant level CSR activities became more firmed up when economic reforms were brought about in 1991. By this time, leading public enterprises had diversified into international markets by way of strategic alliances and acquisitions and were thus exposed to the more contemporary CSR practices of their collaborators. At the domestic level this industrial policy since 1991 emphasized privatization, divestment of government holding and corporate restructuring of these enterprises. Also, concurrently the government introduced schemes for rehabilitation of loss making enterprises.

Since the enterprises are subject to multiple levels of controls, improvements in corporate governance process and content were sought in the post-reform period and one of the objectives was to ensure a higher benchmark for enterprise accountability and transparency. More specifically, since the last one decade, a majority of the public enterprises have started formalizing CSR activities by creating departments/foundations, recruiting personnel for CSR activity, developing follow-up and monitoring activities for CSR schemes, documentation and reporting for internal decision-making processes.

Notably, enterprises such as NTPC, GAIL, ONGC, SAIL, NHPC, BHEL, BEL have shown leadership in reorganizing their CSR activities and introduced specific changes in monitoring and evaluation practices. Since 2000, many other central enterprises have started these initiatives. However, of a total of 261 central enterprises, only 160 are profit-making; so whatever CSR activities were undertaken were done by these enterprises. Further, only 44 central enterprises are listed on the Indian stock exchanges and most of the debate at the national level, therefore, gets confined to these 44 enterprises.

In the more recent past, the Ministry of Heavy Industry and Department of Public Enterprises issued guidelines in 2010 on CSR for the central public enterprises, which provide a framework

for CSR agenda formulation, implementation and evaluation along with details of budget limits and monitoring measures to be adopted by the enterprises. Another development is with regard to capacity building (training and development) in these enterprises for strengthening CSR role and function. The Standing Conference on Public Enterprises (SCOPE), Government of India, regularly conducts a two-day national workshop for executives on CSR and sustainability; during 2010-11 four such national workshops were conducted. These developments have encouraged an active debate within the enterprises and will go a long way in consolidating work already done in the past and exploring opportunities for innovations in the field of CSR and sustainability by the central public enterprises in India.

A study conducted in 2002 analyses the major roles of public sector enterprises in promoting CSR. The report focuses on building awareness of the CSR agenda, developing a stable and transparent environment for pro-CSR investment, partnerships, maintain minimum standards, etc. Four roles of public sector were identified in this study, which are:

1. **Mandating:** this refers to minimum standards for business as set by government. The mandating role brings in innovative and best practices of CSR within a legal framework. Establishment of emission limits for various industries in an example.
2. **Facilitating:** this refers to the provision of incentives through norms and guidelines of the government or public agencies to the companies to engage in CSR activities. Public sector bodies can also develop or support appropriate CSR management tools and mechanisms for company management systems or reporting.
3. **Partnering:** government can bring organizational, financial and authoritative resources to form partnerships for CSR. Strategic partnerships can bring complementary skills and inputs of public sector and private sector and civil society in tackling complex social and environmental issues. Public sector officials often play crucial roles like drafting provisions, designs, endorsement, dispute resolution, awareness generation and ensuring long-term sustainability of investments and infrastructure resulting from such partnerships.
4. **Endorsing:** political and public sector endorsement of the concept of CSR and its initiatives reflect the fourth role of public sector. Endorsement can be in various forms like policy documents, management practices, direct recognition of efforts of individual enterprises through awards scheme, etc.

A number of public sector enterprises in India are actively engaged in CSR activities. Some such organizations are:

- Bharat Electronics Ltd. (BEL)
- Steel Authority of India (SAIL)

- National Hydroelectric Power Corporation (NHPC)
- Bharat Petroleum Corporation Ltd. (BPCL)
- Bharat Heavy Electrical Ltd. (BHEL)
- Coal India Ltd. (CIL)
- Gas Authority of India Ltd. (GAIL)
- Hindustan Petroleum Corporation Ltd. (HPCL)
- Oil and Natural Gas Commission (ONGC)
- Indian Oil Corporation (IOC)

Q4. What do you understand by National voluntary Guidelines (NVGs)? What are the guidelines?

National Voluntary Guidelines (NVGs)

There are some internationally accepted reporting frameworks which provide a platform for companies to disclose their sustainability practices and policies - UN Global compact, Global Reporting Initiative (GRI) and Carbon Disclosure project. However, till now there had been no Indian guidelines/framework which took into account the needs of the Indian stakeholders. The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG), an initiative by Indian Institute of Corporate Affairs (IICA) and GTZ is a step in this direction.

The process started in end 2009 by establishment of Guidelines Drafting Committee (GDC), which submitted its final recommendations of the draft NVGs to Ministry of Corporate Affairs (MCA) in November 2010. The primary objective of these guidelines is to encourage adoption of sustainability reporting and mainstream disclosure on environmental, social and governance metrics. It is based on the premise that you can't change unless you measure. NVG provide businesses a framework which enables them to move towards responsible decision making and urges them to adopt the "triple bottom-line" approach.

The guidelines are applicable to all businesses, irrespective of size, sector and location. NVGs were designed with an aim of assisting enterprises to become socially and environmentally responsible. This development was seen much before the CSR act (2013). In fact, propositions from NVG were considered for structuring the companies Act.

The nine NVG guidelines consist of nine core principles and are as mentioned ahead:

1. Businesses should conduct and govern themselves with ethics, transparency and accountability.

2. Businesses should provide goods & services that are safe and contribute to sustainability throughout their life cycle.
3. Businesses should promote the well-being of all employees.
4. Businesses should respect and promote human rights.
5. Businesses should respect the interests of, and be responsive to, all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
6. Businesses should respect, protect and make efforts to restore the environment.
7. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
8. Businesses should support inclusive growth and equitable development.
9. Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The guidelines can be adopted by all companies irrespective of their size or sector and are a unique, Indian version of a reporting framework which addresses the needs of Indian stakeholders. Due to their universal applicability, a special section has been included in the draft NVG on the adoption of these guidelines by the resource constrained micro, small and medium enterprises (MSMEs) to enable greater future business opportunities and to help them remain socially relevant.

NVG is flexible for companies who are already following an internationally accepted sustainability reporting framework. Such companies are not required to publish a separate report, but can map the 9 core principles of NVG to the disclosures made in their existing sustainability/business responsibility reports. Companies who have decided to adopt the NVG but don't have the necessary capacity to furnish a full-fledged report can provide a statement of commitment to adoption of NVG to their stakeholders and furnish primary details on activities undertaken in relation to these guidelines. Companies who would like to adopt NVG to the full extent can furnish reports detailing their performance on environmental, social and governance factors based on the suggested framework.

Benefits of adopting NVGs

Disclosure regarding the environmental, social and economic responsibilities of business has multiple benefits in terms of enhanced revenue growth and market access, cost savings, increased access to capital, better risk management and improved brand value and reputation.

- Following ethical business practices, producing sustainable goods and services, caring for employee well-being and being responsive to customer demands will lead to new customers and business partners and increased loyalty from existing customers leading to higher revenue growth and new market access.

- Increased efficiency gains across the value chain, higher worker productivity and reduced risk of litigation will bring in greater cost savings and increase profitability.
- Promoting human rights, good governance, ethics, transparency and accountability will be seen positively by NGOs, local governments and regulators thus giving a company the social license to operate.
- Being responsive to stakeholders, producing safe and sustainable goods and services, protecting the environment and supporting inclusive development make a company more attractive to investors.
- Faring well on ESG metrics will lead to better brand image and enhance the reputation of a company.

All these facets of a company will come to the forefront only if they disclose their performance on non-financial metrics in a standardized and timely manner.

Uncertainties regarding NVGs

Though the guidelines drafting committee has stated a business case for the adoption of NVG , there are still few uncertainties which need to be addressed like-

- When the draft guidelines will be formally adopted by the government?
- What is the readiness of Indian businesses to start disclosing on business responsibility?
- Articulating the 'tangible' benefits of adopting the guidelines considering potential costs that companies may need to incur for reporting.
- Who would be the early adopters of NVG and would there be any special incentives for such companies? How can the adoption process be facilitated?
- Are India investors interested in companies which fare well on ESG parameters?

These are some questions to which there may be no ready answers.

However, NVG is a positive step and would help bring about awareness around the need of taking into account both financial and non-financial metrics while assessing company's performance. It will also help bring to speed laggards like India in the area of sustainability reporting. A shift in mindset of companies is required – they need to see sustainability from an opportunity lens instead of seeing it as a cost burden and need to adopt a long term view of incorporating sustainability in their core business strategy. Hopefully the guidelines will help hasten this process.

Module 5: Current trends and opportunities in CSR-CSR as a Strategic Business tool for Sustainable development; Review of successful corporate initiatives & challenges of CSR. Case Studies of Major CSR Initiatives

CO5: Given the task of CSR, the future manager will be able to plan and implement various activities to be taken under CSR activity and evaluate its effectiveness.

Q1: Discuss effectiveness of CSR activities.

Answer:

CSR expresses a situation in which firms not only strive for economic gains, but in which they adopt a broader view and take responsibility for their impact on society. Impact on society captures the total impact which includes the economic, environmental and social dimension. To be able to optimize positive impact and reduce negative impact, they have to use a long-term horizon perspective and involve stakeholders into their strategy development. In short CSR means: steering on 3Ps (people, planet and profit); involving stakeholders; and using a long-term horizon.

Corporate Social Responsibility is a process to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, shareholders and all other members of the society who may be considered as stakeholders.

CSR projects have defined aims, they are often planned and measured only in terms of their budgets. But financial measurement alone is a poor indicator of the overall return of the company's resources. To support a strategic shift towards impactful results, organizations need a strong and coherent monitoring and evaluation framework that is simple and provides information to company management alike to improve efficiency and effectiveness of CSR activity. Key CSR Activities / Areas are Education, environment, community development, health, safety, security, resource and energy conservation, women empowerment, skill development and livelihood generation; Reduce carbon footprints to mitigate climate change. Improve labor policies and embrace fair trade. Engage in charitable giving and volunteer efforts within your community. Company with a better means of seeking feedback from stakeholders, improving the service delivery systems, planning and optimizing resource allocation and most importantly demonstrate ground-level impact. Many large companies have CSR departments and expert employees to manage CSR activity. Company image and reputation are important and the benefits of CSR are significant. CSR activities enhance the profitability and the reputation of company.

Q2: What are the issues and challenges of CSR in India?**Answer:**

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. The practical implementation of CSR is faced with a lot of issues and challenges.

1. In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary non-regulatory initiatives instead.
2. There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.
3. There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.
4. It is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.
5. There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.
6. the role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.
7. There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. **In a recent survey by Environics International, more than**

one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

8. Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks.
9. Employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, the recommendations of the survey are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR on firmer ground. Keeping in view the broad results of the survey, the following recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

Q3. What are the various challenges of CSR?

Answer:

Challenges of CSR

A number of challenges have been identified across different projects (through studies), from the perspective of corporate and implementing agencies:

1. Lack of holistic view of the local context leading to inefficient designs and also inappropriate targets. The example is that of some CSR projects building toilets for households in locations where there is no water supply and no arrangements for dealing with waste.
2. Tendency to allocate funds annually, making long-term project planning very difficult. The nature of project that could be picked up for financing are essentially short term and do not subscribe to a strategic framework that can produce better impacts over a long term.
3. The capacity of implementing partner could be a critical limitation, especially where scaling up is involved to a significant extent and where the community is to be moved towards market-oriented functioning. The capacity, both in a technical sense and also from an attitudinal point of view, could be running against the objectives of the project. The partner selection in such cases has to be consistent with the objectives set out by the corporate.

4. At times, the government also complains that the corporate do not respond to the government's priorities in funds allocation. If corporate were to recognize the government's priority and allocate funds for such areas and activities, the effectiveness of CSR spending could be much higher.
5. Data available on most themes in which CSR projects are designed is poor. Management of available data and making it user friendly has not been a priority. Project designers have to carry out surveys and studies instead of looking to a common database from which one would expect information to be easily available.
6. Shortage of human capital in corporate, for implementing CSR projects, is another challenge. While some institutions offer courses on CSR, the experience required to accomplish a social development project cannot come through study/training alone. A couple of years are required to find experienced CSR personnel.
7. Lack of community participation is one other issue that corporate face. Local communities are required to be trained prior to commencement of projects, in many cases, in order to make the project successful. Lack of transparency by corporate and implementing agency may create distrust among local community. This may further lead to lack of participation and consensus by community members.
8. People in the local area may want different things to be done by the corporate, whereas the corporate could do only few of the many things seen as local needs. To bring about a consensus on that one thing to be done (CSR project) could be a very difficult process even for experienced implementing agencies. This can give rise to conflict, lack of participation and, at times, hostility of those whose first choice activity could not be taken up.
9. In many places, when a corporate comes into invest in a social project, the local communities expect that the corporate would do everything and the community itself need not participate; except to receive the benefits. The expectation that a CSR project would be charity and there need be no contribution by the local community has been a significant hindrance to sustainable progress.
10. CSR activities depend on profits and SMEs face fluctuating profits. This affects their contribution for CSR and the ability to implement long-term projects. Fluctuating performance of SMEs makes their CSR budget allocation unpredictable and hence SMEs tend to undertake very short term activities that require low skills – such as trainings, health camps, etc.
11. Limited resources available with SMEs result in lack of a professional approach.

Some of these challenges can be overcome. SMEs managing their CSR in clusters, instead of doing it individually, can be one solution. They can pool resources with other SMEs and can entrust each other for joint implementation. Long-term projects can be undertaken this way. Long term programmes also

lead to better community relations. Collaboration among SMEs also provides an opportunity to manage social and environmental issues and respond better to the local demands.

Q4: Case study of major CSR initiatives.

Answer:

Case study of major CSR initiatives

TATA GROUP

TATA is the one of the prime organizations of India. The business of TATA varies from automobiles to Steel and telecommunications to consumer good. TATA group has more than 80 companies under their umbrella. TATA has the privilege to be the largest private organization of India and there are more than 2 Lac employees are working in its different companies. Ratan N Tata took the group to the new height under his chairmanship. He completed his study from New York's Cornell University and starts leading the company in 1991. He also has been a part of the board of the Ford Foundation and the program board of the Bill & Melinda Gates Foundation's India AIDS initiative. Recently he got down and transferred his responsibilities to the Cyrus Mistry but after some time he got down from the post.

Under the chairmanship of Ratan N Tata, the organization achieved huge laurels and milestones and went through noticeable phases i.e., rationalization, globalization, and now invention, as it attempts to reach a reported \$500 billion in revenues by 2020-21, which is equal the size of the revenue of the global giant Wal-Mart. Almost two third of the equity of the parent firm, Tata Sons Ltd., is held by philanthropic trusts endowed by Sir Dorabji Tata and Sir Ratan Tata, sons of Jamsetji Tata, the founder of today's Tata empire in the 1860s. Through these trusts, Tata Sons Ltd. uses on average between 8 to 14 percent of its net profit every year for several social causes. TATA groups continued their CSR work even when the economic condition was adverse. In the decade of 90 when the company was going through the tough period, the company keeps increasing its CSR spent from Rs 670 million in 1997-98 to Rs 1.36 billion in 1999-2000. The group spent 3.37% of its profit on CSR in the year 2012-13 and apart from this they spent 300 crores for the environment safety.

Recognition of CSR:

"In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence." - Jamsetji Nusserwanji, Tata Founder, Tata Group. "Corporate Social Responsibility should be in the DNA of every organization. Our processes should be aligned so as to benefit the society. If society prospers, so shall the organization" – Manoj Chakravarti, G M - Corporate Affairs & Corporate Head - Social Responsibility, Titan Industries Limited in 2004. TATA group has always been recognized as a organization which fulfill their CSR religiously. The founder of TATA group was a personality who always supports the social causes. He was also a part of the Gandhiji's campaign in the South Africa. Tata group gave a number of science and research centre to the country which strengthen

the growth of the country. Jamshed Irani, Director, Tata Sons Ltd, says, "The Tata credo is that 'give back to the people what you have earned from them'. So from the very inception, Jamshetji Tata and his family have been following this principle." (A statement on the Tata group's website www.tata.com). Tata group follow their principles in all their companies including the TCS which is the technological segment of the group.

Though the TCS is a technological company but it's spent the CSR fund in the education, health and environment. The Company's ingenuities in the community intend to craft influence through empowerment so that the living standards and the quality of life improves for the population of the society. The company works on the following four areas to increase the standers of living for their employees as the other humans of the society.

- Leveraging the Corporation's core capabilities in technology
- Generating conditions for worker contribution through volunteering
- Constructing synergistic association with clients and other partners like NGOs
- Monetary sponsorships

TATA Approach towards CSR:

TATA group has chosen the following channels to drive its CSR initiatives:

- Building ground-breaking solutions to address large-scale societal problems by applying core competence of the organization.
- Volunteering for assignments that address the felt requirement of society in which TATA operates, while associating with the core themes of TATA's CSR.
- Contributing in community improvement program.
- Associating with select non-government and civil society organizations and other government bodies.
- Accompanying large-scale reasons such as disaster assistance or any other reason as unwavering by the Corporate CSR Association.

Thus, as far as India is concerned, the relationship between CSR and sustainability can be summarized as follows:

- Tata Steel has embraced the Corporate Citizenship Index, Tata organization Superiority Model and the Tata Index for Sustainable Development.
- Women empowerment programs in association with Self-Help Groups have been protracted to more than 700 villages. From the year 2003 to 2006, the motherly and toddler endurance project had an exposure area of 42 villages in Gamharia block in Seraikela, Kharsawa and a imitation project was taken up in Rajnagar block. For delivering moveable water to countryside

communities 2,600 tube wells have been mounted for the assistance of more than four Lac public.

- Tata Steel assists numerous social welfare establishments which are: “Tata Steel Rural Development Society, Tribal Cultural Society ,Tata Steel Foundation for Family Initiatives, National Association for the Blind, Shishu Niketan School of Hope, Centre for Hearing Impaired Children Indian Red Cross Society and East Singhbhum”.
- The Tata Steel Centenary Project has been started on the completion of the 100th year of the TATA group. The healthcare projects of Tata Steel comprise enablement of child learning, vaccination and childcare, farmstead actions, creation of consciousness of AIDS and many more healthcare projects.
- TATA group also contributing in the field of economic development. The group is working for economic empowerment with the help of innovative agriculture techniques. TATA group is spending INR 100 crore to establish the agriculture development centers in Jharkhand, Orissa and Chhattisgarh. This program is spread over 400 villages and impacts 40 thousand lives.
- TATA group is also spending on the National Horticulture Mission program which is a joint project of the TATA group with the government of Jharkhand. This program focuses on the non-conventional energy and the renewable energy. This particular project impacts more than 5000 lives.
- Tata Motors has implanted 80,000 plants in the works and the communities and more than 2.4 million plants have been rooted in Jamshedpur district. Over half a million plants have been ingrained in the Poona area. The organization instructed the suppliers to use alternate materials at the place of woods.
- The Tata Motors Grihini Social Welfare Society provides assistance to the employees' women dependents; they make a various number of products, oscillating from pickles to electrical cable connected; thereby securing them financially. In the city of Lucknow TATA group created the healthcare facilities for countryside improvement& for delivering healthcare to the countryside zones.
- Human Capital of TATA motors provides the scholarships 211 students under the Vidyadhanam program.

TATA businesses:

1. Agricultural inputs
2. Automotive
3. Aviation
4. Chemicals
5. Communication
6. Consultancy
7. Electronics
8. Energy
9. Engineering
10. Financial services

11. Food products
12. Hospitality
13. Information technology
14. Materials
15. Publishing
16. Trading

Drawbacks of TATA:

Tata Steel is the second biggest steel manufacturer in Europe and has its main steelmaking plants in the UK and Holland. It supplies steel and associated services to major businesses, such as real estate constructors, vehicle manufacturer and packaging. The European processes are a subsidiary of Tata Steel Group, one of the world's top ten steel manufacturers. There are 80 thousand employees' works in this system. There are certain law which group has to follow. To avoid this, it has put the systems in place to meet into the international standards for environmental management such as ISO14001. But it has not yet come into the effect.

- Also it is not working with full transparency as it has been seen that TCS has allegedly stolen the health software from an American company, Epic Systems, for which Wisconsin federal has charged \$940 million penalty(in April 2016).
- The unethical case has been reported, in which the land of Singur farmers is being overtaken by TATA group for its installation of new Nano factory plant. This lead to large amount of dislocation to local people. Upon discussion it was suggested to shift to Gujarat.
- Indica, the TATA product is also under the conflict of creating pollution as well as a weird noise pollution.