VELS

INSTITUTE OF SCIENCE, TECHNOLOGY & ADVANCED STUDIES (VISTAS)
(Deemed to be University Estd. u/s 3 of the UGC Act, 1956)
PALLAVARAM - CHENNAI

DCMBA-27

Corporate Social Responsibility and Sustainability

MBA
ODL MODE
(Semester Pattern)

School of Management Studies and Commerce

Centre for Distance and Online Education
Vels Institute of Science, Technology and Advanced Studies (VISTAS)
Pallavaram, Chennai - 600117

Vels Institute of Science, Technology and Advanced Studies

Centre for Distance and Online Education

Master of Business Administration (MBA) ODL Mode

(Semester Pattern)

DCMBA-27: Corporate Social Responsibility and Sustainability

(4 Credits)

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FOREWORD

Dr.Ishari K Ganesh
Chancellor

Vels Institute of Science, Technology and Advanced Studies (VISTAS), Deemed-to-be University, was established in 2008 under section 3 of the Act of 1956 of the University Grants Commission(UGC), Government of India, New Delhi.

VISTAS has blossomed into a multi-disciplinary Institute offering more than 100 UG & PG Programmes, besides Doctoral Programmes, through 18 Schools and 46 Departments. All the Programmes have the approval of the relevant Statutory Regulating Authorities such as UGC, UGC-DEB, AICTE, PCI, BCI, NCTE and DGS.

Our University aims to provide innovative syllabi and industry-oriented courses, and hence, the revision of curricula is a continuous process. The revision is initiated based on the requirement and approved by the Board of Studies of the concerned Department/School. The courses are under Choice Based Credit Systems, which enables students to have adequate freedom to choose the subjects based on their interests.

I am pleased to inform you that VISTAS has been rendering its services to society to democratize the opportunities of higher education for those who are in need through Open and Distance Learning (ODL) mode.

VISTAS ODL Programmes offered have been approved by the University Grants Commission (UGC) – Distance Education Bureau (DEB), New Delhi.

The Curriculum and Syllabi have been approved by the Board of Studies, Academic Council, and the Executive Committee of the VISTAS, and they are designed to help provide employment opportunities to the students.

The MBA ODL Programme Study Materials have been prepared in the Self Instructional Mode (SIM) format as per the UGC-DEB (ODL & OL) Regulations 2020. It is highly helpful to the students, faculties and other professionals. It gives me immense pleasure to bring out the ODL programme with the noble aim of enriching learners' knowledge. I extend my congratulations and appreciation to the Programme Coordinator and the entire team for bringing up the ODL Programme in an elegant manner.

At this juncture, I am glad to announce that the syllabus of this ODL Programme has been made available on our website, **www.vistascdoe.in**, for the benefit of the student community and other knowledge seekers. I hope that this Self Learning Materials (SLM) will be a supplement to the academic community and everyone.

CHANCELLOR

FOREWORD

Dr.S.Sriman Narayanan
Vice-Chancellor

My Dear Students!

Open and Distance Learning (ODL) of VISTAS gives you the flexibility to acquire a University degree without the need to visit the campus often. VISTAS-CDOE involves the creation of an educational experience of qualitative value for the learner that is best suited to the needs outside the classroom. My wholehearted congratulations and delightful greetings to all those who have availed themselves of the wonderful leveraged opportunity of pursuing higher education through this Open and Distance Learning Programme.

Across the World, pursuing higher education through Open and Distance Learning Systems is on the rise. In India, distance education constitutes a considerable portion of the total enrollment in higher education, and innovative approaches and programmes are needed to improve it further, comparable to Western countries where close to 50% of students are enrolled in higher education through ODL systems.

Recent advancements in information and communications technologies, as well as digital teaching and e-learning, provide an opportunity for non-traditional learners who are at a disadvantage in the Conventional System due to age, occupation, and social background to upgrade their skills.

VISTAS has a noble intent to take higher education closer to the oppressed, underprivileged women and the rural folk to whom higher education has remained a dream for a long time.

I assure you all that the Vels Institute of Science, Technology and Advanced Studies would extend all possible support to every registered student of this Deemed-to-be University to pursue her/his education without any constraints. We will facilitate an excellent ambience for your pleasant learning and satisfy your learning needs through our professionally designed curriculum, providing Open Educational Resources, continuous mentoring and assessments by faculty members through interactive counselling sessions.

VISTAS, Deemed- to- be University, brings to reality the dreams of the great poet of modern times, Mahakavi Bharathi, who envisioned that all our citizens be offered education so that the globe grows and advances forever.

I hope that you achieve all your dreams, aspirations, and goals by associating yourself with our ODL System for never-ending continuous learning.

With warm regards,

VICE-CHANCELLOR

Course Introduction

The main objectives of the **DCMBA-27: Corporate Social Responsibility and Sustainability** Course is to introduce the concept of Corporate Social Responsibility, to create awareness about the third sector and its role towards development of society and to instill interest towards societal responsibilities of Corporations. The DCMBA-27: Corporate Social Responsibility and Sustainability Course has been divided into five Blocks.

Block-1: Introduction to CSR has been divided into four Units and deals with Introduction to CSR, Definition, History and Evolution of CSR, Concept of Charity, Corporate philanthropy, Corporate Citizenship, CSR an overlapping concept, Drivers of CSR, CSR and Corporate governance.

Block-2: Framework of CSR has been divided into two Units and explains about International framework, Millennium and sustainable development goals, UN Global impact and guiding principles on business and human rights, Social Policy, OECD and ILO tri-partite declaration.

Block-3: CSR Legislations has been divided into four Units and describes about CSR Legislations in India and World, CSR reports, CSR activities under schedule, VII, Appointment of independent directors on the Board, Computation of Net Profit's Implementing Process in India, Implementation of CSR in India, Market based pressure and incentives civil society pressure.

Block-4: Regulatory Environment has been divided into four Units and deals with the regulatory environment in India Countertrends and Performance in major business and Programmes.

Block-5: Stakeholders of CSR has been divided into four Units and explains about the Key Stake holders of CSR, Contemporary issues in CSR and MDGs, Global Compact Self-Assessment Tool and National Voluntary Guidelines by Government of India.

DCMBA-27: Corporate Social Responsibility and Sustainability

Block-1: Introduction

Block-1: Introduction to Corporate Social Responsibility has been divided in to four Units.

Unit-1: Introduction to Corporate social Responsibility deals with Meaning of social responsibility, Introduction to Corporate Social Responsibility, Social responsibility of different interest groups, Evolution of CSR in India Phase-1 (1850 To 1914), Advantages and disadvantages of CSR.

Unit-2: Concept of Charity, Corporate Philanthropy, Corporate Citizenship, CSR- AN Overlapping Concept explains about Introduction, Concept of charity, Corporate philanthropy, Corporate Citizenship and CSR an overlapping concept.

Unit-3: Drivers of Corporate Social Responsibility discuss with Introduction, Increased affluence, Ecological sustainability, Globalization and Free flow of information.

Unit-4: Corporate Governance and Corporate Social Responsibility describes about Corporate governance an Over view, Need of corporate governance, Scope of corporate governance, Participants to corporate governance, Importance and benefits to corporate governance, Role of corporate governance, OECD Parameters and Principles, Issues involved in corporate governance and Historical perspective of corporate governance.

In all the units of Block -1 **Introduction to Corporate Social Responsibility**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-1

Introduction to Corporate Social Responsibility

STRUCTURE

Overview

In this unit the Meaning of social responsibility, Introduction to Corporate Social Responsibility, Social responsibility of different interest groups, Evolution of CSR in India Phase 1 (1850 To 1914), Advantages and disadvantages of CSR has been explained.

Objectives

After reading this unit, students should be able to:

- Understand the Meaning of social responsibility
- Understand the Introduction to Corporate Social Responsibility
- Know about the Social responsibility of different interest groups
- Know about the Evolution of CSR in India Phase 1 (1850 to 1914) and
- Explain about the Advantages and disadvantages of CSR

1.1. Meaning of Social Responsibility

According to concept of Social Responsibility of business the objective of managers for taking decision related to business is not only to maximize profit or shareholder value but also to serve and protect the interest of other members of its society like consumer, worker and community as a whole.

1.2. Introduction to Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

Corporate social responsibility is a gesture of showing the company's concern & commitment towards society's sustainability & development. CSR is the ethical behavior of a company towards society.

To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.

Understanding Corporate Social Responsibility (CSR)

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations, boost morale and help both employees and employers feel more connected with the world around them.

1.3 Social Responsibility for Different Interest Group

- Responsibility towards society
- Responsibility towards government
- Responsibility towards owners
- Responsibility towards shareholders
- Responsibility towards employees
- Responsibility towards suppliers
- Responsibility towards consumers
- Responsibility towards society

Business needs to work in society

Some importance of social responsibility is also defined from society's point of view. The business provide good product, try to maintain clean environment, provide opportunity to participate in business as well as work for the overall development of society, these are some examples of it.

Responsibility towards government

When business pays regular taxes, follows the norms of government then it is considered as social responsibility of business which is duly fulfilled by it.

Responsibility towards Owners

Owners are the persons who own the business. They contribute capital and bear the business risks.

The primary responsibilities of business towards its owners are to

- Run the business efficiently.
- Proper utilization of capital and other resources.
- Growth and appreciation of capital
- Regular and fair return on capital invested.

Responsibility towards shareholders

Investors are those who provide finance by way of investment in debentures, bonds, deposits etc. Banks, financial institutions, and investing public are all included in this category. The Responsibilities of business towards its investors are:

- Ensuring safety of their investment,
- Regular payment of interest,
- Timely repayment of principal amount.

Responsibility towards Employees

Business needs employees or workers to work for it. These employees put their best effort for the benefit of the business. So, it is the prime responsibility of every business to take care of the interest of their employees. If the employees are satisfied and efficient, then the only business can be successful.

The responsibilities of business towards its employees include:

- Timely and regular payment of wages and salaries.
- Proper working conditions and welfare amenities.
- Opportunity for better career prospects.

- Job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits, etc.
- Better living conditions like housing, transport, canteen, crèches etc.
- Timely training and development.

Responsibility towards suppliers

Suppliers are businessmen who supply raw materials and other items required by manufacturers and traders. Certain suppliers, called distributors, supply finished products to the consumers. The Responsibilities of business towards these suppliers are:

- Giving regular orders for purchase of goods.
- Dealing on fair terms and conditions.
- Avail reasonable credit period.
- Timely payment of dues.

Responsibility towards customers

No business can survive without the support of customers. As a part of the responsibility of business towards them the business should provide the following facilities:

- Products and services must be able to take care of the needs of the customers.
- Products and services must be qualitative
- There must be regularity in supply of goods and services

After learning about Social Responsibility of the business in this chapter, one can understand the significance of Social Responsibility. The next chapter is about Business Environment and Protection which deals with the organization taking steps to protect both internal and external environment for their sustained growth and development.

Nature of Social Responsibility

- CSR is normative in nature.
- CSR is a relative concept.
- CSR may be started as a proactive or reactive.
- All firms do not follow the same patterns of CSR.
- Legal & socially responsible.
- Legal but socially irresponsible.
- Illegal but socially responsible.
- Illegal & socially irresponsible.

Need For CSR

- Issues such as environmental damage, improper treatment of workers, and faulty production leading to customer inconvenience or danger are being highlighted.
- Investors and investment fund managers have begun to take account of a firm's CSR policy in making investment decisions. Some consumers have become increasingly sensitive to the CSR program of the firms from which they buy their goods and services.
- Need for CSR for consumers and society
- It is required to encourage businesses
- Consumer preference
- Consumer opinions
- Issues mainly emphasized on by consumers:
- Product quality
- Money value
- Technological advancements
- Leads to increase in the awareness of the society
- Helps in dealing with societal matters such as:
- Nutrition & health issues
- Human rights & gender
- Labor practices
- Involvement in community issues

Benefits of CSR

- Improved public image: This is crucial, as consumers assess your public image when deciding whether to buy from you. Something simple, like staff members volunteering an hour a week at a charity, shows that you're a brand committed to helping others. As a result, you'll appear much more favorable to consumers.
- Increased brand awareness and recognition: If you're committed to ethical practices, this news will spread. More people will therefore hear about it t your brand, which creates an increased brand awareness.
- Cost savings: Many simple changes in favor of sustainability, such as using less packaging, will help to reduce your production costs.
- An advantage over competitors: By embracing CSR, you stand out from competitors in your industry. You establish yourself as a

company committed to going one step further by considering social and environmental factors.

- Increased customer engagement: If you're using sustainable systems, you should shout it from the rooftops. Post it on your social media channels and create a story out of your efforts. Furthermore, you should show your efforts to local media outlets in the hope that they will give it some coverage. Customers will follow this and engage with your brand and operations.
- Greater employee engagement: Similar to customer engagement, you also need to ensure that your employees know your CSR strategies. It's proven that employees enjoy working more for a company that has a good public image than one that doesn't.
- Furthermore, by showing that you're committed to things like human rights, you're much more likely to attract and retain the top candidates.
- More benefits for employees: There are also a range of benefits for your employees when you embrace CSR. Your workplace will be a more positive and productive place to work, and by promoting things like volunteering, you encourage personal and professional growth.

A Good CSR practices

Can only bring in greater benefits by fostering the below aspects,

1. Attracting and retaining employees – Increasing the employee morale and sense of belonging to the company
2. Enriching the corporate reputation – positive image and branding benefits are created to place the company as a responsible corporate citizen in the world market.
3. Cost savings
4. Revenue increase from higher sales and market share
5. Brand Value
6. Can avoid negative press and customer boycotts (risk reduction/management)

Importance of CSR

- CSR helps in strengthening the relationship between companies and stakeholders.
- It enables continuous improvement and encourages innovations.

- Attracts the best industry talent as a socially responsible company. Provides additional motivation to employees.
- Mitigates risk as a result of its effective corporate governance framework.
- Enhances ability to manage stakeholder expectations.

1.4 Evolution of CSR in India Phase-1 (1850 To 1914)

The first phase of CSR is known for its charity and philanthropic nature. CSR was influenced by family values, traditions, culture and religion, as well as industrialization. The wealth of businessmen was spent on the welfare of society, by setting up temples and religious institutions. In times of drought and famine these businessmen opened up their granaries for the poor and hungry. With the beginning of the colonial era, this approach to CSR underwent a significant change. In pre-Independence times, the pioneers of industrialization, names like Tata, Birla, Godrej, Bajaj, promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. During this period social benefits were driven by political motives.

Phase -2 (198 to 1960)

The second phase was during the Independence movement. Mahatma Gandhi urged rich industrialists to share their wealth and benefit the poor and marginalized in society. His concept of trusteeship helped socio-economic growth. According to Gandhi, companies and industries were the 'temples of modern India'. He influenced industrialists to set up trusts for colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education and empowerment of women.

Phase- 3 (1950 to 1990)

This phase was characterized by the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society. The policy on industrial licensing and taxes, and restrictions on the private sector resulted in corporate malpractices which finally triggered suitable legislation on corporate governance, labor and environmental issues. Since the success rate of PSUs was not significant there was a natural shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development. In 1965, academicians, politicians and businessmen conducted a nationwide workshop on CSR where major emphasis was given to social accountability and transparency.

Phase- 4 (1980 Onwards)

In this last phase, CSR became characterized as a sustainable business strategy. The wave of liberalisation, privatization and globalization (LPG), together with a comparatively relaxed licensing system, led to a boom in the country's economic growth. This further led to an increased momentum in industrial growth, making it possible for companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility

1.5. Advantages & disadvantages of CSR

Advantages of CSR:

It improves value and profitability

A CSR plan focuses on the energy-efficiency tactics, for instance waste recycling that can diminish the operational costs, while offering advantage to the environment. Continuing with that, it will enhance an entity's transparency as well as responsibility with the media coverage, capital analysts, investors or owners of the company, and domestic societies.

As an outcome, it improves the firm's reputational image among the owners that they integrate the similar plan and strategies into their shares selection tactics. Hence, it would turn into a virtuous circle where the corporation's shares' value would improve, with accessibility to capital investment being relieved.

It enhances the organization's reputation

Mixed with genuine action, a policy regarding CSR can serve to create or enhance the company's reputational image. If it occurs that a brand is experiencing from adverse reputation that has resulted in losses, particularly because of environmental concerns, the CSR plan would be considered as an effective solution to improve the damaged image and ultimately increase the profitability.

In various situations, applying the CSR policy operates as part of the business model, where buyers are commonly seen showing more loyalty to a specific brand that has the ability to show strong commitment to environmental concerns.

It helps to bring motivation among the employees

Almost of the global corporations know that employees or the staff of a company are considered as the most esteemed resources, which can be regarded as a fundamental structure of a company in relation to the CSR compliance.

In other words, it means that treating the workforce with utter dignity and respect, providing them desirable office infrastructure, friendly working culture, developing fair and unbiased hiring practices, as well as developing a workplace that does not promote work discrimination (regarding race or gender) is a must. Hence, focusing these points enhances the teamwork and confidence among the employees within a good office culture.

Disadvantages of CSR:

It needs higher costs and expenses

One of the major drawbacks of implementing CSR plans and policies is to bear high costs in relation to installing CSR strategies and implementing it, particularly for small entities. Whereas, large companies have the ability to bear such high cost regarding the allocation of a set budget to CSR reporting.

Also, small entities that comprise of only 8 to 200 staff commonly experience issues with bringing capital investment. Although they can consider using media coverage to convey their policy to the domestic societies and their potential buyers, it would be time consuming to handle the alterations, which would involve hiring of additional staff, meaning further salaries expenses. Furthermore, there is a common thinking that the high costs of CSR would result in the decline of small entities as the majority of them cannot consider the required budget to be socially accountable.

As per the critics, these entities do not have the ability to bear the high costs of social media solutions, equipment, and training sessions required to fulfill the social responsibility.

It can increase investor's resistance

While several investors are attracted to grab shares in entities that are publicly responsible, majority of them would consider for investment with the hope of generating high profits. Besides, while few organizations have created reasonable profitability from CSR, others that consider such a plan always prove as probable to lose cash resource. Considering the spotty path record of CSR in determining growth in earnings, shareholders focus to restrict attempts by entity managers to progress their companies in that path.

It promotes green washing

As per the critics, CSR can be considered a practice that might result in ineffectiveness, debating that it can result in green-washing. They show that an entity's management workforce has inefficient responsibility to its investors, which is directly contradicted by CSR plans. They further focus that the accountability of senior management to their investors is to increase profitability, and executives who emphasize on creating huge revenue for the society and their employment. Hence, this is the main motive why some entities argue about such policy, but would do nothing or take action regarding it.

Let us Sum Up

In this unit you have learned about the meaning of social responsibility was discussed by introducing the concepts of corporate social responsibility.

The evolution of CSR was highlighted before and after independence. The need importance and advantages of CSR was stated by analyzing the benefits of CSR.

Check Your Progress

1. A _________________ sets out the purpose and general direction for the organization?
   a. Vision
   b. Purpose statement
   c. Mission statement
   b. Profit statement
2. Which of the following would most effectively act as the primary objective of a business organization?
   a. To communicate with shareholders.
   b. To make a profit.
   c. To mediate between the organization and the environment.
   d. All of the above.
3. What is the purpose of a balanced scorecard?
   a. To relate business performance to financial measures.
   b. To measure the contribution of people to business growth
   c. To relate business performance to customer satisfaction.
   d. To combine a range of qualitative and quantitative indicators of performance.

4. Which of the following does the term Corporate Social Responsibility relate to?

   a. Environmental practice.
   b. Ethical conduct.
   c. Human rights and employee relations.
   d. All of the above.

5. Who are organizational stakeholders?

   a. Employees
   b. Government
   c. Customers
   d. All of the above.

Glossary

Corporate Social Responsibility, Philanthropy, Citizenship, Donations, liberalist, divisive, globalist.

Answer to Check your Progress

1. a
2. b
3. d
4. d
5. d

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach , Broadview Press, 2011.

2. Wayne Visser and Nick Tolhurst, The World Guide to CSR, Taylor and Francis, 1st Edition,2017.

Unit-2

Concept of Charity, Corporate Philanthropy, and Corporate Citizenship

STRUCTURE

Overview

In this unit the concept of Introduction, Concept of charity, corporate philanthropy, Corporate Citizenship and CSR an overlapping concept has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- The Concept of charity Corporate philanthropy and
- Corporate Citizenship, CSR an overlapping concept

2.1. The Concept of Charity

Charity is the act of extending love and kindness to others unconditionally, which is a conscious act but the decision is made by the heart, without expecting a reward. When Charity is carried out selflessly, it is a one-way act where a person gives but asks for nothing in return.

It is this act of nature that makes it precious and soulful. There are people who believe charity should begin at home but others believe it should originate from the heart. However, charity originates from the heart as you feel the urge of giving, begins from home, ultimately extending to others in the society.

Charity begins with the inward recognition of a need to show compassion to others whether consciously or unconsciously. Everyone has problems, troubles, and griefs of some sort in life but charity starts with those who learn to downplay their own problems, in order to extend compassion, kindness, and love to help others. Hence some people set aside their own pains to relieve the pain of others.

2.2. Corporate Philanthropy

Corporate philanthropy refers to the activities which companies voluntarily initiate that aim to manage their impact on society at large. Most companies with corporate philanthropy programs achieve the overarching goal of positive social impact by strategically and generously employing their resources.

Typically, corporate philanthropic activities include monetary investments, donations of products or services, in-kind donations, employee volunteer programs and any other business arrangements which aim to support a social cause.

While some companies spearhead and operate corporate philanthropy programs themselves, others may focus on advancing the work of local community organizations, non-profit organizations or other social initiatives geared towards improving society at some level.

Corporate philanthropy has become increasingly popular in recent years, as consumers now expect a certain level of accountability and transparency from corporate entities. With higher levels of open dialogue occurring between consumers and businesses via social media, companies have taken on more responsibility for their particular social effects, wielding their financial and societal influence to empower communities.

2.3. Corporate Citizenship

Corporate citizenship refers to the set of activities or responsibilities of an organization that help them make a positive contribution to society in general. Corporate citizenship also refers to standards that an organization puts in place to meet corporate social responsibility.

In every country, there are certain responsibilities that are expected from businesses and organizations as a way of contributing to the development of a society.

The International Organization for Standardization (ISO) has outlined a set of standards that will aid the implementation of corporate social responsibility by companies.

Development of Corporate Citizenship:

There are five developmental stages through which businesses and organizations attain corporate citizenship, they are:

- Elementary stage: This is the basic stage where an organization begins to carry out certain projects tailored to corporate social responsibility. The elementary stage starts with compliance to the ISO standards and other occupational health safety standards.
- Engagement stage: This is the phase in which the company develops conscious policies that mandate the involvement of its employees in activities that contribute positively to the community.
- Innovative Stage: At this stage, a company devises creative means to implement corporate social responsibility. This is in a way to make them recognized and stand out among others.
- Integrated Stage: This is when a company has fully blended with activities and processes involved in corporate social responsibility.
- Transforming stage: This is the stage an organization has fully grasped what corporate citizenship entails, the standards and processes involved.

2.4. CSR – an overlapping concept

While corporate social responsibility (CSR) was for a long time considered a voluntary matter to be exercised by companies in the interests of stakeholders, it is increasingly acquiring legal status in different countries, particularly like India, whereby, with the passage of Companies Act 2013 , every company of a certain size has to offer a CSR policy.

Following this amendment, India is the first country in the world to make CSR mandatory. Businesses can invest their profits in areas such as education, poverty, gender equality and food security. Large companies are required to spend a stipulated amount, i.e., at least two percent of their average net profits made during the three immediately preceding financial years, in pursuit of their CSR policy towards specified activities.

Over the past few years, CSR as a concept has been the focus of many deliberations and research. It has grown in importance both academically as well as in the business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development.

As the term CSR is used continuously, many complementary and overlapping concepts, such as corporate citizenship, business ethics, stakeholder management and sustainability have emerged. These extensive ranges of synonymously used terms indicate that multiple definitions have been devised for CSR, mostly from perspectives and by those in facilitating roles like the corporate sector, government agencies, academics and the public sector.

Worldwide, there are enough examples of companies that have incorporated CSR in their operations. The New York-based natural foods company, KIND Snacks, which in its first 8 years has grown from zero to over 450 million units sold and with its famous rainbow-wrapped bars found in over 150,000 retail stores, believes in both "making profit and making a difference" by achieving mass distribution and making healthy products. There are several companies from start-ups to huge conglomerates that are increasingly incorporating social and environmental initiatives in their strategies.

Microsoft partners with the non-profit Net Hope to create IT apprenticeships in Kenya. The Disney Company is providing $ 3 million in conservation grants this year to protect wildlife. Gap Inc. has a program that teaches health awareness and literacy to women garment workers in Cambodia and India. JPMorgan Chase has The Fellowship Initiative, a program designed to help American Black young men achieve academic and professional success. Mattel is committed to using sustainably sourced paper and wood fiber in its packaging and products.

Although good to achieve, initiating and sustaining social initiatives takes time, talent and resources. But increasingly, it is what investors, customers, employees and other stakeholders have come to expect and demand, particularly the young generation which makes for the industry's new and future customers and casts a particularly keen eye on companies' commitment to social impact. So how are the companies from emerging countries, who are fighting for survival and success in the global economy, paying attention to CSR? There are some high-profile examples of emerging multinational companies engaged in socially or environmentally impactful activities. Chinese battery maker BYD brought out the first mass-market electric plug-in car in 2008 and despite a rocky entry into the US market, it has built more than 1,000 electric buses and sold them in Asia, South America and Europe. Natura Cosmetics, one of Brazil's top cosmetics manufacturers, focuses on sustainability and social responsibility and is serving as a founding member of the Union for Ethical Bio Trade, which promotes biodiversity conservation and uses only natural ingredients in its formula.

It has forged alliances with indigenous Amazon Basin communities to source herbal raw materials. India's Tata Group, one of India's largest conglomerates with revenues of over $80 billion, as a company, is long renowned for its commitment to social purpose and carries out various CSR projects, most of which are community improvement and poverty alleviation programs. Through self-help groups, it is engaged in women empowerment activities, income generation, rural community development, and other social welfare programs.

In the field of education, the Tata Group provides scholarships and endowments for numerous institutions. The group also engages in healthcare projects such as facilitation of child education, immunization and creation of awareness on AIDS. In some cases, CSR should be designed to address the concerns of stakeholders and are strategic, not just philanthropic.

For example, CSR programs of big soda companies such as Coke and Pepsi are often focused on issues such as obesity and water usage in developing nations. These are programs addressing issues that people are concerned about with those companies. By addressing them, they reduce the likelihood Opi Protest and Aggressive Regulation, and They Also Built Regulations with Stakeholders Vato Gold Other vise Be Attacking Thema.

Let us Sum Up

In this Unit , you have studied about the concept of the Charity, Corporate philanthropy, Corporate citizenship and CSR an overlapping concept.

Check your Progress

True or False:

1. Corporate citizenship refers to the set of activities or responsibilities of an organization that help them make a positive contribution to society in general.

2. Charity begins with the inward recognition of a need to show compassion to others whether consciously or unconsciously.
3. Charity is not an act of nature that makes it precious and soulful.
4. Most companies with corporate philanthropy programs achieve the overarching goal of positive social impact by strategically and generously employing their resources.
5. There are eight developmental stages through which businesses and organizations attain corporate citizenship

Glossary

Slide Philanthropic Corporate citizenship, Caesar - that overlapping concept.

Answer to Check your Progress

1.True

2. False

3. True

4. True

5. False

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach , Broadview Press, 2011.

2. Wayne Visser and Nick Tolhurst ,The World Guide to CSR, Taylor and Francis, 1st Edition,2017.

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Unit-3

Drivers Corporate Social Responsibility

STRUCTURE

Overview

In this Unit the Introduction, Increased affluence, Ecological sustainability, Globalization and Free flow of information has been clearly explained.

Objectives

After reading this unit, students should be able:

- To provide a neutral and credible platform to all stakeholders engaged in CSR best practices for capturing relevant issues to foster sustainable growth.
- To provide research, training, practice, capacity building, standard setting, advocacy, rating, monitoring, recognition and related support in the field of CSR.
- To facilitate exchange of experiences and ideas between various stakeholders for developing a framework for strengthening of CSR indicators.
- To facilitate any other assistance directly or indirectly for activities which seek to promote CSR practices.

- To establish and deepen links with the organizations in various parts of the world which promote CSR practices for exchange of ideas and for collaborative actions and programmes.
- To collaborate and to support, directly or indirectly, the initiative of any individual, group, organization or institution in promoting good practices in CSR.
- To establish a database of credible implementing outfits with whom the corporate entities as well as the donor organizations can collaborate and work.
- To create CSR fund with contribution of Government PSUs and private sector companies and channelize the CSR fund for optimum utilization through a sustainable mechanism.
- To implement various CSR projects of state importance through credible implementing agencies in that area.

3.1. Introduction

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.

The overall concept is also reflected when marketing textbooks discuss the various marketing philosophies that have evolved over the last century or so. These textbooks highlight the transition from a marketing concept to what is known as a societal marketing concept. In the latter 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. Customer expectations of firms
3. Consumer lobby groups
4. The extent of costs involved
5. The type of industry in which they operate
6. the potential for competitive advantage
7. Top-level corporate culture

3.2. Increased affluence

Increased Affluence: CSR becomes more relevant as economies grow and stabilize. Therefore, the greatest attention to CSR is found in developed countries. Stable work and security provide the luxury of choice and socially responsible activism. No such luxury exists when basic needs are in question.

3.3. Ecological sustainability

Perhaps the most obvious and most talked about of the drivers, 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.

3.4. 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.

3.5. Free flow of information

Yes, blame the bloggers, but through 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.

Power of 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 key and honest CSR is a way to protect that reputation and therefore the brand.

Let us Sum Up

In this unit, you have learned about the following:

As reported by the aforementioned text, Malcolm Gladwell referred to the tipping point as the point of critical mass after which an idea spreads widely and becomes generally accepted and widely implemented. I argue that CSR has reached such a tipping point, pushed there by the five factors above. I further argue that CSR will become more mainstream and more part and parcel of everyday business strategy. These five forces have brought us here and will continue to promote and develop trends towards greater social responsibility on the part of firms.

Check your Progress

1. What has ethics to do with?
    a. The wider community.
    b. Right and wrong.
    c. Business!
    d. None of the above.
2. Which of the following statements about CSR is untrue?
    a. It has a substantial impact on corporate reporting practices, investment strategies, SCM & public relations.
    b. It is about striking a balance between economic performance, meeting stakeholders' expectations & responsibility towards society.
    c. It is about recognizing that no organization is an island & must operate in partnership with the outside world.
    d. Its primary concern is about maintaining a competitive edge in the global market
3. Which of the following words refers to 'doing business with your grandchildren's interests at heart'?
    a. Responsibility
    b. Sustainability
    c. Agility
    d. Integrity

Glossary

Corporate Social Responsibility; Sustainable Development; Triverse OP Caesar; Economic Performance Regulatory Provisions

Answer to Check your Progress

1.a

2.d

3.b

Suggested Readings

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Unit- 4

Corporate Governance and Corporate Social Responsibility

STRUCTURE

Overview

In this Unit the concept of Corporate governance an Over view, Need of corporate governance, Scope of corporate governance, Participants to corporate governance, Importance and benefits to corporate governance, Role of corporate governance, OECD Parameters and Principles, Issues involved in corporate governance and Historical perspective of corporate governance has been clearly explained.

Objectives

After reading this unit, students should be able to understand about:

- Corporate governance an Over view, Need of corporate governance
- Scope of corporate governance, Participants to corporate governance
- Importance and benefits to corporate governance
- Role of corporate governance, OECD Parameters and Principles
- Issues involved in corporate governance
- Historical perspective of corporate governance.

4.1. Introduction

Corporate governance is a central and dynamic aspect of business. The term 'governance' is derived from the Latin word gubernare, meaning 'to steer', usually applying to the steering of a ship, which implies that corporate governance involves the function of direction rather than control.

In fact, the significance of corporate governance for corporate success as well as for social welfare cannot be overstated. Recent examples of massive corporate collapse resulting from weak systems of corporate governance have highlighted the need to improve and reform corporate governance at the international level. In the wake of Enron and other similar cases, countries around the world have reacted quickly by pre-empting similar events dramatically.

"Capitalism with integrity outside the government is the only way forward to create jobs and solve the problem of poverty. We, the business leaders are the evangelists of capitalism with integrity. If the masses have to accept this we have to become credible and trustworthy.

Thus we have to embrace the finest principles of corporate governance and walk the talk." (Narayan Murthy) Corporate governance has in recent years succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporations and society in general.

However, the concept of corporate governance is poorly defined because it potentially covers a large number of distinct economic phenomena. As a result, different individuals have come up with different definitions that basically reflect their special interest in the field. It is hard to see that this 'disorder' will be any different in the future so the best way to define the concept is perhaps to list a few of the different definitions.

4.2. Corporate Governance: An Overview

Corporate governance comprises the framework of rules, relationships, systems and processes within and by which fiduciary authority is exercised and controlled in corporations. Relevant rules include applicable laws of the land as well as internal rules of a corporation. Relationships include those between all related parties, the most important of which are the owners, managers, directors of the board (when such entity exists), regulatory authorities and to a lesser extent, employees and the community at large. Systems and processes deal with matters such as delegation of authority, performance measures, assurance mechanisms, reporting requirements and accountabilities. Standard and Poors defined corporate governance as "the way in which a company organizes and manages itself to ensure that all financial stakeholders receive their fair share of a company's earnings and assets" is increasingly a major factor in the investment decision-making process.

Poor corporate governance is often cited as one of the main reasons why investors are reluctant, or unwilling, to invest in companies in certain markets. Corporate Governance concerns with the exercise of power in corporate entities. The OECD provides a functional definition of corporate governance as: “Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.”

The report of SEBI Committee on Corporate Governance gives the following definition of corporate governance. “Corporate governance is the acceptance by management, of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company”. The simplest definitions, is given by a Cadbury Report (UK). ‘Corporate Governance is the system by which businesses are directed and controlled'. The Cadbury Committee said, “The primary level is the company's responsibility to meet its material obligations to shareholders, employees, customers, suppliers, creditors, to pay its taxes and to meet its statutory duties.

The next level of responsibility is the direct result of actions of companies in carrying out their primary task including making the most of the community's human resources and avoiding damage to the environment. Beyond these two levels, there is a much less well-defined area of responsibility, which involves in the interaction between business and society in a wider sense." The ongoing nature of corporate governance indicates by the definition of the Commission on Global Governance (1995), 'A continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken'.

4.2.1 Need of Corporate Governance

A corporation is a congregation of various stakeholders, namely customers, employees, investors, vendor partners, government and society. A corporation should be fair and transparent to its stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to partner with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed.

Corporate governance is about ethical conduct in business. Ethics is concerned with the code of values and principles that enable a person to choose between right and wrong and, therefore, select from alternative courses of action. Further, ethical dilemmas arise from conflicting interests of the parties involved. In this regard, managers make decisions based on a set of principles influenced by the values, context and culture of the organization. Ethical leadership is good for business as the organization is seen to conduct its business in line with the expectations of all stakeholders. Corporate governance is beyond the realm of law. It stems from the culture and mindset of management and cannot be regulated by legislation alone. Corporate governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. It is about openness, integrity and accountability. What legislation can and should do is to lay down a common framework – the "form" to ensure standards.

The “substance” will ultimately determine the credibility and integrity of the process. Substance is inexorably linked to the mindset and ethical standards of management. Corporations need to recognize that their growth requires the cooperation of all the stakeholders; and such cooperation is enhanced by the corporation adhering to the best corporate governance practices. In this regard, the management needs to act as trustees of the shareholders at large and prevent asymmetry of benefits between various sections of shareholders, especially between the owner-managers and the rest of the shareholders.

4.2.2 Scope of Corporate Governance

Corporate governance covers the following functional areas of governance:

1. Preparation of company's financial statements: Financial disclosure is a very important and critical component of corporate governance. The company should implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.
2. Internal controls and the independence of entity's auditors: Internal control is implemented by the board of directors, audit committee, management, and other personnel to provide assurance of the company achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors, who are given responsibility of testing the design and implementing the internal control procedures and the reliability of its financial reporting, should be allowed to work in an independent environment.
3. Review of compensation arrangements for chief executive officer and other senior executives: Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options, superannuation or other benefits. Such incentive schemes, however, are reactive in the sense that they provide no mechanism for preventing mistakes or opportunistic behavior, and can elicit myopic behavior.
4. The way in which individuals are nominated for the positions on the board: The Board of Directors have the power to hire, fire and compensate the top management. The owners of a business who

have decision-making authority, voting authority, and specific responsibilities, which in each case is separate and distinct from the authority, and responsibilities of owners and managers of the business entity.

5. The resources made available to directors in carrying out their duties: The duties of the directors are the fiduciary duties similar to those of an agent or trustee. They are entrusted with adequate power to control the activities of the company.
6. Oversight and management of risk: It is important for the company to be fully aware of the risks facing the business and the shareholders should know that how the company is going to tackle the risks. Similarly the company should also be aware of the opportunities lying ahead.

Interest of non-controlling shareholders through effective monitoring. But, in practice, companies do not prefer a monitoring board of directors. They see value in having an advisory board of directors. This is so because companies do not see a business case for a board of directors, which effectively monitors the executive management. Although researchers argue that good and effective corporate governance system in a company reduces the cost of capital, their research findings do not provide conclusive evidence of reduced cost of capital. The argument is based on the principle that higher the risk, higher is the expected return. Therefore, if corporate governance reduces the total risk by reducing the risk of expropriation of shareholders' wealth by the executive management, the return expected by shareholders, which measures the cost of capital, should also reduce. The logic is simple. But that may not work in practice. If corporate governance results in too much and too many controls, it kills the managerial entrepreneurship and innovation resulting in less than the optimal performance. Shareholders are not benefitted as both the expected return and actual return on investment are reduced.

This is likely to happen if independent directors exercise too much control over the executive management. Performance of companies improve if, independent directors restrain themselves from imposing controls on the management and intervene when there are signs of mismanagement. Therefore, companies prefer advisory board of directors and shareholders do not resent the same. Shareholders are not too much bothered about the quality of corporate governance in a company because the quality of corporate governance is not observable.

What is observable is the composition of board, qualifications of board of directors, number of meetings held, number of meetings attended by each board member, constitution of various board committees and number of meetings held by them and attendance members in those meetings. The board process is not observable to those who are not privy to board proceedings. Therefore, the adequacy of the corporate governance system can be observed but its effectiveness cannot be observed. On the other hand, the performance of the company is observable. Often, enterprise performance is used as a measure of the effectiveness of the corporate governance system. Capital flows to companies, have good track record of economic performance in terms of creating shareholders' wealth. In fact, shareholders have little to choose between companies in terms of the corporate governance system because the corporate governance system is uniform for all the companies.

The government has interest in reducing the cost of capital for companies. If the cost of capital can be reduced, some projects that are unviable will become viable with reduced cost of capital. Companies prefer to use effective supervisory board to improve performance rather than establishing an effective monitoring board. The alternative way of reducing the cost of capital is to reduce the information asymmetry between the executive management and the capital market and to reduce the chances of earnings management. These also strengthen the passive monitoring by capital market participants and others and enhance activities in the corporate control market. Quality of accounting practices, disclosures in annual reports and in financial statements, disclosures to investors through stock exchanges and audit effectiveness reduces information asymmetry and chances of earnings management. Therefore, the government should focus on all those aspects.

4.2.3. Participants to Corporate Governance

Corporate governance is concerned with the governing or regulatory body (e.g. the SEBI), the CEO, the board of directors and management. Other stakeholders who take part include suppliers, employees, creditors, customers, and the community at large. Shareholders delegate decision rights to the managers. Managers are expected to act in the interest of shareholders. This results in the loss of effective control by shareholders over managerial decisions.

Thus, a system of corporate governance controls are implemented to assist in aligning the incentives of the managers with those of the shareholders in order to limit self-satisfying opportunities for managers. The board of directors plays a key role in corporate governance. It is their responsibility to endorse the organization's strategy, develop directional policy, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and authorities. A key factor in an individual's decision to participate in an organization (e.g. through providing financial capital or expertise or labor) is trust that they will receive a fair share of the organizational returns. If somebody receives more than their fair return (e.g. exorbitant executive remuneration), then the participants may choose not to continue participating, potentially leading to an organizational collapse (e.g. shareholders withdrawing their capital). Corporate governance is the key mechanism through which this trust is maintained across all stakeholders.

4.3. Importance and Benefits of Corporate Governance

Policy makers, practitioners and theorists have adopted the general stance that corporate governance reform is worth pursuing, supporting such initiatives as splitting the role of chairman/chief executive, introducing non-executive directors to boards, curbing excessive executive performance-related remuneration, improving institutional investor relations, increasing the quality and quantity of corporate disclosure, inter alia. However, is there really evidence to support these initiatives? Do they really improve the effectiveness of corporations and their accountability? There are certainly those who are opposed to the ongoing process of corporate governance reform.

Many company directors oppose the loss of individual decision-making power, which comes from the presence of non-executive directors and independent directors on their boards. They refute the growing pressure to communicate their strategies and policies to their primary institutional investors. They consider that the many initiatives aimed at 'improving' corporate governance in UK have simply slowed down decision-making and added an unnecessary level of the bureaucracy and red tape The Cadbury Report emphasized the importance of avoiding excessive control and recognized that no system of control can completely eliminate the risk of fraud (as in the case of Maxwell) without hindering companies' ability to compete in a free market.

This is an important point, because human nature cannot be altered through regulation, checks and balances. Nevertheless, there is a growing perception in the financial markets that good corporate governance is associated with prosperous companies. Institutional investment community considered both company directors and institutional investors welcomed corporate governance reform, viewing the reform process as a 'help rather than a hindrance'. Specifically, towards corporate governance reform.

The findings of (Solomon J. and Solomon A., 1999) endorsed many of the issues relating to the agenda for corporate governance reform in the UK. For example, they show, that institutional investors strongly agreed with the Hampel view that corporate governance is as important for small companies as for larger ones. The results also indicated significant support from the institutional investment community for the continuation of a voluntary environment for corporate governance. The respondents' agreement that there should be further reform in their investee companies also added support to the ongoing reform process. Lastly, the institutional investors perceived a role for themselves in corporate governance reform, as they agreed that the institutional investment community should adopt a more activist stance.

Benefits of Corporate Governance

The initiation of the process of corporate governance in PEs is likely to result in a series of important benefits. Firstly, the flip-flop about owning the responsibility for low performance would perhaps come to an end. The owners will be on the enterprise board. Secondly, goal and role clarity would improve. Enterprise would be mission – vision driven. Thirdly, opportunity for top management to create a cultural transformation from government entities to corporate entities, and from state-financed to self-sustaining ones.

4.4. Role of Corporate Governance

The role of effective corporate governance is of immense significance to the society as a whole. It can be summarized as follows:

1. Corporate governance ensures the efficient use of resources.
2. It makes the resources flow to those sectors or entities where there is efficient production of goods and services and the return is adequate enough to satisfy the demands of stakeholders.
3. It provides for choosing the best managers to administer scarce resources.
4. It helps managers remain focused on improving performance and making sure that they are replaced when they fail to do so.

5. It pressures the organization to comply with the laws, regulations and expectations of society.
6. It assists the supervisor in regulating the entire economic sector without partiality and nepotism.
7. It increases the shareholders' value, which attracts more investors. Thus, corporate governance ensures easy access to capital.
8. As corporate governance leads to higher consumer satisfaction, it helps in increasing market share and sales. It also reduces advertising and promotion costs.
9. Employees are more satisfied in organizations that follow corporate governance policies. This reduces the employee turnover, which results in the reduction in the cost of human resource management. Only a satisfied employee can create a satisfied customer.
10. Corporate governance reduces the procurement and inventory cost. It helps in maintaining a good rapport with suppliers, which results in better and more economical inventory management system.
11. Corporate governance helps in establishing good rapport with distributors providing not only better access to the market, but also reducing the cost of production.

4.5. OECD Parameters and Principles

The Organization for Economic Cooperation and Development (OECD) laid down some principles of corporate governance. Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance. Corporate governance is only part of the larger economic context in which firms operate that includes, for example, macroeconomic policies and the degree of competition in product and factor markets.

The corporate governance framework also depends on the legal, regulatory, and institutional environment. In addition, factors such as business ethics and corporate awareness of the environmental and societal interests of the communities in which a company operates can also have an impact on its reputation and its long-term success. While a multiplicity of factors affect the governance and decision-making processes of firms, and are important to their long term success, the Principles focus on governance problems that result from the separation of ownership and control. However, this is not simply an issue of the relationship between shareholders and management, although that is indeed the central element. In some jurisdictions, governance issues also arise from the power of certain controlling shareholders over minority shareholders. In other countries, employees have important legal rights regardless of their ownership rights. The Principles therefore have to be complementary to a broader approach to the operation of checks and balances.

4.6. Issues involved in Corporate Governance

Corporate governance involves the following issues:

Internal Control

The Board of Directors should maintain a sound system of internal control to safeguard the investment of shareholders and the assets of the company, the board should conduct a review of the effectiveness of internal controls.

Correct Preparation of Financial Statements

The Board of Directors should present a balanced and understandable assessment of the company's position and future prospects. There should be a statement by the auditors about their reporting responsibilities.

Compensation of CEO and other Directors

There should be a formal and transparent procedure for developing policy on executive remuneration for CEO and other directors.

No director should be in a position of deciding his or her own remuneration.

The Board of Directors should establish a remuneration committee of at least three. This committee should have delegated responsibility for setting remuneration for all executive directors and the chairman, including pension rights and any other compensation.

Nomination of Members of the Board of Directors

Appointments to the Board of Directors should be made on merit. Adequate care should be taken to ensure that all the directors have enough time available to devote to the job. This criterion is more important in the case of chairman. The appointments to the board should be made in such a way so as to maintain an appropriate balance of skills and experience. There should be a nomination committee, which should process the appointments for the board and make recommendations. A majority of members of this nomination committee should be independent, non-executive directors so as to evaluate the balance of skills, knowledge and experience. For the purpose of the appointment of chairman, the nomination committee should prepare a job specification, time commitment expectation and crisis management abilities.

Disclosure Norms the annual report should record:

a. How decisions are taken by the board;

b. The names of Chairman, CEO and other directors;

c. The number of meetings and the individual attendance by directors;

d. How performance evaluation of the board has been done; and

e. The steps taken by the board to develop an understanding of the views of major shareholders about their company.

The annual report should also include the work of the nomination committee and the remuneration committee. Rights of Corporation a corporation is a legal entity with the following rights:

i. The ability to sue and be sued.

ii. The ability to hold assets in its own name.

iii. The ability to hire agents.

iv. The ability to sign contracts.

v. The ability to make by-laws to govern its internal affairs.

4.7. Historical Perspective of Corporate Governance

Corporate ownership structure has been considered as having a strongest influence on systems of corporate governance, although many other factors affect corporate governance, including legal systems, cultural and religious traditions, political environments and economic events. All business enterprises need funding in order to grow, and it is the ways in which companies are financed which determines their ownership structures.

It became clear centuries ago that individual entrepreneurs and their families could not provide the finance necessary to undertake developments required to fuel economic and industrial growth. The sale of company shares in order to raise the necessary capital was an innovation that has proved a cornerstone in the development of economists worldwide. However, the road towards the type of stock market seen in the UK and US today has been long and complicated. Listed companies in their present form originate from the earliest form of corporate entity, namely the sole trader. From the middle ages, such traders were regulated by merchant guilds, which saw a diversity of trades. The internationalization of trade, with traders venturing overseas, led gradually to regulated companies arising from the medieval guild system. Members of these early companies could trade their own shares in the company, which ultimately led to the formation of the joint stock companies.

The first company to combine incorporation, overseas trade and joint stock was the East India Company, which was granted a royal charter in 1600, for merchants of London trading into the East Indies. The early governance structures of this company were reminiscent of CG structures and mechanisms in today's companies (Farrar and Hannigan, 1998; Cadbury, 2002). International trade and interest in investment overseas led to the infamous South Sea Bubble of the 1720, where the general public in Britain, who had invested in “shares” in the company of merchants of Great Britain trading to the South Seas, realized they had lost their hard-earned money in the first stock market overvaluation and subsequent collapse. At one point during the bubble's growth the amount invested in companies involved in the South Seas reached

£500 million, double the value of all the land in England at the time. Investors did not realize the lack of solid foundation underlying their investment. The bubble in UK information technology stocks in the late 1990s was another example of investor irrationality and the ways in which the markets could be fooled.

The Bubble Act, which followed the bursting of the South Sea Bubble, prevented companies from acting as a corporate body and from raising money by selling shares, without the legal authority of an act of parliament or royal charter. Inevitably, this halted the development of the Joint Stock Companies. It was the development of the railway network in Britain in the 1800s that again instigated the development of the companies as we know them today, as they needed to attract funds to feed their growth. A total of 98 companies were registered from the introduction of the first modern Joint Stock Company's Act in 1844 (Farrar and Hannigan, 1998). However, these companies were unlimited. This implied that their shareholders bore unlimited liability for their investee company's debts, and this was not an effective means of encouraging people to place their monies into the hands of Company Management. Greater enticement was required. This came with the Limited Liability Act of 1855. Limited liability implied that shareholders could only lose the amount they had invested in the company, rather than be liable for their entire wealth, as had been the case with the unlimited companies. These events represented a major breakthrough for the growth of capitalism.

This was introduced as a progressive reform measure aimed at revitalizing British business, as at that time companies were seeking incorporation in the USA and France in preference to the UK, in order to obtain limited liability for their shareholders. The number of incorporations rose dramatically following these changes. In the USA, the managerially controlled corporation evolved at a similar time, following the Civil War in the second half.

f of the 19th century. It was from this time that the notorious 'divorce' of ownership and control began to emerge. This corporate malaise was first outlined in Berle and Means (1932) seminal work. The modern corporation and private property, which showed that the separation of ownership from control had engendered a situation where the true owners of companies, the shareholders, had little influence over company management and were rendered impotent by the wide dispersion of ownership and by a general Apathy among shareholders towards the activities of investee company management. It was the dispersion of ownership that created the root of the problem rather than the separation per se.

The influence of companies was growing at the time of Berle and Means' work and many feared the potential impact of their influence on society, unless their power was checked by their owners, the shareholders. They considered that companies were growing to such an extent that they were almost becoming 'social institutions'. Yet there was little incentive for shareholders to involve themselves in their investee companies. If they were dissatisfied with the companies' behavior they could sell their shares.

This approach to share ownership has been termed 'exit' as opposed to a more proactive approach of using their 'voice'. The 'problem' revealed in Berle and Means formed the basis of the 'agency problem', where shareholders (the principals) struggle to control and monitor the activities of managers (the agents) in order to align managerial interests and objectives with their own. An important implication of these observations was to focus increasing attention on the role of companies' boards of directors, as a mechanism for ensuring effective corporate governance. Although the ownership structure underlying the traditional agency problem was prevalent in the USA, the situation was extremely similar in the UK, where share ownership flourished following the introduction of the Joint Stock Companies Act of 1844 and the Limited Liability.

Let Us Sum Up

In this unit, you have learned about the following:

Corporate governance comprises the framework of rules, relationships, systems and processes within and by which fiduciary authority is exercised and controlled in corporations.

Corporate governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. The initiation of the process of corporate governance in PEs is likely to result in a series of important benefits.

Corporate ownership structure has been considered as having a strongest influence on systems of corporate governance, although many other factors affect corporate governance, including legal systems, cultural and religious traditions, political environments and economic events.

Check Your Progress

State whether the following statements are **True or False:**

1. Corporate governance is about ethical conduct in business.
2. The board of directors does not play an important role in corporate governance.
3. Corporate governance pressurizes the organization to comply with the laws, regulations and expectations of society.
4. Preparation of the organization's financial statement is not the functional area of governance.
5. Shareholders delegate decision rights to the managers.
6. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision-making.
7. Corporate governance ensures easy access to capital.

8. Enterprise does not need any mission or vision.

9. The institutional investors have no role to play in corporate governance.

10. All the stakeholders participate in corporate governance.

Glossary

Corporate governance: It is the system by which businesses are directed and controlled.

Clause 49: A clause introduced by SEBI for the implementation of corporate governance.

Ethical conduct: It refers to the behavior on standards of right and wrong.

Shareholder's Wealth: It is equal to the market price of his holdings in shares.

Stakeholders: Who has direct or indirect concerns in the organization.

Answer to Check your Progress

1. True	2. False	3. True	4. False	5. True
6. True	7. True	8. False	9. False	10. True

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011

2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.

3. Sharma, J.P., Corporate Governance, Business Ethics & CSR, Ane Books Pvt Ltd, New Delhi, 2nd Edition, 2019

4. https://www.mdos.si/wp-content/uploads/2018/04/defining-corporate-social-responsibility.pdf 8.

5. https://www.ukessays.com/lectures/business/business - management/CSR

6. https://www.slideshare.net/madangkiramaswaamy/bgs-7

7. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Block-2: Introduction

Block-2: Framework of Corporate Social Responsibility has been divided in to two Units.

Unit-5: Framework of Corporate Social Responsibility and Creating Corporate Social Responsibility Framework explains about Introduction to Corporate Social Responsibility, Relevance of history and culture to Corporate Social Responsibility, Creation of Strategy for CSR Activities: What is CSR strategy?, Creating an CSR implementation framework, Integration of CSR at the operation and process level and Micro level integration of the firm.

Unit-6: Social Policy-OECD, ILO Tri-Party Declaration deals with Introduction, ILO Declaration, International Labor and Conventions, Fundamental Conventions, The Eight Fundamental Conventions, ILO Codes of practice, Guidelines to Tri-party declaration of principles of multinational enterprises

In all the units of Block -2 **Framework of Corporate Social Responsibility**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-5

Creating CSR Framework

STRUCTURE

Overview

In this unit the Introduction, Relevance of history and culture to Corporate Social Responsibility, Creation of strategy, Creating an CSR implementation frame work, Integration of CSR at the operation and process level and Micro level integration of the firm has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- Introduction, Relevance of history and culture to Corporate Social Responsibility,
- Creation of strategy, Creating an CSR implementation framework work
- Integration of CSR at the operation and process level
- Micro level integration of the firm

5.1. Introduction to Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a form of international private business self-regulation which aims to contribute to societal goals of a philanthropic activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices While once it was possible to describe CSR as an internal organizational policy or a corporate ethics strategy that time has passed as various national and international laws have been developed. Various organizations have used their authority to push it beyond individual or even industry-wide initiatives. In contrast, 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 organizations to mandatory schemes at regional, national, and international levels.

Activities that can be pursued by the company as mentioned under schedule vii of the companies act, 2013:

Schedule VII of the companies act, 2013 enumerates following areas, out of which a company may adopt it as CSR activity:

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts:

6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
8. Contribution to the prime minister's national relief fund or any other fund set up by the central government for socio-economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women;
9. Contributions or funds provided to technology incubators located within academic institutions which are approved by the central government
10. Rural development projects;
11. As specified by the ministry of corporate affairs from time to time.

Identification of CSR projects:

CSR commitments communicate the nature and direction of the company's social and environmental activities, and consequently help others to recognize the company as their own part. Hence, the CSR committee shall undertake following activities as CSR project:

1. To add discussion and analysis of new set of risks into corporate decision-making.
2. To represent issues within the corporation that watchdogs, ngos and advocates represent within the society.
3. To help prioritize consideration of socially and environmentally friendly projects that might otherwise lack a corporate advocate.
4. To keep organization aware of major societal impacts even when a negative impact may not be immediate, and thus lessen liability.
5. To positively influence decision making where societal impacts are maximized, whilst ensuring efforts are within a given budget.

5.2. Relevance History and Culture to Corporate Social Responsibility

The 1800s and the birth of responsible organizations: While there has been a recent spike in the popularity of CSR, evidence of businesses' concern for society can be traced back to practices originating from the industrial revolution. In the mid-to-late 1800s, there was growing concern about worker well-being and productivity among industrialists.

Growing criticisms of the emerging factory system, working conditions, and the employment of women and children were being brought to light, especially in the United States. The consensus among reformers was that current employment practices were contributing to social problems, including poverty and labor unrest. However, industrial improvement and welfare movements at the time were viewed as a combination of humanitarianism and business acumen.

Following in the footsteps of Carnegie, oil industry business magnate John D. Rockefeller also donated more than half a billion dollars to religious, educational, and scientific causes.

The catalyst for modern corporate social responsibility

Although responsible companies had already existed for more than a century before, the term corporate social responsibility was officially coined in 1953 by American economist Howard Bowen in his publication social responsibilities of the businessman. As such, Bowen is often referred to as the father of CSR.

However, it wasn't until the 1970s that CSR truly began to take flight in the United States.

In 1971, the concept of the 'social contract' between businesses and society was introduced by the committee for economic development. This contract brought forward the idea that companies function and exist because of public consent and, therefore, there is an obligation to contribute to the needs of society.

By the 1980s, early CSR continued to evolve as more organizations began incorporating social interests in their business practices while becoming more responsive to stakeholders.

Universal acceptance of corporate social responsibility

The 1990s marked the beginning of widespread approval of CSR. In 1991, University of Pittsburgh professor Donna J. Wood published corporate social performance revisited, which expanded and improved on early CSR models by providing a framework for assessing the impacts and outcomes of CSR programs.

In the same year, business management author and professor at the University of Georgia Archie B. Carroll published his article the pyramid of corporate social responsibility. In his paper, Carroll expanded on areas he believed were crucial when implementing CSR in an organization.

By the early 2000s, CSR had become an essential strategy for many organizations, with multi-million dollar companies, such as wells fargo, coca-cola, walt disney, and pfizer incorporating this concept into their business processes.

5.3. Creation of Strategy for CSR Activities: What is CSR strategy?

Corporate social responsibility is a business practice that enables an organization to be accountable for the impact that its actions have on people and the world. Engaging in a CSR strategy means that a company conceives and executes actions in a way that limits their negative consequences and that it acknowledges the need to produce a positive impact on society.

Analyze what your organization is already doing regarding CSR

Your company may already have strategies in place to comply with environmental standards, contribute to philanthropic causes or other corporate social responsibility efforts. Your CSR strategies should include these existing initiatives; it makes future CSR efforts look more organic and it is less expensive than taking a whole new approach.

Make sure it correlates with the overall business strategy

Any CSR-related action needs to be in line with an organization's overall business practices and core objectives. This can make the endeavor more credible to potential customers and the general public. Typically, following this strategy costs less to implement than a course of action that is unrelated to the company's other practices.

Make sure you have the full support of top-level management

Before implementing a CSR strategy, it is best that you earn the support of every senior leader within the organization, including the CEO and board of directors. Showing consensus and unity not only benefits the company's image but also makes it more likely that employees will be fully on board with the CSR strategy.

Donate funds to causes that relate to your business

When choosing what causes to sponsor, it is usually best that you select those that connect to your organization's activities in some way. For example, if your company manufactures clothing, it might partner with a foundation or establish its own to donate a portion of products to those in need.

Find reliable external partners

Some CSR initiatives are done more efficiently with the help of partners. Educational or environmental institutions already specialize in undertaking similar projects.

Involve your suppliers

Make sure all your suppliers follow the same general strategies when it comes to limiting their impact on the environment and helping society. This can contribute to you getting fair pricing as CSR objectives align, and help avoid any indirect consequences that may occur when working with a supplier that's not socially conscious.

Make proper communication a priority

The only way to maximize the benefits a well-constructed CSR strategy brings to the organization is to make sure it is properly communicated through all relevant channels so it reaches its target audiences.

Create it in a way that attracts potential employees

Companies can attract quality talent through CSR by supporting their education. Investing in various scholarships in domains such as science, technology, math, engineering and sports can uplift and educate talented young people that can inspire loyalty to the company that gave them the chance at an education.

Related: corporate development: definition, types and strategies make an active commitment to protect the environment

Environmental issues should play a major part in your CSR strategy despite the industry your business operates in. Every person and organization on this planet has a carbon footprint and committing to reducing it is an integral part of modern CSR.

Research your competitors' CSR strategies

When deciding on how to best implement a CSR strategy, examining similar initiatives enacted by competing companies is a good way to discover widely covered issues within a particular sector. This way you can replicate their success and avoid their mistakes.

Always look for ways to keep it current

A company's approach to CSR is usually more efficient when it correlates with society's most urgent and pressing issues. Keeping up to date with current events and adjusting the CSR strategy as new developments unfold can ensure its long-term effectiveness.

5.4. Creating a CSR Implementation Framework

The first step of a systematic review entertains a repetitive process of defining, clarifying, and refining (Tranfield et al., 2003) As such, we scoured the CSR implementation literature to find any existing conceptual definitions that can support our review process. In our search for what it means to implement CSR, we found two empirical studies which developed CSR implementation frameworks. We used these studies as the foundation to build our own CSR implementation definition, which is supported with the theory of business citizenship as discussed later in this section.

The first study was carried out by Maon et al. (2009), where a nine-stage integrative framework was developed, based on data collected from case studies and theoretically grounded on lewin's change model. The second study by Baumann-Pauly et al. (2013) regarded the process nature of CSR implementation construct, but generalized it into three separate dimensions; (1) commitment to CSR, (2) internal structures and procedures, and (3) external collaboration. Accordingly, these two frameworks were analyzed to procure specific lenses that can entail a better understanding of CSR implementation process. This phase contributed towards attaining richer and micro-level insights on CSR implementation.

In addition, we theoretically based our dimensions of CSR implementation on the theory of business citizenship proposed by Logsdon and Wood (2002). This theory looks into the ethical, social, and political issues surrounding organizations. According to this theory, an organization can be viewed as a citizen such that there exist moral and structural ties among business organizations, humans, and social institutions where social control is exercised by the society on organizations, thereby protecting and enhancing public welfare and private interests. .

As such, we identified four distinct dimensions of CSR implementation that concisely portray the CSR implementation process outlined in the two frameworks proposed by Maon et al. (2009) and Baumann-Pauly et al. (2013) and are based on the theory of business citizenship that views a corporation as a citizen, where the responsibilities associated with such citizenship towards society and environment come into play. According to Maon et al. (2009), CSR design and implementation consist of nine steps. These are (1) raising CSR awareness, (2) assessing organizational purpose in a societal context, (3) establishing a CSR definition and vision, (4) assessing current status of CSR, (5) developing a CSR strategy, (6) implementing the CSR strategy, (7) communicating about CSR strategy, (8) evaluating CSR strategy, and (9) institutionalizing CSR policy. However, Baumann-Pauly et al. (2013) consider CSR implementation to include three dimensions, namely, commitment to CSR, embedding CSR, and external collaboration.

Of the nine steps proposed by Maon et al. (2009), we considered steps 1 (raising CSR awareness), 5 (embedding CSR), 6 (implementing CSR activities), 7 (communicating about CSR), and 8 (evaluating CSR) for inclusion in CSR implementation. It is worth noting that although step 5 dealt with formulating CSR strategy, a sub-part of this step (5.2) constituted of embedding CSR in the organization, which is also proposed as a CSR implementation dimension by Baumann-Pauly et al. (2013). Hence, we included step 5 in our typology of CSR implementation dimensions.

Similarly, the commitment to CSR dimension proposed by Baumann-Pauly et al. (2013) takes into consideration the awareness that organizational members show towards CSR as included in step 1 of Maon et al. (2009). Although, CSR evaluation (step 8) is primarily not a constituent of strategy implementation process, scholars have begun to indicate its importance in the implementation process, where managers monitor strategy progress and take relevant steps for further improvements in CSR implementation (graafland & smid, 2019; Laguir et al., 2019; Rama et al., 2009). Steps 2, 3, and 4 are not considered in this study as they represent a part of CSR design, while step 9 identifies with post-implementation.

Hence, the four dimensions relate to the need for an organization to accrue sufficient (1) CSR awareness which manifests itself in the form of organization's commitment to CSR through (2) communicating and (3) embedding CSR, and placing systematic processes in place to (4) evaluate CSR. Overall, these dimensions entail interactions with various external stakeholders and are not restricted to interorganizational dynamics (baumann-pauly et al., 2013).

CSR awareness includes the act of raising sensitivity of an organization and its members towards CSR issues, where it may be initiated by managers (top-down approach) or employees (bottom-up approach) for strategic or altruistic reasons and includes commitment to CSR through integrating it into policy documents (baumann-pauly et al., 2013; maon et al., 2009). Further, CSR communication is directed towards both internal and external stakeholders, where the means or nature of communication and its content need to be identified (Maon et al., 2009). The different ways of communication include meetings, corporate internal newsletters, and trainings for internal stakeholders such as employees and board members, while the social and environmental performance of an organization may be disclosed in the form of annual reports or CSR reports and advertisements to external stakeholders. .

Embedding CSR entails instilling CSR values among organizational members using tools such as CSR policies, procedures, mission, and vision to reinforce a CSR compliant behavior in operational functions (Baumann-Pauly et al., 2013; Maon et al., 2009). Lastly, CSR evaluation includes the measurement of how well the CSR objectives have been met, monitoring the progress of these CSR objectives, and exploring ways to improve CSR performance (Maon et al., 2009

5.5. Integration of CSR at the Operation and Process Level

A CSR approach is the implementation of a company strategy which aims to improve its performance in terms of the aspects described above. It is up to each individual company to decide which actions should be prioritized, depending on the type of business, its sector and the territory in which it operates.

To establish a hierarchy for these issues, a materiality matrix can be used to identify the economic, environmental and social areas which are most likely to improve the company's performance and sustainability.

The importance of governance is often forgotten by company managers because it is not directly linked to one of the three pillars.

Nevertheless, it covers several essential issues, such as the involvement of the company's stakeholders in CSR, whether this includes shareholders, NGOs, trade unions or local authorities, the implementation of anti-corruption measures in the countries where the company is based, or the decision not to opt for an aggressive tax optimization policy, like Uber in France for example. It is therefore an important point for consideration.

The key stages in implementing a CSR approach

After considering these arguments, you will be in no doubt: you need to implement a CSR approach for your company as soon as possible, but how do you go about it?

Step one: identify your stakeholders

In general terms, the stakeholders of a CSR approach include all the entities that interact with the company and which are likely to be affected by its activities:

Internal stakeholders (managers, employees, trade unions)

External stakeholders (elected representatives, associations, NGOs, subcontractors, suppliers, customers, shareholders, media)

Internally within the company, while the implementation of corporate CSR actions affects everyone, insofar as each individual is free to approach their HR department or line manager with ideas, in theory, it is the CSR manager (or director of sustainable development and social responsibility) who is responsible for defining and coordinating the actions to be implemented f or sustainable development.

Their duties include identifying the priority issues to be addressed, steering the CSR approach in collaboration with the organization's various departments (HR, production, safety, etc.), defining success indicators and control processes, developing communication and lobbying actions, producing reports on the actions taken, and finally, monitoring the new policies that must be adopted.

Step two: Conduct an audit

Once all the stakeholders are prepared and motivated to embark on the company's transition, it is important to understand the company's current position in order to implement appropriate actions.

A CSR audit involves the establishment of an exhaustive status report on all levels: an environmental and social analysis. This includes supplier evaluation, waste and construction site reports, etc. An assessment of GHG emissions is also a good starting point: it is used to instantly identify the company's major emission sources, and, therefore, the areas in which action must be taken for the environment.

Everything is recorded in a table of criteria that must be approved, often with an initial self-assessment followed by a visit from an external consultant.

Step three: implement a CSR communication strategy

Many companies are now opting to go down the CSR route and that is excellent news. However, a lot of them still forget or neglect to communicate enough about their commitments, even though they have every reason to do so. Below are some measures for effective CSR communication:

- **Convince your stakeholders (as identified previously) and adapt your communication to each target:** rely more on facts and figures with local authorities for example, and use empathy and humor with consumers (but beware of greenwashing!)
- **Pitch your CSR project well:** be clear about your vision, your missions, and perhaps prohibit terms that have already been overused, such as CSR, in favor of a more informal approach based on anecdotes and concrete actions
- **Create a CSR brand book:** choose a specific tone and colors, and while greenwashing was referred to earlier, this is where it should be taken into account very seriously indeed. For example, green can be a bad choice of color (at greenly, you'll have realized, it's do as we say and not as we do
- **Use all available formats and channels:** don't limit yourself to a CSR report, be as transparent as possible and promote your efforts across all networks (podcast, video, infographics); Why be shy when you are simply trying to demonstrate your commitment to a better world?
- **Step four:** train your employees in CSR to ensure your approach is adopted Alongside CSR communication, internal training is essential. According to a study carried out by the observatories salaries ET enterprise responsible in January 2020, 39% of employees lacked knowledge of the subject in-house, thus hindering the adoption of CSR-related practices.

What's more, almost half of employees struggled to give a precise definition of CSR. Many employees are simply left out of initiatives: only 8% of employees are asked to integrate CSR into their business activity.

However, the most important statistic from the study is as follows: 70% of employees would like to be more involved! There is no reason not to go for it: you must train your employees if you want your CSR approach to be sustainable over the long term and they are more than willing to participate.

You don't necessarily need to go back to school to learn about CSR, but below are two examples of certified CSR training:

- ISO 26000 training
- HEC training

How to get support for your CSR approach

Companies can get support for their CSR approach from a number of organizations, including: specialized consulting firms, employers' organizations, professional federations, the chamber of commerce and industry, ADEME, or networks of specialized companies.

Define a budget for your CSR approach

Implementing a coherent CSR policy requires time and money, and it is difficult to estimate the overall cost of the approach because of the cross-disciplinary nature of CSR. However, it is important to understand that the cost of not adopting a CSR approach will be much higher than the initial investment. For example, it is logical that reducing energy and resource consumption will reduce the company's costs, while benefitting the environment. Thus, the company will be more profitable.

Nevertheless, certain costs can be quantified: the creation of a CSR manager role, a carbon assessment, the development of a communication campaign and a graphic charter, etc. These expenses will likely include calling in a CSR consultancy firm.

CSR consulting firms

When implementing a CSR strategy, it is an excellent idea to enlist the help of specialist's consultancy firms, such as: Carbone 4 Greenflex Ecoact es enjeux ET des hommes, among others. These firms aim to offer comprehensive and tailored support to each customer.

To quote greenflex: "[our role e] is to facilitate the integration of social responsibility and stakeholder relationship management into the strategy of organizations and to define a differentiating sustainable development positioning that creates value."

Such firms therefore serve as a mentor in CSR: they provide advice, identify issues and highlight where efforts still need to be made. Some of these firms, such as carbone 4, are experts in carbon assessment, the foundation of an effective CSR strategy.

There are many independent experts available who can support you with the practical implementation of such an approach. For example, the IMPACTS agency offers advice and training on this subject.

The carbon assessment: the starting point for a CSR approach

Companies conduct a carbon assessment, among the other CSR actions that must be implemented, in order to evaluate the quantity and origin of all their GHG emissions. It is a key first step in going green that is used to make a diagnosis and then find solutions to minimize the company's environmental impact. Many organizations offer carbon assessment services, with the two main solutions being either to hire a specialized firm or to opt for company carbon assessment software like that of greenly.

Enlisting the help of a specialist company means being provided with comprehensive support throughout the CSR process, but it is a costly investment in terms of time and money (depending on the firm, rates can vary by several tens of thousands of euros). It is for this precise reason that software has begun to emerge that is revolutionizing the carbon assessment market. The aim is to make the process easier, faster and cheaper. It is up to you to decide which option is best suited to your organization.

Conducting a carbon assessment is crucial to aligning the company with ESG criteria, and has in fact been mandatory in France since the adoption of the ecological transition for green growth act in 2015. Many businesses are affected by this first step towards the development of a low -carbon strategy, in particular companies with more than 500 employees (250 in France's overseas departments and territories).

5 examples of CSR approaches by businesses

From small companies to major corporations, everyone must commit to building a more sustainable world. Below are two examples of large groups that have opted to implement a CSR strategy and three startups representative of the cause to save the planet.

Large groups and CSR CSR at danone

Danone, the French food giant with a turnover of $21 billion, is an example of a large group that has been committed to its CSR approach for many years. Antoine Riboud, the founder, emerged as the first promoter of sustainable development in 1972: “We should lead our businesses with our hearts as much as our heads, and we must not forget that if the earth's natural resources are limited, those of mankind are infinite if he feels motivated.”

Internally, the company has based its human rights policy on the GRI 3.0 (global reporting initiative). As a result, Danone can demonstrate how it applies these indicators using concrete examples and measures (via its food, nutrition and health charter in 2009). The decision to use the GRI framework is evidence of the strength of Danone's CSR initiative, since these indicators demonstrate a voluntary application of standards rather than strict compliance with the law.

Externally, extra-financial rating agencies audit the group's CSR performance; For example, the Vigeo agency used the ISO 26000 standard to evaluate Danone and found that its results were very good, close to the maximum score. Thus, danone not only seems to be complying with the law as far as sustainable development is concerned, but also to be taking the initiative with regard to recommended but not mandatory standards.

Micro Level Integration of CSR:

For the past four decades, many studies in social cognitions and socially responsible behaviors have been developed and directed by a class of social psychological theories popularly recognized as dpts. Dpts have mainly been rooted in the prime assumption that human beings' mental processes, attitudes, and other psychological reactions to social actions are classified into two general classes: those that have operated automatically in a social system, and those that have functioned in a socially controlled environment. (Gawronski & Creighton, 2013). Early dpts inclined to be domain-specific in that they absorbed particular social contextual phenomena such as attitude-behavior relationships. The most prominent phenomenon specific dpts are abrs models widely used to explore how people's particular attitudes influence their specific behaviors.

In this study, in applying ABR models of dpts, we interpret employee attitudes as comprising three dimensions, specifically cognitive, behavioral, and affective attitudes that shape and change the SB of an employee. The cognitive dimension of employee attitude refers to “the employee percept ions of the organization’s commitment to society” (klimkiewicz & oltra, 2017). We proposed PCSRC as an example of cognitive dimension of employee attitude that is defined as “the firms' specific socially responsible activities to social welfare, such as charitable giving, donations, community development investments, social awareness programs, and collaboration with government officials and nongovernmental organizations for positive social change" (mahmud et al., 2021b). The behavioral dimension of employee attitude represents to "the level of employee engagement in voluntary works, business ethics or CSR issues" (klimkiewicz & oltra, 2017). We adopt CSRE as an example of behavioral dimension of employee attitude that is identified as "employee interest in CSR issues, such as business ethics, volunteering behaviors, willingness to deepen into eco-friendly actions, and active doers to link the society and business and communicate their mutual relationships" (mahmud et al., 2021b).

Finally, the affective dimension of employee attitude refers to "the employee assessment of critical social characteristics and CSR policy of an organization" (klimkiewicz & oltra, 2017). We design CSRP as an example of affective dimension employee attitude that is recognized as "employee general feelings and positive attitudes towards a firm's better community development-oriented socially responsible policies and actions that highlight employees' norms and manners of assessment of critical organizational culture, context , and CSR characteristics" (mahmud et al., 2021b).

Expanding on how people's attitudes are shaped, changed, and directed, a class of dpts of abrs describes the processes through which individual attitudes guide their behavior (gawronski & creighton, 2013). Thus, we attempt to investigate the links from PCSRC to SB, PCSRC to CSRE, CSRE to SB, PCSRC to CSRP, CSRP to SB, and CSRP to CSRE.

ABR models have also been stimulated by frequent discussions about whether and to what extent people's attitudes influence their behavior (gawronski & creighton, 2013). Therefore, we desire to explore the mediating mechanism of CSRE in the relationship between PCSRC and SB. By shifting the focus from asking "do attitudes guide behavior?" To the inquiry, "how do attitudes guide behavior?" ABR models of dual-process conceiving provided imperative insights into the conditions under which people's attitudes do or do not influence their discretionary behaviors (gawronski & creighton, 2013). Thus, we construct a conceptual model to investigate the moderating effects of CSRP in the direct relationship between PCSRC and SB and indirect relationship between PCSRC and SB via CSRE with a comparison at the low, medium, and high levels of CSRP. Figure 1 represents the overall conceptual model to be empirically tested.

5.6. Macro Level Integration of CSR

The first step of a systematic review entertains a repetitive process of defining, clarifying, and refining (Tranfield et al., 2003). As such, we scoured the CSR implementation literature to find any existing conceptual definitions that can support our review process. In our search for what it means to implement CSR, we found two empirical studies which developed CSR implementation frameworks. We used these studies as the foundation to build our own CSR implementation definition, which is supported with the theory of business citizenship as discussed later in this section. The first study was carried out by Maon et al. (2009), where a nine-stage integrative framework was developed, based on data collected from case studies and theoretically grounded on lewin's change model.

The second study by Baumann-Pauly et al. (2013) regarded the process nature of CSR implementation construct, but generalized it into three separate dimensions; (1) commitment to CSR, (2) internal structures and procedures, and (3) external collaboration. Accordingly, these two frameworks were analyzed to procure specific lenses that can entail a better understanding of CSR implementation process. This phase contributed towards attaining richer and micro-level insights on CSR implementation.

This theory looks into the ethical, social, and political issues surrounding organizations. According to this theory, an organization can be viewed as a citizen such that there exist moral and structural ties among business organizations, humans, and social institutions where social control is exercised by the society on organizations, thereby protecting and enhancing public welfare and private interests. .

As such, we identified four distinct dimensions of CSR implementation that concisely portray the CSR implementation process outlined in the two frameworks proposed by Maon et al. (2009) and Baumann-Pauly et al. (2013) and are based on the theory of business citizenship that views a corporation as a citizen, where the responsibilities associated with such citizenship towards society and environment come into play. According to Maon et al. (2009), CSR de sign and implementation constitute of nine steps. These are (1) raising CSR awareness, (2) assessing organizational purpose in a societal context, (3) establishing a CSR definition and vision, (4) assessing current status of CSR, (5) developing a CSR strategy, (6) implementing the CSR strategy, (7) communicating about CSR strategy, (8) evaluating CSR strategy, and (9) institutionalizing CSR policy. However, Baumann-Pauly et al. (2013)

consider CSR implementation to include three dimensions, namely, commitment to CSR, embedding CSR, and external collaboration.

Of the nine steps proposed by Maon et al. (2009), we considered steps 1 (raising CSR awareness), 5 (embedding CSR), 6 (implementing CSR activities), 7 (communicating about CSR), and 8 (evaluating CSR) for inclusion in CSR implementation. It is worth noting that although step 5 dealt with formulating CSR strategy, a sub-part of this step (5.2) constituted of embedding CSR in the organization, which is also proposed as a CSR implementation dimension by Baumann-Pauly et al. (2013). Hence, we included step 5 in our typology of CSR implementation dimensions.

Similarly, the commitment to CSR dimension proposed by Baumann-Pauly et al. (2013) takes into consideration the awareness that organizational members show towards CSR as included in step 1 of Maon et al. (2009). Although, CSR evaluation (step 8) is primarily not a constituent of strategy implementation process, scholars have begun to indicate its importance in the implementation process, where managers monitor strategy progress and take relevant steps for further improvements in CSR implementation (graafland & smid, 2019; Laguir et al., 2019; Rama et al., 2009). Steps 2, 3, and 4 are not considered in this study as they represent a part of CSR design, while step 9 identifies with post-implementation.

Hence, the four dimensions relate to the need for an organization to accrue sufficient (1) CSR awareness which manifests itself in the form of organization's commitment to CSR through (2) communicating and (3) embedding CSR, and placing systematic processes in place to (4) evaluate CSR. Overall, these dimensions entail interactions with various external stakeholders and are not restricted to inter organizational dynamics (Baumann-Pauly et al., 2013).

CSR awareness includes the act of raising sensitivity of an organization and its members towards CSR issues, where it may be initiated by managers (top-down approach) or employees (bottom-up approach) for strategic or altruistic reasons and includes commitment to CSR through integrating it into policy documents (baumann-pauly et al., 2013; maon et al., 2009). Further, CSR communication is directed towards both internal and external stakeholders, where the means or nature of communication and its content need to be identified (Maon et al., 2009). The different ways of communication include meetings, corporate internal newsletters, and trainings for internal stakeholders such as employees and board members, while the social and environmental performance of an organization may be disclosed in the form of annual reports or CSR reports and advertisements to external stakeholders. .

Embedding CSR entails instilling CSR values among organizational members using tools such as CSR policies, procedures, mission, and vision to reinforce a CSR compliant behavior in operational functions (Baumann-Pauly et al., 2013; Maon et al., 2009). Lastly, CSR evaluation includes the measurement of how well the CSR objectives have been met, monitoring the progress of these CSR objectives, and exploring ways to improve CSR performance (Maon et al., 2009).

Let us Sum Up

In this unit you have learned about the following:

The term corporate social responsibility (CSR) refers to practices and policies undertaken by corporations intended to have a positive influence on the world. The key idea behind CSR is for corporations to pursue other pro-social objectives, in addition to maximizing profits. Examples of common CSR objectives include minimizing environmental externalities, promoting volunteerism among company employees, and donating to charity.

The movement towards CSR has had an impact in several domains. For example, many companies have taken steps to improve the environmental sustainability of their operations, through measures such as installing renewable energy sources or purchasing carbon offsets. In managing supply chains, efforts have also been taken to eliminate reliance on unethical labor practices, such as child labor and slavery.

Many companies view CSR as an integral part of their brand image, believing that customers will be more likely to do business with brands that they perceive to be more ethical. In this sense, CSR activities can be an important component of corporate public relations. At the same time, some company founders are also motivated to engage in CSR due to their convictions.

In 208, the International Organization for Standardization (ISO) released ISO 26000, a set of voluntary standards meant to help companies implement corporate social responsibility. Unlike other ISO standards, ISO 26000 provides guidance rather than requirements because the nature of CSR is more qualitative than quantitative, and its standards cannot be certified.5

ISO 26000 clarifies what social responsibility is and helps organizations translate CSR principles into practical actions. The standard is aimed at all types of organizations, regardless of their activity, size, or location. And because many key stakeholders from around the world contributed to developing ISO 26000, this standard represents an international consensus. Starbucks has long been known for its keen sense of corporate social responsibility and commitment to sustainability and community welfare. According to the company, Starbucks has achieved many of its CSR milestones since it opened its doors. According to its 2020 global social impact report, these milestones include reaching 80% of ethically sourced coffee, creating a global network of farmers and providing them with 80 million trees by 2025, pioneering green building throughout its stores, contributing millions of hours of community service , and creating a groundbreaking college program for its employees.

Starbucks' goals for 2021 and beyond include hiring 5,000 veterans and 8,000 refugees, reducing the environmental impact of its cups, and engaging its employees in environmental leadership.

The 2020 report also mentioned how Starbucks planned to help the world navigate the coronavirus pandemic. The company's response to the pandemic focuses on three essential elements

Check Your Progress

1. Which is the element of business ethics??
   a. Discipline.
   b. It is an art & science both.
   c. Good intention.
   d. All of the above.
2. 'Social responsibility is to pursue those policies & decisions or to follow lines of actions which are desirable in terms of the objective & value of our society' who said??
   a. H R Bowen
   b. P F Deucker
   c. G A Steiner
   d. All of the above
3. Which is the principle of corporate responsibility?
   a. Trusteeship principle
   b. Principle of stewardship
   c. Principle of charity
   d. All of the above
4. Which is the element of social responsibility?
   a. Universal concept.

b. Supremacy of public interest.
c. It is related to business organization.
d. All of the above

5. Which one of the following is not the principle of business ethics?
   a. Principle of universality.
   b. Principle of humanity.
   c. Principle of autonomy.
   d. Principle of dissatisfaction.

Glossary

- Corporate social responsibility" OR "CSR" OR "social responsibility" OR "corporate responsibility" OR "social responsibility of business
- "Sustainable development" OR "sustainability" "Fair trade"
- "Green business" "Corporate governance" "Business ethics"

Answer to Check your Progress

1.a

2.b

3.c

4.d

5.d

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011
2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.
3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012
4. https://www.mdos.si/wp-content/uploads/2018/04/defining-corporate-social-responsibility.pdf 8.
5. https://www.ukessays.com/lectures/business/business - management/CSR

3. https://www.slideshare.net/madangkiramaswaamy/bgs-7

Unit-6

Social Policy-OECD, ILO Tri-Party Declaration

STRUCTURE

Overview

In this unit, ILO Declaration, International Labor and Conventions, Fundamental Conventions, the eight fundamental Conventions, ILO Codes of practice and the Guidelines to Tri parties declaration of principles of multinational Enterprises has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- Introduction, ILO Declaration, International Labor and Conventions
- Fundamental Conventions, The eight fundamental Conventions,
- ILO Codes of practice, Guidelines to Tri parties declaration of principles of multinational enterprises

6.1. Introduction

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.

The principles of this Declaration are intended to guide governments, employers' and workers' organizations of home and host countries and multinational enterprises in taking measures and actions and adopting social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, to further social progress and decent work.

This Declaration sets out principles in the fields of employment, training, conditions of work and life, and industrial relations which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis; its principles shall not limit or otherwise affect obligations arising out of ratification of any ILO Convention.

6.2. List of ILO Declarations

Forced Labor Convention, 1930 (No. 29)

This fundamental convention prohibits all forms of forced or compulsory labor […] Exceptions are provided for work required by compulsory military service, normal civic obligations, as a consequence of a conviction in a court of law […], in cases of emergency, and for minor communal services performed by the members of a community in the direct interest of the community. The convention also requires that the illegal extraction of forced or compulsory labor be punishable as a penal offense, and that ratifying states ensure that the relevant penalties imposed by law are adequate and strictly enforced.

Freedom of Association and the Right to Organize Convention, 1948 (No. 87) this fundamental convention sets forth the right for workers and employers to establish and join organizations of their own choosing without previous authorization. Workers' and employers' organizations shall organize freely and not be liable to be dissolved or suspended by administrative authority, and they shall have the right to establish and join federations and confederations, which may in turn affiliate with international organizations of workers and employers.

Right to Organize and Collective Bargaining Convention,1949 (No.98)

This fundamental convention provides that workers shall enjoy adequate protection against acts of anti-union discrimination […] Workers' and employers' organizations shall enjoy adequate protection against any acts of interference by each other […] The convention also enshrines the right to collective bargaining .

Equal Remuneration Convention, 1951 (No. 80)

This fundamental convention requires ratifying countries to ensure the application of the principle of equal remuneration for men and women workers for work of equal value. The term 'remuneration' is broadly defined to include the ordinary, basic or minimum wage or salary and any additional emoluments payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising out of the worker's employment.

Abolition of Forced Labor Convention, 1957 (No. 85)

This fundamental convention prohibits forced or compulsory labor as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system; as a method of mobilizing and using labor for purposes of economic development; as a means of labor discipline; as a punishment for having participated in strikes; and as a means of racial, social, national or religious discrimination.

Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

This fundamental convention defines discrimination as any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which h has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. [...] It requires ratifying states to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in these fields. The Convention covers discrimination in relation to access to education and vocational training, access to employment and to particular occupations, as well as terms and conditions of employment.

Minimum Age Convention, 1973 (No. 138)

This fundamental Convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.

Worst Forms of Child Labor Convention, 1999 (No. 182)

This fundamental Convention defines as a “child” a person under 18 years of age. It requires ratifying states to eliminate the worst forms of child labor, including: all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict; child prostitution and pornography; using children for illicit activities, in particular for the production and trafficking of drugs; and work which is likely to harm the health, safety or morals of children. The Convention requires ratifying states to provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labor and for their rehabilitation and social integration. It also requires states to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labor.

6.3. International Labor and Conventions

International labor standards are legal instruments drawn up by the ILO's constituents (governments, employers and workers) and setting out basic principles and rights at work. They are either Conventions (or Protocols), which are legally binding international treaties that may be ratified by member states, or Recommendations, which serve as non-binding guidelines. In many cases, a Convention lays down the basic principles to be implemented by ratifying countries, while a related Recommendation supplements the Convention by providing more detailed guidelines on how it could be applied. Recommendations can also be autonomous, i.e. not linked to a Convention.

Conventions and Recommendations are drawn up by representatives of governments, employers and workers and are adopted at the annual International Labor Conference. Once a standard is adopted, member states are required under article 19(6) of the ILO Constitution, to submit it to their competent authority (normally Parliament) within a period of twelve months for consideration. In the case of Conventions, this means consideration for ratification. If it is ratified, a Convention generally comes into force for that country one year after the date of ratification. Ratifying countries undertake to apply the Convention in national law and practice and to report on its application at regular intervals. Technical assistance is provided by the ILO, if necessary. In addition, representation and complaint procedures can be initiated against countries for violations of a Convention that they have ratified (see applying and promoting ILS).

6.4. Fundamental Conventions

The ILO Governing Body has identified eight "fundamental" Conventions, covering subjects that are considered to be fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation. These principles are also covered by the ILO Declaration on Fundamental Principles and Rights at Work (1998) (see applying and promoting ILS). As of 1st January 2019, there were 1,376 ratifications of these Conventions, representing 92 percent of the possible number of ratifications. At that date, a further 121 ratifications were still required to meet the objective of universal ratification of all the fundamental Conventions.

6.5. The eight fundamental conventions are:

1. Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
2. Right to Organize and Collective Bargaining Convention, 1949 (No. 98)
3. Forced Labor Convention, 1930 (No. 29) (and its 2014 Protocol)
4. Abolition of Forced Labor Convention, 1957 (No. 85)
5. Minimum Age Convention , 1973 (No. 138)
6. Worst Forms of Child Labor Convention, 1999 (No. 182)
7. Equal Remuneration Convention, 1951 (No. 80)
8. Discrimination (Employment and Occupation) Convention, 1958 (No. 111) Table of ratifications of the fundamental conventions

Governance (priority) Conventions

The ILO Governing Body has also designated another four Conventions as governance (or priority) instruments, thereby encouraging member States to ratify them because of their importance for the functioning of the international labor standards system. The ILO Declaration on Social Justice for a Fair Globalization, in its follow-up, emphasizes the significance of these Conventions from the viewpoint of governance.

The four governance conventions are:

1. Labor Inspection Convention, 1947 (No. 81)
2. Employment Policy Convention, 1964 (No. 122)
3. Labor Inspection (Agriculture) Convention, 1969 (No. 129)
4. Tripartite Consultation (International Labor Standards) Convention, 1976 (No. 144)
5. ILO Codes of practice

The ILO has elaborated codes of practice, guidelines and other guidance documents addressing particular issues in more detail.

ILO Codes of Practice and Guides on Occupational Health

- Safety and health in underground coalmines
- Safety and health in the iron and steel industry
- Safety and health in ports
- Safety and health in ship breaking: Guidelines for Asian countries and Turkey
- Safety and health in the non-ferrous metals industries
- Ambient factors in the workplace
- Safety in the use of synthetic vitreous fiber insulation wools (glass wool, rock wool, slag wool)
- Safety and health in forestry work
- Technical and ethical guidelines for workers' health surveillance
- Recording and notification of occupational accidents and diseases
- Safety in the use of chemicals at work
- Safety and health in construction
- Safety in the use of asbestos

Codes of Practice

ILO Codes of Practice set out practical guidelines for public authorities, employers, workers, enterprises, and specialized occupational safety and health protection bodies (such as enterprise safety committees). They are not legally binding instruments and are not intended to replace the provisions of national laws or regulations, or accepted standards. Codes of Practice provide guidance on safety and health at work in certain economic sectors (e.g. construction, opencast mines, coal mines, iron and steel industries, non-ferrous metals industries, agriculture, shipbuilding and ship repairing, forestry), on protecting workers against certain hazards (e.g. radiation, lasers, visual display units, chemicals, asbestos, airborne substances), and on certain safety and health measures (e.g. occupational safety and health management systems; ethical guidelines for workers' health surveillance; recording and notification of occupational accidents and diseases; protection of workers' personal data; safety, health and working conditions in the transfer of technology to developing countries).

6.7. Guidelines to Tri parties declaration of principles of multinational Enterprises

1. Multinational enterprises play an important part in the economies of most countries and in international economic relations. This is of increasing interest to governments as well as to employers and workers and their respective organizations. Through international direct investment, trade and other means, such enterprises can bring substantial benefits to home and host countries by contributing to the more efficient utilization of capital, technology and labour. Within the framework of sustainable development policies established by governments, they can also make an important contribution to the promotion of economic and social welfare; to the improvement of living standards and the satisfaction of basic needs; to the creation of employment opportunities, both directly and indirectly; and to the enjoyment of human rights, including freedom of association, throughout the world. On the other hand, the advances made by multinational enterprises in organizing their operations beyond the national framework may lead to abuse of concentrations of economic power and to conflicts with national policy objectives and with the interest of the workers. In addition, the complexity of multinational enterprises and the difficulty of clearly perceiving their diverse structures, operations and policies sometimes give rise to concern either in the home or in the host countries, or in both.

2. 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. This aim will be furthered by appropriate laws and policies, measures and actions adopted by the governments, including in the fields of labor administration and public labor inspection, and by cooperation between the governments and the employers' and workers' organizations of all countries.
3. The principles of this Declaration are intended to guide governments, employers' and workers' organizations of home and host countries and multinational enterprises in taking measures and actions and adopting social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, to further social progress and decent work.
4. 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.
5. To serve its purpose the MNE Declaration does not require a precise legal definition of multinational enterprises; this paragraph is designed to facilitate the understanding of the Declaration and not to provide such a definition. Multinational enterprises include enterprises – whether fully or partially state owned or privately owned – which own or control production, distribution, services or other facilities outside the country in which they are based. They may be large or small; and can have their headquarters in any part of the world. The degree of autonomy of entities within multinational enterprises in relation to each other varies widely from one such enterprise to another, depending on the nature of the links between such entities and their fields of activity and having regard to the great diversity in the form of ownership. , in the size, in the nature and location of the operations of the enterprises concerned. Unless otherwise specified, the term “multinational enterprise” is used in this Declaration to designate the various entities (parent companies or local entities or both or the organization as a whole) according to the distribution of responsibilities among them, in the expectation that

they will cooperate and provide assistance to one another as necessary to facilitate observance of the principles laid down in this Declaration. In that regard, it also recognizes that multinational enterprises often operate through relationships with other enterprises as part of their overall production process and, as such, can contribute to further the aim of this Declaration.

6. This Declaration sets out principles in the fields of employment, training, conditions of work and life, and industrial relations which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis; its principles shall not limit or otherwise affect obligations arising out of ratification of any ILO Convention.

Social Policy

1. All the parties concerned by the MNE Declaration should respect the sovereign rights of States, obey the national laws and regulations, give due consideration to local practices and respect relevant international standards. They should also honor commitments which they have freely entered into, in conformity with the national law and accepted international obligations. They should respect the Universal Declaration of Human Rights (1948) and the corresponding International Covenants (1966) adopted by the General Assembly of the United Nations as well as the Constitution of the International Labor Organization and its principles according to which freedom of expression and association are essential to sustained progress.

2. All parties should contribute to the realization of the ILO Declaration on Fundamental Principles and Rights at Work and it’s Follow-up, adopted in 1998. All Members, even if they have not ratified the fundamental Conventions in question, have an obligation, arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation. Governments of States which have not yet ratified the Conventions concerning fundamental principles and rights at work recognized in the 1998 Declaration are urged to do so. Multinational

enterprises, through their operations, can contribute significantly to the attainment of its objectives.

3. The principles set out in the MNE Declaration are commended to governments, employers' and workers' organizations of home and host countries and to multinational enterprises themselves. The principles thereby reflect the fact that different actors have a specific role to play. In this respect for the Purpose of this Declaration:

   a. The Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework (2011) outline the respective duties and responsibilities of States and enterprises on human rights. These principles are grounded in recognition of: (i) States' existing obligations to respect, protect and fulfill human rights and fundamental freedoms ("the State duty to protect human rights"); (ii) the role of enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights ("the corporate responsibility to respect human rights"); and (iii) the need for rights and obligations to be matched to appropriate and effective remedies when breached ("Access to remedy").

   b. The Guiding Principles apply to all States and to all enterprises, both multinational and others, regardless of their size, sector, operational context, ownership and structure.

   c. The corporate responsibility to respect human rights requires that enterprises, including multinational enterprises wherever they operate: (i) avoid causing or contributing to adverse impacts through their own activities, and address such impacts when they occur; and (ii) seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services through their business relationships, even if they have not contributed to those impacts.

   d. Enterprises, including multinational enterprises, should carry out due diligence to identify, prevent, mitigate and account for how they address their actual and potential adverse impacts that relate to internationally recognized human rights, understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the ILO Declaration on Fundamental Principles and Rights at Work.

e. In order to gauge human rights risks, enterprises – including multinational enterprises – should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should involve meaningful consultation with potentially affected groups and other relevant stakeholders including workers' organizations, as appropriate to the size of the enterprise and the nature and context of the operation. For the purpose of achieving the aim of the MNE Declaration, this process should take account of the central role of freedom of association and collective bargaining as well as industrial relations and social dialogue as an ongoing process.

4. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be consistent with national law and in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers' and workers' organizations concerned.

5. Governments of host countries should promote good social practice in accordance with this Declaration among multinational enterprises operating in their territories. Governments of home countries should promote good social practice in accordance with this Declaration among their multinational enterprises operating abroad, having regard to the social and labor law, regulations and practices in host countries as well as to relevant international standards. Both host and home country governments should be prepared to have consultations with each other, whenever the need arises, on the initiative of either.

Operational Tools

a. Promotion

The Governing Body of the International Labor Office has the overall responsibility for the promotion of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

The Governing Body reviews on a regular basis the overall strategy and underlying activities to promote the instrument together with governments, employers' and workers' organizations in all ILO member States.

Regional follow- A regional follow-up mechanism comprises a regional report on the promotion and application of the MNE Declaration in the ILO member States in the region. The regional reports are based primarily on inputs received from governments, employers' and workers' organizations in these member States on the basis of a questionnaire and a special session during ILO Regional Meetings provides a tripartite dialogue platform to discuss further promotional activities at the regional level. . The regional reporting is based on a four-year cycle with a report to be presented to the Governing Body at the end of each cycle.

b. Promotion at the national level / promotion by tripartite appointed national focal points

Recognizing that enhancing the impact and contribution of the principles of the MNE Declaration to inclusive growth and decent work at the country level requires firm commitment from the tripartite constituents, national constituents – governments, employers and workers – are encouraged to appoint national focal points on a tripartite basis (taking guidance from Convention No. 144) to promote the use of the MNE Declaration and its principles, whenever appropriate and meaningful in the national context. Where similar tools and processes exist in relation to the principles of this Declaration, governments are encouraged to facilitate the involvement of the social partners in them. The national focal points' efforts to actively promote the principles of the MNE Declaration at country level could include: raising awareness of principles of the MNE Declaration among government ministries and agencies, multinational enterprises and employers' and workers' organizations; organizing capacity building events; and developing online information and dialogue platforms in local languages where possible. National focal points with limited resources or capacity could progressively expand their outreach and activities.

The national focal points may wish to organize tripartite-plus dialogue platforms for the tripartite constituents and multinational enterprises to discuss opportunities and identify challenges presented by operations of multinational enterprises in the national context. Such dialogues could build on past experiences, lessons learned and best practices; and they could also encompass dialogues between home and host countries, as outlined in paragraph 12 of the MNE Declaration. The national focal points should seek to promote the principles of the MNE Declaration and facilitate dialogue in a manner that is transparent, accessible and accountable to tripartite constituents. They are invited to communicate and collaborate with their counterparts in other countries in order to exchange ideas and raise awareness of the MNE Declaration globally. And they are encouraged to regularly inform the International Labor Office of their activities. The Office offers support to member States to establish national focal points and to develop their promotional and dialogue facilitation activities on the MNE Declaration.

c. Promotion by the International Labor Office

i. Technical assistance: The overall strategy and underlying activities to promote the instrument also includes country-level assistance to governments, employers and workers.

ii. Information and guidance: Further information and guidance on the application of the principles of the MNE Declaration in company operations or the principles contained in the underlying international labor standards is available through the ILO Helpdesk for Business on International Labor Standards. This free and confidential service of the International Labor Office answers individual questions and also consists of a dedicated website organized by topic where companies, trade unions and others can find information, practical tools and training opportunities and questions and answers to help them put the principles of the MNE Declaration into practice.

D.Company-union dialogue

Acknowledging that dialogue lies at the heart of the MNE Declaration, this procedure gives effect to the need to support dialogues involving multinational enterprises and the representatives of the workers affected, in particular trade unions, on the application of the principles of the MNE Declaration. The ILO, as the global authority on international labor standards, is uniquely placed to support or facilitate such dialogues as part of its overall strategy to promote the uptake of the principles of the MNE Declaration by the various parties addressed therein.

Where a company and a union voluntarily agree to take advantage of using the facilities of the International Labor Office to meet and talk, without prejudice, the Office will provide a neutral ground for discussion of issues of mutual concern. For these purposes, the Office will identify and maintain a list of qualified facilitators, and if necessary provide support to ensure that they execute their functions effectively.

The Office and the participants shall maintain strict confidentiality of the dialogue process. Questions related to confidentiality will be agreed upon in advance by the participants. In this regard, the Office will develop, in consultation with the secretariats of the Employers' and Workers' groups of the ILO, confidentiality criteria and practices to be considered by the participants in the dialogue process.

The participants to the dialogue will be determined by the company and the union.

As appropriate to the nature of the request, the dialogue facilities provided by the Office for the company–union dialogue may:

a. Provide a neutral ground for parties to engage in meaningful dialogue;

b. Provide input during company-union dialogue as a technical or expert adviser to inform the company-union dialogue;

c. Facilitate dialogue.

The company-union dialogue is based on consensus of the parties, and its content shall not be used for any binding procedure.

The Office shall keep the secretariats of the Workers' and Employers' groups informed at the end of the process that it has been completed. The procedure shall be promoted through the ILO Helpdesk for Business, through the secretariats of the Employers' and Workers' groups and through the national focal points or similar tools and processes in the ILO member States.

Procedure for the examination of disputes concerning the application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy by means of interpretation of its provisions (interpretation procedure)

1. The purpose of the procedure is to interpret the provisions of the Declaration when needed to resolve a disagreement on their meaning, arising from an actual situation, between parties to whom the Declaration is commended.

2. The procedure should in no way duplicate or conflict with existing national or ILO procedures. Thus, it cannot be invoked:

    a. in respect of national law and practice;

    b. in respect of international labor Conventions and Recommendations;

    c. In respect of matters falling under the freedom of association procedure.

The above means that questions regarding national law and practice should be considered through appropriate national machinery; that questions regarding international labor Conventions and Recommendations should be examined through the various procedures provided for in articles 19, 22, 24 and 26 of the Constitution of the ILO, or through government requests to the Office for informal interpretation; and that questions concerning freedom of association should be considered through the special ILO procedures applicable to that area.

3. When a request for interpretation of the Declaration is received by the International Labor Office, the Office shall acknowledge receipt and bring it before the Officers of the Governing Body. The Office will inform the government and the central organizations of employers and workers concerned of any request for interpretation received directly from an organization under paragraph (b) and (c).

4. The Officers of the Governing Body shall decide unanimously after consultations in the groups whether the request is receivable under the procedure.

   If they cannot reach agreement the request shall be referred to the Governing Body for decision.

5. Requests for interpretation may be addressed to the Office:

   a. As a rule by the government of a member State acting either on its own initiative or at the request of a national organization of employers or workers;

   b. By a national organization of employers or workers, which is representative at the national and/or sectoral level, subject to the conditions set out in paragraph. Such requests should normally be channeled through the central organizations in the country concerned;

   c. By an international organization of employers or workers on behalf of a representative national affiliate.

6. In the case of 5(b) and (c), requests may be submitted if it can be demonstrated:

   a. That the government concerned has declined to submit the request to the Office; or

   b. That three months have elapsed since the organization addressed the government without a statement of the government's intention.

7. In the case of receivable requests the Office shall prepare a draft reply in consultation with the Officers of the Governing Body. All appropriate sources of information shall be used, including government, employers' and workers' sources in the country concerned. The Officers may ask the Office to indicate a period within which the information should be provided.
8. The draft reply to a receivable request shall be considered and approved by the Governing Body.
9. The reply, once approved, shall be forwarded to the parties concerned and published in the Official Bulletin of the International Labor Office.

OECD Principles

The six OECD Principles are:

- Ensuring the basis of an effective corporate governance framework
- The rights and equitable treatment of shareholders and key ownership functions
- Institutional investors, stock markets, and other intermediaries
- The role of stakeholders in corporate governance
- Disclosure and transparency
- The responsibilities of the board

1. **Ensure the basis of an effective corporate governance framework**

   The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

2. **The rights and equitable treatment of shareholders and key ownership** function the corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.'

   Basic shareholder rights should include the right to:

   1. Secure methods of ownership registration;

2. Convey or transfer shares;
3. Obtain relevant and material information on the corporation on a timely and regular basis;
4. Participate and vote in general shareholder meetings;
5. Elect and remove members of the board; and
6. Share in the profits of the corporation.

3. **The Institutional investors, stock markets, and other intermediaries**

   'The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.'

   - All shareholders of the same series of a class should be treated equally
   - Insider trading and abusive self-dealing should be prohibited
   - Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

4. **The role of stakeholders in corporate governance**

   The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

5. Disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

To get a better understanding of the role disclosure and transparency plays in corporate governance.

Let us Sum Up

In this unit, you have learned about the following:

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Check your progress

1. Business ethics is a dynamic philosophy of ____________________ economic adjustment whose field is widening day-by-day
   a. Socio
   b. Political
   c. Historical
   d. Traditional
2. The social responsibility of business towards the owners of business includes____________________
   a. Maximum ROI.
   b. Report on progress.
   c. Report of Profit.
   d. All of the above.
3. CSR that extends beyond legal mandates can help meet social expectations in the absence of____________________
   a. Statutory devices.
   b. Social tool
   c. Cost tool & technique
   d. Science tool

Glossary

OECD Principles, Corporate Governance, Framework, International Labor Organization.

Answer to Check your Progress

1. a
2. b
3. c

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach, Broadview Press, 2011
2. Wayne Visser and Nick Tolhurst, the World Guide to CSR, Taylor and Francis, 1st Edition, 2017
3. Lelouche, Idowu and Filho, Innovative CSR- From Risk Management to Value Creation, Taylor and Francis, 2010

Web Sources:

1. https://www.slideshare.net/madangkiramaswaamy/bgs-7

Block-3: Introduction

Block-3: Corporate Social Responsibility Legislations has been divided in to four Units.

Unit-7: Corporate Social Responsibility Legislations in India & International deals with Introduction, United Nations Industrial Development Organization, Philanthropic responsibility, Ethical responsibility, Legal responsibility, Economic responsibility, CSR legislations around the world, Companies act section, Applicability of section, Appointment of Directors and CSR Committee and Board Duties.

Unit-8: CSR Reports Structure explains about Introduction, Interests of Money market players in sustainability reporting, CSR Reporting trend in developing countries, CSR reporting standards, Timing and mode of release of CSR reports, Awards on CSR reporting and Issues in CSR reporting.

Unit-9: CSR Activities Under Schedule Appointment of Independent Directors of The Board discuss about Introduction, Applicability of CSR, Constitution of Committee, Duties of CSR committee, New role of the board, CSR implementation, Details to be given in form CSR-1 and Amount to be spent in CSR, CSR policy.

Unit -10: Computation of Net Profit's Implementing Process in India presents about Introduction, Credits sum, Deductions for computation, Non deductions for computations, Expenses Allowed and Expenses Not Allowed.

In all the units of Block -3 **Corporate Social Responsibility Legislations**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-7

CSR Legislations in India and International

STRUCTURE

Overview

In this unit, the Introduction, United Nations industrial development organization, Philanthropic responsibility, Ethical responsibility, Legal responsibility Economic responsibility, CSR legislations around the world, Companies act section, Applicability of section, Directors appointment and CSR Committee and board duties has been clearly explained.

Objectives

After reading this unit, students should be able to explain about:

- Introduction, United Nations Industrial Development Organization,
- Philanthropic responsibility, Ethical responsibility,

- Legal responsibility Economic responsibility, CSR legislations around the world,
- Companies act section, Applicability of section, Directors appointment, CSR Committee & board duties.

7.1. Introduction

The Companies Act, 2013, a successor to The Companies Act, 1956, made CSR a compulsory act. Under the notification dated 27.2.2014, under Section 135 of the new act, CSR is compulsory for all companies-government or private or otherwise, provided they meet any one or more of the following fiscal criteria:

- The net worth of the company should be Rupees 500 crores or more
- The annual turnover of the company should be Rupees 800 crores or more
- Annual net profits of the company should be at least Rupees 5 crores.
- If the company meets any one of the three fiscal conditions as stated above, they are required to create a committee to enforce its CSR mandate, with at least 3 directors, one of whom should be an independent director.

The responsibilities of the above-mentioned committee will be:

- Creation of an elaborate policy to implement its legally mandated CSR activities. CSR acts should conform to Schedule VII of the Companies Act, 2013.
- The committee will allocate and audit the money for different CSR purposes.
- It will be responsible for overseeing the execution of different CSR activities.
- The committee will issue an annual report on the various CSR activities undertaken.
- CSR policies should be placed on the company's official website, in the form and format approved by the committee.
- The board of directors is bound to accept and follow any CSR related suggestion put up by the aforementioned committee.

- The aforementioned committee must regularly assess the net profits earned by the company and ensure that at least 2 percent of the same is spent on CSR related activities.
- The committee must ensure that local issues and regions are looked into first as part of CSR activities.

7.2. United Nations Industrial Development Organization

About: UNIDO is a specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability.

UNIDO's Regional Office acts to mobilize knowledge, information, innovation, skills and technology to promote competitive industry and productive employment by applying best practices and approaches to common problems of the region, whilst also protecting the environment.

Location: New Delhi

Focus Areas: Integrated SME Cluster Development; Trade and Capacity Building, improving Quality Standards and Productivity in MSME Industries, Promoting livelihood

in North-Eastern India (cane and bamboo); Promoting Solar Energy, Waste to Energy, Energy Efficiency, Clean Technology Innovation and Entrepreneurship, Sustainable Cities, Environmentally Sound Management of PCBs and Medical Waste, support in fulfilling obligations under international agreements such as the Stockholm Convention and the Montreal Protocol, Technology transfer and upgradation, and South-South Cooperation, especially for Least Developed Countries in Asia and Africa.

7.3. Philanthropic Responsibility

Philanthropic responsibility refers to a business's aim to actively make the world and society a better place.

In addition to acting as ethically and environmentally friendly as possible, organizations driven by philanthropic responsibility often dedicate a portion of their earnings.

While many firms donate to charities and nonprofits that align with their guiding missions, others donate to worthy causes that don't directly relate to their business. Others go so far as to create their own charitable trust or organization to give back.

7.4. Ethical responsibility

Ethical responsibility is concerned with ensuring an organization is operating in a fair and ethical manner. Organizations that embrace ethical responsibility aim to achieve fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers.

Firms can embrace ethical responsibility in different ways. For example, a business might set its own, higher minimum wage if the one mandated by the state or federal government doesn't constitute a "livable wage." Likewise, a business might require that products, ingredients, materials, or components be sourced according to free trade standards. In this regard, many firms have processes to ensure they are not purchasing products resulting from slavery or child labor.

7.5. Legal responsibility

Legal systems are society's codified ethics of operation. They're fundamental moral principles written as rules. Law is born from society wanting to operate with a rudimentary moral grounding. For a business, these ground rules include laws, regulations, and fair business practices. These rules are established by lawmakers at the federal, state, and local levels.

7.6. Economic responsibility

Economic responsibility is the practice of a firm backing all of its financial decisions in its commitment to do well in the areas listed above. The end goal is not to simply maximize profits, but positively impact the environment, people, and society.

7.7. CSR legislations around the World

The United Nations Industrial Development Organization defines corporate social responsibility as “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.”

The world has become more and more aware. All the major players have been contributing to the society in one way or another. If we take the example of India, Aptech, a leading education player with a global presence that has played a broad and continued role in encouraging and nurturing education throughout the country since its inception. As a global player with complete solutions-providing capabilities, Aptech has a long history of participating in community activities. It has, in association with leading NGOs, provided computers at schools, education to the deprived, and training and awareness-camps.

This concept of Corporate Social Responsibility has been introduced all across the globe. Different countries have different ways of application. What is common is that all the countries use the LBG model to assess the real value and impact of their community investment to both, the business and society.

When we talk about Corporate Social Responsibility (CSR), it is understood that it is executed after a lot of planning and strategizing.

Here is a brief comparison of the CSR regulation across the globe!

In USA

The Corporate Social Responsibility (CSR) team in the Bureau of Economic and Business Affairs leads the Department's engagement with U.S. businesses in the promotion of responsible and ethical business practices. The mission of the CSR office is to:

- Promote a holistic approach to CSR to complement the EB Bureau's mission of building economic security and fostering sustainable development at home and abroad.
- Provide guidance and support for American companies engaging in socially responsible, forward-thinking corporate activities that complement U.S. foreign policy and the principles of the Secretary's Award for Corporate Excellence program.
- Build on this synergy, working with multinational companies, civil society, labor groups, environmental advocates, and others to encourage the adoption of corporate policies that help companies "do well by doing good."

In UK

It is a part of Corporate Governance. The Companies Act 2006 has now added to those pressures by requiring directors to have regard to community and environmental issues when considering their duty to promote the success of their company and by the disclosures to be included in the Business Review. CSR is, now, an integral part of good governance, for bigger companies in particular.

In Europe

The European Commission's CSR agenda for action is:

- Enhancing the visibility of CSR and disseminating good practices.

- Improving and tracking levels of trust in business.
- Improving self and co-regulation processes.
- Enhancing market reward for CSR
- Improving company disclosure of social and environmental information.
- Further integrating CSR into education, training and research.
- Emphasizing the importance of national and sub-national CSR policies.
- Better aligning European and global approaches to CSR.

The CSR strategy is built upon guidelines and principles laid down by the United Global Compact, United Nations Guiding Principles on Business and Human Rights, ISO 26000 Guidance Standard on Social Responsibility and OECD Guidelines for Multinational Enterprises.

In India

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. In 2014, India became the first country in the world to have a mandatory CSR contribution legislation.

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013.

The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.

Other countries

France, Denmark, South Africa and China have a mandatory reporting obligation on the amount spent on CSR activities

7.8. Companies Act Section

This Act has been extended to Goa, Daman and Diu by Regulation 12 of 1962 (with modifications), s. 3 and Sch.: to Dadra and Nagar Haveli by

Regulation 6 of 1963, s. 2 and Sch. I and to Pondicherry by Regulation 7 of 1963, s. 3 and Sch.

1. The provisions of this Act shall apply to Goa, Daman and Diu, subject to the exceptions, modifications and adaptations contained in the Schedule to G. S. R. 615, dated the 24th April, 1965 (Gazette of India, Pt. II, Sec. 3 (i), p. 670). Amended in its application to Goa, Daman and Diu by Reg. 11 of 1963, s. 9.
2. 1st April, 1956, vide Notification No. S. R. O. 612, dated 8- 3- 1956, Gazette of India, Extraordinary, 1956, Pt. II, Sec. 3, p. 473.
3. Subs. by Act 62 of 1956 s. 2 and Sch., for sub-section (3) (w.e.f. 1-11-1956).
4. Proviso omitted by Act 25 of 1968, s. 2 and Sch. (w. e. f. 15- 8- 1968).
5. Ins. by Act 31 of 1965, s. 2 (w. e. f. 15- 8- 1965).
6. The word "further" omitted by Act 25 of 1968, s. 2 and Sch. (w. e. f. 15- 8- 1968). Schedule annexed to the Indian Companies Act, 1913, or in Table A in Schedule I annexed to this Act; (3). "associate", in relation to a managing agent, means any of the following, and no others:-

(a). Where the managing agent is an individual. any partner or relative of such individual; any firm in which such individual, partner or relative is a partner; any private company of which such individual or any such partner, relative or firm is the managing agent or secretaries and treasurers or a director or the manager; and any body corporate at any general meeting of which not less than one-third of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, such individual, partner or partners , relative or relatives, firm or firms; and private companies or companies;

(b). Where the managing agent is a firm: any member of such firm; any partner or relative of any such member; and any other firm in which any such member, partner or relative is a partner; any private company of which the firm first mentioned, or any such member, partner, relative or other firm is the managing agent, or secretaries and treasurers, or a director, or the manager; and any body corporate at any general meeting of which not less than one-third of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the firm first mentioned, any such member or members, partner or partners, relative or relatives, other firm or firms and private company or companies; (c) where the managing agent is a body corporate: (i) any subsidiary or holding company of such body corporate; the managing agent or secretaries and treasurers, or a director, the manager or an officer of the body corporate or of any subsidiary or holding company thereof; any partner or relative of any such director or manager; any firm in which such director, manager, partner or relative, is a partner; 1

(ii). any other body corporate at any general meeting of which not less than one-third of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the body corporate and the companies and other persons specified in paragraph (i) above; and

(iii). 2 any subsidiary of the other body corporate referred to in paragraph (ii) above: Provided that where the body corporate is the managing agent of the other body corporate referred to in paragraph (ii) above, a subsidiary of such other body corporate shall not be an associate

1. The" and" omitted by Act 65 of 1960, s. 2.

2. Ins. by s. 2, ibid.

in relation to the managing agent aforesaid; and]

(d) where the managing agent is a private company or a body corporate having not more than fifty members: in addition to the persons mentioned in sub clause (c), any member of the private company or body corporate; Explanation.- If one person is an associate in relation to another within the meaning of this clause, the latter shall also be deemed to be an associate in relation to the former within its mean ng;

(4). "associate", in relation to any secretaries and treasurers, means any of the following, and no others:-

(a). Where the secretaries and treasurers are a firm: any member of such firm; any partner or relative of any such member; and any other firm in which any such member, partner or relative is a partner; any private company of which the firm first-mentioned, or any such member, partner, relative or other firm is the managing agent, or secretaries and treasurers, or a director, or the manager; and any body corporate at any general meeting of which not less than one-third of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the firm first- mentioned, any such member or members, partner or partners, relative or relatives, other firm or firms, and private company or companies;

(ii). Where the secretaries and treasurers are a body corporate: (i) any subsidiary or holding company of such body corporate; the managing agent or secretaries and treasurers, or a director, the manager or an officer of the body corporate or of any subsidiary or holding company thereof; any partner or relative of any such director or manager; any firm in which such director or manager, partner or relative, is a partner; any other body corporate at any general meeting of which not less than one-third of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the body corporate and the companies and other persons specified in paragraph (i) above; and

(iii). 2 any subsidiary of the other body corporate referred to in paragraph (ii) above: Provided that where the body corporate is the secretaries and treasurers of the other body corporate referred to in paragraph (ii) above, a subsidiary of such other body corporate shall not be an associate in relation to the secretaries and treasurers aforesaid; and]

1. The words" and" omitted by Act 65 of 1960, s. 2.

2. Ins. by s. 2, ibid.

(b). Where the secretaries and treasurers are a private company or a body corporate having not more than fifty members: in addition to the persons mentioned in sub-clause (b), any member of the private company or body corporate; Explanation.- If one person is an associate in relation to another within the meaning of this clause, the latter shall also be deemed to be an associate in relation to the former within its meaning;

(5). "banking company" has the same meaning as in the Banking Companies Act, 1949 (8 of 1949);

(6). "Board of directors" or" Board", in relation to a company, means the Board of directors of the company;

(7). "body corporate" or" corporation' includes a company incorporated outside India but 1 does not include-

(a). a corporation sole;

(b). a co-operative society registered under any law relating to co-operative societies; and

(c). any other body corporate (not being a company as defined in this Act) which the Central Government may, by notification in the Official Gazette, specify in this behalf;]

(8). "book and paper" and "book or paper" include accounts,. deeds, 2 vouchers,] writings, and documents;

(9). 3 "branch office" in relation to a company means-

(a). any establishment described as a branch by the company; or

(b). Any establishment carrying on either the same or substantially the same activity as that carried on by the head office of the company; or

(c). Any establishment engaged in any production, processing or manufacture,

1. Subs. by Act 65 of 1960, s. 2, for "does not include a corporation sole". 2. Ins. by Act 31 of 1965, s. 3 (w.e.f. 15-8-1965),

3. Subs. by Act 65 of 1960, s. 2, for cl. (9),

but does not include any establishment specified in any order made by the Central Government under section 8;]

(10). "company" means a company as defined in section 3;

(8A) 1 " Company Law Board" means the Board of Company Law Administration constituted under section 8E;]

(11). 2 "the Court" means,-

(a). with respect to any matter relating to a company other than any offense against this Act, the Court having jurisdiction under this Act with respect to that matter relating to that company, as provided in section 8;

(b). with respect to any offense against this Act, the Court of a Magistrate of the First Class or, as the case may be, a Presidency Magistrate, having jurisdiction to try such offence;]

(12). "debenture" includes debenture stock, bonds and any other securities of a company, whether constituting a charge on the assets of the company or not;

(13). "director" includes any person occupying the position of director, by whatever name called;

(14). "District Court" means the principal Civil Court of original jurisdiction in a district, but does not include a High Court in the exercise of its ordinary original civil jurisdiction;

(15). "document" includes summons, notice, requisition, order, other legal process, and registers, whether issued, sent or kept in pursuance of this or any other Act or otherwise;

(16). "existing company" means an existing company as defined in section 3;

(17). "financial year" means, in relation to any body corporate, the period in respect of which any profit and loss account of the body corporate laid before it in annual general meeting is made up, whether that period is a year or not:

7.9. Applicability of section

Section 46 of the IT Act deals with 'capital gains on distribution of assets by companies in liquidation'. As per clause (2) of Section 46 of the IT Act, where a shareholder of a company receives any money or other assets from the company upon liquidation, the money/assets so received, would be subject to capital gains in the hands of such shareholder, as reduced by amount assessed as dividends under Section 2(22)(c) of the IT Act. Section 2(22)(c) of the IT Act includes 'any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not' within the definition of 'dividend'.

An issue that arises often is whether the provisions of Section 46 of the IT Act would apply in case of liquidation of a foreign subsidiary of an Indian company. Incidentally, this question was dealt with by the Supreme Court[1], where the Court, after considering the definition of the term 'company' under Section 2(17) of the IT Act, as applicable then, held that the provisions of Section 46 of the IT Act would not apply in case of liquidation of a foreign company. However, the decision of the Court pertained to Assessment Year 1962-63, during which the provisions of Section 2(17) of the IT Act provided that 'company' means '(i) any Indian company, or (ii) any association, whether incorporated or not and whether Indian or non-Indian, which is or was assessable or was assessed under the Indian Income-tax Act, 1922 (XI of 1922), as a company for the assessment year commencing on the 1st day of April, 1947, or which is declared by general or special order of the Board to be a company for the purposes of this Act. In other words, the very definition of the term 'company' under Section 2(17) of the IT Act did not include a foreign body corporate or company.

7.10. Appointment of Directors

Appointment of the Directors: The appointment of the directors is made as per the Articles of Association (AOA) or by virtue of section 152 of the act the subscribers to the memorandum shall be deemed directors f the company. There are categories of directors under act 2013 which are

Women directors are there must be one woman in the board of director where the company has paid-up capital of Rs.80 crore or more or has a turnover of Rs.300 crore or more.

- Independent Director under section 149(6)
- Directors elected by small shareholders under section 151
- Resident director under section 149(3) is required in a company who has lived for 182 days in India in the previous year.
- Additional director under section 161
- Alternative director under section 161(2) can be appointed on the absence of the main director for at least three months and above.
- Nominee Directors under section 161(3) can be appointed by a third party or by the Central Government in the case of mismanagement or oppression.

Type of Company Appointment Made

Public Company or a Private Company which subsidiary of a public company 2/3 of the total number of Directors are appointed by the shareholders and remaining 1/3 appointment is as per Articles of Association.

In case AOA is silent, then shareholders shall appoint the remaining. Private Company (not a subsidiary of a public company) Articles of Association prescribe the manner of appointment of any or all the Directors. In the absence of AOA, Directors can be appointed by the shareholders.

Qualification and disqualifications of the Directors

Under the Companies Act 2013, there are no specific qualifications for the appointment of the directors of any company. However, the limited shares can be held by the director of the public company or a private company which is a subsidiary of the public company that is up to rupees five thousand (Rs. 5000).

Disqualification of Directors

Under section 164 of the act, the following disqualifications are provided:

- Unsound mind person Undischarged insolvent Convicted by the court

- Order of disqualification passed by the court
- Not paying any call for the shares of the company Convicted for an offense
- Not filled any financial statements Failed to repay the deposits Barred by law

7.11. CSR Committee & Board Duties

Corporate Social Responsibility (CSR) or giving back to society is as old as civilization. It is based on the "trusteeship concept" whereby business groups are looked upon as trustees of the resources they draw from society and thus are expected to return them back manifold.

CSR is extremely important for sustainable development of all stakeholders (all the people, on whom the business has an impact, including the society at large).

Proponents of CSR argue that companies make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Nevertheless, the importance of CSR cannot be undermined.

Companies Act, 2013 has introduced the concept of Corporate Social Responsibility – CSR in the Act itself and even though the Act advocates it strongly but it has still prescribed a "comply or explain" approach only. This means as per the new norms, the two percent spending on CSR is not mandatory but reporting about it is mandatory. In case, a company is unable to spend the required amount, then it has to give an explanation for the same.

The Corporate Social Responsibility Policy is strictly applicable to every company including its holding or subsidiary and a foreign company, having its branch office or project office in India having:

The net worth of rupees 500 crores or more; Turnover of rupees 800 crore or more;

Net profit of rupees 5 crores or more during ANY financial year. Functions of CSR Committee

Formulation and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the projects/activities to be undertaken by the Company in areas or subject, as specified in Schedule VII.

- Reviewing with the CSR management, the quarterly financial statements before submission to the Board for approval.

- Recommend the amount of expenditure to be incurred on CSR projects/activities undertaken.
- To constitute Management Committee for implementation and execution of CSR initiatives/activities.
- Shall institute a transparent monitoring mechanism for implementation of CSR projects/activities undertaken by the company.
- Reviewing performance of the Company in the areas of CSR. Submit an annual report of CSR projects/activities to the board. Monitoring CSR Policy from time to time.

Role of the Board in CSR

The role of the Board in Corporate Social Responsibility is:

- Approve the CSR Policy of the company after considering the recommendations given by the committee;
- To disclose the contents of such a policy in its report and to place it on the company's website, if prescribed;
- To ensure that the company spends, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuit, of its CSR Policy;
- The Board shall specify in its report the reasons for not spending the amount if the company fails to spend such amount.

Let us Sum Up

In this unit, you have learned about the following:

Corporate Social Responsibility (CSR) or giving back to society is as old as civilization. It is based on the “trusteeship concept” whereby business groups are looked upon as trustees of the resources they draw from society and thus are expected to return them back manifold.

CSR is extremely important for sustainable development of all stakeholders (all the people, on whom the business has an impact, including the society at large). Proponents of CSR argue that companies make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Nevertheless, the importance of CSR cannot be undermined.

Check your progress

1. The relationship between standards of CSR & potential legal requirements governing corporate operation lies at the heart of the
   a. The business community.
   b. Unattainable
   c. Formulation
   d. The social activity.
2. The argument for CSR involves
   a. Recognition of moral obligations by business.
   b. We need to balance power with responsibility.
   c. Voluntary actions would prevent government regulations.
   d. All of the above
3. The spending on CSR activity is mandatory in India for the following organizations:
   a. 3% spending for above 5 crore profit organizations.
   b. 2% spending for above 5 crore profit organizations.
   c. 1% spending for above 5 crore profit organizations.
   d. Some spending on above 5 crore profit organizations

Glossary

Philanthropic responsibility, Ethical responsibility, Legal responsibility, Economic responsibility

Answer to Check your Progress

1.D

2.C

3.B

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011
2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.
3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012
4. https://www.mdos.si/wp-content/uploads/2018/04/defining-corporate-social-responsibility.pdf
5. https://www.ukessays.com/lectures/business/business-management/CSR
6. https://www.slideshare.net/madangkiramaswaamy/bgs-7

Unit-8

CSR Reports

STRUCTURE

Overview

In this unit, the Introduction, Interests of Money market players in sustainability reporting, CSR Reporting trend in developing countries, CSR reporting standards, Timing and mode of release of CSR reports, Awards on CSR reporting and the Issues in CSR reporting has been clearly explained.

Objectives

After reading this unit, students should be able to:

- Discuss interests of money market players in sustainability reporting
- Develop reporting standards
- Familiarize with timing and mode of release of CSR reports
- Describe the awards for CSR reporting
- Discuss the issues in CSR reporting

8.1. Introduction

A Corporate Social Responsibility (CSR) report is an internal- and external-facing document companies use to communicate CSR efforts and their impact on the environment and community. An organization's CRS efforts can fall into four categories: environmental, ethical, philanthropic, and economic.

8.2. Interests of Money market players in sustainability reporting

We begin with jeopardizing the well-being of our planet in the name of development. Then we came to realize how they can work in tandem to achieve greater good of every soul within. It was not too far that we could dare to impregnate our financial assets with Sustainability using Climate Finance, Green Finance etc.

Now SEBI has pioneered in introducing Green-care in Money market-the next big thing. With the advent of Paris Agreement on climate change and UN sustainable development goals, a global transition to better and sustainable economies has gained momentum along with better adaptation- mitigation measures for Climate risks. It has brought in Business Responsibility and Sustainability Report (BRSR) that hopes to replace the existing Business Responsibility Report (BRR) in India.

This sort of filing the BRR composed of ESG(Environmental, Social and Governance) disclosures first saw the light in 2012, with further advancements thereafter.

The new report seems to engage environmental know-how to the social and governance perspectives, to be made applicable on the top 1,000 listed entities (the ones who have their shares being traded in Official Stock Exchanges) by market capitalization, thereby increasing greater transparency and Better assessment of Sustainability related risks by market entities.

Market capitalization denotes a Company's worth as determined by the stock market, calculated as the total market value of all outstanding shares. One can simply multiply the value of one share to the number of shares a Firm holds. Business Responsibility Reports (BRR) shall be filed under the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs). This also involves disclosing the infamous ESG (environmental, social and governance) risks and opportunities, in order to mitigate or adapt to the climate-impaired financial risks of the same. The report even contains the

Sustainability related goals and targets to be undertaken to strengthen the markets and eliminate possible vulnerabilities. Even the achieved targets need to be identified in the report.

8.3. CSR Reporting trend in developing countries

A company's main business objective is maximization of shareholder's wealth by means of achieving higher profit. Business managers are entrusted with shareholders money so that they could run the company efficiently and profitably. According to Sloan "the strategic aim of a business is to earn a return on capital and if in any particular case the return in the long run is not satisfactory, then the deficiency should be corrected or the activity abandoned for a more favorable one." This suggests that companies are run for profit motives and this should be the top most priority of any management.

However Globalization has brought about a change in notion concerning the business objective of any company, arguments are being put forward that the business activities must take into account human and social welfare. According to Peter Drucker, “the enterprise is an organ of society and its actions have a decisive impact on the social scene. It is thus important for management to realize that it must consider the impact of every business policy and business actions upon society. It has to consider whether the action is likely to promote the public good, to advance the basic belief of society, to contribute to its stability, strength and harmony”.

A business enterprise is a major user of nature, society and environment; therefore it must be responsible towards their protection and development. Depletion of natural resources and causes like global warming has brought a lot of attention to the sustainable use of these resources and companies are going to play a major role in ensuring this. So this marks a shift in the company objective that no longer can they only be guided by the sole aim of making profit but they should be taking actions to ensure the welfare of the society in which they operate. This brings out the concept of “Corporate Social Responsibility”: Corporations acting as citizens of a society in a responsible manner ensuring the well-being of others in the society. The International Standards Organization (ISO) describes CSR as “a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, community and society”

Corporate social responsibility has gained widespread attention in most developed countries; Policies and practices are being developed by corporations to abide by standards of environmental pollution, use of human capital etc. However in less developed countries this is not a much heard or debated topic. According to Steiner & Steiner, “In less developed countries there is often no indigenous sense of corporate responsibility.”

Literature Review

There are numerous ways to classify the literature on CSR in developing countries i.e. in terms of content (thematic coverage), type (epistemological approach), and level (focus of analysis). The analysis would be done by each way separately

Content Theme

We would use the same classification as did, the CSR literature can be categorized into four CSR themes: social, environmental, ethics, and stakeholders. One point that immediately comes to light by applying this categorization to the literature on CSR is that, in contrast to findings that most CSR articles in top management journals focus on ethical and environmental themes, most scholarly work on CSR in developing countries focuses on the social theme. Also social issues are generally given more political, economic, and media coverage in developing countries than environmental, ethical, or stakeholder issues.

Knowledge Type

Lockett et al. had also classified the CSR literature by knowledge type. He found even split between theoretical and empirical research. Lockett et al. found that 89% of theoretical CSR papers are non-normative, in the CSR in developing countries literature, the balance is far more evenly split. This is mainly because relatively large number of papers on the role of "business in development" tends to adopt a normative, critical perspective. Also if we see empirical research, there are also differences.

According to Lockett et al. the CSR literature is dominated by quantitative methods (80%), while CSR papers on developing countries are more likely to be qualitative. Most research on CSR in developing countries to date has either generalized about all developing countries or focused at a national level. In terms of generic literature, Corporate Citizenship in developing countries is a useful compendium, as are special issues on CSR in developing countries.

Countries that have appeared in the Journal of Corporate Citizenship, International Affairs and Development. Despite the focus on countries in the literature, only about a fifth of all developing countries have had any CSR journal articles published on them. Of these, the most commonly analyzed and written about countries are China, India, Malaysia, Pakistan, South Africa, and Thailand. Analysis at a regional level (notably Africa, Asia, and Latin America) is becoming more common, but papers at the sector, corporate, or individual level remain relatively scarce.

Regional Asia

Major coverage of Asia in the field of CSR often focuses on China (e.g. Zhuang and Wheale), India (e.g. Balasubramanian), Indonesia (e.g. Blowfield), Malaysia (e.g. Zulkifli and Amran), Pakistan (e.g. Lund-Thomsen), and Thailand (e.g. Kaufman). Other countries that have had less attention include Bangladesh (Nielsen), the Pacific Forum Islands (Prasad), Sri Lanka (Luken and Stares), and Vietnam (Prieto-Carron). Birch and Moon noted that “CSR performance varies greatly between countries in Asia, with a wide range of CSR issues being tackled (e.g. education, environment, employee welfare) and modes of action (e.g. foundations, volunteering, and partnerships)”.

In one of the survey on CSR reporting in Asia, Chapple and Moon find that nearly three quarters of large companies in India present themselves as having CSR policies and practices versus only a quarter in Indonesia and between these two extremes are Thailand (42%). Malaysia (32%), and the Philippines (30%). They also infer from the research that the evolution of CSR in Asia tends to occur in three waves, first being community involvement followed by successive second and third waves of socially responsible production processes and employee relations. In a comparative survey of CSR in 15 countries across Europe, North America, and Asia, Welford speculates that the low response rates from countries like Hong Kong, Malaysia, Mexico, and Thailand may in itself be an indicator of CSR being less prevalent in developing countries. This seems to be borne out by the research findings, in which these countries fairly consistently underperform when compared with developed countries across 20 aspects of CSR measured by the survey.

Africa

The literature on CSR in Africa is predominantly based on South Africa while other pockets of research exist. Very few papers are focused on industry sectors, with traditionally high impact sectors like agriculture, mining and petrochemicals featuring most prominently. Two of the best sources of literature on Africa are Corporate Citizenship in Africa and the

Journal of Corporate Citizenship special issue on CSR in Africa. The letter concludes that 'academic institutions and researchers focusing specifically on corporate citizenship in Africa remain few and under-developed. This is confirmed by a review of the CSR literature on Africa between 1995 and 2005, which found that only 12 of Africa's 53 countries have had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria. The latter partly reflects the high media profile generated around corporate citizenship issues and the petrochemical sector, especially focused on Shell and their impacts on the Ogoni people. Economic and philanthropic aspects of CSR, rather than the legal and ethical responsibilities, will continue to dominate CSR conceptualization and practice in Africa.

Social and Economic Conditions

It is often said that the CSR in developing countries is directly shaped by the social conditions and economic environment present in the country in which firms operate and the development priorities this creates had argued that "CSR in Nigeria is specifically aimed at addressing the socio-economic development challenges of the country, including poverty alleviation, health-care provision, infrastructure development, and education. This, they argue, stands in stark contrast to many Western CSR priorities such as consumer protection, fair trade, green marketing, climate change concerns, or socially responsible investments." had questioned the appropriateness of foreign CSR approaches, citing examples from South America, where the most important issues like poverty, illiteracy, crime and tax avoidance are not included in the CSR conceptions in developed countries, but if we consider locally developed CSR approaches, then they are most likely to respond to the many local social and environmental problems, such as deforestation, unemployment, income inequality, and crime

Market Access

Not all the intention of the companies in developing the CSR is for good, some companies may also see these unfulfilled human needs as an untapped market. This can be corroborated from the fact that there lies burgeoning literature on 'bottom of the pyramid' strategies, which refer to business models that focus on turning the four billion poor people in the world into consumers. CSR may be working towards enabling companies in developing countries which are trying to access markets in the developed world. An example in this support can be given from, Baskin, he had identified that "competitive advantage in international markets as one of the key drivers for CSR in Central and Eastern Europe and Asia", also Araya's survey of CSR reporting among the top two hundred and fifty companies in South America found that "businesses with an international sales orientation were almost five times more likely to report than companies that sell products regionally or locally".

This has become increasingly relevant as more and more companies from developing countries are moving towards globalization and in their effort they need to comply with international stock market listing requirements, including various forms of CSR code compliance. The above argument was also stated by Chapple and Moon's study of 7 countries in Asia, which found a strong relationship between international exposure, either in terms of international sales or foreign ownership, and CSR reporting. CSR is also sometimes used as a partnership approach to creating or developing new markets. Another example in support towards this, is the case of, AED and Mark collaboration with Exxon Mobil which has created a viable market for insecticide-treated mosquito nets in Africa, while improving pregnant women's access to these nets, through the delivery of targeted subsidies. Similarly, ABB used a partnership approach to CSR to deliver a rural electrification project in Tanzania.

Stakeholders

In general the governmental has not got strong control or prohibitive laws over the social, ethical, and environmental performance of companies in developing countries, hence in its absence activism by stake-holder groups has become major source of CSR. Lund-Thomsen had described this as "an outcome of micro-level struggles between companies and communities over the distribution of social and environmental hazards which are created when global political and economic forces interact with local contexts around the world".

In research it was found that there are mainly four kinds of groups namely development agencies trade unions, international NGOs, and business associations have emerged as the most important activists for CSR. These four groups had also provided a support for local NGOs. Another group has also emerged in recent times namely media, it has also emerged as a key supporter for promoting CSR in developing countries. Activism by these groups in developing countries has taken various forms, which was classified by Newell "as civil regulation, litigation against companies, and international legal instruments". Of these, civil regulation is perhaps the most common and effective.

Bendell describes this as the theory that 'businesses are being regulated by civil society, through the dual effect of negative impacts from conflict and benefits from collaboration which provides new means for people to hold companies accountable, thereby democratising the economy directly'. There are numerous examples of civil regulation in action in the developing world of which South Africa is a rather striking case in point. This has manifested itself mainly through community groups challenging companies over whether they are upholding the constitutional rights of citizens.

Various land mark cases between 1994 and 2004 suggest that, although civil society still tends to lack capacity and resources in South Africa, this has been an effective strategy. Stakeholder activism has also taken a constructive approach towards encouraging CSR, through groups like the National Business Initiative and partnerships between businesses and NGOs.

Stakeholder activism can also be a source of criticism of CSR, arguing that it is an inadequate response to the social and environmental challenges of developing countries. The Christian Aid report Behind the Mask: The Real Face of Corporate Social Responsibility epitomizes this critical approach, and may be a driver for an enlarged conception and practice of CSR in developing countries.

8.4. CSR reporting standards

Companies today provide more value to their stakeholders and shareholders than just dividends and profit. It needs to be consistent and structured enough to support accountability. Everyone, from the board to your employees, should know how the company clearly defines its purpose and how it's going to deliver that promise to its stakeholders.

“One of the big challenges in sustainability is non-financial reporting. As one of the big four accounting firms, PwC recently worked with the WEF, the accounting profession and 120 leading companies in the International Business Council (IBC) to identify a global set of metrics based on existing standards. That's for us one way to bring our purpose to life”.

Jasmin Khalifa, Head of Corporate Responsibility, PwC Switzerland Common CSR reporting standards.

Here are a few common purpose reporting standards you can follow in your CSR report.

Business for Social Impact (B4SI, formerly LBG)

B4SI, or the Business for Social Impact, is the global standard for measuring corporate community investment and philanthropy. It's a practical tool to evaluate purpose program effectiveness and make sure that what you're doing means something. It helps more than 220 companies globally measure, report and benchmark community investments.

Global Reporting Initiative (GRI)

The Global Reporting Initiative's mission is “to enable organizations to be transparent and take responsibility for their impacts, enabled through the world's most widely used standards for sustainability reporting” and is one of the most widely used frameworks for reporting out there, which can also be linked to the UN SDGs.

Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board is a sustainability reporting specialist that helps businesses identify and report on the values that matter most to their investors. The SASB sets standards to guide the disclosure of financially material sustainability-related to environmental, social, and governance (ESG) information by companies to their investors. It differs by industry and connects businesses and investors who care about Purpose.

CSR reports are a way for an organization to communicate its mission, efforts, and outcomes to external and internal stakeholders. In addition to employees, decision-makers, and shareholders, these include customers, the local community, and society at large.

If a company has been bold and successful in its CSR efforts, the release of its CSR report is as much a communication tool as it is a marketing and public relations event. Especially because of the lack of mandatory guidelines, you can use these reports to highlight your organization's achievements and build social responsibility into your brand's identity.

Releasing a CSR report on an annual basis can also create accountability. For example, if your organization publishes its goal to be carbon neutral by 2025 in its 2021 CSR report, chances are employees will feel driven to accomplish that goal so its completion can be noted in the 2025 report. If a goal isn't reached in its intended time frame, the CSR reporting process can prompt an examination of how the project went off track and what can be done to realign and accomplish the goal in a realistic timeframe.

8.5. Timing and mode of release of CSR reports

CSR reports are a way for an organization to communicate its mission, efforts, and outcomes to external and internal stakeholders. In addition to employees, decision-makers, and shareholders, these include customers, the local community, and society at large.

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8.6. Awards on CSR reporting

Ministry of Corporate Affairs, Government of India has instituted National Corporate Social Responsibility (CSR) Awards to recognize companies that have made a positive impact on the society through their innovative & sustainable CSR initiatives. This award is the apex recognition of CSR initiatives in India.

The CSR Awards seeks to:

- Encourage companies to spend the entire amount i.e. eligible CSR spend;
- Recognize the impact, innovation, usage of technology, gender and environmental issues, sustainability, scalability and replicability of CSR activities; and
- Channelize CSR activities of corporates so that the benefits of their activities reach the marginalized sections of society and in remote areas of the country.

Categories and sub-categories of Awards:

Category I - Corporate Awards for Excellence in CSR

i. Companies having eligible CSR Spend equal and above Rs. 80 Crores;

ii. Companies having eligible CSR Spend equal and above Rs. 8 Crores and less than Rs. 80 Crores;

iii. Companies having eligible CSR Spend equal and above Rs.1 Crore and less than Rs.8 Crores; and

iv. Companies having eligible CSR Spend below Rs. 1 Crore.

v. Category II - CSR Awards for CSR in Aspirational Districts / Difficult Terrains

  a. Northern India
  b. North-East India
  c. Eastern India
  d. Western India
  e. Southern India

Category III - CSR Awards for contribution in National Priority Areas

1. Education
2. Skill Development and Livelihoods
3. Agriculture and Rural Development
4. Health, Safe Drinking Water and Sanitation
5. Environment, Sustainable Development and Solar Energy
6. Women and Child Development
7. Technology Incubation
8. Promotion of Sports
9. Slum Area Development
10. Heritage, Art and Culture
11. Support to Differently-Abled

Three Awards (one in each main categories of the awards), are reserved for MSMEs for the CSR intervention (s), in alignment with Category Objective/s, carried out by Micro, Small and Medium Enterprises within the provisions of Section 135 of Companies Act 2013 and the rules there under.

Runners-Up: In addition to 20 awards as mentioned above, there may be 20 Runners-Up for companies which have undertaken appreciable CSR activities in given sub-categories.

8.7. Issues in CSR reporting

One of the main issues that came up at the Responsible Business Summit was sustainability reporting. Even with all the progress we have seen so far, reporting continues to be one of the most challenging issues for CSR executives. Still, just like CSR, reporting becomes more focused, strategic and smart, and there's even a continuous search after its business value. The journey of sustainability reporting is still a long one, but listening to the CSR executives in the summit it became clear to me that companies now understand the significance of reporting more than ever and try to figure out how to utilize it in the best way possible. . Still, sometimes it works, sometimes it doesn't.

Here are five issues that dominated the conversation about reporting at the summit:

1. From one-time event to an ongoing communication

Not too long ago the main question about the report was how to make it more readable, and while this question is still on the table, there seems to be a shift to approach the report not as a one-time annual event, but as a foundation of an ongoing dialogue with stakeholders.

How do you do it? Suzanne Fallender, Director of CSR Strategy & Communications at Intel provided a great example. After Intel releases its report, employees who helped put it together write stories on the company's blog with further details on specific issues like Intel's green fleet strategy. Then these pieces are also promoted using social media. Picking and writing on one section of the report every week helps not only to make the report more 'snackable,' Fallender explained, but also keeps the conversation about it going.

2. No supplier left behind

Reporting becomes an effective tool for companies to ensure their suppliers meet a certain level of sustainability. A growing number of companies now request their suppliers to report in some detail on ESG issues. Mike Wallace, the Director of the Global Reporting Initiative's (GRI) Focal Point USA gave the examples of Microsoft and Apple that request detailed information from their suppliers. In the case of Apple it's interesting as the company itself doesn't release a sustainability report.

These reporting requests can be a real headache especially for small and medium suppliers. Intel's Fallender explained that Intel, which also requests its top suppliers to report, works with the EICC (Electronic Industry Citizenship Coalition) to develop accepted industry-based levels of transparency that will help reduce the burden on suppliers. Wallace also presented the Puma model - training the suppliers in GRI reporting, explaining them which issues are material for the company and requesting them to prepare a GRI report that will include these specific material issues.

3. Regulators are pushing for more disclosure

Although reporting is perceived as a voluntary space, regulators around the world start shifting it into a semi-regulated space de-facto. Bennett Freeman, Senior Vice President, Sustainability Research and Policy at Calvert Investments reminded that the SEC is about to require disclosure not just regarding conflict minerals, but also from oil, mining and gas companies regarding all payments to governments in each jurisdiction in which they operate. . Both requirements are a result of the 208 Dodd-Frank financial reform law.

In addition, GRI's Wallace added examples outside the U.S., from the Johannesburg Stock Exchange's requirement that listed companies produce an integrated report to Denmark's requirement that its largest companies disclose their CSR performance in their annual reports. It looks like almost every company will soon find that it needs to comply with some sort of disclosure regulation. This can be a real game changer.

4. Bloomberg makes a difference

Probably unintentionally Bloomberg has become one of the important drivers of reporting. The fact that Bloomberg added ESG data to its terminals and made it available to over 350,000 customers makes a difference – suddenly this data becomes searchable and comparable and it's easier for investors to see which companies are doing better and which are lagging behind.

Investors do pay attention to this data as a new Harvard research shows and the result, as a PwC report explains, is that “progressive companies are quietly differentiating themselves by upgrading their sustainability reporting processes and systems to provide high-quality, investmentgrade information , which they know will be reported to investors and analysts via information providers."

5. Check list effort or value creator?

While the number of companies reporting is increasing, many companies are still not sure how material the report itself is. John Buckley, Managing Director and Head of CSR at BNY Mellon said for example that he sees the GRI report as a box checking effort. It's a valuable exercise, he said, but doesn't necessarily relate to the core of the company's efforts. Doing a great job on the GRI does not necessarily make a company a great one, he added.

On the other hand, Wallace claimed that companies that look at GRI reports from a checklist perspective don't do a very good or efficient job since the GRI report can deliver much more if you approach it differently. Companies that do apply a different approach find, he added, that the value comes out of the journey and from digging deeper than just going over it as a check list. It is now recognized that poverty reduction and sustainable development will not be achieved through government action alone. Policy makers are paying increasing attention to the potential contribution of the private sector to such policy objectives. As the extremely successful entrepreneur, Raymond Ackerman, founder of the multi billion Rand retailer, Pick n Pay, often cites: 'Doing good is good business'. Brand loyalty, customer brand ambassadorship and revenue are all direct results of this philosophy and in excess of R64 million is spent annually by this group in Southern Africa alone to maintain this brand loyalty, market leadership and country and people investment.

Let us Sum Up

In this unit you have learned about Interests of Money market players in sustainability reporting, CSR Reporting trend in developing countries, CSR reporting standards, Timing and mode of release of CSR reports, Awards on CSR reporting and the Issues in CSR reporting.

Check your progress

1. Social responsibility is
    a. Same as legal responsibility
    b. Broader than legal responsibility
    c. Narrower than legal responsibility
    d. None of them

2. If business is to operate in a society which is full of diverse and complicated problems, it may have
   a. Little chance of success
   b. Great chance of success
   c. Little chance of failure
   d. No relationship with success or failure
3. Business people have the skills to solve
   a. All social problems
   b. Some social problems
   c. No social problems
   d. All economic problems

Glossary

CSR reporting standards, Market issues, Reporting issues, Awards on CSR reporting, Categories of CSR Awards

Answer to Check your Progress

1.b

2.a

3.c

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach, Broadview Press, 2011
2. Wayne Visser and Nick Tolhurst, The World Guide to CSR, Taylor and Francis, 1st Edition, 2017
3. Lelouche, Idowu and Filho, Innovative CSR- From Risk Management to Value Creation, Taylor and Francis, 2010

Unit-9

CSR Activities under Schedule Appointment of Independent Directors of the Board

STRUCTURE

Overview

In this unit the Introduction, Applicability of CSR, constitution of committee, Duties of CSR committee, New role of the board, CSR implementation, Details to be given in form CSR-1, Amount to be spent in CSR and the CSR policy has been clearly explained.

Objectives

After reading this unit, students should be able to understand:

- Applicability of CSR and constitution of committee
- Duties of CSR committee and New role of the board
- CSR implementation and Details to be given in form CSR-1
- Amount to be spent in CSR and the CSR policy

9.1. Introduction

Corporate Social Responsibility (CSR) implies a concept, whereby companies decide voluntarily to contribute to a better society and a cleaner environment – a concept, whereby the companies integrate social and other useful concerns in their business operations for the betterment of their stakeholders and society in generally in a voluntary way.

Projects or programme relating to those activities which are undertaken by the Board of Directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy of the Company along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

9.2. Applicability of CSR

The provisions of CSR applies to every company its holding company its subsidiary company foreign company having the preceding financial year :

Net worth >500 crore

Turnover > 800 crore

Net profit >5 crore

During the immediately preceding financial year shall constitute a separate CSR **(Corporate Social Responsibility)** committee. However where the amount to be spent for CSR activities does not exceed Rs. 50 lakhs, there is no requirement for constitution of CSR committee, function of such committee can be done by the board of the company.

9.3. Constitution of Committee

As per CAA, 2020, every company to which CSR criteria is applicable and having CSR spent more than Rs. 50 lakh p.a. shall be required to constitute a CSR committee of the Board. Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. A private company having only two directors on its Board shall constitute its CSR Committee with two such directors. A company is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director. It is the duty of the Corporate Social Responsibility Committee to monitor the Corporate Social Responsibility Policy of the Company from time to time.

9.4. Duties of CSR Committee

As per amendment dated 22/01/2021, CSR committee shall formulate and recommend to the Board an Annual Action Plan in pursuance of its CSR Policy, which shall include the following namely;

Annual Action Plan:

- List of CSR Projects or Programmes
- Areas where CSR projects to be implemented
- Manner of execution
- Modalities of utilization of funds and implementation schedule for the projects
- Monitoring and reporting mechanism for the projects

Provided that Board may after such Annual Action Plan at any time during the Financial Year, as per the recommendation of its CSR committee, based on the reasonable justification to that effect.

9.5. New Role of the Board

Approve CSR Policy of the company and ensure that CSR activities are undertaken by the company as per policy

Ensure that the company spends minimum 2% of the net average net profit made during the 3 immediately preceding year.

Ensure that the Board report covers disclosure

Ensure that the funds have been utilized for the purpose and manner approved by the board

9.6. CSR Implementation

The Board shall ensure that the CSR activities are undertaken by the company itself or through

- a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company.
- A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programs in accordance with these rules.

- The Board of a company shall satisfy itself that the funds so disbursed have been utilized for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to that effect.

9.7. Details to be given in CSR

- Nature of entity
- CIN of company
- Email on which OTP is generated
- Copy of certificate of registration and PAN should be attached
- PAN of Entity; details of Directors, Board of trustees, chairman, CEO, Secretary and authorized representative of entity

9.8. Amount to be spent in CSR

The company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial year. Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be plowed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuit of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months from the expiry of the financial year. Where a company spends an amount in excess of requirement, such excess amount may be set off against the requirement to spend up to immediately succeeding three financial years. Where a company spends an amount in excess of requirement, such excess amount may be set off against the requirement to spend up to immediately succeeding three financial years.

9.9. CSR Policy

CSR Policy means a statement containing

1. The approach and direction given by the Board of a company, taking into account the recommendations of the CSR committee.
2. And includes guiding principles for selection, implementation and monitoring of activities.
3. As well as formulation of the Annual Action Plan.

Every Corporate Social Responsibility Committee shall formulate and recommend the Corporate Social Responsibility Policy to the Board for their approval. The Corporate Social Responsibility policy must contain the activities as specified in Schedule VII of the Companies Act, 2013 on which the amount is spent as Corporate Social Responsibility

Let Us Sum Up

In this you have learned about the applicability of CSR, the constitution of Committee and the duties of CSR committee.

Check your progress

1. That an enterprise must behave as a good citizen is an example of its responsibility towards
    a. Owners
    b. Workers
    c. Consumers
    d. Community
2. Environmental protection can best be done by the efforts of
    a. Business people
    b. Government
    c. Scientists
    d. All the people
3. Carbon monoxide emitted by automobiles directly contributes to
    a. Water pollution
    b. Noise pollution
    c. Land pollution
    d. Air pollution
4. Which of the following can explain the need for pollution control?
    a. Cost savings
    b. Reduced risk of liability
    c. Reduction of health hazards
    d. All of them
5. Which of the following is capable of doing maximum good to society?
    a. Business success
    b. Laws and regulations
    c. Ethics
    d. Professional management

Glossary

Applicability of CSR, Preventive Measures, Constitutions, Committees, CSR Policy.

Answer to Check your Progress

1.d

2.d.

3.d

4.d

5.c

Suggested Readings

1. Blowfield, Michael, and Alan Murray, Corporate Responsibility, Oxford University Press, 2014 6.
2. Sharma, J.P., Corporate Governance, Business Ethics & CSR, Ane Books Pvt Ltd, New Delhi, 2nd Edition, 2019
3. https://www.mdos.si/wp-content/uploads/2018/04/defining-corporate-social-responsibility.pdf
4. https://www.ukessays.com/lectures/business/business-management /CSR.

Unit -10

Computation of Net Profit’s implementing Process in India

STRUCTURE

Overview

Objectives

10.1. Introduction

10.2. Credits sum

10.3. Deductions for computation

10.4. Non deductions for computations

10.5. Expenses Allowed

10.6. Expenses Not Allowed

Let us Sum Up

Check your Progress

Glossary

Answer to Check your Progress

Suggested Readings

Overview

In this Unit, the Introduction, Credits sum, Deductions for computation, Non deductions for computations, Expenses Allowed and the Expenses Not Allowed has been clearly explained.

Objectives

After reading this unit, students should be able to explain about:

- Introduction, Credits sum, Deductions for computation
- Non deductions for computations, Expenses Allowed and Expenses Not Allowed.

10.1. Introduction

Section 198 of the Companies Act, 2013 ('2013 Act'), prescribes a special method for computation of 'net profits' of a company in a financial year-which has different rules for arriving at net profit than the one prescribed under Accounting Standards .

The special methodology for computation of net profits prescribed under Section 198 is used for two purposes – (i) for determining managerial remuneration under Section 197 and Schedule V; and (ii) for determining the minimum CSR amount to be spent by the company in a financial year, under Section 135(5) of the 2013 Act.

Section 198(3) provides items of income for which no credit shall be given while calculating net profit, which includes items like profit on sale of investments, profits of a capital nature, including profits from the sale of undertaking, and profit from sale of any immovable property.

Section 198(4) provides for various items of expenditure, which shall be deducted while calculating net profit, which includes usual working charges, directors' remuneration, etc.

Section 198(5) provides for four specific items, which shall not be deducted — which includes items like loss of capital nature on sale of undertaking, income tax, any voluntary payments of compensation, etc.

Through the Companies (Amendment) Act, 2017 ('2017 Amendment'), sub-clause (f) was inserted to Section 198(3). In accordance with Section 198(3)(f), while calculating 'net profit' — credit shall not be given for "any amount representing unrealized gains, notional gains or revaluation of assets". This amendment was required to take care of Ind AS Accounting Standards. There was also an amendment made to allow an investment company to include profit on sale of investments, which is not allowed for other companies.

The origin of Section 198

Section 198 broadly corresponds to Sections 349 and 350 of the Companies Act, 1956 ('1956 Act'). The objective of Section 349 and 350 of the 1956 Act was to ensure that a company pays managerial remuneration only out of genuine operating profits, and not out of artificially inflated profits – due to sale of real estate or investments.

This provision was introduced in the 1956 Act, which had for the first time introduced strict controls over the extent of managerial remuneration that could be paid by the company – which was in line with the then prevalent political and economic ideology of the Nehruvian era- socialistic pattern of society. As strict limits had been imposed by the 1956 Act, there was a need to ensure that companies do not artificially inflate their profits, and such remuneration is paid only out of operating profits.

The 1956 Act was enacted at a time when there were very few “accounting standards” to regulate aspects relating to the computation of net profit. The objective of Sections 349 and 350 was to normalize the profit, by excluding certain special items of income and expenditure.

For example, profit on sale of investment was not allowed to be added to net profit. This provision had created practical challenges for investment companies in compensating their managerial personnel, as their main income was from the profits made on trading in stock. Further, the arrears of depreciation of the previous years are not required to be deducted from the net profit as depreciation is not an expenditure but only a notional charge.

After the passing of the 1956 Act, India became one of the few countries in the world, which had imposed statutory restrictions on the extent of managerial remuneration that could be paid by the company. Other jurisdictions such as the UK have never imposed similar statutory restrictions on managerial remuneration. The English Companies Act, 1948, did not contain any provision that was analogous to Sections 349 and 350 — although our 1956 Act was substantially derived from the said Act.

Section 349 of the 1956 Act brought about multiple practical difficulties after it was brought into force. In 1960, the Companies Amendment Committee noted that Section 349 had given rise to a “number of difficulties in its interpretation and application”. While the Committee proposed minor amendments to Section 349, it did not evaluate whether any alternate computation method could be formulated.

In 2005, the J.J. The Irani Committee took the view that there was no longer any necessity to retain the computation methods prescribed under Sections 349 and 350. The J.J. Irani Committee Report opined as follows

"Although the Committee has separately recommended that the issue of managerial remuneration should be determined by the shareholders only, the Committee also felt that the existing method of computation of net profit for the purpose of managerial remuneration, in the manner laid down in Sections 349 and 350 of the Act, should be done away with since the current provisions of the Companies Act adequately ensure that a true and fair picture of the company's profit is presented”.

The Report of the Parliamentary Standing Committee e on Finance, which examined the Companies Bill, 2011, did not make any reference to this recommendation of the J.J. Irani Committee. With a few minor modifications, the computation method prescribed under Sections 349 and Section 350 was retained in Section 198 of the 2013 Act.

While the objective behind Section 198 has not been mentioned in the Standing Committee Report, we may infer that a provision corresponding to Sections 349 and 350 was retained as the 2013 Act also did not initially remove the strict controls placed on managerial remuneration. Section 197 and Schedule V of the 2013 Act continued to impose limits on managerial remuneration, which were substantially similar to the limits that were earlier imposed under Sections 198 and 309 of the 1956 Act-although the absurd restrictions on managerial remuneration of the 1980s era were significantly liberalized over time. 2017 Amendment - dismantling of strict controls on managerial remuneration.

Following the recommendations of the Company Law Committee, 2016 ('CLC 2016'), and the Standing Committee on Finance, the 2017 Amendment dismantled the strict controls imposed on managerial remuneration under Section 197 and Schedule V. The 2017 Amendment repealed the requirement of obtaining Central Government approval for payment of remuneration beyond the permitted thresholds.

Post the 2017 Amendment, a company can pay remuneration exceeding the prescribed thresholds, after obtaining shareholder approval through a special resolution. The 2017 Amendment has accordingly repealed the 61-year long strict control imposed on managerial remuneration in India. This fundamental shift in the approach towards managerial remuneration reflects the new policy of the Government — of making India an attractive destination to do business, and facilitate ease of doing business in the country by removing unnecessary controls.

Has Section 198 lost its relevance now?

The objective of Section 198 was to ensure that a company pays managerial remuneration only out of genuine operating profits and does not artificially inflate its profits. This objective is no longer relevant now, as the 2017 Amendment has dismantled the strict control imposed on managerial remuneration since 1956. The central criticism of Section 198 has been that it is anachronistic and totally out of sync with Ind AS Accounting Standards. The socio-economic context in which Sections 349 and 350 of the 1956 Act were enacted was completely different and are no longer relevant.

The Ministry of Corporate Affairs (“MCA”) has, till date, notified 39 Ind AS Accounting Standards under Section 133 of the 2013 Act. The Ind

AS Accounting Standards, which are the Indian version of International Financial Reporting Standards (IFRS), comprehensively covers all aspects relating to accounting of “net profits”. Hence, even without Section 198 of the 2013 Act, there are adequate safeguards in the Accounting

Standards that would ensure that profits are not artificially inflated or inaccurately reported. As the Ind AS adequately covers all aspects relating to accounting of net profits, there arises no requirement for prescribing a separate methodology under Section 198.

Concluding Thoughts:

Following the dismantling of the strict control over managerial remuneration, and the notification of Ind AS Accounting Standards under Section 133 of the 2013 Act – Section 198 has lost its relevance in the statute book. As opined by the Irani Committee in 2005 – even Section 349 and 350 of the 1956 Act had lost its relevance, as there were sufficient provisions for ensuring that the financial statements reflect a true and fair view of the profits of the company.

A strong case can accordingly be made for the repeal of Section 198, which will save the companies in India from doing separate calculation of net profit for managerial remuneration and CSR. The deletion of Section 198 will lead to the removal of an anachronistic provision from the Act, which has lost its relevance. It will bring greater uniformity in computing net profits and will further facilitate ease of doing business in India.

While repeal of Section 198 would require Parliamentary approval, the MCA can grant general exemption under Section 462 of the Act to all public companies from this provision, if such companies are abiding by the applicable Accounting Standards prescribed under Section 133 of the Act.

10.2. Credits sum

Credit notes play an important role in the invoicing process, although they're not always frequently used, and so can be a little confusing to understand. In this article, we'll demystify credit notes so you know exactly when and how to use them.

We'll walk you through the detailed information that should be included whenever you issue one, complete with helpful examples and credit note templates. We'll also explain the key differences between a credit note and a debit note.

Once you've learned how to integrate this important tool as part of your invoicing workflow, you'll be confident about using credit notes next time the need arises.

What is a credit note?

Everyone makes mistakes once in a while, and the invoicing process is no exception. This is where credit notes come in.

Credit notes are legal documents, just like invoices, that give you the important ability to cancel an already issued invoice, either in full or in part.

Issuing a credit note essentially allows you to delete the amount of the invoice from your financial records, without actually deleting the invoice itself. This is significant, because deleting invoices may be unlawful in countries where businesses are legally required to maintain reliable audit trails, such as the UK, the US, Australia and New Zealand.

When to issue a credit note?

Credit notes are typically used when there has been an error in an already-issued invoice, such as an incorrect amount, or when a customer wishes to change their original order. In short, credit notes can be used in any circumstances that would require the invoice to be changed and re-issued.

A credit note is usually linked to an existing invoice, but can also be issued separately, to be used against another invoice in the future. Again, always remember that the completed invoice should never be deleted. This is where the credit note becomes an essential tool in your invoicing workflow.

How do you issue a credit note?

So now you know the typical circumstances when you can issue a credit note, but what does the actual process for issuing one look like?

If you're using invoicing software (such as Xero), many of these packages can easily issue credit notes against any invoice with the minimum of hassle.

A credit note shows the negative balance of an invoice. For example, let's say you originally invoiced your customer for a sum of £80. You now wish to cancel the whole invoice, so you'll need to issue a corresponding credit note for the negative value of -£80.

Or, let's say you accidentally overcharged the customer by 50%. In this case you could issue a partial credit note for the negative sum of -£50, which effectively corrects the outstanding balance.

What's more, issuing a credit note should also keep your invoice number sequence intact. For example, if the original incorrect invoice was step one, the credit note will be step two, and the next invoice you issue will be step three. In this way, your records stay clear and organized.

What information should you include on a credit note?

The general format of a credit note is very similar to that of an invoice or quotation. But unlike invoices in particular, the format and structure is less strict.

A credit note should include all necessary information for admin and recording purposes for both you and your customer. Here's a list of the essentials:

Date of credit note issue Credit note number Customer reference number

Payment terms Contact details

Reason for issuing the credit note

Also, you should clearly state at the top of the document that it is a credit note, not an invoice, to avoid any misunderstanding on the customer side.

If the original invoice included VAT, then you'll need to issue a matching VAT credit note, which reflects the details of the invoice, including the amount before VAT.

Here are some credit note examples in the form of templates showing how your credit notes might look.

Credit notes vs. debit notes: what's the difference?

By now you're pretty clear on what credit notes are and how they work. But there's another important document that's worth knowing about, which may also be involved in the invoicing process from time to time: the debit note. Also known as a debit memo in some cases, debit notes are issued from the customer to your business to request you to return funds already paid.

Reasons for issuing a debit note can include the customer receiving damaged or incorrect products, or wishing to cancel a purchase in any other circumstances. A debit note acts as a formal request from the buyer to the seller to issue a credit note.

Remove the hassle with GoCardless

While invoicing a customer the wrong amount will happen from time to time, creating sand sending credit notes with as little hassle as possible will help save your finance team time when mistakes do happen.

Using a payment provider like Gocardless, in tandem with automated invoicing software, will help improve the efficiency of your invoicing workflow significantly.

Credit notes are just one part of the issuing process. To find out everything you need to know about buying, take a look at our complete guide.

10.3. Deductions for computation Tax Deductibility for CSR Expenditure

Prior to 2013, some of the voluntary CSR activities took the form of contributions for establishing a medical college[2], installation of traffic signals[3], public welfare scheme[4], establishing drinking water facilities[5], etc. Such activities, when found to be having nexus with the business of the taxpayer and were incurred wholly and exclusively for the purpose of the business, were allowed as a tax deductible expenditure. In a few other instances, the expenditure incurred on the CSR activities were not allowed as a deduction, but were eligible for deduction under section 80G, subject to meeting the conditions therein.

However, having regard to the fact that CSR expenses have a philanthropic nature and were not necessarily a business expense, the Parliament legislated that CSR expenses would not be eligible for deduction under section 37 of the IT Act. For this purpose, Explanation 2 to section 37(1) was inserted vide the Finance (No 2) Act, 2014 (applicable from the assessment year 2015-16), which provided that any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of CA 2013, shall not be deemed to be an expenditure incurred by the assessee for the purpose of business or profession and shall not be allowed as deduction under section 37(1) of the IT Act. The intent of Parliament in bringing the said provision is given in the Explanatory Memorandum to the Finance (No.2) Bill, 2014 and is reproduced as under:

“CSR expenditure, being an application of income, is not incurred wholly and exclusively for the purposes of carrying on business. As the application of income is not allowed as deduction for the purposes of computing taxable income of a company, amount spent on CSR cannot be allowed as deduction for computing the taxable income of the company. Moreover, the objective of CSR is to share the burden of the government in providing social services by companies having net worth/turnover/profit above a threshold. If such expenses are allowed as tax deduction, this would result in subsidizing around one-third of such expenses by the government by way of tax expenditure.

The existing provisions of section 37(1) of the Act provide that deduction for any expenditure, which is not mentioned specifically in section 30 to section 36 of the Act, shall be allowed if the same is incurred wholly and exclusively for the purposes of carrying on business or profession. As the CSR expenditure (being an application of income) is not incurred for the purposes of carrying on business, such expenditures cannot be allowed under the existing provisions of section 37 of the Income-tax Act. Therefore, in order to provide certainty on this issue, it is proposed to clarify that for the purposes of section 37(1) any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence shall not be allowed as deduction under section 37. However, the CSR expenditure which is of the nature described in section 30 to section 36 of the Act shall be allowed as deduction under those sections subject to fulfillment of conditions, if any, specified therein."

Thus, it is clear that the CSR expenditure referred to in section 135 cannot be claimed as a tax deductible expenditure under section 37(1) of the IT Act. However, CSR expenditure, which is of the nature described under sections 30 to 36 of the IT, was allowable as a deduction, say CSR expenditure laid out or expended on Scientific Research related to the business is allowable under section 35(1)(i)) and 35(1)(iv), etc.

As an aside, it may be mentioned that there have been conflicting views whether the Explanation to section 37(1) is retrospective or prospective in its operation.

Expenditure on CSR could take many forms. There could be expenditure on projects directly undertaken by companies, such as setting up and running schools, social business projects, etc. Such expenditure would include expenditure otherwise falling for consideration under section 37(1) of the IT Act. On the other hand, companies, instead of undertaking or participating directly in a project, may choose to give donations to institutions that are engaged in undertaking such projects. While expenditure falling within the ambit of section 37(1) would undoubtedly not qualify, the issue is whether donations, which indirectly help to meet the CSR obligation, would qualify for deduction under section 80G, if the donation otherwise satisfies the conditions laid down in that section.

A Controversy - Whether deduction under section 80G is allowable for CSR contribution?

After the amendment, some tax authorities have disputed the claim of deduction under section 80G for eligible donations, qualifying for CSR under the CA 2013. The tax authorities contend that the intention of the legislature was never to allow deduction for CSR expenditure, otherwise it would result in subsidizing the CSR expenditure by one-third amount. Furthermore, CSR expenditure is not 'voluntary', but 'mandatory' in nature.

Taxpayer's Arguments

The taxpayer can make the following arguments to support their claim for deduction under section 80G:

1. Section 80G(1) provides that in computing the total income of the assessee, there shall be deducted, in accordance with the provisions of this section, such sum paid by the assessee in the previous year as a donation. Further, section 80G(2) lists down the sums on which deduction shall be allowed to the assessee. Section 80G falls in Chapter VIA, which comes into play only after the gross total income has been computed by applying the computation provisions under various heads of income, including the Explanation 2 to section 37(1).

   Thus, there is no correlation between section 37(1) and section 80G. Principles governing what is not allowable under section 37(1) have been explained in the section itself (i.e. what is allowable, the conditions subject to which it is allowable, the extent to which it is allowable) and also what is not allowable under section 80G.

2. Section 80G specifically mentions two instances (viz, section 80G(2)(a)(iiihk) and (iiihl), i.e., contributions towards Swacha Bharat Kosh and Clean Ganga Fund), where CSR expenditure is not allowable as deduction under section 80G.

3. Section 80G(2)(a) allows deduction for 'any sums paid by the assessee in the previous year as donations'. Thus, the deduction allowable is for sums paid as donation. Donations paid to the said Kosh and Fund are not allowable under section 80G(2)(a)(iiihk) and (iiihl). What is not allowable is however amounts spent by the

assessee in pursuit of CSR in pursuit of section 135 of the CA 2013. Contributions to the said Kosh and Fund are CSR activities included in Schedule VII to the CA 2013. The disallowance for deduction under section 80G vis-à-vis CSR can be restricted only to contributions to these Funds under CSR. It is a well-established rule of interpretation that one has to look merely at what is stated in the statute; There is no scope for intention in law. So only contributions to these two funds will not qualify for deduction under section 80G(2)(a). There is no blanket ban of deduction under section 80G for donations, which also qualify under CSR.

4. Furthermore, amid Covid-19 pandemic, the Government had provided various relaxation and measures and also sought contributions to the PM CARE fund to deal with the pandemic. Such contributions are eligible as CSR expenditure under the CA 2013 and for deduction under section 80G of the IT Act. Thus, it can be said that the intent of the legislature is not to restrict deduction under section 80G, even if the contribution qualifies as CSR expenditure under the CA 2013.

5. In the Memorandum to the Finance Bill, it has been clarified that no deduction will be allowed for CSR expenditure as a business expenditure, but makes no reference to ineligibility or restriction in claiming deduction under section 80G for donations made pursuant to CA 2013 obligations. . Also, in the Memorandum, it has been clarified that CSR expenses which fall for consideration under sections 30 to 36 of the IT Act are allowable. Thus, a position emerges that the intent of the Legislature was not to blanketly disallow CSR expenses.

6. The Ministry of Corporate Affairs ('MCA') has issued Frequently Asked Questions ('FAQ') through General circular no. 01/2016 dated January 12, 2016 (FAQ No. 6) has clarified that as follows:

   "Question no. 6: What tax benefits can be availed under CSR?

   Answer: No specific tax exemptions have been extended to CSR expenditure per se. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemptions have been extended to expenditure incurred on CSR, spending on several activities like Prime Minister's Relief Fund, scientific research, rural development projects, skill development projects, agriculture extension projects etc., which fund place in Schedule VII, already enjoys exemptions under different **sections of the Income-tax Act, 1961."**

This clarification issued by one arm of the Government, supports the view that deduction under section 80G is allowable on such contributions.

7. Deduction under section 80G is qua the philanthropic activity for service to the public and society and cannot be denied on the basis of statutory obligation, which in any case will not change the nature of the philanthropic activity.

8. It may be noted that in the case Escorts Skill Development v. CIT[6], the Delhi Tribunal allowed section 12AA and section 80G registration to a captive section 8 company, which was created to redeem the CSR obligation of the parent. Thus, the Tribunal has indirectly upheld that contribution of parent company to such a company will be eligible for section 80G and CSR obligation provided the conditions therein are met.

   Jurisprudence on allow ability of deduction under section 80G Recently, this issue has been tested in the following decisions:

   In Goldman Sachs Services Pvt. Ltd. v. JCIT[7], the Assessing Officer ('AO'), without verification of the donations, disallowed deduction under section 80G on the basis that the donations were in the nature of CSR expenditure and not in the nature of 'voluntary contribution'. The Bangalore Tribunal observed that the CSR expenditure was required to be incurred as per the CA 2013 and as per the amendment introduced to section 37 of the IT Act, a deduction for the same was not available under section 37 of the IT Act. However, the assessee had claimed deduction of donation under section 80G. The Tribunal noted that CSR contributions to Swachh Bharat Kosh and Clean Ganga Fund, were specifically excluded from the ambit of section 80G of the IT Act. In view of this, the Tribunal inferred that other CSR qualifying donations are eligible for deduction under section 80G, subject to the assessee satisfying the requisite conditions prescribed for deduction under section 80G of the IT Act. The Tribunal remanded the matter for examination and verification of facts.

In another set of decisions[8] of Bangalore Tribunal, the deduction under section 80G was disallowed, since CSR qualifying donations were not 'voluntary contributions'. The Tribunal allowed the deduction under section 80G and held that, “assessee cannot be denied the benefit of claim under Chapter VI A, which is considered for computing 'Total Taxable Income”. If assessee is denied this benefit, merely because such payment forms part of CSR, would lead to double disallowance, which is not the intention of Legislature.” An inference can also be drawn from the decision [9] of Delhi Tribunal, wherein the CIT(A) had held that the expenditure in the nature of CSR expense should be allowable as deduction under sections 35AC and 80G of the IT Act.

10.4. Non deductions for computations

Persons Responsible for Deducting Tax and Their Duties: 4.1. Under

Clause (i) of Section 204 of the Act the "persons responsible for paying" for the purpose of Section 192 means the employer himself or if the employer is a Company, the Company itself including the Principal Officer thereof. 4.2. The tax determined as per para 6 should be deducted from the salary u/s 192 of the Act. Deduction of Tax at Lower Rate: 4.3. Section 197 enables the tax-payer to make an application in form No.13 to his Assessing Officer, and, if the Assessing Officer is satisfied that the total income of the tax-payer justifies the deduction of income-tax at any lower rate or no deduction of income tax, he may issue an appropriate certificate to that effect which should be taken into account by the Drawing and Disbursing Officer while deducting tax at source. In the absence of such a certificate furnished by the employee, the employer should deduct income tax on the salary payable at the normal rates: (Circular No. 147 dated 28.8.1974.) Deposit of Tax Deducted: 4.4. According to the provisions of section 200, any person deducting any sum in accordance with the provisions of Section 192 or paying tax on nonmonetary perquisites on behalf of the employee under Section 192(1A), shall pay the sum so deducted or tax so calculated on the said non-monetary perquisites, as the case may be, to the credit of the Central Government in prescribed manner (vide Rule 30 of the Income-tax Rules, 1962).

In the case of deductions made by, or, on behalf of the Government, the payment has to be made on the day of the tax-deduction itself. In other cases, the payment has to be made within one week from the last day of the month in which deduction is made. Interest, Penalty & Prosecution for Failure to Deposit Tax Deducted: 4.5 If a person fails to deduct the whole or any part of the tax at source, or, after deducting, fails to pay the whole or any part of the tax to the credit of the Central Government within the prescribed time, he shall be liable to act in accordance with the provisions of section 201. Sub-section (1A) of section 201 lays down that such person shall be liable to pay simple interest at one percent for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which the tax is actually paid. Such interest, if chargeable, has to be paid before furnishing of quarterly statement of TDS for each quarter. Section 271C lays down that if any person fails to deduct tax at source, he shall be liable to pay, by way of penalty, a sum equal to the amount of tax not deducted by him. Further, section 276B lays down that if a person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source by him, he shall be punishable with rigorous imprisonment for a term which shall be between 3 months and 7 years, along with fine. Furnishing of Certificate for Tax Deducted: 4.6 According to the provisions of section 203, every person responsible for deducting tax at source is required to furnish a certificate to the payee to the effect that tax has been deducted and to specify therein the amount deducted and certain other particulars.

This certificate, usually called the "TDS certificate", has to be furnished within a period of one month from the end of the relevant financial year. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. In the case of employees receiving salary income (including pension), the certificate has to be issued in Form No.16. However, in the case of an employee who is resident in India and whose income from salaries does not exceed Rs.1,50,000/-, the certificate of deduction of tax shall be issued in Form No. 16AA (Specimen form 16AA enclosed as ANNEXURE-III). It is, however, clarified that there is no obligation to issue the TDS certificate (Form 16 or Form 16AA) in case tax at source is not deductible/deducted by virtue of claims of exemptions and deductions. As per section 192, the responsibility of providing correct and complete particulars of perquisites or profits in lieu of salary given to an employee is placed on the person responsible for paying such income i.e., the person responsible for deducting tax at source. The form and manner of such particulars are prescribed in Rule 26A, Form 12BA, Form 16 and Form 16AA of the Income-tax Rules. Information relating to the nature and value of perquisites is to be provided by the employer in Form no. 12BA in case of salary above Rs.1,50,000/-

In other cases, the information would have to be provided by the employer in Form 16 itself. In either case, Form 16 with Form 12BA or Form 16 by itself will have to be furnished within a period of one month from the end of the relevant financial year. An employer, who has paid the tax on perquisites on behalf of the employee as per the provisions discussed in paras 3.2 and 3.3, shall furnish to the employee concerned a certificate to the effect that tax has been paid to the Central Government and specify the amount so paid, the rate at which tax has been paid and certain other particulars in the amended Form 16. The obligation cast on the employer under Section 192(2C) for furnishing a statement showing the value of perquisites provided to the employee is a serious responsibility of the employer, which is expected to be discharged in accordance with law and rules of valuation framed thereunder. Any false information, fabricated documentation or suppression of requisite information will entail consequences therefore provided under the law. The certificates in form no.12BA and form no. 16 are to be issued on tax deductor's own stationery within one month from the close of the financial year i.e. by April 30 of every year. If he fails to issue these certificates to the person concerned, as required by section 203, he will be liable to pay, by way of penalty, under section 272A, a sum which shall be Rs.80/- for every day during which the failure continues.

10.5. Expenses allowed

Allowable expenses are essential business costs that are not taxable. Allowable expenses aren't considered part of a company's taxable profits. You therefore do not pay tax on these expenses.

10.6. Expenses not allowed

An expense could be disallowed for the following reasons: Any tax amount deductible on certain expenses like TDS was not deducted while making the payment. The expenditure is not associated with the conduct of the assessee's business or profession. Allowed and not allowed credits.

Let us Sum Up

In this unit, you have learned about the following:

This Section 198 was to ensure that a company pays managerial remuneration only out of genuine operating profits and does not artificially inflate its profits. This objective is no longer relevant now, as the 2017 Amendment has dismantled the strict control imposed on managerial remuneration since 1956. The central criticism of Section 198 has been that it is anachronistic and totally out of sync with Ind AS Accounting Standards. The socio-economic context in which Sections 349 and 350 of the 1956 Act were enacted was completely different and are no longer relevant.

Check your Progress

1. Which of the following is capable of doing maximum good to society?
   a. Business success
   b. Laws and regulations
   c. Ethics
   d. Professional management
2. Ethics is important for
   a. Top management
   b. Middle-level managers
   c. Non-managerial employees
   d. All of them
3. Which of the following alone can ensure effective ethics program in a business enterprise?
   a. Publication of a code
   b. Involvement of employees
   c. Establishment of compliance mechanisms
   d. None of them

Glossary

Credit Note, Credit note issue, Credit Note Document, Credit note Mechanism

Answer to Check your Progress

1.c 2. d. 3.b

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools ,Edward Elgar Publishing, 1st Edition, 2011

2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.

3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012

1. https://www.slideshare.net/madangkiramaswaamy/bgs-7

2. https://www.slideshare.net/rcay/CSR-for-sustainable-busines.

Block-4: Introduction

Block-4: Regulatory Environment has been divided in to four Units.

Unit-11: Implementation of CSR in India deals with Introduction, Schedule VII specified activities, Environmental projects under CSR, Nationalistic project under CSR, Technology projects under CSR and Water projects under CSR.

Unit-12: Market Based Pressure and Incentives Civil Society Pressure explains about Introduction, Market Based Pressure and Incentives, Civil Society Pressure and Competency based engagement.

Unit-13: The Regulatory Environment in India Counter Trends describes about Introduction, Counter-trends, Environment protection Act, Regulatory compliance in India and Regulatory policy in India.

Unit-14: Performance in Major Business and Programmes discuss about Introduction, Examples of CSR Programmes, Impact of CSR on major business and program benefits, four types of CSR by business and the five main areas of CSR.

In all the units of Block -4 **Regulatory Environment**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-11

Implementation of CSR in India

STRUCTURE

Overview

In this unit entitled the Introduction, Schedule VII specified activities, Environmental projects under CSR, Nationalistic project under CSR, Technology projects under CSR, Water projects under CSR.

Objectives

After reading this unit, students should be able to:

- Introduction, Schedule VII specified activities, Environmental projects under CSR
- Nationalistic project under CSR, Technology projects under CSR, Water projects under CSR

11.1. Introduction

Late 1970s and 80s natural concerns just like the misfortune of the rainforest and the impacts of pollution states that something had to be done to alter the way we were utilizing the planet assets. The government took an activity to halt the unsustainable utilization of assets and to boost feasible advancement. Put essentially, sustainable improvement eludes to the development of society in such a way that future eras are not compromised and have access to the same assets that we have nowadays. In today's era, Company's Social Obligation could be a developing and vital portion of an organization's by and large determining technique. CSR can be depicted as a concept whereby companies choose deliberately to contribute to far better, stronger society and cleaner surroundings. The concept of CSR has gone past donations and charity and requires the company to act passed its lawful obligations and to coordinate societal, ethical and ecological concerns into its commerce handle.

CSR is additionally connected with the vital of maintainability, which contends that ventures ought to make choices based not as it were on budgetary components. Business does not operate alone and it is important to realize that they not only affect the society at large but also influence the transparency and accountability towards society to make a positive impact. The contributions undertaken by companies to society through its business activities and social investment represent CSR. Corporate Social Responsibility Nowadays has become very familiar in the world-of-business.

The concept of CSR implies that companies voluntarily integrate with social and environmental concerns. Most of the leading corporations have sensed the importance of CSR. CSR for Indian business is a source of opportunities and Innovation and at the same time it is the opportunity to actively contribute in the sustainable development.

11.2. Schedule VII specified activities

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water. (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects. (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups. (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga. (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts; (vi) Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows; (vii) Training to promote rural sports, nationally recognized sports, paralympic sports and olympic sports (viii) Contribution to the prime minister's national relief fund 8 [or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the Central Government for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to publicly funded Universities; Indian Institutes of Technology (IITs); National Laboratories and autonomous bodies established under the Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)

(x) Rural development projects

(xi) Slum area development. Explanation.- For the purposes of this item, the term `slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

(xii) Disaster management, including relief, rehabilitation and reconstruction activities.

11.3. Environmental projects under CSR

1. Cummins India Ltd.

Project Title: Creating Oxygen Hubs

Due to rapid urbanization, Pune is among one of the polluted cities in India. As per 2013-14 reports City of Pune emits 46 lakh tonnes of carbon in one year. This directly affects the level of oxygen in the environment. Cummins decided to fight against this pollution and started spending CSR funds for “Creating Oxygen Hubs” i.e. (Converted Non Forest land to Forest).

Cummins partnered with various NGOs, communities, civic authorities, elected members and the defense department in the city to create oxygen hubs by creating forest.

Project Implementation by: Pune Municipal Corporation, Defense Department in Pune and various NGOs

Amount spent: INR 1.112 Cr Location: Pune, Maharashtra Estimated Impact:

Under this activity Cummins planted more than 35000 trees and also looked after their sustainability.

1. 2DB Corp Ltd.

Project Title: Save Bird Campaign

Under the theme of "Animal welfare" DB Corp Ltd launched Save Bird campaign because thousands of bird species have gone extinct in the last few decades. The aim of Save Birds initiative was conservation of birds. Citizens were encouraged to keep Bird Baths (Sakoras) or vessels at their homes and workplaces, filled with food grains and water.

Company has also partnered with WWF India and Nature Forever Society for this campaign to improve sustainability of Save Bird Campaign.

Project Implementation by: DB Corp Ltd (Directly) Amount Spent: INR 0.8 Cr

Location: Madhya Pradesh, Chattisgarh, Gujarat, Jharkhand, Chandigarh, Haryana, Punjab, Himachal Pradesh, Maharashtra, Rajasthan and Delhi NCR

Estimated Impact: The initiative has received tremendous response in 34 cities. Sensitization workshops were conducted in 886 colonies, 203 parks and 446 schools. Also, 1 million earthen vessels (Sakoras) were distributed.

2. Karnataka Bank Ltd.

Project Title: Green Initiatives

For environmental sustainability, Karnataka bank spent 0.54 Cr on green initiative and animal welfare. The key purpose of Green initiative is to maintain ecological balance in Karnataka and Delhi respectively.

Project Implementation by: Karnataka Bank Ltd. (Directly)

Amount spent: INR 0.58 Cr Location: Delhi, Karnataka Estimated Impact:

Karnataka bank tried to achieve environmental sustainability and ecological balance with the help of Afforestation.

3. Century Plyboards India Ltd.

Project Title: Animal welfare

Under the animal welfare section, Century plywood tried to serve helpless, shelter less, ill as well as handicapped cow in nearby areas. Company also wanted to bring awareness on cow based agriculture, health and environment. Company established cow hostel in Kolkata and nearby area.

Project Implementation by: Calcutta Pinjrapole Society; Gow Seva Sameetee Ghatwa; Friends of Vrindaban; Central Kolkata Prerna Foundation

Amount spent: INR 0.39Cr Location: Kolkata and Vrindavan Estimated Impact:

Animal welfare activity of century Plyboards nurtured and cared for thousands of animals.

4. Tata Sponge Iron

Project Title: Plantation and Afforestation

Due to deforestation, the issue of ecological imbalance is becoming a cause for concern. However, Tata Sponge's mass Afforestation program has by far outweighed the reduction of forest cover in the area owned by it. Initially company planted species like acacia, bakain, chakindi, etc. Later the plantation work was changed to fruit bearing plants and hard wood trees like sandalwood, rosewood, mahogany, teak & bamboo.

11.4 Nationalistic project under CSR

"Namami Gange", an Integrated River Conservation Mission, has been set up by Government of India (GOI) as an umbrella program for restoration g the wholesomeness of the river Ganga. National Mission for Clean Ganga(NMCG) is already undertaking various pollution abatement activities such as creation of treatment infrastructure for domestic/industrial waste water, collection & disposal of floating debris, river front development, complete sanitation in rural areas, conservation of key aquatic species such as dolphins, turtles, gharials etc., and creating awareness among common public. As part of Namami Gange programme, GOI has established Clean Ganga Fund (CGF) for encouraging people participation and ownership. CGF is administered by a Trust, chaired by the Hon'ble Finance Minister. The fund of CGF would be utilized for various river rejuvenation projects identified under Namami Gange program.

Section 135 of the Companies Act, 2013, requires companies having net worth of Rs. 500 crore or more and turnover of Rs. 1,000 crore or more during any financial year to spend at least 2% of the average of the net profits made by the company during the three immediately preceding financial years in pursuit of its Corporate Social Responsibility Policy. Activities in the Corporate Social Responsibility Policy as detailed in Schedule VII to the Companies Act, 2013 include activities relating to ensuring environmental sustainability, ecological balance, protection of flora & fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water. Vide notification dated 24 October 2014, contributions to CGF set-up by the Central Government including activities relating to rejuvenation of river Ganga have been specially brought within the ambit of CSR activities.

CGF offers a unique opportunity for corporates to participate in the nation's largest environmental effort- rejuvenation of river Ganga. Corporates can either contribute money to CGF or undertake certain activities such as adopting ghats, piloting new technologies, collecting & disposing floating debris/solid waste, conducting research, creating awareness and planting trees. NMCG facilitates all necessary cooperation required from state level agencies for the success of corporate endeavors in this direction.

An Interactive workshop on “Clean Ganga Fund” was held under the chairmanship of Shri

U.P Singh, Director General, NMCG, on 19 January 2017. 67 delegates including senior level CSR functionaries from 51 public and private sector corporates such as ONGC, GAIL, BHEL, Bharat Petroleum, United India Insurance Company, Oil India Limited, Tata Sons, JSW and SAIL attended the workshop. Objective of the workshop was to apprise and sensitize the Corporate bodies – both in the public and private sector, on the activities being undertaken as part of Namami Gange program and exploring the possibility of meaningful participation by the corporates in the national endeavor of Ganga rejuvenation.

Corporates may select one or more of these project activities by clicking on the appropriate tab provided on the webpage. Corporates may also pose any other project activities of their choice if such projects contribute to the objectives of the Namami Gange Program. Such project activities may be selected through proper field survey & feedback by engagement of the residents of the area wherein the project is proposed to be executed. Project activities so selected by the corporates would need to be approved by NMCG. Corporates would develop detailed proposals for the project activities selected by them for execution. These proposals would include interalia nature of activities, scope of work, plan of action, financial outlay and other details. Proposals so developed would be duly appraised by NMCG.

The project activities to be executed by the corporates as part of their CSR activities under the Namami Gange Program should provide due visibility, be effective and be sustainable. Necessary guidance may be sought from NMCG in this regard.

A feedback mechanism is provided for two way communication with NMCG. GUIDELINES FOR TAKING UP PROJECTS UNDER CSR INITIATIVES

NMCG will consider and approve only those activities which contribute to cleaning & rejuvenation of Ganga & its tributaries and allied projects as CSR activities under the umbrella of Namami Gange Program.

Corporates may select one or more of these project activities by clicking on the appropriate tab provided on the webpage. Corporates may also pose any other project activities of their choice if such projects contribute to the objectives of the Namami Gange Program. Project activities may be selected through proper field survey & feedback by engagement with the residents of the area wherein the project is proposed to be executed.

Corporates would develop detailed proposals for the project and activities selected by them for execution based on the surveys in the proposed region/places. These proposals would include interalia nature of activities, scope of work, plan of action, financial outlays, period of activity/date of completion of the project, manpower deployment and other details.

The project proposals should also spell out the involvement of the local authorities and agencies and the NOC required for such projects/activities.

The proposals with clear plan of action would be required to be submitted to the NMCG for approval and go-ahead.

NMCG after appraisal of the proposals will convey approval cum go ahead sanction for execution of or carrying out the proposed projects. After that, the corporate concerned would enter into a Memorandum of Understanding (MoU) with NMCG.

NMCG would also facilitate the requisite NOC / permissions from the local authorities, if so required, for execution of the projects.

The Corporate entities would nominate a Nodal officer for overseeing the execution of the project and will be required to render a quarterly report on the progress of the project for appraisal by NMCG.

A feedback mechanism is developed under the CSR website where each corporate can fill its details such as Name, Address, Contact No, Email id etc. while adopting the CSR Activity through the website.

The Corporates taking up the projects would be expected to carry out Information, Education, Communication (IEC) activities to sensitize the local populace about the project, its benefits and also engage with them for successful acceptance of the activities in the region.

The project activities to be executed by the corporates as part of their CSR activities under the Namami Gange Program should provide due visibility, be effective and sustainable. The 'Namami Gange' banner would be appropriately displayed on sites of such projects along with the corporate symbols.

A clear funding line be made available during the currency of the project for its success. Any problems in continuity of the projects be brought to the notice of NMCG timely for intervention and hand holding.

In the event of the project being shelved prior to its period of contract, the Corporates would be required to suggest alternatives for continuation.

The projects be taken up after making realistic assessment of ground conditions and support to avoid any untimely abrogation which may lead to adverse publicity.

The funding for the projects would be taken up only from earmarked CSR funds under the provisions of Section 135 of the Companies Act, 2013. Investment of funds from any other source will not be accepted.

A monitoring mechanism has been integrated with the CSR website to reply the technical queries & feedback received from corporates who adopt the CSR activities listed on the CSR webpage.

11.5. Technology projects under CSR

India plays a very significant role in the global IT supply chain. The share of the IT sector in the GDP of the country has been consistently increasing for the last many years. IT services companies of India are recognized across the world for their innovative solutions and efficient operations. This provides a lot of recognition and opportunities to the Indian origin IT professionals working across the globe. In this way, the IT services companies are not only benefitting the country and its citizens, but also the diaspora which enhances the image of our countrymen. Additionally, the IT services companies are also contributing to the social development of the country through various CSR initiatives. Let us look at five IT services companies in India that take CSR seriously.

TCS

Tata Group Company – Tata Consultancy Services (TCS), a global leader in technology and consultancy, has released its latest annual report, where it has demonstrated its commitment to the social welfare of the country. According to the report, the company has invested Rs. 663 crores on various sustainable development programmes, in the financial year 2020-21.

The company's CSR programs have achieved the following impact:

- 23,800 rural youth employed through Youth Employment Program
- 325,000 villagers supported with digital services by 466 BridgeIT entrepreneurs
- 1.07 million individuals, including over 70,000 prison inmates, made literate through the Adult Literacy Program

TCS' vision is to empower communities by connecting people to opportunities in the digital economy and its mission is to build inclusive, equitable and sustainable pathways for all including youth, women and marginalized communities.

By prioritizing TCS' focus on education, skilling, entrepreneurship and employment it seeks to help people and communities bridge the opportunity gap. The Company also supports the health, wellness, water, sanitation and hygiene needs of communities, especially those that are marginalized. TCS also supports conservation and relief efforts to communities at the time of natural and man-made disasters. Its focus on preserving art and heritage as well as supporting action against climate change remains consistent.

By applying its resources towards communities that need it the most, TCS ensures equitable access. The Company's CSR strategy incorporates an inclusive approach into the design of every program. In India, this is aligned to its support of the Government of India's Affirmative Action Policy and the Tata Group's Affirmative Action Program.

To achieve transformational impact, TCS leverages the best of the Company's capabilities its intellectual, technology, human and financial capital. The company aims to create innovative solutions to societal challenges applying its contextual knowledge while harnessing the expertise of a diverse network of leaders; execute and scale programs using its technological capabilities; engage its large employee base to volunteer their time, skills and expertise as last-mile connectors and make impact investments in large scale, sustainable, multi-year programs that empower communities.

Infosys

The name Infosys resonates with Corporate Ethics in the Indian Corporate Arena. Infosys is the flagship company of India's mighty ITES (Information Technology Enabled Services) sector. Along with sustained financial performance, the company was an early adopter of Corporate Social Responsibility initiatives.

Infosys carries out its CSR activities in India through the Infosys Foundation. The company's CSR initiatives strive for development that positively impacts society and brings about a lasting change in the life of the community. The CSR projects take responsibility for the Company's actions and encourage a positive impact through its activities on hunger, poverty, malnutrition, environment, communities, stakeholders and society.

Underprivileged cancer patients often have to look for temporary shelters along with family members who accompany them at the National Cancer Institute (NCI) of the All India Institute of Medical Sciences (AIIMS), Jhajjar, Haryana. To support such patients and their families, the Infosys Foundation collaborated with the hospital to build an 800-bed Dharamshala inside the campus.

In 2014, Infosys Foundation partnered with Avanti Fellows, a non-profit which works on a unique “peer learning” pedagogy, which has been developed after 20 years of research at Harvard University. It focuses on students taking ownership of their learning through debate, collaborative problem-solving, and testing, supported by structured digital and printed study materials.

The Infosys Science Foundation (ISF) was set up in 2009 by Infosys and some of its founders and management to encourage the pursuit and practice of science and research. The Infosys Prize, governed by the ISF, recognizes stellar research connected to India.

The winners of the 2019 prize were awarded with a pure gold medal, a citation and a prize purse of US$ 80,000 at a grand ceremony on January 7, 2020. Renowned economist and philosopher, Prof. Amartya Sen, said while congratulating the winners, "Aside from being a beautiful thing in itself, knowledge generates many different types of rewards, from productive use of inventions to the creation of new bonds among people who interact with each other". The ISF is encouraged by his words and continues to seek and recognize the contributions of these amazing knowledge creators, the scientists and researchers in our midst.

In 2011, Infosys made a commitment to become carbon neutral. Since then, we have been relentlessly working towards this goal. This year, the United Nations recognized their achievements under the carbon-neutral program. Infosys received the 2019 UN Global Climate Action Award under the 'Climate Neutral Now' category at the UN Climate

Change Conference, COP25, in Madrid, Spain. Infosys became the first Indian company to achieve this distinction. They were recognized not only for their innovative solutions to address climate change, but also for their approach of integrating sustainable development goals such as poverty alleviation, gender equality, and economic opportunity in their climate action initiatives.

Wipro

Wipro has spent more than the prescribed CSR budget in the last three financial years. The implementation of the company's CSR programs happens through multiple channels – Wipro Foundation, a separate trust set up in April 2017, Wipro Cares, the trust for employee contribution and in some cases, directly through functions and groups within Wipro Ltd. The implementation approach of Wipro is to primarily work through partners with established track records in the respective domains. The majority of projects are long-term multi-year programs.

Wipro's work in primary health care from 6 projects across four states touches the lives of more than 70,000 people. Apart from providing regular health services, the emphasis is also to build the capacity of the communities in terms of higher awareness and developing a higher degree of self-reliance to handle their own primary health care needs. In terms of disaster management, Wipro has helped rebuild the lives of people affected by Karnataka Floods, Bihar Floods, Odisha Floods, the Japan Tsunami, Hurricane e Sandy and Philippine Cyclone.

HCL Technologies

Shiv Nadar, the second-most generous Indian because of his exceptional philanthropy, was at the helm of HCL Technologies until this year. His beautiful daughter Roshni Nadar Malhotra, who has taken over the reins as Chairperson this year, resonates with her father's penchant for doing well. She heads the CSR Committee as well.

HCL Technologies had a CSR spend of Rs. 176.29 crore in FY 2020, according to the annual report. HCL Foundation is the CSR arm of the company. HCL Grant is a popular CSR intervention that sponsors NGOs from all Indian states working in Environment, Health and Education.

HCL Samuday is a rural development initiative, launched in 2015 as a veritable source code for economic and social rural development. HCL Samuday is active in 164 Gram Panchayats, covering a population of 600,000 people in Uttar Pradesh.

HCL Uday is a project driven by the belief that the urban poor should have a life of dignity. HCL Foundation has designed an integrated urban development program that tries to break the vicious cycle of urban poverty by creating clean, green and healthy communities. Tech Mahindra

Part of the Mahindra Group, Tech Mahindra is an IT company that is leveraging technology for the greater good. Tech Mahindra stands by the concept of social and relationship capital, which is created by CSR efforts undertaken in partnership with communities, government primary schools and NGOs. Students and the youth get as much importance as the other external stakeholders. The basis of this association stems from a common vision of greater good. Through its CSR interventions and activities, people at Tech Mahindra Foundation (the CSR division of the company) ensure social value.

Flagship CSR program SMART (Skills for Market Training) is making the youth self-reliant by training them with in-demand skills. The Foundation believes that there is Ability in Disability. With the focus on creating an inclusive world and providing a life of dignity and confidence, we are continuously working in the area of education and skill development for children and youth with disabilities, respectively. The company spent Rs. 85 Crores on CSR in FY 2020-21.

11.6. Water projects under CSR

1. In Feb ’16, Coal India Limited set aside a INR 235 crores fund for providing hygienic sanitation in schools and in the households of underprivileged by constructing individual toilet facilities. This fund was earmarked for creating modern sanitation facilities in schools operating in the command areas of CIL's subsidiary companies and in the villages of economically backward districts, which lack Toilet facilities identified by coal companies through a baseline survey. Up to a lakh households would benefit from this initiative.
2. In December ’16, Dabur reported the completion of its Nagla Uday Rampur sanitation project in UP. All 263 households today have individual toilets and the village is now free from open defecation. Notably, this is the second village under Dabur's Sanitation program — christened '700 Se 7 Kadam' — to achieve the open defecation free status. With this, Dabur is now on course to achieving its target of ensuring Open Defecation Free status for at least 5 villages and constructing 1,200 household toilets in the 2016-17 financial year.
3. TCS pledged an INR 80 Cr budget to support PM Modi's Clean India Initiative. This fund was dedicated towards better sanitation in schools, especially for girls. The goal of the program was to help the girl child participate in school education for a longer period of time and attain significant skills to play a larger economic role in society.
4. Kerala-based social enterprise Eram Scientific Solutions, a part of Eram Group that has pioneered the concept of e-toilets in the country, is planning to install 1,500 more such facilities by the end of

2017 in collaboration with a host of corporates. These e-toilets are also completely automated with features like automatic pre- and post-flush, exhaust fans, and automatic platform cleaning and lights. They also have a mobile app that helps the user to locate the nearest e-toilet and helps authorities to monitor the units.

5. Cairn India lists Safe Drinking Water and Sanitation among key programs driving their CSR efforts. Cairn sets up water kiosks using RO technology to provide safe drinking water to rural population near the company's operational vicinity. The initiatives aim to ensure community ownership, usage of renewable energy to run the units, doorstep delivery of water and reject disposal through evaporation pits. The company also proposes to build sanitation facilities for rural households in partnership with the local panchayat in Rajasthan.

6. Interestingly, our last example comes from the startup world. Not many among us are aware of Snapdeal.com Nagar, a small village in UP renamed after the E-commerce e giant installed 15 hand-pumps back in 2011. The aid was initiated to overcome the hardships of villagers who had to walk over miles to meet their requirement of water. Well, every effort counts.

Let us Sum Up

In this unit, you have learned about the following:

The Flagship CSR program SMART (Skills for Market Training) is making the youth self-reliant by training them with in-demand skills. The Foundation believes that there is Ability in Disability. With the focus on creating an inclusive world and providing a life of dignity and confidence, we are continuously working in the area of education and skill development for children and youth with disabilities, respectively.

Check your progress

1. What is Green washing?
   a. Transforming products to be more ethical
   b. Making the product more ethical than it really is
   c. Converting company to green production methods
   d. Convincing customers to buy ethically
2. Focus on maximizing profits while obeying laws.
   a. Ethical CSR
   b. Desirable CSR

c. Legal CSR

d. Benevolent CSR

3. What is triple bottom line?

a. An accounting tool that looks at the impact on people, planet and profits.

b. A management strategy which states all the attention should be on profits.

c. An accounting tool that looks at cost, profit and loss.

d. A management strategy which focuses on corporate social responsibility.

4. The dimension of social responsibility refers to a business's societal contribution of time, money, and other resources.

a. Ethical

b. Philanthropic

c. Volunteerism

d. Strategic

Glossary

Environmental projects under CSR, Nationalistic projects under CSR Technology projects under CSR, Water projects under CSR

Answer to Check your Progress

1 b. 2.c. 3.d. 4.a

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011

2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.

3. https://www.slideshare.net/madangkiramaswaamy/bgs-7

4. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Unit-12

Market Based Pressure and Incentives Civil Society Pressure

STRUCTURE

Overview

In this unit the Introduction, Market Based Pressure and Incentives, Civil Society Pressure and Competency based engagement has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- Leadership, Market pressure, and Corporate Social Responsibility (CSR) are some of the most extensively studied themes. Currently, leaders are facing economic, social, market pressure, and environmental challenges. Inappropriately, nowadays trust in business is low. In this complex global environment of uncertainty and ambiguity, leaders have to anticipate the changes and to be catalysts for shifting their organizations towards a sustainable society.
- Corporate responsibilities (Carroll's four-layered pyramid model); Reasons for CSR actions/projects;
- Areas of interest for CSR projects/activities/initiatives.

- Considering the growing interest towards a sustainable society is a need for a new type of leadership that promotes the CSR's ideals.

12.1. Introduction

Most of the pressure on businesses/corporations in the last twenty-five years has come from shareholders. More recently, however, a different source of pressure the demand for CSR has emerged, which is forcing directors into new governance territory occupied by stakeholders other than shareholders. While pressure on corporate executives to pay greater attention to stakeholder concerns and make CSR an integral part of corporate strategy has been mounting since the early 1990s, such pressure is only now beginning to filter through to the board of directors who are responsible for making decisions for the corporation.

Benefits of corporate social investment for businesses in positive business reputation.

- Increased sales
- Customer loyalty
- Operational cost savings and
- Better financial performance.

The main difference between a Pressure group and civil society is Pressure group is a group of people, who tries to influence or pressurize the government to fulfill the interest of its members. Whereas civil society is a group or organization that works for citizens' interest without involving the government. Civil society is an organization formed in the society to push societal interest to the government without any political affiliation whiles pressure groups are groups formed by group of people with similar interest and mind to push their interest to the government for the benefit of their members only and sometimes.

Characteristic of Civil Society:

1. Reciprocity
2. Commonwealth
3. Participatory
4. Justice
5. Control of Resources for the Common Good
6. Association

7. Sovereignty
8. Equity

Challenges Faced by Civil Society Organizations

- Disadvantageous changes in legislation or inadequate implementation of laws;
- Hurdles when accessing financial resources and ensuring their sustainability;
- Difficulties in accessing decision makers and feeding decisions into law and policymaking;

12.2. Market Based Pressure and Incentives

Market-based approaches or incentives provide continuous inducements, monetary and near-monetary, to encourage polluting entities to reduce releases of harmful pollutants. Economics organized so that companies, prices, and production are controlled naturally by the supply of and demand for goods and services, rather than by a government: The country is making the transition to a market-based economy. A market-based approach can engage low-income people as customers, and supply them with products and services they can afford; or, as business associates (suppliers, agents, or distributors), to provide them with improved incomes.

Market-based solutions connect the "incentive" with "economy" and show that making use of an environmental protective incentive in an appropriate way could finally achieve a cost-efficient process. This is how the market-based solutions operate, they connect the environmental missions with the financial incentives. Examples include environmentally related taxes, charges and subsidies, emissions trading and other tradable permit systems, deposit-refund systems, environmental labeling laws, licenses, and economic property rights.

Policies that can be considered market-based include taxes and fees, subsidies, and the use of pollution control trading systems. Market-based policy instruments provide financial incentive to elicit specific behavior from entities responsible for Green House Gas (GHG) emissions, whether consumers or producers. Market economies have little government intervention, allowing private ownership to determine all business decisions concerning how a business is run. This type of economy leads to greater efficiency, productivity, and innovation. Initiatives that generate viable livelihood opportunities by supporting the most marginalized to engage in markets, on better terms, and strengthening demand for the goods or services they produce are called as market-based approaches. Market-based pricing strategy involves a process in which the product prices are fixed after studying the costs of the similar products available in the market.

Market-Based Incentives (MBIs) as a mechanism for influencing pollution abatement has increased greatly in recent years. This trend reflects the realization that the integration of economic and environmental decision-making will induce the private sector to take steps to reduce their pollution emissions levels. Market-based incentive instruments may be broadly classified to include environmental taxes, investment tax incentives, tradable permits, user charges and deposit refund systems.

Until now, policy-makers worldwide have continued to place greater emphasis on the use of investment tax incentives since they seem to more effectively balance environmental considerations with concerns about industrial competitiveness. It is becoming increasingly apparent, however, that other MBIs may be more effective mechanisms for influencing pollution abatement in certain circumstances. This report reviews the theoretical foundations for idealized pollution control MBIs. It then focuses in particular on the way in which environmental taxes, deposit refund system and sustainable pollution permits may be more suitable instruments for inducing pollution abatement behaviour. A number of international examples of the implementation of such policies are reviewed.

Benefits of a market economy include increased efficiency, production and innovation. Disadvantages include monopolies, no government intervention, poor working conditions and unemployment. Market economy has many advantages, such as fostering innovation, variety, and individual choice, it also has disadvantages, such as a tendency for an inequitable distribution of wealth, poorer work conditions, and environmental degradation.

12.3. Civil Society Pressure

The main difference between a Pressure group and civil society is Pressure group is a group of people, who tries to influence or pressurize the government to fulfill the interest of its members. Whereas Civil society is a group or organization that works for citizens' interest without involving the government. Governments across all continents – irrespective of their form of government – are taking drastic action against civil society actors: against non-governmental organizations, social and ecological activists, women's rights activists and human rights advocates. The space for actors who are critical of government policies, who call for democracy and human rights, who take an active stand against large-scale projects, and who protest against social injustice, land grabbing and environmental degradation is shrinking. These actors are increasingly the focus of state and private powers and the target of vilification campaigns, repression or criminalization. As a political foundation with its roots firmly planted in the civil societies of our partner countries. An independent and critical civil society is not just a thorn in the side of a multitude of governments in Africa, Asia, Latin America and the Middle East; these same governments are fighting civil society to an extent unheard of in the past 25 years.

Paris Agreement on Climate as well as the United Nation's Sustainable Development Goals emphasize NGO's leading role in monitoring the implementation of the multilateral agreements. This is striking because on the one hand NGOs have in many countries less or even no possibilities to play their role as a watchdog. On the other hand this function is demanded by the head of states in multilateral agreements. If civil society's leading role is required, head of states need to create a political environment for civil society organizations that is guaranteeing basic rights such as the freedom of expression, to assemble and organize. Otherwise the multilateral agreements lose their credibility. The implementation of the SDGs and the Paris Climate Agreement will need democratic negotiation processes and economic instruments. These processes imply however an independent civil society as well as free media and democratically legitimized parliaments.

Many people have been denied the fundamental rights of freedom of assembly, association and speech that are entrenched in the Universal Declaration of Human Rights of 1948, and this denial continues throughout the world even today. But it has recently taken on a whole new dimension: the space granted civil society actors critical of governments to carry out their activities is the subject of more massive curtailment than at any time before, not only by authoritarian or semi-authoritarian regimes but also by democratic governments . Advancement made democratization in Eastern Europe, Africa and Latin America in the aftermath of the Cold War (“Third Wave Democracy”) have quite simply been reversed. The rights to participation and involvement are being taken away. What is more, an increasing number of nations are jointly embarking on an outright counter-offensive against active citizenship.

Dozens of countries in Africa, Asia, Latin America, Eastern Europe and the Middle East have long since thwarted external democracy promotion – whether governmental or non-governmental. They do this with a veritable bundle of measures: comprising laws, bureaucratic and tax regulations and harassment, smear campaigns in the media, secret service methods and open repression. There appears to be an open season on the types of restrictions that are permitted: activists are arrested, bank accounts frozen, threats made, licenses revoked, websites blocked, registrations coerced and offices closed.

12.4. Competency based engagement

Engagement is a skill that can be learned. At a high level, engagement behaviors include: Being engaged as a manager. Demonstrating drive and commitment in the work. Creating a motivating environment. A competency-based assessment is a way to measure competency for a vocational skill. To prove their competence, the learner must demonstrate an ability to work through specific units of competence using the benchmarks provided by industry-defined standards. Competencies have long been used as a framework to help focus employees' behavior on things that matter most to an organization and help drive success. They can provide a common way to harmonize, select and develop talent. The benefits are clear for employees and managers, and ultimately, the organization. The Competency-Based Education (CBE) approach allows students to advance based on their ability to master a skill or competency at their own pace regardless of environment. This method is tailored to meet different learning abilities and can lead to more efficient student outcomes. Competency-based training refers to a learning model where students must demonstrate the required level of knowledge and skill (competency) on a task prior to advancing to the next task.

A competency is made up of the following three elements: skill, knowledge and attribute. Competency-based training is used to develop valuable characteristics and skillsets in individuals, leading to greater employability and life-long learning. It's also known as mastery-based learning, proficiency-based learning or performance-based education. It requires a well-designed framework at its core. Through planning, introduction of learning tools and skills management software, you can create a competency-based development plan that aligns with your organization's goals, mission and vision. With these key elements, your competency-based development plan will be championed by staff and slated for success. Competence development is a goal-oriented way of sharpening existing competencies or adding new competencies to your professional baggage.

There are many organizations that believe in three types of competencies that are considered important for their employees.

Three types of competencies to watch out for

- Core competencies.
- Cross functional competencies.
- Functional competencies.

Increase Employee Competency

1. Put the employee at ease.
2. Find out what they already know.
3. Present information or demonstrate work methods.
4. Repeat.
5. Evaluate learning.
6. Provide feedback.
7. Correct.
8. Evaluate performance on the job.

Designing a Competency-Based Assessment

1. Articulate Competencies. What do we want students to know and be able to do?
2. Develop Evidence of Competencies
3. Build Student-Friendly Rubrics
4. Create the Learning Experience(s)

Let us Sum Up

In this unit, you have learned about the following:

Market-based approaches or incentives provide continuous inducements, monetary and near-monetary, to encourage polluting entities to reduce releases of harmful pollutants. Economics organized so that companies, prices, and production are controlled naturally by the supply of and demand for goods and services, rather than by a government: The country is making the transition to a market-based economy

Check your progress

1. The organization will never be able to make the necessary changes without_______________
   a. Top management commitment
   b. Employees
   c. Workers
   d. None of the mentioned
2. Personal characteristics to be a successful entrepreneur include__________
   a. Understanding environment
   b. Creating management options
   c. Encourage open discussion
   d. All of the above
3. The goal of corporate governance and business ethics education is to _____________
   a. Teach students their professional accountability and to uphold their personal
   b. Integrity to society.
   c. Change the way in which ethics is taught to students.
   d. Create more ethics standards by which corporate professionals must operate.

Glossary

Market Based Pressure and Incentives, Civil Society Pressure, Competency based engagement, Employee Competency Assessment.

Answer to Check your Progress

1.a

2.b

3.c

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011.
2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.
3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012.
4. https://www.slideshare.net/madangkiramaswaamy/bgs-7.
5. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses.

Unit-13

The Regulatory Environment in India Counter Trends

STRUCTURE

Overview

In this unit the introduction Counter-trends, Environment protection act, Regulatory compliance in India and Regulatory policy in India has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- Introduction Counter-trends, Environment protection act,
- Regulatory compliance in India, Regulatory policy in India.

13.1. Introduction

Social, work and wage-related legislation: The prevailing condition of labor is strongly related to the effectiveness of laws designed to protect labor. Corporate codes were initiated to ensure minimum labor standards and were often intended to overcome the lacunae of labor legislation. The scope of intervention in the Indian labor market cannot be discussed without reference to existing labor laws and the (in)efficiency of their implementation. The process of formulation and implementation of codes in India has to recognize the complexity—and ineffectiveness—of Indian labor legislation. This is important since neither legal nor voluntary approaches can be a substitute for the other. Both are needed, and they can be complementary. Voluntary codes make binding regulation more likely to succeed because they can build consensus around some core rights. As companies introduce new management practices to implement codes, they develop business expertise that will also be essential to the successful implementation of binding regulations. The interconnection between codes and laws in India is also essential because the institutions of the labor market are such that coverage is usually restricted on the basis of establishment size.

These laws exclude a vast majority of workers: for example, all those who work from home either as self-employed, independent or contract workers, or those who work as out-workers without the security of contracts or association with others in the same trade.

Thus, labor laws that protect job and employment security, or that are brought to service in the event of a dispute, are not applicable in the case of contract or home-based work. Therefore, voluntary codes could play a potentially significant role for such workers. However, as discussed above, the irony is that there are far too many challenges for the supplier company to implement codes for home-based and contract workers.

The trends in employment in India suggest that, with the rate of employment growth slowing down in the public or the organized industrial sector of the economy, most new employment is being generated in the unorganized sector. The share of casual employment is increasing in the workforce. Unorganized sector employment, which includes agriculture, home-based work, roadside vendors and the small service sector, is being presented as a panacea for the jobless growth that India is experiencing. But it does not empower labor, and the vulnerabilities of the working poor are becoming more visible. Labor laws that offer employment security by facilitating dispute resolution are not applicable in the case of contract or home-based work.

The implementation of labor laws in India has become difficult not only because of home-based workers but also because of the multiplicity of labor laws that exist.

It has been a tradition in India that the central government78 enacts legislation and the state governments assume responsibility for implementation, although states are also authorized to enact laws on all aspects of labour. This dual structure of labor law administration prevents the creation of a unified labor policy. It also results in a multiplicity of labor laws, nonuniformity in definitions and standards, and center-state disputes on labor legislation, all of which add to the complexity and ineffectiveness of labor legislation. The implementation of labor laws is also hindered by political differences between the center and the states.

Ideological differences between state governments often lead to disputes over the implementation of labor policy. A large number of laws were enacted in independent India. Premised in the framework of the directive principles, the four main branches of labor laws in the country provide a large number of central labor statutes. These laws can be classified into labor relations, wages, social security and conditions of work. Labour, being a subject in the concurrent list of the Indian Constitution, has led to some states and union territories enacting their own laws to suit local conditions and the realities of power. So, although India can be viewed as a society where labor is overprotected by law, there are widespread and flagrant violations of these laws. Looking at the working conditions of laborers outside the industrialized organized sector, it is apparent that hardly any labor law exists for unorganized employment (Patel and Desai 1995; Saini 1998).

The discussion on the garment sector above confirms that the multiplicity of minimum wages, working hours and overtime provisions applicable to companies restrict the implementation of codes. It is interesting to note that a large number of labor laws were enacted in independent India to operationalize the constitutional vision of social justice and equity. The labor bureaucracy was entrusted with the role of ensuring compliance with these laws (Bhattacherjee 2001). In the developed world, especially in the United Kingdom, voluntary labor law frameworks have been nurtured, particularly until the beginning of the Thatcher regime. In the Indian system, the central government has reserved for itself tremendous discretionary powers in certain aspects of labor-justice dispensation, especially in the area of labor relations law. The Indian judiciary has, undoubtedly, played a salutary role in the progressive articulation and interpretation of the scope of these laws.

Conciliation and adjudication are two key subsystems provided in Indian labor relations law. These are deeply intertwined. The former is the less visible stage of the latter, because the government's decision on which labor cases are to be referred for adjudication usually has its genesis in the outcome of the conciliation proceedings. The key assumption in a conciliation process is that a conciliator is a neutral third party to ensure fair and amicable solutions.

Unfortunately, the conciliators have not always done their duty with integrity to ensure that parties enter into fair settlements, and have instead allowed themselves to be used to disguise a corrupt alliance between vested interest groups (Dhavan 1989). Bureaucracy has contributed to corrupting institutions to a point where they are not able to deliver substantive justice in the Indian political economy. This has led to the emergence of rent seekers in the economy. In India, there are currently nearly 40 labor laws of significance. These laws are fairly progressive and guarantee the protection of labor rights. Labor legislation applies to all factories regardless of factory size or whether the factory is registered with the Factories Act.

13.2. Counter-trends

There is a need for voluntary efforts by corporations on labour- and environment-related issues in India as a result of the poor performance of the prevailing regulatory framework on these issues. However, as mentioned earlier in the discussion on CSR in India, the domestic drivers supporting self-regulation by industries are rather weak. Some hope may lie in the trusteeship theory of Gandhi, or may emerge from within companies where each corporate leader/manager makes a significant difference by adopting more socially responsible corporate policies and practices. Such a transformation, however, confronts several obstacles described below, which relate not only to the inherent weakness of societal pressures that typically drive CSR, but also to the contemporary reality of corporate management and governance, as well as market-friendly regulation.

A review of various surveys on the perception of businesses suggests that CSR is more an individual trait than a business agenda (PiC 2004), and that CEOs continue to be key players in promoting CSR initiatives. Most businesses prefer to retain control of CSR initiatives, and partnerships with other stakeholders are quite limited (Sundar 2000). Nevertheless, partner-ships between NGOs and business corporations for social development initiatives have increased (PiC 2004). At the moment, however, the most important agenda for firms in India is facing global competition following the opening up of the Indian economy. While CSR could be a significant instrument in this agenda (Nadkarni 2004), it is confronted with a somewhat hostile environment, as reflected in the government's regulatory and policy framework (discussed in the earlier section on the regulatory environment in India), and in the dominant management culture and trends in corporate governance. The corporate management and corporate governance issues facing CSR in India today are discussed below. Corporate management some analysts highlight the peculiar character of Indian business in which corporate management practices are rather weak (Das 2002). This has the result of limiting the scope of voluntary social initiatives, even in large corporations.

The concept of social responsibility has to some extent been internalized by corporate management in North America, Western Europe and Japan. The notion that non-proprietary managers are responsible not only to shareholders but also to a host of other stakeholder groups like consumers, workers, local community, government and society, are gaining ground. There is a new class of non-propertied managers who owe their position more to their managerial ability rather than their family ties. In India there has been a dichotomy between corporate ownership and management control (Das 2002).

In the North, most of the modern giant corporations, having started as family enterprises, have gradually outgrown the limits of family control and have developed into corporations with widely dispersed shareholdings and professional management (Das 2002). Such a process, as discussed in section 2, has not yet taken place in India in a meaningful way, where the majority of the large private sector companies continue to be controlled by families or groups, and major decisions regarding investments, diversification, expansion, pricing and hiring of key personnel continue to be done within that circle (Das 2002).

Their contribution in the areas of research and development, barring a few exceptions, has also not been comparable with the percentage invested by other economies, even in the newly industrializing countries. Much depends upon the real and effective functioning of the management boards of companies, as the board is the supreme policy-making and executive body, and the issues concerning corporate transparency and accountability, which are intricately linked with the notion of CSR, could be positively impacted by the board's effective functioning. But it will be a while before this becomes a fact in most of the larger public limited companies in India. In such cases the board is a shadow king and has been largely replaced by the executive management. Indian corporate management, as a whole, still has a long way to go. The entrepreneurial class, which relies on professional managers and systems, as opposed to the dominance of corporations by families, has yet to emerge.

13.3. Environment Protection Act

The purpose of the Environmental Protection Act (EPA) is to support and promote the management, protection, enhancement and wise use of the environment, while recognizing the following:

- Preventing, mitigating and remediating environmental impacts is important in making decisions and taking actions.
- Where there are threats of serious or irreparable harm to the ecological integrity, lack of complete certainty is not to be a reason for postponing reasonable environmental protection measures.
- All persons are responsible, financially and otherwise, for impacts on the environment as a result of their actions or inaction.
- Administrative, management and regulatory processes need to be adaptive, responsive, fair, effective and timely.
- The proposed amendments to the EPA will:
- Provide a clear set of principles that are common in environmental protection legislation across Canada that must be followed when making decisions that are intended to ensure the environment remains protected.
- Include provisions to address waste management.
- Include provisions for the management of contaminated sites.
- Allow for the enforcement of guidelines and standards.
- Acknowledge and recognize Aboriginal and Treaty rights.
- Establish broad authority for environmental protection.

13.4. Regulatory compliance in India

Once an investor sets-up a business in India, whether it is a liaison office, project office, branch office or company, that business needs to comply with Indian regulations.

In this note we will discuss the recurring compliances that affect day to day business. Within each compliance activity, we have indicated the applicability to the business entity i.e. CO for a Company, LO for a Liaison Office, etc.

i. Accounting and Payroll

Accounting

All businesses in India need to maintain accounting records that meet the Indian Generally Accepted Accounting Policies. A business entity is free to decide their accounting year as financial, calendar or otherwise to match their global reporting norms. However, under the Indian income tax laws it is mandatory to close the books of accounts on a financial year basis i.e. April 1 to March 31.

Employee Payroll

Businesses need to draft appropriate employment contracts keeping in view the income tax laws and employment regulations. In terms of compliance, they are required to pay monthly salary, generate pay slips and ensure regulatory compliance under labor laws. Furthermore, salaries are structured at the time of set-up, revision or when there is an amendment in the law. Once the New Labor Codes takes effect, the payroll structures will have to be relooked at.

ii.Assurance

Statutory Audit

Under the Indian Companies Act it is mandatory for businesses to have their accounts audited by an Indian firm of chartered accountants.

These audited accounts are to be filed with the Registrar of Companies ('ROC') and, in some cases, with the Reserve Bank of India.

Tax Audit

Businesses with an annual turnover exceeding INR 8 million (USD 150,000 approx) need to additionally have accounts audited under specific provisions of the Indian income tax laws and certified by an Indian firm of chartered accountants. To ease the burden of small businesses, tax audit limit was raised to 80 Million subject to the condition that at least 95% of sales, turnover or gross receipts must be through banking and/or digital mode. However, subject to prescribed conditions, requirement of audit is triggered if annual turnover exceeds Rs. 80 Million.

Internal Audit

Private Companies exceeding a turnover of INR 2 billion (USD 31 million approx) or outstanding borrowings of INR 1 billion (USD 15 million approx), need to have an internal audit system in place, either outsourced to an Indian firm of chartered accountants or through their in -house team, the latter being prevalent in case of large corporates.

iii. Direct Tax

Corporate Tax

Businesses need to determine their annual tax payment and ensure its deposit under an installment plan commonly referred to as Advance Tax. Delays, deferment or incorrect calculations attract penal provisions. At the end of the year, an annual return together with audited accounts and tax audit report must be submitted e.g. in case of Financial Year 2020-21, advance taxes have to be deposited by June 15 (15%), September 15 (45%), December 15th (75%) and March 15 (80%). The Annual Return for this year is to be submitted by September 30, 2019 / November 30, October 31, 2021 / November 30, 2021

Transfer Pricing

Businesses having TP team (Transfer Pricing team within tax team) will let you know cross border dealings with related concerns fall within ambit of Indian Transfer Pricing regulations. This requires the maintenance of documentation and certification by an Indian firm of chartered accountants confirming that the firm's dealings with related concerns were at an arm's length, and the profits were appropriately reported by the Indian business entity.

13.5. Regulatory policy in India

Examine regulatory requirements for start-ups Policy options (recommended actions):

Benchmark time and cost of starting a business Benchmark sector- and region-specific regulations.

Set up public-private dialogue on regulatory costs and benefits Balance regulation and standards with sustainable development objectives Minimize regulatory hurdles for business start-ups where appropriate Policy options (recommended actions):

Review and, where appropriate, reduce regulatory requirements (e.g. licenses, procedures, and administrative fees)

Introduce transparent information and fast-track mechanisms and one-stop-shops to bundle procedures

Enhance ICT-based procedures for businesses registration and reporting Minimize regulatory hurdles for business start-ups where appropriate Policy options (recommended actions):

Ensure good governance

Make contract enforcement easier and faster Establish alternative conflict resolution mechanisms Guarantee property protection

Reduce the bankruptcy stigma and facilitate re-starts

Guide entrepreneurs through the start-up administrative process and enhance the benefits of formalization

Policy options (recommended actions):

Carry out information campaigns on regulatory requirements

Make explicit the link between regulatory requirements and public services, including business support services

Let us Sum Up

In this unit, you have learned about the following:

The prevailing condition of labor is strongly related to the effectiveness of laws designed to protect labor. Corporate codes were initiated to ensure minimum labor standards and were often intended to overcome the lacunae of labor legislation. The scope of intervention in the Indian labor market cannot be discussed without reference to existing labor laws and the (in) efficiency of their implementation. The process of formulation and implementation of codes in India has to recognize the complexity and ineffectiveness of Indian labor legislation. This is important since neither legal nor voluntary approaches can be a substitute for the other. Both are needed, and they can be complementary

Check your progress

1. The corporate governance structure of a company reflects the individual companies'______:
    a. Cultural and economic system.
    b. Legal and business system.
    c. Social and regulatory system.
    d. All of the above.
2. Under the _______, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and
    a. Shareholder value.

b. Shareholder theory.

c. Agency theory.

d. Stakeholder theory.

3. An organization's appropriate tone at the top promoting ethical conduct is an example of_______:

a. Ethics sensitivity.

b. Ethics incentives.

c. Ethical behavior.

d. Consequentialist.

Glossary

Counter-trends, Environment protection act, Regulatory compliance in India Direct and Indirect Tax, Internal audit, Audit Formalities, Audit Procedures. Regulatory policy in India

Answer to Check your Progress

1.d 2.a 3.c

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Stra Techniques and Tools, Edward Elgar Publishing, 1st Edition, 2011
2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.
3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012
4. https://www.slideshare.net/madangkiramaswaamy/bgs-7
5. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Unit-14

Performance in Major Business and Programmes

STRUCTURE

Overview

In this unit the Introduction, Examples of CSR programs, Impact of CSR on major business and programmes Benefits, Four types of CSR by business and the five main areas of CSR has been clearly explained.

Objectives

The main objective of performance management is to enhance the: Achieving individual employee goals of employees along with organizational objectives. Also, enhance the skills and personal development of employees through the managers' help. Additionally, encourage work that helps in fulfilling business goals.

Various other objectives

- Empowering, motivating and rewarding employees to ensure their best efforts and performance.
- Ensuring that the employees emphasize on doing the right tasks at the right time.

- Ensuring effective alignment of individual goals along with those of the organization.
- Ensuring proactive resourcing and management of employee performance against agreed performance objectives and accountabilities.
- Facilitating the linking of job performance to the achievement of the organization's corporate strategy and service plans.
- Facilitating the alignment of individual goals and objectives with those of the tam, departments/divisional and corporate plans.
- Ensuring a systematic process and behaviors by which managers manage the performance of their people so as to deliver a high-performance organization.
- Ensuring maximization of the employee potential and capabilities.

14.1. Introduction

Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. Performance management can be defined as the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement.

Michael Armstrong has defined performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

Performance assessment has a long history based on comparative judgments of human worth. In the early part of the 19th century, for example, Robert Owen used colored wooden cubes, hung above work stations, to indicate the performance of individual employees at his New Lanark cotton mills in Scotland. Various merit ratings were represented by different colored cubes which were changed to indicate improvement or decline in employee performance.

14.2. Examples of CSR Programmes

Lego's Commitment to Sustainability

As one of the most reputable companies in the world, Lego aims to not only help children develop through creative play, but foster a healthy planet.

Lego is the first, and only, toy company to be named a World Wildlife Fund Climate Savers Partner, marking its pledge to reduce its carbon impact. And its commitment to sustainability extends beyond its partnerships.

By 2030, the toymaker plans to use environmentally friendly materials to produce all of its core products and packaging—and it's already taken key steps to achieve that goal.

Over the course of 2013 and 2014, Lego shrunk its box sizes by 14 percent, saving approximately 7,000 tons of cardboard. Then, in 2018, the company introduced 150 botanical pieces made from sustainably sourced sugarcane a break from the petroleum-based plastic typically used to produce the company's signature building blocks. The company has also recently committed to removing all single-use plastic packaging from its materials by 2025, among other initiatives.

Along with these changes, the toymaker has committed to investing $164 million into its Sustainable Materials Center, where researchers are experimenting with bio-based materials that can be implemented into the production process.

Through all of these initiatives, Lego is well on its way to tackling pressing environmental challenges and furthering its mission to help build a more sustainable future.

Related: What Does "Sustainability" Mean in Business?

Salesforce's 1-1-1 Philanthropic Model

Beyond being a leader in the technology space, cloud-based software giant Salesforce is a trailblazer in the realm of corporate philanthropy.

Since its outset, the company has championed its 1-1-1 philanthropic model, which involves giving one percent of product, one percent of equity, and one percent of employees' time to communities and the nonprofit.

Non-Profit sector

To date, Salesforce employees have logged more than 5 million volunteer hours. Not only that, but the company has awarded upwards of $406 million in grants and donated to more than 40,000 nonprofit organizations and educational institutions.

In addition, through its work with San Francisco Unified and Oakland Unified School Districts, Salesforce has helped reduce algebra repeat rates and contributed to a high percentage of students receiving A's or B's in computer science classes.

As the company's revenue continues to grow, Salesforce stands as a prime example of the idea that profit-making and social impact initiatives don't have to be at odds with one another.

Ben & Jerry's Social Mission

At Ben & Jerry's, positively impacting society is just as important as producing premium ice cream.

In 2012, the company became a certified B Corporation, a business that balances purpose and profit by meeting the highest standards of social and environmental performance, public transparency, and legal accountability.

As part of its overarching commitment to leading with progressive values, the ice cream maker established the Ben & Jerry's Foundation in 1985, an organization dedicated to supporting grassroots movements that drive social change.

Each year, the foundation awards approximately $2.5 million in grants to organizations in Vermont and across the United States. Grant recipients have included the United Workers Association, a human rights group striving to end poverty, and the Clean Air Coalition, an environmental health and justice organization based in New York.

The foundation's work earned it a National Committee for Responsive Philanthropy Award in 2014, and it continues to sponsor efforts to find solutions to systemic problems at both local and national levels.

Related: How to Create Social Change: 4 Business Strategies

Levi Strauss's Social Impact

In addition to being one of the most successful fashion brands in history, Levi's is also one of the first to push for a more ethical and sustainable supply chain.

In 1991, the brand created its Terms of Engagement (pdf), which established its global code of conduct regarding its supply chain and set standards for workers' rights, a safe work environment, and an environmentally-friendly production process.

To maintain its commitment in a changing world, Levi's regularly updates its Terms of Engagement. In 2011, on the 20th anniversary of its code of conduct, Levi's announced its Worker Well-being initiative to implement further programs focused on the health and well-being of supply chain workers.

Since 2011, the Worker Well-being initiative has been expanded to 12 countries and more than 80,000 workers have benefited from it. In 2016, the brand scaled up the initiative, vowing to expand the program to more than 300,000 workers and produce more than 80 percent of its product in Worker Well-being factories by 2025.

For its continued efforts to maintain the well-being of its people and the environment, Levi's was named one of Engage for Good's 2020 Golden Halo Award winners, which is the highest honor reserved for socially responsible companies.

Starbucks' Commitment to Ethical Sourcing

Starbucks launched its first corporate social responsibility report in 2002 with the goal of becoming as well-known for its CSR initiatives as for its products. One of the ways the brand has fulfilled this goal is through ethical sourcing.

In 2015, Starbucks verified that 99 percent of its coffee supply chain is ethically sourced, and it seeks to boost that figure to 80 percent through continued efforts and partnerships with local coffee farmers and organizations.

The brand bases its approach on Coffee and Farmer Equity (CAFE) Practices, one of the coffee industry's first set of ethical sourcing standards created in collaboration with Conservation International. CAFE assesses coffee farms against specific economic, social, and environmental standards, ensuring Starbucks can source its product while maintaining a positive social impact.

For its work, Starbucks was named one of the world's most ethical companies in 2021 by Ethisphere.

14.3. Impact of CSR on major business and program benefits

CSR to a business organization Importance of CSR to business

It's incredibly important that your company operates in a way that demonstrates social responsibility. Although it's not a legal requirement, it's seen as good practice for you to take into account social and environmental issues.

Social responsibility and ethical practices are vital to your success. The 2015 Cone Communications/Ebiquity Global CSR study found that a staggering 91% of global consumers expect businesses to operate responsibly to address social and environmental issues. Furthermore, 84% say they seek out responsible products wherever possible.

As the above statistics show, consumers are increasingly aware of the importance of social responsibility, and actively seek products from businesses that operate ethically. CSR demonstrates that you're a business that takes an interest in wider social issues, rather than just those that impact your profit margins, which will attract customers who share the same values. Therefore, it makes good business sense to operate sustainably.

Improved public image: This is crucial, as consumers assess your public image when deciding whether to buy from you. Something simple, like staff members volunteering an hour a week at a charity, shows that you're a brand committed to helping others. As a result, you'll appear much more favorable to consumers.

Increased brand awareness and recognition: If you are committed to ethical practices, this news will spread. More people will therefore hear about your brand, which creates an increased brand awareness.

Cost savings: Many simple changes in favor of sustainability, such as using less packaging, will help to reduce your production costs.

An advantage over competitors: By embracing CSR, you stand out from competitors in your industry. You establish yourself as a company committed to going one step further by considering social and environmental factors.

Increased customer engagement: If you're using sustainable systems, you should shout it from the rooftops. Post it on your social media channels and create a story out of your efforts. Furthermore, you should show your efforts to local media outlets in the hope that they will give it some coverage. Customers will follow this and engage with your brand and operations.

Greater employee engagement: Similar to customer engagement, you also need to ensure that your employees know your CSR strategies. It's proven that employees enjoy working more for a company that has a good public image than one that doesn't. Furthermore, by showing that you're committed to things like human rights, you're much more likely to attract and retain the top candidates.

More benefits for employees: There are also a range of benefits for your employees when you embrace CSR. Your workplace will be a more positive and productive place to work, and by promoting things like volunteering, you encourage personal and professional growth.

14.4. Four types of CSR by business

Philanthropic Efforts

The largest companies in the world are aligned with philanthropic efforts. Microsoft works closely with the Bill and Melinda Gates Foundation to bring technology to communities around the world. The company understands that its success requires not just continued innovation, but building a next generation capable of understanding, using and improving technology.

Even small companies benefit from aligning with philanthropic causes. A local car wash might offer schools a platform to host fundraisers for sports teams.

Restaurants have fundraising nights when proceeds benefit a local school or charity. Supporting these causes also happens to be good marketing, because the community is invited into the business, has a good experience and sees the company in a positive light.

Environmental Conservation

Environmental concerns regularly make the headlines, whether a long-term problem like global climate change or a more local issue such as a toxic chemical spill. Companies that align themselves in these efforts help minimize environmental problems by taking steps such as reducing their overall carbon footprint.

Although major corporations get most of the attention for their environmental commitments — General Mills has committed to a 28 percent reduction in greenhouse gas emissions, for example - there are plenty of opportunities for small and mid-sized businesses as well.

Does your business have an active recycling program on site? Have you considered using alternative energy sources like solar and wind to help power your operations? There are plenty of "green cleaning" alternatives that can help reduce your use of harsh toxic cleaning chemicals.

All these steps can make a small but significant contribution to improving the environment. You can also ask your suppliers to do the same, letting them know that their environmental measures will be a factor in your purchasing decisions. By doing so, your environmental commitments are multiplied along the supply chain.

Company Diversity and Labor Practices

Business leaders realize that diversity in the workplace is beneficial when everyone is getting along and working as a team. However, labor policies must apply to all employees, even those at the highest levels of the company. The scandals with Harvey Weinstein and Steve Wynn show that no company is impervious to the ramifications of sexual harassment. This movement has also given rise to other diversity issues in the workplace that need attention and consistent action. As a business leader, review your own diversity policies and protocol to address any complaints and violations. This is not only good for your company image, it also helps build a positive company culture with good morale and high productivity.

Supporting Volunteer Efforts

Local c Communities and charities always need help. Smart business leaders know that being involved in the community in a productive way is good for the company too. Give employees the opportunity to help a local school plant trees or work with the city council on addressing homelessness in the area. Business leaders have the opportunity to choose where to spend volunteer efforts to best help the local area along with the company. The important thing for businesses is to choose a cause and contribute time.

14.5. Five main areas of CSR.

Environmental Dimension of CSR

All companies are subject to environmental laws and regulations regarding pollution emissions, the handling of dangerous materials, and protection of natural resources. The corporate social responsibility (CSR) movement expects companies to go above and beyond compliance with the laws to make a positive contribution to environmental quality. A frequent focus is climate change and the emission of greenhouse gases. For example, Amazon created what it calls its Climate Pledge, a commitment to be carbon neutral across its broad business operations. Even the smallest businesses can adopt programs to recycle materials, use solar energy, minimize wastes, or take other measures to protect the environment.

Economics and CSR

The trillions of dollars that flow through the coffers of businesses large and small can do both great harm and great good in the world. CSR encourages companies to conscientiously maximize the good and minimize harm. Although companies are only required to pay employees a minimum wage, a number of firms have committed to raising that minimum for their employees as a way to improve their workers' financial situations. Goals to steer purchases towards small or minority-owned businesses or to hire local businesses for contract work can make a substantial difference to local economies.

Social Awareness in Business Operations

Businesses can bring about substantial disruptions to some communities. A new mining or forest-clearing operation can interfere with local farmers, disrupt traditional lifestyles, and create opportunities for corruption. Companies can support education and training programs, establish effective channels for communicating with the community, and take other measures to make their operations a positive rather than negative aspect in the areas in which they do business. Small businesses can play an active part in their communities to identify and address local priorities.

Importance of Corporate Governance

In businesses large and small, the best intentions can be undermined by managers and employees who may be tempted to act in a manner contrary to company principles. A key area of concern, especially for multinational companies, is the matter of bribery. Writing a check or agreeing to hire someone's nephew in a cushy job may be an effective way to win a contract or speed up a government permit, but actions like these are usually illegal or contrary to company policy. Effective oversight of hiring and spending activities are aspects of corporate governance, and it is an important dimension in the CSR arena.

The United Nations Sustainable Development Goals (UNSDG) serve as a widely used benchmark in the corporate world. The 17 major goals and more than a hundred sub goals cover all the areas of corporate social responsibility and provide opportunities to measure progress against a standardized set of international goals.

Everything Else Under the Sun

In addition to the four major areas of environment, economy, social and governance, many companies identify other components of corporate social responsibility programs. These can include philanthropy, employee volunteerism, supply chain management, user privacy, traditional responsibilities to shareholders, labor relations, corporate transparency, and any other topic area held to be a priority for the company.

Let us Sum Up

In this unit you have learned about the following:

The main aim of performance management is to enhance the: Achieving individual employee goals of employees along with organizational objectives. Also, enhance the skills and personal development of employees through the managers' help. Additionally, encourage work that helps in fulfilling business goals.

Check your progress

1. Under the _______, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and
    a. Shareholder value.
    b. Shareholder theory.
    c. Agency theory.
    d. Stakeholder theory.
2. An organization's appropriate tone at the top promoting ethical conduct is an example of_______:
    a. Ethics sensitivity.
    b. Ethics incentives.
    c. Ethical behavior.
    d. Consequentialist.
3. An independent director is one who________:
    a. Did not attend a school supported by the company.
    b. Does not have outside relationships with other directors.
    c. Does not have any other relationships with the company other than his or her directorship.
    d. All of the above

Glossary

Philanthropic Efforts, Environmental Conservation, Company Diversity and Labor Practices, Supporting Volunteer Efforts, Corporate Governance

Answer to Check your Progress

1.a

2.c

3.c

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach, Broadview Press, 2011
2. Wayne Visser and Nick Tolhurst, The World Guide to CSR, Taylor and Francis, 1st Edition, 2017
3. Lelouche, Idowu and Filho, Innovative CSR- From Risk Management to Value Creation, Taylor and Francis, 2010
4. https://www.slideshare.net/madangkiramaswaamy/bgs-7
5. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Block-5: Introduction

Block-5: Stakeholders of CSR has been divided in to four Units.

Unit-15: Key Stake Holders of CSR deals with Introduction, Stake Holder Theory, Stakeholder management, Stakeholder engagement, Benefits of stakeholder engagement and CSR through triple bottom line.

Unit-16: United Nations Sustainable Development Goals explains about Introduction, Private sector involvement per SDG, UNDP's collaboration with the private sector takes various forms, The size and power of corporations, CSR Trends and CSR benefits from corporations.

Unit-17: Global Compact Self-Assessment Tool discuss with Introduction, Background of the Global compact, Understanding the UN global compact, Benefits of participating in the Global Compact, Principles of global impact.

Unit-18: National Voluntary Guidelines by Govt. of India describes about Introduction, Principles and core elements, Guidance on implementation of principles and core elements, Developing strategy for responsible business, Application of Guidelines to Micro, Small and Medium Enterprises (MSMEs) and Business Responsibility Reporting Framework.

In all the units of Block -5 **Stakeholders of CSR**, the Check your progress, Glossary, Answers to Check your progress and Suggested Reading has been provided and the Learners are expected to attempt all the Check your progress as part of study.

Unit-15

Key Stake Holders of CSR

STRUCTURE

Overview

In this unit the Introduction, Stake Holder Theory, Stake holder management, Stake holder engagement, Benefits of stake holder engagement and the CSR through triple bottom line has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- Key stakeholders in a business organization include creditors, customers, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources.

15.1. Introduction

Stakeholders are individuals or groups to whom business has a responsibility. Businesses are responsible to employees. They should provide a clean, safe working environment. Organizations can build employees' self-worth through empowerment programs. Businesses also have a responsibility to customers to provide good, safe products and services. Organizations are responsible to the general public to be good corporate citizens. Firms must help protect the environment and provide a good place to work. Companies also engage in corporate philanthropy, which includes contributing cash, donating goods and services, and supporting volunteer efforts of employees. Finally, companies are responsible to investors. They should earn a reasonable profit for company owners.

Therefore in the stakeholder view, the origin for the responsibility concerning the firm's stakeholders is based on their existence and position within the corporate wealth creation process. In the stakeholder view, the stakeholders ought to participate because corporate wealth distribution is organized according to the stakeholders' contributions and their risk adoption in the wealth creation process. Similar to the shareholders who are compensated for the use of their capital and the risk involved, all other relevant stakeholders ought to be included in the wealth distribution.

After the expenditures have been compensated according to the completed contracts, a residual profit emerges from which not only the shareholders, but also all other strategically relevant stakeholders should benefit. In reality, the assessment of all these values is not necessarily predetermined. Rather, scopes of discretion exist, as can be experienced in determining the compensation of shareholders. Thus, the dissemination of residual profits to the stakeholders is subject to the scope of discretion. Summing up, the stakeholder view claims for a corporate responsibility that takes into account stakeholders' contributions to the corporate wealth creation process. Therefore, the firm is responsible to reduce risk and increase benefits for stakeholders on one side but also for a fair distribution of benefits on the other side.

There are many different types of internal and external stakeholders. Examples include employees, customers, shareholders, suppliers, communities, and governments. Upstream stakeholders contribute to or approve the activities required to design, build and bring a product to market. Those who buy or use a product and those who support, sell, and market a product are considered downstream stakeholders.

Regardless of type, stakeholders generally have these attributes in common:

Influence: Stakeholders have enough power and strategic importance to the business that their ideas and opinions can impact the ability to advance the product strategy, create a roadmap, and execute it.

Connection: Stakeholders are concerned about the product because they are impacted by product decisions—from investors concerned about financial performance, market share, and valuation to customers worried about how the product will continue to support their needs.

Power: Stakeholders have something product managers need (e.g., information, approval, budget, cooperation, etc.).

Irreplaceability: Each stakeholder or stakeholder role (e.g., CFO) brings a unique value to the project.

15.2. Stake Holder Theory

The theoretical framework of this paper reflecting stakeholder's perspective is thus based primarily on stakeholder theory. Stakeholder theory of the firm proposes that the nature of an organization's stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organizational behavior and outcomes (Brenner and Cochran, 1991). The objectives of a corporation can only be achieved by protecting and balancing the interests of these different groups of stakeholders. The pluralistic nature of stakeholder theory is based on the notion that there are many groups in society besides owners and employees to whom the corporation is responsible (Freeman, 1999).

As a descriptive theory, stakeholder theory has s been used to describe the nature of the firm (Brenner and Cochran, 1991), management of corporations, and how board directors think about the interests of corporate constituencies. From an instrumental perspective, the theory is used to identify the connection between stakeholder management and the achievement of corporate social responsibility (Kotter and Heskett, 1992). In this respect, the theory can be regarded as a perspective of the firm that focuses on the question of which stakeholders deserve or require management attention.

15.3. Stakeholder management

Stakeholder management is the process of identifying, prioritizing, and engaging stakeholders throughout the product development process. It's an essential component of product management because stakeholders – the individuals or groups who can either impact the success and execution or impact the product – ultimately play a significant role in a product's life.

Product Managers (PMs) must first accurately identify who their stakeholders are to cultivate and nurture strong stakeholder relationships successfully. PMs also need to fully understand the unique points of view and needs of their stakeholders. Like any solid relationship, it requires ongoing strategic engagement and effort.

15.4. Stakeholder Engagement

Stakeholder engagement is the process by which companies communicate and get to know their stakeholders. By getting to know them, companies are able to better understand what they want, when they want it, how engaged they are and how the companies' plans and actions will affect their goals. Furthermore, they can improve their communication and rethinking their strategies and operations, having long-term benefits such as brand reputation or first mover advantage.

- Remain Passive: There is no active communication.
- Methods of engagement: stakeholders do protests, write letters, complain on social media or on the company's website.
- Monitor: It's a one-way communication monitored by the company.
- Methods of engagement: media and internet are tracked, as well as other second-hand reports from stakeholders.
- Advocate: It's a one-way communication from the organization to the stakeholders.
- Methods of engagement: Pressure in regulatory bodies is made, as well as advocacy efforts on social media as lobbying.
- Inform: It's a one-way communication from the organization to the stakeholders with no invitation to reply.
- Methods of engagement: It is done through bulletins and letters, brochures, reports, and websites. Verbally, speeches, conferences and public presentations can also be done.
- Transact: It's a limited two-way engagement: performance is monitored according to the terms of the contract set.
- Methods of engagement: This is achievable via public-private partnerships, private finance initiatives, grant making, and cause-related marketing.
- Consult: It's a limited two-way engagement where an organization asks questions and stakeholders answer.

- Methods of engagement: It uses methods tools such as surveys, focus groups, meetings with determined stakeholders, public meetings or workshops.
- Negotiate: It's a limited two-way engagement where a specific issue or range of issues are discussed with the goal of reaching consensus.
- Methods of engagement: Collective bargaining with workers through their trade unions.
- Involve: It's a two-way or multi-way engagement: there is learning on all sides but stakeholders and the organization act independently.
- Methods of engagement: This can be done in multi-stakeholder forums, advisory panels, focus groups or online engagement tools, among others.
- Collaborate: It's a two-way or multi-way engagement where learning, decision making and actions are done together.
- Methods of engagement: By making joint projects or joint ventures, partnerships, organizing multi-stakeholder initiatives or using online collaborative platforms.
- Empower: It's a new form of accountability where some decisions are delegated to stakeholders that now have a role in the organization's agenda.
- Methods of engagement: It implies integrating stakeholders into the governance, strategy and operations of the company.
- It gives companies social license to operate, expand and innovate;
- It improves the relationship between companies and their stakeholders;
- It gives companies a positive public image and improves companies' reputation;
- It avoids costs with litigations or boycotts;
- It helps companies identify emerging trends, have a proactive approach to them and act with a first mover advantage towards their competition.

15.5. Benefits of stakeholder engagement.

1. Education

Communicating directly with a stakeholder allows you to learn not only their perspective, but can provide new insights on a product or issue to help you gain a competitive advantage. Be sure to include diverse perspectives in your outreach to ensure you are hearing from all angles. You never know what you may learn!

2. Effective Decision Making

The Education gleaned from the fresh perspectives described above may change your mind on an issue and allow you to make a more informed decision. Or better yet, hearing from your stakeholders may reinforce a decision you've already made. It never hurts to consider a problem from a different approach, and an informed decision should always be the goal.

3. Trust

When you reach out to stakeholders, you are letting them know you value their perspective. This collaborative approach helps build trust and goodwill towards you and your organization. This can be especially useful if you're working in the wake of a crisis; rebuilding trust can be a long, arduous process, but it starts with making sure all of your stakeholders feel like they have a seat at the table.

4. Cost Savings

Engaging with stakeholders can ultimately save time and money. Data shows that companies who engage stakeholders improve their chances of finishing a project on time and on budget. That savings can come from the elimination of roadblocks, and the mitigation of surprises that can slow your organization's process.

5. Risk Management

Groups and individuals may help you identify potential risks before they become threats to your project or organization. Preventing these threats also eliminates the harm (budgetary and otherwise!) they can bring.

6. Accountability

In the end, engaging with groups and individuals is key to improving accountability within your own organization as well as with external audiences. Transparency is important – be clear about the outcomes you are hoping to achieve and the steps you are taking along the way.

Don't forget to follow up with your stakeholders to let them know how you are doing!

15.6. CSR through triple bottom line

Another theory of corporate social responsibility is the Triple Bottom Line. Like the CSR theory we just discussed, Triple Bottom Line works on the assumption that the corporation is a member of the moral community, and this gives it social responsibilities.

This theory focuses on sustainability, and requires that any company weigh its actions on three independent scales: economic sustainability, social sustainability, and environmental sustainability.

These three tabulations are all aimed at long-term sustainability. Economic sustainability must focus on the long term because this is the nature of a persistent company.

A decision which creates an economic boon in the short-term (like the Ford Pinto), but causes long-term harm, would likely reduce this bottom line to such a degree that the action would be untenable.

Social sustainability gives precedence on the balance of economic power in the society. Competition in the business arena is common, and encouraged, behavior, but maximizing the bottom line in social terms requires that a business foster an environment in which all can succeed.

This might seem counterintuitive, but in the big picture it is better for a whole society to thrive than for one single corporation to thrive alone. This will allow the company to continue to exist, and it will foster good-will between the company and the society that it exists in. The PCB dumping alluded to in above created an environment in which that company could not exist, and it is no longer present in NC.

The requirement of environmental sustainability stems from the recognition that resources are not infinite, and leads to the reasoning that too much degradation will worsen the lives of ourselves, our children and so on. Members of the moral community ought not to cause undue harm to the people around them and the people who will come later, and so this bottom line values some protection of the environment.

The word "some" in the previous statement introduces vagueness in the calculation, but it might be necessary because there is some risk of environmental degradation in many necessary business activities. The question of how much environmental degradation is acceptable is one that must be answered, but it does not need to be answered in this module. Suffice it to say that this calculation must be made even if it is a rough calculation. Business cannot operate in a world which is poisoned or "used up." Efforts should be made to renew some of the environments that have been harmed in the past, and these environmental harms and gains belong on this bottom line.

The reasoning behind this tripartite theory is that if businesses calculate their gains and losses in this way they will be more likely to take actions which are to the benefit of both the business and the community. It is easy, when the numbers are large enough, to ignore the social and environmental dimensions of a business decision.

This is because the average business decision is made by comparing the expected costs and benefits in terms of dollars and, only then, considering the other dimensions of that decision. In order to combat this order of operations, the Triple Bottom Line requires that a business decision be composed of all of these elements from the beginning. When the data shows each of these dimensions along the same line, and measured with the same metric, it will be much easier to see the impact of a decision and to judge the fittingness of that decision.

Let us Sum Up

In this unit, you have studies about the following:

- Stakeholders are individuals or groups to whom business has a responsibility. Businesses are responsible to employees.
- They should provide a clean, safe working environment. Organizations can build employees' self-worth through empowerment programs.
- Businesses also have a responsibility to customers to provide good, safe products and services. Organizations are responsible to the general public to be good corporate citizens.
- Firms must help protect the environment and provide a good place to work. Companies also engage in corporate philanthropy, which includes contributing cash, donating goods and services, and supporting volunteer efforts of employees.
- Finally, companies are responsible to investors. They should earn a reasonable profit for company owners.

Check your progress

1. Which of the following regarding corporate governance is correct?
   a. Corporate governance can temper growth.
   b. Good corporate governance can result in excessive risk-taking.
   c. Corporate governance often results in prompt and effective decision-making.
   d. The aim of corporate governance is to protect the interests of shareholders and the local economies.
2. What is meant by the phrase CSR?
   a. Corporate Social Responsibility
   b. Company Social Responsibility
   c. Corporate Society Responsibility
   d. Company Society Responsibility
3. What is Green washing?
   a. Transforming products to be more ethical
   b. Making the product more ethical than it really is
   c. Converting company to green production methods
   d. Convincing customers to buy ethically

Glossary

Stake Holder Theory, Stake holder management, Stake holder engagement, Benefits of stake holder engagement. CSR through triple bottom line

Answer to Check your Progress

1.a 2.a 3.b

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach, Broadview Press, 2011
2. Wayne Visser and Nick Tolhurst, The World Guide to CSR, Taylor and Francis, 1st Edition, 2017
3. Lelouche, Idowu and Filho, Innovative CSR- From Risk Management to Value Creation, Taylor and Francis, 2010
4. https://www.slideshare.net/madangkiramaswaamy/bgs-7
5. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Unit-16

United Nations Sustainable Development Goals

STRUCTURE

Overview

In this unit the Introduction, Private sector involvement per SDG, UNDP's collaboration with the private sector takes various forms, The size and power of corporations, CSR Trends and CSR benefits from corporations has been clearly explained.

Objectives

After reading this unit, students should be able to explain :

- Private sector involvement per SDG and UNDP's collaboration with the private sector takes various forms
- The size and power of corporations and CSR Trends and CSR benefits from corporations

16.1. Introduction

Aim to achieve decent lives for all on a healthy planet by 2030. As things stand, most of them are likely to be missed. This is partly because they fail to address human population growth. Positive, empowering population solutions are key to meeting the SDGs.

With just under ten years left to achieve the Sustainable Development Goals, world leaders at the SDG Summit in September 2019 called for a Decade of Action and delivery for sustainable development, and pledged to mobilize financing, enhance national implementation and strengthen institutions to achieve the Goals by the target date of 2030, leaving no one behind.

The UN Secretary-General called on all sectors of society to mobilize for a decade of action on three levels: global action to secure greater leadership, more resources and smarter solutions for the Sustainable Development Goals; local action embedding the needed transitions in the policies, budgets, institutions and regulatory frameworks of governments, cities and local authorities; and people action, including by youth, civil society, the media, the private sector, unions, academia and other stakeholders, to generate an unstoppable movement pushing for the required transformations.

16.2. Private Sector involvement per SDG

Private sector is recognized as a key partner to the achievement of the universally adopted Sustainable Development Goals (SDGs). It plays an important role as an engine of economic growth and job creation in developing countries. It provides goods and services, generates tax revenues to finance essential social and economic infrastructure, develops new and innovative solutions that help tackle development challenges and it is a central actor in addressing climate change. As such, the private sector is an important strategic partner for UNDP in achieving its vision to help countries achieve sustainable development by eradicating poverty in all its forms and dimensions, accelerating structural transformations for sustainable development and building resilience to crises and shocks.

UNDP has projects related to private sector development or engagement in most of the about 170 countries and territories where we provide assistance. UNDP works with companies from a variety of sectors, for example, water, energy, extractives, food and agriculture, consumer products, healthcare, finance and information technology.

16.3. UNDP’s collaboration with the private sector takes various forms:

- Facilitate discussions between public and private sector and the civil society on a specific development theme or industry sector;

- Find solutions for development challenges through core business activities and initiatives that include low-income groups into value chains as producers,
- suppliers, employees and consumers;
- Mobilize private sector financial and in-kind resources for sustainable development solutions;
- Leverage innovative financing and partnership solutions to mobilize private capital for the implementation of the SDGs;

16.4. The size and power of corporations

The size and power of multinational corporations is increasing rapidly. So too are the abuses they commit on people around the world. Meanwhile, the ability of governments to influence their operations is decreasing almost as fast. Nowhere is this more apparent than in the negotiations around the World Trade Organization where governments' right to regulate corporations is being further eroded.

The most powerful, and by now most tedious, tool in the armory of liberalization is the argument that there is no alternative. This pitiful myopia is no longer acceptable, and it is up to us to demonstrate the multitude of alternatives. Globalization has two components.

There is the advance in technology which has caused increasing interconnectedness between peoples of the world, which may not be reversible but which is also not necessarily undesirable. But then there is also liberalization which is the pernicious part of globalization and which is nothing more than a simplistic ideology entirely reversible by political will. It is liberalization which has 'freed' markets for the domination of the powerful and withered governments of their ability to pursue social goals. So, we must prove there are alternatives to liberalization.

New way in CSR

Can you tell that corporations are changing the way they previously conducted their businesses? In our ever-changing environment, business owners (and their consumers who expect nothing less) are searching for new ways to impact their communities. As our society continues to pivot from the full lockdown effects from COVID-19, more corporate social responsibility trends are emerging and some are here to stay.

16.5. CSR Trends

1. The Continuation of Virtual Community Engagement

COVID-19 has forever changed the way companies communicate with their employees, stakeholders, and communities. Over the last two years, we have seen firsthand how impactful these methods of communication, in the form of webinars, virtual team meetings, and more, have proven to be, and will continue to be, for the future of corporate social responsibility.

Some trends that have emerged from virtual volunteerism since the 2020 pandemic include:

- An increase in volunteerism due to technology (Social media and online searches have significantly helped grow this trend)
- A focus on hybrid volunteer engagement, which will give communities more options of volunteering virtually or in-person
- A shift in generational volunteerism, with Millennials and Gen Zs leading the pack on volunteer involvement Organizations who strive to make a difference in their communities through volunteerism have a huge advantage over businesses who put their focus elsewhere.
- Although we are in better circumstances following the global pandemic of 2020, we foresee virtual community engagement remaining at the forefront of CSR trends for years to come.

2. Measuring CSR Impact

An important trend that companies will continue to see rise over the upcoming years will be an emphasis on measuring the impact relating to CSR initiatives. There are numerous metrics that go into measuring a company's impact, such as employee engagement, social return on investment, and customer growth and retention, and consistent monitoring of these metrics will help ensure CSR success.

With there being many metrics that can affect the impact of a business, it can sometimes be unclear as to which ones have the most direct influence. In a 2021 report by the Chicago Booth's Rustandy Center for Social Sector Innovation, PhD graduate, Shirley Lu, has been tirelessly working to determine how companies measure the impact of CSR efforts.

She said, “What firms do in terms of corporate social responsibility can have incredible impacts on the world. But if we really want to know that impact, we have to be able to measure it.”

In 2022, it's imperative that corporations take an active role in tracking key metrics to measure how their products and services are impacting the communities they serve. The more comprehensive CSR measurements are, the more companies will be able to make lasting contributions and see exponential growth within their businesses.

3. Corporations' Involvement on Current Events

Another trend that is here to stay is companies taking part in initiatives that positively impact their communities. More and more consumers are opting to purchase from brands who take an active part in pertinent world issues. In a 2021 Deloitte Global survey(opens in new tab) about Millennials and Gen Z's stance on companies' approach to social change, responsibility, and impact, it was found that these generations “believe businesses are focused solely on their own agendas or that they have no motivations beyond profitability.”

4. The Necessity of Equity and Diversity

Fair opportunities, differentiated support, and an inclusion of people from all backgrounds are extremely important CSR trends that we will see in 2022. Equity and diversity in the workplace is taking the lead as more corporations are conducting trainings that focus on these issues and providing solutions to build and maintain trust, commitment, and a safe work environment for their employees.

5. Employee Volunteer Programs

An excellent way for companies to simultaneously build team morale, increase job satisfaction, and play an active role in the community is through implementing employee volunteer programs. This is a trend that is continuously growing, and we will surely see its impact in 2022. Virtual volunteering has increased tenfold since COVID-19, with many corporations and their employees offering services to their community, like online tutoring and mentoring, live training classes, or administrative services to nonprofit organizations.

16.6. CSR benefits from corporations

1. CSR increases employee engagement
2. CSR improves bottom-line financials
3. CSR supports local and global communities

4. Contributes to the United Nations' 17 Sustainable Development Goals
5. Increases investment opportunities
6. Presents press opportunities
7. Increases customer retention and loyalty
8. CSR improves employer branding

Let us Sum Up

In this unit, you have studied about the following:

The UN Secretary-General called on all sectors of society to mobilize for a decade of action on three levels: global action to secure greater leadership, more resources and smarter solutions for the Sustainable Development Goals; local action embedding the needed transitions in the policies, budgets, institutions and regulatory frameworks of governments, cities and local authorities; and people action, including by youth, civil society, the media, the private sector, unions, academia and other stakeholders, to generate an unstoppable movement pushing for the required transformations.

Check your progress

1. ___________focus on maximizing profits while obeying laws.
    a. Ethical CSR
    b. Desirable CSR
    c. Legal CSR
    d. Benevolent CSR
2. What is triple bottom line?
    a. An accounting tool that looks at the impact on people, planet and profits.
    b. A management strategy which states all the attention should be on profits.
    c. An accounting tool that looks at cost, profit and loss.
    d. A management strategy which focuses on corporate social responsibility.

3. The dimension of social responsibility refers to a business's societal contribution of time, money, and other resources.

   a. Ethical

   b. Philanthropic

   c. Volunteerism

   d. Strategic

4. How many dimensions of CSR are defined by Carroll?

   a. 6

   b. 5

   c. 4

   d. 3

Glossary

Private sector involvement per SDG, UNDP's collaboration with the private sector takes various forms: CSR Trends, CSR benefits

Answer to Check your Progress

1.c

2.a

3.b

4.c

Suggested Readings

1. Mark S. Schwartz, Corporate Social Responsibility: An Ethical Approach, Broadview Press, 2011

2. Wayne Visser and Nick Tolhurst, The World Guide to CSR, Taylor and Francis, 1st Edition, 2017

3. https://www.slideshare.net/madangkiramaswaamy/bgs-7

4. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Unit-17

Global Compact Self-Assessment Tool

STRUCTURE

Overview

In this unit the Introduction, Background of the Global compact, Understanding the UN global compact, Benefits of participating in the Global Compact and Principles of global impact has been clearly explained.

Objectives

After reading this unit, students should be able to explain:

- the tool enables companies to diagnose their performance across all four issue areas and
- inspire continuous improvement, and assist in the development of a Communication on Progress.

17.1. Introduction

The United Nations Global Compact has generated both success and criticism since its inception in 2000. The Global Compact has been criticized by some observers, who believe that the United Nations loses some of its independence through alliances with corporate entities. This chapter will discuss the significance of the Global Compact within a number of contexts. These contexts include an examination of the Global Compact's origins, key participants and its principal signatories.

The details of the UN Global Compact Governance structures will be outlined to allow a better understanding of how the agency operates regionally and internationally. The extent of Global Compact members' engagement with corporate social responsibility, and related issues such as environmental protection, human rights and social issues, will be detailed, and the interaction between the UN and engaged participants, from both the business and non-business sectors. , will also be outlined. This will be supplemented by an account of the Ten Principles which lie at the heart of this endeavour

17.2. Background of the Global compact

United Nations Secretary-General Kofi Annan first proposed the Global Compact in an address to The World Economic Forum on 31 January 1999. Amid a backdrop of rising concerns about the effects of globalization, the Secretary-General called on business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labor, non-governmental organizations and other civil-society actors to foster action and partnerships in the pursuit of a challenging vision: a more sustainable and inclusive global economy.

The Secretary-General understood that while corporate citizenship – also referred to as “corporate responsibility”, “sustainable growth”, and the “triple bottom line”, among other terms – was emerging as a business trend, there existed no international framework to assist companies in the development and promotion of global, values based management. By rooting the Global Compact in internationally accepted principles, participants could feel confident that their actions were being guided by values that are universally supported and endorsed.

The Global Compact's operational phase was launched at a high-level event at the UN Headquarters in New York on 26 July 2000. The meeting, chaired by the Secretary General, brought together senior executives from some 50 major corporations and the leaders of labor, human rights, environment and development organizations.

Since the launch, hundreds of companies and organizations have engaged in the Global Compact. The private-sector participants represent virtually all industry sectors on every continent.

The Global Compact is a voluntary corporate citizenship initiative. As such, the Global Compact is not a regulatory instrument – it does not “police” or enforce the behavior or actions of companies. Rather, the Global Compact relies on the enlightened self-interest of companies, labor and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.

The Global Compact seeks to provide a contextual framework to encourage innovation, creative solutions, and good practices among participants. The Global Compact is not a substitute for regulatory structures or other codes. Indeed, the Global Compact believes that voluntary initiatives and regulatory systems complement each other and, when combined, provide powerful impetus in encouraging the wide adoption of responsible corporate citizenship.

The emphasis has been to bring about corporate change through the use of a learning approach that facilitates discussion between the various groups and builds new relationships for future projects. In adopting such an approach, rather than a classical regulatory approach, the Global Compact has gone into “uncharted territory”, and this has invited some criticism from those who would like it to have sharper teeth in the form of monitoring and verification. However, as stated, these are not areas within the mandate of the Global Compact.

17.3. Understanding the UN global compact

The United Nations Global Compact is a strategic initiative that supports global companies that are committed to responsible business practices in the areas of human rights, labor, the environment, and corruption. This UN-led initiative promotes activities that contribute to sustainable development goals to create a better world.

The UN Global Compact is based on 8 principles that should define a company's value system and approach to doing business. These principles were collectively founded in the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on

Environment and Development, and the UN Convention against Corruption. Member companies are expected to engage in specific business practices that benefit the people and the planet while pursuing profitability with integrity.

17.4. Benefits of participating in the Global Compact

- Producing practical solutions to contemporary problems related to globalization, sustainable development and corporate responsibility in a multi-stakeholder context.

- Rallying around universal principles and responsible corporate citizenship to make the global economy more sustainable and inclusive.
- Leveraging the UN's global reach and convening power with governments, business, civil society and other stakeholders.
- Sharing good practices and learnings.
- Accessing the UN's broad knowledge in development issues and its practical reach worldwide.
- How Companies Participate As a voluntary initiative, the Global Compact seeks wide participation from a diverse group of businesses and other organizations.

To participate in the Global Compact, a company:

- Sends a letter from the Chief Executive Officer (and, where possible, endorsed by the board) to Secretary-General Kofi Annan expressing support for the Global Compact and its principles;
- Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-today operations (described below); ƒ Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- Is expected to publish in its annual report (or similar corporate report) a description of the ways in which it is supporting the Global Compact and its nine principles.
- In terms of the practical ways in which companies pursue the principles, the Global Compact offers engagement opportunities to all participants through the following:
- **Global Policy Dialogues:** Each year, the Global Compact convenes a series of action-oriented meetings that focus on specific issues related to globalization and corporate citizenship. The meetings bring businesses together with UN agencies, labor, non-governmental organizations and other groups to produce solutions to contemporary problems. Issues addressed have included “The Role of the Private Sector in Zones of Conflict”; and “Business and Sustainable Development”.

- **Local Structures:** The Global Compact encourages the creation of local structures and networks at the country or regional level. Such networks are designed to support: the implementation of the nine principles; mutual learning and information exchange; the convening of local/regional dialogues on globalization issues; partnership projects; and the recruiting of additional companies. The Global Compact Office and UNDP facilitate and support the process leading to the formation of these local structures.
- **Learning:** Companies are invited to share examples of corporate practices on the Global Compact web portal. In addition, participants are encouraged to develop in-depth case studies and analyses, and to use these for learning activities in the corporate and academic worlds. Local, regional and international learning events support the sharing of knowledge.
- **Partnership Projects:** The Global Compact encourages companies to participate in partnership projects with UN agencies and civil-society organizations that are aligned with UN development goals. This Guide focuses primarily on the Learning aspect of the Global Compact, that is, how companies integrate – or “internalise” – the principles into their core business operations. This is distinct from partnership projects or other initiatives of an “external” nature. However, companies participating in the Global Compact are encouraged to actively support the principles and broad United Nations goals by initiating, and participating in, partnership projects with the United Nations.

17.5. Principles of global impact

The UN Global Compact's intentional goal is that organizations embrace, support and promote a set of ten principles grouped into four areas: human rights, labor standards, the environment and anti-corruption. Their level of involvement reflects their capacity to promote these ten principles in their spheres of influence. The UN Global Compact was initially launched with nine key principles , but the tenth principle – anti-corruption – was added at the Global Compact Leaders Summit on June 2004.

Human Rights

One of the most challenging areas of business sustainability is the respect and support for human rights. The human rights principles of the UN Global Compact are taken from the Universal Declaration of Human

Rights (UDHR) that was originally adopted on 8 December 1948 and ratified in 1949 by the United Nations General Assembly in Paris. The UDHR consists of 30 articles and was directly inspired by the atrocities experienced during World War II, and this represented the first global consensus of 'Never Again', expressing the (individual and group) rights and dignity that all human beings are inherently entitled to. 'without distinction as to race, sex, language or religion'.25 Despite the universal character of the UDHR, this Declaration has been criticized by some authors26 for having a Western bias, for example by not including Islamic Shari'ah considerations.

Also, Islam focuses on personal responsibility, and it does not admit corporations as legal persons, which could undermine the notion of corporate responsibility.27 Nevertheless, since the doctrines of Islam offer an explicit codification of ethical standards and precise enforcement, it may be compatible with the UN Global Compact and with corporate social responsibility values.28 Traditionally human rights had only concerned States and were only addressed by international human rights instruments.

However, since the announcement in 2011 of the Guiding Principles on Business and Human Rights by the Human Rights Council more companies (regardless of their size, location or industry) were confronted with the idea that they should address and adopt human rights frameworks in their commercial and production activities.

The first two principles of the Global Compact are:

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.

Labor: The UN Global Compact includes four labor principles, derived from the ILO Declaration on Fundamental Principles and Rights at Work. This Declaration was adopted in 1988 at the 86th International Labor Conference, and it states that 'all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are subject of those Conventions.'

This Declaration references eight core conventions, which cover collective freedom of association and collective bargaining, abolition of forced labor, effective abolition of labor by children before the end of compulsory school, and no workplace discrimination. 29, 30 The Declaration clearly states that these rights have universal coverage and apply to each worker in all States (regardless of the economic and social development level of the country).

The four labor principles included in the Global Compact are:

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

Environment:

The UN Global Compact includes three environmental principles that reflect corporate environmental responsibility. These principles are derived from the 1992 Rio Declaration on Environment and Development. The Rio Declaration consists of 27 principles to guide future international sustainable development. These environmental principles aim to address environmental challenges such as climate change, drinking water availability, pollution, ecosystems damages, waste production, deforestation, and land degradation, among others.

These principles are:

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:

Controlling corruption and establishing and implementing sanctions for corrupt practices are often considered the sole domain of public authorities. But in the last decade civil society (including the private sector) has increased proactive measures to fight corruption.31 the tenth Global Principle addresses one of the greatest world challenges. Corruption interferes with sustainable development, skews competition, obstructs economic growth, incurs severe legal penalties, affects reputations and undermines liberal economic mechanisms. This principle was only included in 2004, and it derives from the United

Nations Convention Against Corruption (UNCAC), which was the first legally binding international anti-corruption instrument. The UNCAC contains 71 Articles and requires all Member States to implement measures for preventing and criminalizing corrupt acts.

The Global Compact Working Group on the 8th Principle includes the UN Office on Drugs and Crime, Transparency International, the International Chamber of Commerce (ICC), the World Economic Forum Partnership Against Corruption Initiative (PACI) and the World Bank Institute (WBI).

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

Let us Sum Up

In this unit, you have learned about the followings:

The United Nations Global Compact has generated both success and criticism since its inception in 2000. The Global Compact has been criticized by some observers, who believe that the United Nations loses some of its independence through alliances with corporate entities. This chapter will discuss the significance of the Global Compact within a number of contexts. These contexts include an examination of the Global Compact's origins, key participants and its principal signatories. The details of the UN Global Compact Governance structures will be outlined to allow a better understanding of how the agency operates regionally and internationally. The extent of Global Compact members' engagement with corporate social responsibility, and related issues such as environmental protection, human rights and social issues, will be detailed, and the interaction between the UN and engaged participants, from both the business and non-business sectors. , will also be outlined

Check your progress

1. The framework for establishing good corporate governance and accountability was originally set up by
    a. Nestle committee
    b. Rowntree committee
    c. Cadbury committee
    d. Thornton committee

2. Which of the following is not one of the underlying principles of the corporate governance combined code of practice?
   a. Accountability
   b. Openness
   c. Acceptability
   d. Integrity
3. Director's responsibilities are unlikely to include
   a. A duty to keep proper accounting records
   b. a fiduciary duty
   c. A duty to propose high dividends for shareholders
   d. a duty of care

Glossary

Global compact, UN global compact, Principles of global impact, Benefits of participating in the Global Compact

Answer to Check your Progress

1.c 2.c 3.c

Suggested Readings

1. Lelouche, Idowu and Filho, Innovative CSR- From Risk Management to Value Creation, Taylor and Francis, 2010
2. Sanjay K Agarwal, Corporate Social Responsibility in India, Sage Publications Pvt Ltd, 1st Edition, 2008
3. https://www.slideshare.net/madangkiramaswaamy/bgs-7
4. https://www.slideshare.net/rcay/CSR-for-sustainable-businesses

Unit-18

National Voluntary Guidelines by Government of India

STRUCTURE

Overview

In this unit the Introduction, Principles and core elements, Guidance on implementation of principles and core elements, Developing strategy for responsible business, Application of Guidelines to Micro, Small and Medium Enterprises (MSMEs) and Business Responsibility Reporting Framework has been clearly explained.

Objectives

After reading this unit, students should be able to:

- Principles and core elements and Guidance on implementation of principles and core elements
- Developing strategy for responsible business and Application of Guidelines to Micro, Small and Medium Enterprises (MSMEs) and Business Responsibility Reporting Framework

18.1. Introduction

The Guidelines presented herein are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. Significant inputs, received from diverse stakeholder groups across the country have been duly considered, and based on these inputs; Appropriate changes have been made in the original draft Guidelines produced by the Guidelines Drafting Committee. This document therefore represents the consolidated perspective of vital stakeholders in India, and accordingly lays down the basic requirements for businesses to function responsibly, thereby ensuring a wholesome and inclusive process of economic growth. Mandate and process: These Guidelines have been developed through an extensive consultative process by a Guidelines Drafting Committee (GDC) comprising competent and experienced professionals representing different stakeholder groups.

The GDC was appointed by the Indian Institute of Corporate Affairs (IICA) with a clear brief that the Guidelines must provide a distinctively 'Indian' approach, which will enable businesses to balance and work through the many unique requirements of our country. The process that was followed in developing these Guidelines relied heavily upon developing a consensus on various ideas that emerged from various stakeholder groups. Leading trade and industry chambers, who were represented in the GDC as well as actively engaged in the consultative process, have been key partners in the development of this consensus. Applicability: The Guidelines are designed to be used by all businesses irrespective of size, sector or location and therefore touch on the fundamental aspects - the 'spirit' - of an enterprise. It is expected that all businesses in India, including multi-national companies that operate in the country, would consciously work towards following the Guidelines.

The Guidelines also provide a framework for responsible business action for Indian MNCs planning to invest or already operating in other parts of the world. Businesses are encouraged to move beyond the recommended minimum provisions articulated in the document. For business leaders and managers entrusted with the task of deploying the principles of Responsible Business, it is worthwhile to understand that business boundaries today extend well beyond the traditional walls of a factory or an operating plant and all the way across the value chain.

Businesses are therefore encouraged to ensure that not only do they follow the Guidelines for areas directly within their immediate control or within their sphere of influence, but that they encourage and support their vendors, distributors, partners and other collaborators across their value chains to follow the Guidelines as well. The Guidelines are applicable to all such entities, and are intended to be adopted by them comprehensively, as they raise the bar in a manner that makes their value creating operations sustainable. It needs to be emphasized that all Principles are equally important and non-divisible – this implies that if a business endeavors to function responsibly, it would have to adopt each of the nine (9) principles in their entirety rather than picking and choosing what might suit them.

Content and Structure: The Guidelines are not prescriptive in nature, but are based on practices and precepts that take into account the realities of Indian business and society as well as global trends and best practices adapted to the Indian context. It urges businesses to embrace the "triple bottom-line" approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner. The adoption of these National Voluntary Guidelines will improve the ability of businesses to enhance their competitive strengths, improve their reputations, increase their ability to attract and retain talent and manage their relationships with investors and society at large. These Guidelines have been drafted in a way that makes them easy to understand and implement.

The Guidelines have been articulated in the form of nine (9) Principles with the Core Elements to actualize each of the principles. A reading of each Principle, with its attendant Core Elements, should provide a very clear basis for putting that Principle into practice. To assist implementation, a section has also been included on developing Management Systems and Processes for responsible business, and Indicators that businesses can adopt to self-steer and regulate their journey towards becoming sustainable and responsible businesses.

The Processes focus on changes in leadership and the leadership structure in the organization, the integration of the Principle and Core Elements into the very business purpose of the organization and ensuring that engagement with stakeholders happens on a consistent, continuous basis. While a broad list of Indicators has been provided to enable businesses to monitor their own implementation process, these are not exhaustive, but sufficiently representative to give a clear idea of the direction that businesses have to take in the implementation of these Guidelines.

Since these Guidelines are applicable to large and small businesses alike, a special section has also been included on how micro, small and medium enterprises (MSMEs) can be encouraged to adopt the Guidelines. Typically, the argument that MSMEs do not have the capacity or resources to implement the changes, has been juxtaposed with the idea that without a conscious effort to adopt the Guidelines, MSMEs would lose out on future business opportunities and their ability to remain viable and socially relevant. Finally, a separate chapter on reporting has been included so that the business entities are not only able to adopt the Guidelines but also to demonstrate the adoption to their stakeholders through credible reporting and disclosures. The reporting framework is designed on the 'Apply-or-Explain' principle which is also the fundamental basis of these Guidelines. The suggested framework takes into account the requirements of the business entities that are already reporting in other recognized frameworks as well as those which yet do not have the capacity to undertake full reporting.

18.2. Principles and core elements

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Brief Description

The principle recognizes that ethical conduct in all its functions and processes is the cornerstone of responsible business.

The principle acknowledges that business decisions and actions, including those required to operationalize the principles in these Guidelines should be amenable to disclosure and be visible to relevant stakeholders.

The principle emphasizes that businesses should inform all relevant stakeholders of the operating risks and address and redress the issues raised.

The principle recognizes that the behavior, decision making styles and actions of the leadership of the business establishes a culture of integrity and ethics throughout the enterprise.

Core Elements

Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain

1. Businesses should communicate transparently and ensure access to information about their decisions that impact relevant stakeholders
2. Businesses should not engage in practices that are abusive, corrupt, or anti-competitive
3. Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.
4. Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.
5. Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Brief Description

- The principle emphasizes that in order to function effectively and profitably, businesses should work to improve the quality of life of people.
- The principle recognizes that all stages of the product life cycle, right from design to final disposal of the goods and services after use, have an impact on society and the environment. Responsible businesses, therefore, should engineer value in their goods and services by keeping in mind these impacts.
- The principle, while appreciating that businesses are increasingly aware of the need to be internally efficient and responsible, exhorts them to extend their processes to cover the entire value chain – from sourcing of raw materials or process inputs to distribution and disposal.

Core Elements

1. Businesses should assure safety and optimal resource use over the life-cycle of the product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.
2. Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and

helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.

3. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
4. Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.
5. Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.
6. Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.

Principle 3: Businesses should promote the well-being of all employees

Brief Description

- The principle encompasses all policies and practices relating to the dignity and well-being of employees engaged within a business or in its value chain.
- The principle extends to all categories of employees engaged in activities contributing to the business, within or outside of its boundaries and covers work performed by individuals, including sub-contracted and home based work.

Core Elements

1. Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms.
2. Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.
3. Businesses should not use child labour, forced labor or any form of involuntary labour, paid or unpaid.

4. Businesses should take cognizance of the work-life balance of its employees, especially that of women.
5. Businesses should provide facilities for the well-being of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.
6. Businesses should provide a workplace environment that is safe, hygienic and humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.
7. Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.
8. Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Brief Description

- The principle recognizes that businesses have a responsibility to think and act beyond the interests of its shareholders to include all their stakeholders.
- The Principle, while appreciating that all stakeholders are not equally influential or aware, encourages businesses to proactively engage with and respond to those who are disadvantaged, vulnerable and marginalized.

Core Elements

1. Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them.
2. Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders

3. Businesses should give special attention to stakeholders in areas that are underdeveloped.
4. Businesses should resolve differences with stakeholders in a just, fair and equitable manner

Principle 5: Businesses should respect and promote human rights

Brief Description

- The principle recognizes that human rights are the codification and agreement of what it means to treat others with dignity and respect. Over the decades, these have evolved under the headings of civil, political, economic, cultural and social rights. This holistic and widely agreed nature of human rights offers a practical and legitimate framework for business leaders seeking to manage risks, seize business opportunities and compete in a responsible fashion.
- The principle imbibes its spirit from the Constitution of India, which through its provisions of Fundamental Rights and Directive Principles of State Policy, enshrines the achievement of human rights for all its citizens. In addition, the principle is in consonance with the Universal Declaration of Human Rights, in the formation of which, India played an active role.
- The principle takes into account the “Corporate Responsibility to Respect Human Rights”, as referred in the United Nations “Protect, Respect, Remedy” Framework.

Core Elements

1. Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature
2. Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.
3. Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.

4. Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.
5. Businesses should not be complicit with human rights abuses by a third party

Principle 6: Business should respect, protect, and make efforts to restore the environment

Brief Description

- The principle recognizes that environmental responsibility is a prerequisite for sustainable economic growth and for the well-being of society.
- The principle emphasizes that environmental issues are interconnected at the local, regional and global levels which makes it imperative for businesses to address issues such as global warming, biodiversity conservation and climate change in a comprehensive and systematic manner.
- The principle encourages businesses to understand and be accountable for direct and indirect environmental impacts of their operations, products and services and to strive to make them more environmentally friendly.
- The Principle urges businesses to follow the precautionary principle and not go ahead with a particular action if it is unsure of its adverse impacts.

Core Elements

1. Businesses should utilize natural and man-made resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.
2. Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.
3. Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.
4. Businesses should continuously seek to improve their environmental performance by adopting cleaner production

methods, promoting use of energy efficient and environmentally friendly technologies and use of renewable energy.

5. Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.
6. Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.
7. Businesses should proactively persuade and support its value chain to adopt this principle

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Brief Description

- The principle recognizes that businesses operate within the specified legislative and policy frameworks prescribed by the Government, which guide their growth and also provide for certain desirable restrictions and boundaries.
- The principle acknowledges that in a democratic set-up, such legal frameworks are developed in a collaborative manner with the participation of all the stakeholders, including businesses.
- The principle, in that context, recognizes the right of businesses to engage with the Government for redressal of a grievance or for influencing public policy and public opinion.
- The principle emphasizes that policy advocacy must expand public good rather than diminish it or make it available to a select few.

Core Elements

1. Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.
2. To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

Brief Description

- The principle recognizes the challenges of social and economic development faced by India and builds upon the development agenda that has been articulated in the
- Government policies and priorities.
- The principle recognizes the value of the energy and enterprise of businesses and encourages them to innovate and contribute to the overall development of the country, especially to that of the disadvantaged, vulnerable and marginalized sections of society.
- The principle also emphasizes the need for collaboration among businesses, government agencies and civil society in furthering this development agenda.
- The principle reiterates that business prosperity and inclusive growth and equitable development are interdependent.

Core Elements

1. Businesses should understand their impact on social and economic development, and respond through appropriate action to minimize the negative impacts.
2. Businesses should innovate and invest in products, technologies and processes that promote the well-being of society.
3. Businesses should make efforts to complement and support the development priorities at local and national levels, and ensure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.
4. Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

Brief Description

- This principle is based on the fact that the basic aim of a business entity is to provide goods and services to its customers in a manner that creates value for both.
- The principle acknowledges that no business entity can exist or survive in the absence of its customers.
- The principle recognizes that customers have the freedom of choice in the selection and usage of goods and services, and that the enterprises will strive to make available goods that are

safe, competitively priced, easy to use and safe to dispose of, for the benefit of their customers.

- The principle also recognizes that businesses have an obligation to mitigate the long term adverse impacts that excessive consumption may have on the overall well-being of individuals, society and our planet.

Core Elements

1. Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.
2. Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.
3. Businesses should disclose all information truthfully and factually, through labeling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
5. Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
6. Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.

18.3. Guidance on implementation of principles and core elements

Successful implementation of the Principles and Core elements that this Guideline provides require that all of them need to be integrated and embedded in the core business processes of an enterprise. This requires, specifically that the following actions are taken: Leadership – The Chairman/CEO/Owner-Manager should play a proactive role in convincing the board/Top Management and staff within the business that adopting these principles is crucial for success. The board and senior management need to ensure that the principles are fully understood across the organization and comprehensively executed.

Integration - These principles and core elements must be embedded in the business policies and strategies emanating from the core business purpose of the organization. For this to happen, these must align with each business's internal values and/or must provide clear business benefits.

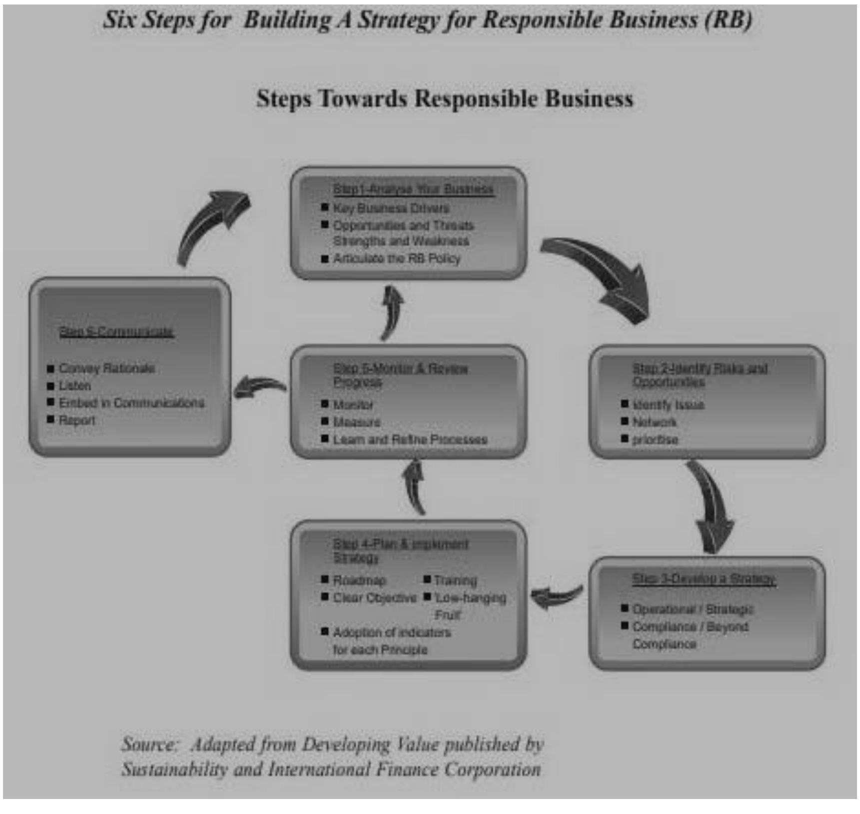
Engagement – Building strong relationships and engaging with stakeholders on a consistent, continuous basis is crucial.

Reporting: Implementation process includes disclosure by companies of their impact on society and environment to their stakeholders.

Determining the Business Case:

It is critical for each business to assess how adoption for these Guidelines will provide a business benefit – in the short term as well as in the long term. To help businesses determine this, they may use a tool called a Business Case Matrix, provided in Annexure A Every business should develop such a matrix for its own context for each Core Element, and thus determine which of these are important to it.

18.4. Development strategy for responsible business



To begin with, these principles need to be incorporated into a Strategy for Responsible Business. The diagram below (Figure 1) outlines the six generic steps in building and executing such a strategy: Indicators - Indicators are metrics that enable businesses to self-monitor their progress on implementation of the principles. Indicators have been added as a separate part in the chapter to aid business to implement the Principles and Core Elements contained in these Guidelines and also to enable stakeholders to evaluate the extent of the implementation. The Indicators are categorized as “Essential” and “Leadership”. While the essential level is expected from every business that has adopted these guidelines, the leadership level indicators are expected to be put into place by those businesses which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible. These indicators are applicable to all the Principles and Core Elements. However, these indicators are not exhaustive. Businesses are encouraged to develop their own context-specific indicators to suit their unique requirements as they focus on the implementation of the principles.

Item	**Essential Indicators**	**Leadership Indicators**
Commitment Epitope Management Supportive governance around	The top management has developed an understanding of the Principles and core elements as well as the issues involved therein and ensured its deployment across the business through appropriate action, regular review and guidance.	There are specified Committees/ Sub-Committees in the governance structure responsible for implementation of these Guidelines. The issues related therein are regularly reviewed at the governance level.
Sensitizers and training	The business sensitizes its managers and employees through awareness and training so that they are able to understand and work according to the processes laid down above.	The business demonstrates its leadership by sensitizing (through regular and systematic training and awareness) not only the employees and managers but all the stakeholders including those within its supply chain as well as outside, on various aspects of corporate responsibility.

Stakeholder Engagement	The business identifies and engages with its priority stakeholders for implementing these guidelines.	The business systematically identifies all its stakeholders including within its supply chain and engages with them on various aspects of these guidelines.
Monitoring and Development	The business undertakes self-assessment and review of its performance on various principles and core elements.	The business undertakes third party assessment, verification and impact analysis of its performance on various principles and core elements. Where applicable the codes/standards/practices adopted by the business would be regularly audited
Analysis and Improvement	The business identifies and records critical deviations from the laid down processes and takes them up for corrective actions.	All deviations from the laid down processes are recorded, analyzed and taken up for process correction as well as mitigation of any loss/damage to the enterprise and its stakeholders.
Continuous Innovation	The business engages in continuous improvement keeping the growing expectations of stakeholders in mind.	The business focuses on innovation in products, processes and methods of stakeholders' engagement, so as to continuously improve its performance on all business processes that impact the principles and core elements.
Disclosure	The business discloses its performance on principles and core elements to priority stakeholders.	The business discloses its performance, including deviations and corrective actions, to the wider public.

18.5. Application of Guidelines to Micro, Small and Medium Enterprises (MSMEs)

Widely regarded as the backbone of the Indian economy, the MSME sector1 is highly diverse and heterogeneous in its structure. The enterprises range from an entity having just a single self-employed person to the one employing hundreds of people; and from the one supplying goods to a next door neighbor, to the one producing high-tech goods for global supply chains. The framework of these Guidelines and the extent to which they are applicable to such a sector needs to be understood in the context of the realities of these enterprises.

A major part of the Indian MSME sector is 'local' in its operations and outlook. Yet it impacts the environment and society in its own way, despite the small numbers of its employees, the localized buyers and the confined surroundings of its place of business.

Due to the increasing integration of the Indian economy with the global economy, especially during the last decade, enterprises of all sizes have been gradually exposed to global competition. Global buyers are basing their sourcing decisions not only on traditional commercial considerations such as price, quality and delivery commitments, but also on compliance with social and environmental norms in the workplace, covering, for instance, health and safety, social equity in employment and production. , and ecological compatibility of products and processes. Many Indian buyers too are beginning to incorporate these requirements into their purchasing decisions. MSMEs not sensitive to these expectations run a serious risk of isolation and rejection by buyers as well as consumers, whereas those that are responsive to these expectations might find new business opportunities opening up for them.

The need for responding to rising social and environmental concerns is being realized increasingly by the MSME sector but the multiplicity of prevailing codes is an impediment. The present Guidelines aim to provide coherence in expectations and obviate the need for multiple codes on social and environmental concerns. The principles and core elements of these Guidelines are size neutral and are equally applicable to the MSME sector.

The Guidelines Drafting Committee has been sensitive to the fact that to be effective and have wider acceptance among MSMEs, the Responsible Business practices need to be grounded in the context within which MSMEs operate in India. Many MSMEs, particularly the micro enterprises, may genuinely lack resources and capacity to adopt and integrate the Guidelines. Their business environment may also be discouraging a responsible enterprise. Hence, promoting Responsible Business practices among MSMEs may necessitate a multipronged approach which should include:

- Facilitating MSMEs to recognize the business case for adopting Responsible Business practices
- Preference by public agencies and large players in value chains to MSME suppliers that follow BR practices
- Handholding MSMEs during the adoption of the Guidelines

The public agencies as well as large enterprises may catalyze the process further by supporting collective initiatives of the MSMEs in clusters. The capacity of the MSME associations could be built for awareness creation and to carry out collective initiatives.

These Guidelines suggest that the Principles and Core elements outlined in this document are integral to business strategy and operations. The set of essential indicators, appended with these guidelines, is to facilitate enterprises of all sizes to measure progress of implementation. But the MSMEs are encouraged to customize the processes and indicators in their unique context. The board or 'top management', for example, in an MSME may be just the owner-manager or the partner.

18.6. Business Responsibility Reporting Framework.

Introduction:

The basic aim of these business responsibility guidelines is twofold, firstly to help businesses to use their entrepreneurship to effectively contribute to the economic and social betterment of communities and secondly to make their operations sustainable in a manner that enables them to meet their current needs without compromising the needs of the future generation. One of the critical aspects of Responsible Business practices is that businesses should not only be responsible but they should also be seen as socially, economically and environmentally responsible. While the Guidelines encompassing nine Principles and related Core Elements identify the areas where responsible practices need to be adopted, the Reporting Framework provides a standard disclosure template which can be used by businesses to report on their performance in these areas.

The objective of incorporating this framework in these Guidelines is to help businesses to reach out to their stakeholders with necessary information and data demonstrating the adoption of these Guidelines. Through such reporting, they will also be able to encourage their stakeholders to have a more meaningful engagement with the business rather than the often-prevalent one-sided expectation engagement. During the process of reporting, it is expected that businesses will also develop a better understanding of the process of transformation that makes their operations more responsible. These Business Responsibility (BR) reports will also help in identifying some of the best practices that can serve as guidance models. In the context of BR reporting, it is appreciated that there are three categories of businesses as under:

- Business entities are already preparing responsibility and sustainability reports based on internationally accepted reporting frameworks
- Business entities that have chosen to adopt these Guidelines completely or in part, but are not yet fully capacitated to prepare a comprehensive BR report
- Business entities that would like to prepare comprehensive reports after adopting these guidelines

The Reporting Framework, accordingly, suggests different approaches that may be adopted by the three categories of entities.

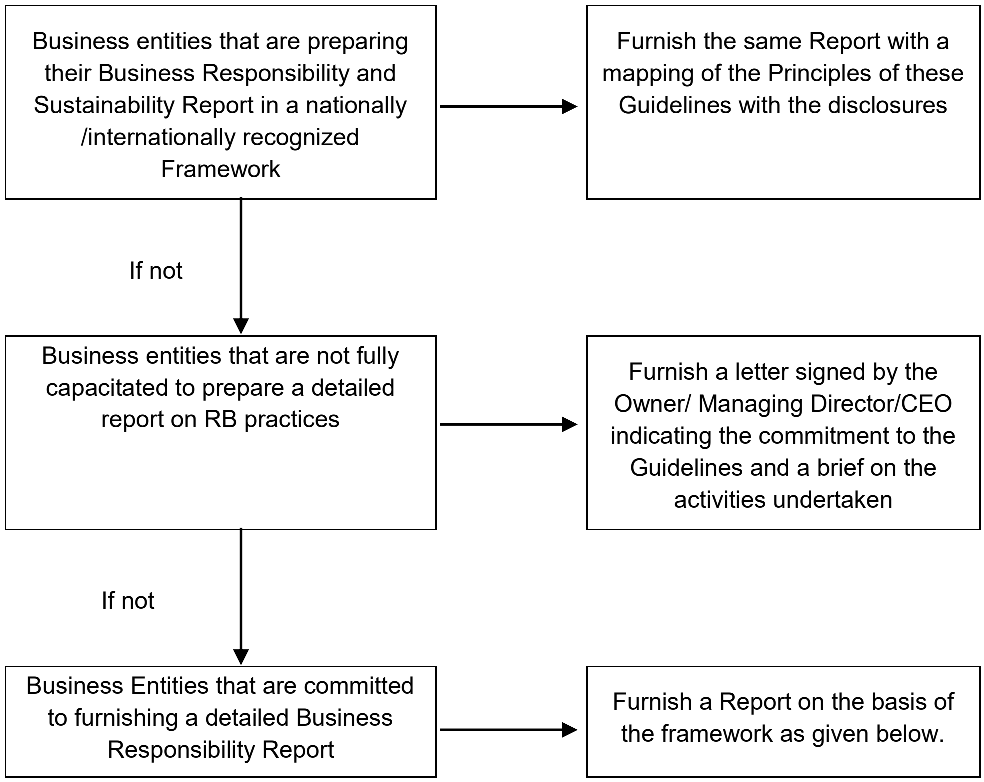
The first category of entities may not prepare a separate report for the purpose of these Guidelines but furnish the same to their stakeholders along with the details of the framework under which their BR report has been prepared and a mapping of the nine principles contained in this Guideline to the disclosures made in their BR reports.

The second category of entities may furnish a simple communication to their stakeholders indicating their commitment to adoption on these Guidelines in full or in part, and basic details of the activities undertaken in pursuit of these

Guidelines. The communication may be in a free format and should be signed by the owner/Managing Director of the CEO of the entity. Such entities are encouraged to see the suggested framework for the third category and upgrade their BR communication on a progressive and continuous basis.

For the entities in the third category, the BR reporting framework (see after the flowchart) is suggested.

This framework identifies certain basic parameters on which the businesses can disclose their performance so as to demonstrate their adoption of these Guidelines in letter and spirit. It has been divided into two parts Part A incorporates the basic information about the operations of the business entity so that their BR report can be a self-contained document and Part B incorporates the performance indicators for different Principles and Core Elements. While designing this framework the reporting frameworks being used, both nationally and internationally, have been taken into account. The Framework has been kept simple so that it also caters to the requirements of the SME sector.



Business Responsibility Report - Suggested Framework Part -A

Part A of the report includes basic information and data about the operations of the business entity so that the reading of the report becomes more contextual and comparable with other similarly placed businesses. It may be written in a free format incorporating at least the following:

A-1

- Basic details of the business – Name; nature of ownership; details of the people in top management; location of its operations - national and international; products and services offered; markets served;

- Economic and Financial Data – Sales; Net Profit; Tax Paid; Total Assets; Market Capitalization (for listed companies); number of employees;

A-2

- Management's Commitment Statement to the ESG Guidelines
- Priorities in terms of Principle and Core Elements
- Reporting Period/Cycle
- Whether the reports are based on this framework or any other framework
- Any Significant Risk that the business would like its stakeholders to know
- Any Goals and Targets that were set by the top management for improving their performance during the Reporting Period

Part-B

Part-B of the report incorporates the basic parameters on which the business may report their performance. Efforts have been made to keep the reporting simple keeping in view the fact that this framework is equally applicable to the small businesses as well. The report may be prepared in a free format with the basic performance indicators being included in the same. In case the business entity has chosen not to adopt or report on any of the Principles, the same may be stated along with, if possible, the reasons for not doing so.

B-1

Principle 1 – Ethics, Transparency and Accountability

- Governance structure of the business, including committees under the Board responsible for organizational oversight. In case no committee is constituted, then the details of the individual responsible for the oversight
- Mandate and composition (including number of independent members and/or non-executive members) of such committee with the number of oversight review meetings held.
- State whether the person/committee head responsible for oversight review is independent from the executive authority or not. If yes, how.
- Mechanisms for shareholders and employees to provide recommendations or direction to the Board/ Chief Executive.

- Processes in place for the Board/ Chief Executive to ensure conflicts of interest are avoided.
- Internally developed statement on Ethics, Codes of Conduct and details of the process followed to ensure that the same are followed
- Frequency with which the Board/ Chief Executive assesses BR performance.

Principle 2 – Products Life Cycle Sustainability

Statement on the use of recyclable raw materials used

- Statement on use of energy-efficient technologies, designs and manufacturing/service-delivery processes
- Statement on copyrights issues in case of the products that involve use of traditional knowledge and geographical indicators
- Statement on use of sustainable practices used in the value chain

Principle 3 – Employees' well-being

- Total number of employees with percentage of employees that are engaged through contractors
- Statement on non-discriminatory employment policy of the business entity
- Percentage of employees who are women
- Number of persons with disabilities hired
- Amount of the least monthly wage paid to any skilled and unskilled employee
- Number of training and skill up-gradation programs organized during the reporting period for skilled and unskilled employees
- Number of incidents of delay in payment of wages during the reporting period
- Number of grievances submitted by the employees

Principle 4 – Stakeholder Engagement

- Statement on the process of identification of stakeholders and engaging with them
- Statement on significant issues on which formal dialogue has been undertaken with any of the stakeholder groups

Principle 5 – Human Rights

- Statement on the policy of the business entity on observance of human rights in their operation
- Statement on complaints of human rights violations filed during the reporting period.

Principle 6 – Environment

- Percentage of materials used that are recycled input materials
- Total energy consumed by the business entity for its operations
- Statement on use of energy saving processes and the total energy saved due to use of such processes
- Use of renewable energy as percentage of total energy consumption
- Total water consumed and the percentage of water that is recycled and reused
- Statement on quantum of emissions of greenhouse gases and efforts made to reduce the same
- Statement on discharge of water and effluents indicating the treatment done before discharge and the destination of disposal
- Details of efforts made for reconstruction of bio-diversity

Principle 7 – Policy Advocacy

- Statement on significant policy advocacy efforts undertaken with details of the platforms used

Principle 8 – Inclusive Growth

- Details of community investment and development work undertaken indicating the financial resources deployed and the impact of this work with a longer term perspective
- Details of innovative practices, products and services that particularly enhance access and allocation of resources to the poor and the marginalized groups of the society

Principle 9 – Customer Value

- Statement on whether the labeling of their products has adequate information regarding product-related customer health and safety, method of use and disposal, product and process standards observed.
- Details of the customer complaints on safety, labeling and safe disposal of the products received during the reporting period

PART C

Part C of the report incorporates two important aspects on BR reporting. Part C-1 is a disclosure by the business entity on any negative consequences of its operations on the social, environmental and economic fronts. The objective is to encourage the business to report on this aspect in a transparent manner so that it can channelize its efforts to mitigate the same. Part C-2 is aimed at encouraging the business to continuously improve its performance in the area of BR.

C-1

- Brief Report on any material/significant negative consequences of the operations of the business entity

C-2

- Brief on Goals and Targets in the area of social, environmental and economic Responsibilities that the business entity has set for itself for the next Reporting Period

Let us Sum Up

In this unit, you have learned about the following:

The Guidelines presented herein are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. Significant inputs, received from diverse stakeholder groups across the country have been duly considered, and based on these inputs; Appropriate changes have been made in the original draft Guidelines produced by the Guidelines Drafting Committee.

This document therefore represents the consolidated perspective of vital stakeholders in India, and accordingly lays down the basic requirements for businesses to function responsibly, thereby ensuring a wholesome and inclusive process of economic growth. Mandate and process: These Guidelines have been developed through an extensive consultative process by a Guidelines Drafting Committee (GDC) comprising competent and experienced professionals representing different stakeholder groups.

Check your progress

1. The goal of corporate governance and business ethics education is to:
    a. Teach students their professional accountability and to uphold their personal

b. Integrity to society.

c. Change the way in which ethics is taught to students.

d. Create more ethics standards by which corporate professionals must operate.

2. The corporate governance structure of a company reflects the individual companies':

a. Cultural and economic system.

b. Legal and business system.

c. Social and regulatory system.

d. All of the above.

3. Under the _______, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and

a. Shareholder value.

b. Shareholder theory.

c. Agency theory.

d. Stakeholder theory.

Glossary

Ethics, Transparency, Accountability. Sustainability of resources, Pollution Abatement

Answer to Check your Progress

1.c 2.d 3.a

Suggested Readings

1. M. A. Quaddus, Muhammed Abu B. Siddique, Handbook of Corporate Sustainability: Frameworks, Strategies and Tools, Edward Elgar Publishing, 1st Edition, 2011
2. Srinivasa, Growth, Sustainability, and India's Economic Reforms, Oxford publication, 2011.
3. Mallin, Christine A., Corporate Governance (Indian Edition), Oxford University Press, New Delhi, 4th Edition, 2012

Annexure-Case Studies

Case Study-1

Apple- Apple's profile

Apple Inc. (hereafter Apple) was established in 1977 and is registered on the NASDAQ Global Select Market exchange. According to its Form 10-K Apple designs, manufactures and markets mobile communications, media devices, personal computers and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. '.

Its products are sold through Apple's retail stores, online stores and third parties. Apple is a world leader in producing innovative electronic goods and technology. In 2011 Apple's net sales were estimated at $108.2 million. Its net sales in 2011 increased by 60% compared to 2010. Apple worldwide employs 60,400 full-time people and 2,900 temporary employees and contractors. The company utilizes outsourcing through the manufacturing of its products overseas; most of the factories are located in Asia.

Apple's CSR policies and reporting

As required by the SEC, Apple has made the Form 10-K annual report available on its website. The Form 10-K contains – among other things – information on Apple's business strategy and organization, the company's risk factors, legal proceedings and financial data.

It also includes the business conduct policy of Apple: 'Apple conducts business ethically, honestly and in full compliance with all laws and regulations. This applies to every business decision in every area of the company worldwide. Furthermore, the business conducts deals with corporate governance, information disclosure, non-corruption and bribery, environmental health and safety.

Apple has considered the GRI G3.1 indices relating to the economy, the environment, human rights, society and labor for its publication on Governance, Product Environmental Reports, Recycling and Facilities Environmental Report and Supplier Responsibility. For Supplier Responsibility, Apple, for example, has taken into account the indicator which reports on measures it has taken to contribute to the elimination of child labor.

With regard to Product Environmental Reports, Apple has used the EN26 performance indicator, and sets out initiatives to lessen the environmental impact of its products. Apple designs its products with the aim of being as energy efficient as possible, and it is the only company that can claim all electronic goods are Energy Star qualified. Apple's products have become more powerful while, at the same time, fewer materials are used and fewer carbon emissions are generated.

Almost all of Apple's products are outsourced for manufacturing overseas. On its Supplier Responsibility website Apple states: 'Apple is committed to the highest standards of social responsibility across our worldwide supply chain.

We insist that all of our suppliers provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes. Our actions – from thorough site audits to industry-leading training programs – demonstrate this commitment'.

The Supplier Code of Conduct (Supplier Code) outlines Apple's expectations for the suppliers it does business with. As a condition for doing business with Apple, suppliers have to commit to the Supplier Code. For the Supplier Code, Apple has adopted the Electronics Industry Code of Conduct (EICC), the guidelines and standards for the electronics sector. Through onsite audits Apple ensures that suppliers comply with the Supplier Code.

The final assembly manufactures are audited every year and the component suppliers are audited arbitrarily. Apple obliges its suppliers to respect the human rights of its workers, to inform the workers of their rights, and to treat them with dignity and respect. Apple requires from its suppliers that they prevent discrimination, involuntary and underage labor, excessive working hours and that they pay workers with wages and benefits in accordance with the applicable laws and regulations.

Apple's conflicts

The limited transparency of Apple's supplier sustainability policy has often been criticized in the media.

In February 2010 Apple also turned down two shareholders' sustainability proposals to establish a sustainability report on Apple's environmental policies and the impact that climate change has on the company. The other proposal was to establish a board of directors' sustainability committee.

Labor and human rights

A well-known conflict involving Apple's suppliers is the suicides at Foxconn. It is the largest contracted electronics manufacturer in the world, with deals involving Dell and Sony. Foxconn is the manufacturer of iPhones and iPads and employs over 900,000 workers, of whom 420,000 employees work at the Foxconn Shenzhen plant. This plant covers 15 factories, including dormitories, a hospital, a bank, a grocery store and restaurants. The workers live and work inside the complex.

In 2006 the Chinese local press reported on the excessively long working hours and the discrimination of mainland Chinese workers by Taiwanese superiors. In May 2010 several media sources reported several cases of suicide at Foxconn. From 2009 to 2010 a total of 13 workers committed suicide.

The first worker, Sun Danyong, committed suicide after he had been interrogated on the loss of an iPhone 4 prototype that he had in his possession. When the former CEO Steve Jobs was asked about the suicides at Foxconn, he responded: 'Foxconn is not a sweatshop.'

During an undercover investigation it was discovered that the reason for the multiple suicides was related to internal management. 'The facilities of Foxconn are fine, but the management is poor,' revealed Zhu Guangbing, who organized the investigation.

According to Audrey Tsui, a professor at the National University of Singapore Business School, Foxconn maintains a military-style management approach. The workers were not allowed to interact with each other. Workers who violated the rule were penalized with a fine or were held in contempt by the manager.

The weekly working hours of workers were up to 70 hours, ten hours above the maximum hours set by Apple's Supplier Code. The Foxconn factory has good facilities. The workers have access to swimming pools and tennis courts. Foxconn organizes activities such as chess clubs, mountain climbing or fishing expeditions. But with a 70-hour workweek, employees did not have any time to enjoy these facilities.

However, interviews with several Foxconn workers by Dreamworks China revealed that not all the employees were dissatisfied. Some believed that the working conditions at smaller factories are worse. One of Foxconn's workers stated that employees at Foxconn thought the media had exaggerated the suicides regarding their connection to Foxconn and that possibly some suicides had a sentimental or romantic cause.

In February 2011, the media reported the child labor issues had worsened at the suppliers for computers, iPods and iPhones. Apple's Supplier Responsibility 2011 revealed 91 underage workers at the suppliers.

Workers' health and safety

Regarding workers' health and safety conditions at the suppliers, in May 2010 two workers were killed and sixteen employees were injured during an explosion at Foxconn. An Apple spokesperson stated:

We are deeply saddened by the tragedy at Foxconn's plant in Chengdu, and our hearts go out to the victims and their families. We are working closely with Foxconn to understand what caused this terrible event. In the same month, The Guardian reported that workers from Wintek had been poisoned by n-hexane, a toxic chemical used to clean the touch screens of iPhones. The employees complained that the compensation Wintek offered for the health damage was not sufficient. The workers who did receive compensation were asked to resign from their jobs.

Apple's CSR policy post-conflicts

Apple makes sure that suppliers comply with the Supplier Code by conducting audits. The audits cover working and living conditions, health and safety but also environmental practices at the facilities. According to Apple's Supplier Responsibility Report 2010, Apple conducted 102 audits in 2009. In 2011, Apple conducted 229 audits, an increase of 80% compared to 2010. An audit is conducted by an Apple auditor and supported by local third-party auditors. In the Supplier Responsibility Report 2010, published in February 2011, Apple included a paragraph responding to the suicides at Foxconn.

In the Supplier Responsibility Report 2011, Apple reports that during inspections Apple discovered ten facilities with underage labor violations. One of the facilities had a large number of underage workers. Because the management did not want to address the problem, Apple terminated businesses with this facility. Where underage labor has been discovered, suppliers are required to pay educational expenses, living stipends and lost wages for six months or until the worker reaches the age of sixteen.

In November 2010, Apple set up a training program to prevent the future hiring of underage workers. The human resources managers are trained in Chinese labor law. Training human resources managers, however, will not solve child labor issues. When the costs of labor, energy and raw materials rise and there is a shortage of labor, factory owners are forced to cut costs or to find cheaper labor. Child labor can easily be hidden by providing fake wages and work schedule data. Also, it is difficult to prevent child labor when underage workers want to work to provide for their families. The Supplier Responsibility Report of 2012 states that suppliers are obliged to return underage workers to school and finance their education through Apple's Child Labor Remediation Program.136 Regarding abolishing underage labor, Tim Cook, the CEO of Apple, stated: 'We would like to totally eliminate every case of underage employment. We have done that in all of our final assembly. As we go deeper into the supply chain, we found that the age verification system is not sophisticated enough. This is something we feel very strongly about and we want to eliminate totally'.

In the Supplier Responsibility Progress Report of 2011 Apple addressed the issue of the use of n-hexane. Apple obliged Wintek to stop using n-hexane and required Wintek to repair its ventilation system and to work with a consultant to improve its environmental health and safety systems. In order to take action it is important for companies to be transparent about their supply chain. In February 2012 Apple announced it would be the first technology company to join the Fair Labor Association (FLA) as a participating company.

Questions

1. What are the reasons that can be attributed to the suicides at Foxconn manufacturing facility?
2. Critically evaluate the impact of supplier misconduct on the image of Apple
3. Will conducting audits and submitting supplier sustainability reports alone ensure good practices?

Case Study-2

Walmart- Walmart's profile

Walmart Supercenters (hereafter Walmart) has a full offering of groceries and general merchandise in a single store. Walmart offers its customers a one-stop shopping experience and is the largest private employer in the US as well as being the world's largest retailer. It has more than 10,130 retail units under 69 different banners in 27 countries. They all share a common goal: 'Saving people money so they can live better'. Walmart employs 2.2 million associates' worldwide and generated net sales of $ 443 billion during the fiscal year of 2012. Walmart was founded in 1962, with the opening of the first Walmart discount store in Rogers, Arkansas (US). The company was incorporated as Wal-Mart Stores, Inc. on 31st October 1969. The company's shares began trading on OTC (Over-The-Counter) markets in 1970 and were listed on the NYSE two years later.

Walmart's CSR policies and reporting

Several authors have pointed to Walmart as an important emerging private actor in the transformation of lawmaking in the CSR field, referring to it as a 'global legislator.'

They highlight how Walmart is able to use its contractual relationships to regulate behavior among its suppliers around the globe with respect to product quality, working conditions for the suppliers' employees, and ethical conduct. Since 2007 Walmart publishes its annual report on its website. It was initially called the 'Global Sustainability Report' and later changed to 'Global Responsibility Report' in 2011. Mike Duke, Walmart's CEO (Chief Executive Officer), says 'This change reflects the new social and environmental dimensions we have added to our efforts.

We believe transparency and accountability are part of being a good and responsible company.' Walmart's annual report publishes its constant and progressive work towards social responsibility issues. The Global Responsibility Report 2011 is divided into three main reporting parameters: Environment, Social and Goals.

Walmart's 2011 report covers every corner of CSR issues. It points out how its successful 'Sustainability 360' model has helped Walmart to be the retail leader in the market. It also communicates the significant progress made by and the new reduction goals of greenhouse gas emissions of its supply chain by 2015.

Walmart's financial contributions in kind, such as investments in education, health, commitments to fight hunger, support for local farmers and access to healthier and affordable food, can also be found in Walmart's Global Responsibility Report 2011.

Walmart's current performance, policies and financial figures at first sight portray Walmart as a role model company on CSR.

Walmart's conflicts

Walmart has faced many obstacles over the years. It seems that legal and social challenges have acted as important reasons for the development of its code of conduct and annual reporting. This statement can be illustrated in two relevant cases: Walmart Stores Inc. v. Dukes et al. and the press reports accusing Walmart of using child labor.

Walmart Stores Inc. v. Dukes et al.

Walmart Stores Inc. v. Dukes et al. started a decade ago and is still being heard by the US Courts. It began as a national class action against Walmart. Plaintiffs Betty Dukes, Patricia Surgeson, Edith Arana ('plaintiffs'), on behalf of themselves and others similarly situated, allege that female employees in Walmart and Sam's Club retail stores were discriminated against based on their gender.

They stated that they were discriminated against regarding pay and promotion to top management positions, thereby violating the Civil Rights Act of 1964 (42 U.S.C. §§ 2000e et seq. of Title VII). In 2004, the US District Court for the Northern District of California certified a national class of female employees challenging retail store pay and management promotion policies and practices under the Federal Rule of Civil Procedure Article 23(b)(2). Walmart appealed to the Ninth Circuit in 2005, arguing that the seven lead plaintiffs were not typical or common of the class. Walmart appealed to the Supreme Court in August 2010 after the US Court of Appeals for the Ninth Circuit upheld class certification. Finally, the situation changed on 20 June 2011 when the US Supreme Court reversed the class certification.

The Court held that the nationwide class certification approved by the lower courts was not consistent with the Federal Rule of Civil Procedure Article 23(a) governing class actions. Justice Antonin Scalia concluded that the millions of plaintiffs and their claims did not have enough in common: 'Without some glue holding the alleged reasons for all those decisions together, it will be impossible to say that examination of all the class members' claims for relief will produce a common answer to the crucial question why I was disfavored.

Dukes v. Walmart Stores, which in 2001 was estimated to comprise more than 1.5 million women, included all women employed by Walmart nationwide at any time after 26 December 1998. It would have been the largest class action lawsuit in US history. Despite the Supreme Court resolution, time, money and efforts invested up to this point, the case did not end there. In October 2011, the plaintiffs' lawyers filed an amended lawsuit limiting the class to female Walmart employees in California. This suit is expected to be the first of many additional class-action lawsuits against the retailer at the state or regional level. The new lawsuit, filed in the US District Court for the Northern District of California, alleges discriminatory practices against more than 90,000 women regarding pay and job promotion as well as requiring non-discriminatory pay and promotion criteria.

Walmart caught using child labor in Bangladesh

At the end of 2005, the Radio Canada program Zone Libre made public the news that Walmart was using child labor at two factories in Bangladesh.89 Children aged 10-14 years old were found to be working in the factories for less than $50 a month making products of the Walmart brand for export to Canada.

Referring to Walmart's policy at that time consisting of cutting ties with suppliers when violations occurred, the NGO Maquila Solidarity Network said that 'cutting and running is the worst possible response to reports of child labor or other sweatshop abuses'. Critics said that it only discourages workers from telling the truth to factory auditors for fear of losing their jobs and encourages suppliers to hide abuses or to subcontract work to other factories that will escape inspection.

Nevertheless, Walmart ceased business with the two factories immediately. Walmart alleges that despite its effort to inspect all factories, it is difficult to enforce its own corporate code of conduct with thousands of subcontractors around the world.

Walmart's CSR policies post-conflicts

Walmart developed its first Code of Conduct (COC) 'Standard for Suppliers' in 1992, which mainly focuses on quality standards for suppliers only. However, Walmart's first general report ('Report on Ethical Sourcing'96), which includes suppliers, customers and associates, was generated in 2006. This report was elaborated after the filing of the lawsuit by the female employees in 2001 and the damaging campaigns and press publications accusing Walmart's suppliers in Bangladesh of using child labor. Walmart's reporting culture was imitated by the rest of the companies in the market. Nowadays, Walmart has been qualified as a 'global legislator' in CSR policies.

The 2005 Report on Ethical Sourcing reported that Walmart had stopped doing business with 141 factories, primarily because of underage labor violations. The Report also contains a chart with the main violations found during the audits. Gender discrimination was not mentioned at any stage throughout the entire document. Walmart's 2005 and 2012 COC 'Standard for Suppliers' explicitly establish that Walmart would not tolerate the use of child labor. The 2005 COC sets the age of 14 as the minimum age for suppliers and subcontractors to hire workers. It also specifies non-discrimination on the basis of gender and other personal characteristics or beliefs. It is important to highlight that gender discrimination was not given any special treatment in the 2005 COC or in the general report.

Walmart's zero tolerance policy for underage workers was changed in 2005. If a single underage worker was found in a factory, Walmart ceased business ipso facto. At the beginning of 2005, if two underage workers were found, the factory would receive a warning and had to change and correct in the follow-up audit. If more than two underage workers were found or the company did not make corrections, the factory was permanently banned from Walmart's production. This decision was based on NGO advice from the Bangladesh case mentioned in the section above. If Walmart cuts business with these factories, many workers could be laid off for lack of production, suppliers will hide abuses and workers will not tell the truth to auditors in order not to lose their jobs. Walmart has a strict corporate code of conduct in the industry but according to investigations Walmart is not able to enforce its code in developing countries.

Currently, Walmart publishes a full and complete report on CSR issues called 'Global Responsibility Report' which covers the three dimensions of 'People, Planet, Profit'. This report emphasizes gender equality and a diverse workforce. Walmart has a Gender Equality and Diversity gender policy that can be found in its 'Global Responsibility Annual Report'. In 2009, Walmart took the commitment one step further with the incorporation of the Advisory Board on Gender Equality and Diversity. The board is aimed at providing equal and enhanced opportunities for all in top leadership roles. These policies have generated an increase in female officials and managers from 23,873 employees in 2005 to 25,246 employees in 2010.

Walmart has also committed itself to achieving three goals in its Sustainability Report: using 100% renewable energy, creating zero waste, and selling products that sustain people and the environment. These criteria are established and measured by Walmart at the end of the 2012 report. Walmart indicates every year its completed goals and the progress in the ones that have not yet been achieved. An example of quantifiable measures is creating a zero waste Walmart by eliminating landfill waste from US stores by 2025.

Although Walmart does not follow the GRI Guidelines, it has measurable targets on audits. For instance, Walmart requires its suppliers who produce toys in China to sign up to the ICTI CARE Process.108 The ICTI CARE Process was created by the international toy industry to achieve a safe and humane working environment for toy factory workers worldwide. In addition, Walmart conducts internal validation audits by Walmart's Ethical Sourcing team. These validation audits ensure that the ICTI CARE process is properly implemented and that it meets Walmart's Standards for Suppliers.

Questions

1. How did Wall Mart handle the child labor issue in Bangladesh? Was it ethical?
2. Do you think that Walmart has rebuilt its reputation over the years by practicing CSR and through compliance?

Case Study- 3

Coca-Cola-Coca-Cola's profile

Coca-Cola started its business in 1886 as a local soda producer in Atlanta, Georgia (US) selling about nine beverages per day. By the 1920s, the company had begun expanding internationally, selling its products first in the Caribbean and Canadian markets and then moving in consecutive decades to Asia, Europe, South America and the Soviet Union. By the end of the 20th century, the company was selling its products in almost every country in the world. In 2005 it became the largest manufacturer, distributor and marketer of non-alcoholic beverages and syrups in the world. Coca-Cola is a publicly-held company listed on the New York Stock Exchange (NYSE).

Coca-Cola's CSR policies and reporting

In 2007 Coca-Cola launched its sustainability framework Live Positively embedded in the system at all levels, from production and packaging to distribution. The company's CSR policy Live positively establishes seven core areas where the company sets itself measurable goals to improve the business' sustainability practices. The core areas are beverage benefits, active healthy living, the community, energy and climate, sustainable packaging, water stewardship and the workplace.

Coca-Cola has a Code of Business Conduct which aims at providing guidelines to its employees on – among other things – competition issues and anti-corruption. The company has adopted international CSR guidelines such as Global Compact and Ruggie's Protect, Respect and Remedy Framework (Ruggie's Framework), but these guidelines do not seem to be integrated into the Code of Business. However, these CSR initiatives are included in other activities or policies of the company. For instance, the UN Global Compact principles are cross-referenced in the company's annual Sustainability Reviews and Ruggie's Framework is partially adopted in the company's 'Human Right Statement'. After the conflict in India, in 2007 Coca-Cola formed a partnership with the World Wildlife Fund (WWF) and became a member of the CEO Water Mandate, as water is one of the company's main concerns. Every year Coca-Cola publishes a directors' report denominated 'The Coca-Cola Company Annual Report'; the last one was published in March 2011 and comprises the company's activities during 2010. In this report there is a small section dedicated to CSR and it includes a brief description of the initiatives in community development and water preservation that the company has developed. Since 2001, Coca-Cola also annually publishes a separate report devoted to CSR called 'The Coca-Cola Company Sustainability Review'. These reviews, which are published every two years, are verified and assured by a third party, the sustainability rating firm FIRA Sustainability Ltd. This verification provides 'moderate assurance' on the reliability of the information reported by Coca-Cola. Both reports – the annual company review and the sustainability reports – are elaborated based on the GRI G3 guidelines, which were adopted by the company in 2001. Due to its relevance to Coca-Cola's business, the company also annually reports on the progress of the water stewardship program's targets.

Coca-Cola's conflicts

Several campaigns and demonstrations followed the publication of a report issued by the Indian NGO Center for Science and Environment (CSE) in 2003. The report provided evidence of the presence of pesticides, to a level exceeding European standards, in a sample of a dozen Coca -Cola and PepsiCo beverages sold in India. With that evidence at hand, the CSE called on the Indian government to implement legally enforceable water standards. The report gained ample public and media attention, resulting in almost immediate effects on Coca-Cola revenues.

The main allegations made by the NGO against Coca-Cola were that it sold products containing unacceptable levels of pesticides, it extracted large amounts of groundwater and it had polluted water sources.

The presence of pesticides

Regarding the allegation about Coca-Cola beverages containing high levels of pesticide residues, the Indian government undertook various investigations. The government set up a Joint Committee to carry out its own tests on the beverages. The tests also found the presence of pesticides that failed to meet European standards, but they were still considered safe under local standards. Therefore, it was concluded that Coca-Cola had not violated any national laws. However, the Indian government acknowledged the need to adopt appropriate and enforceable standards for carbonated beverages.

In 2006, after almost three years of ongoing allegations, the CSE published its second test on Coca-Cola drinks, also resulting in a high content of pesticide residues (24 times higher than European Union standards, which were proposed by the Bureau of Indian Standards to be implemented in India as well).

CSE published this test to prove that nothing had changed, alleging that the stricter standards for carbonated drinks and other beverages had either been lost in committees or blocked by powerful interests in the government. Finally, in 2008 an independent study undertaken by the Energy and Resources Institute (TERI) ended the long-standing allegations by concluding that the water used in Coca-Cola in India is free of pesticides.32 However, because the institute did not test the final product , other ingredients could have contained pesticides.

Water pollution and the over-extraction of groundwater.

Coca-Cola was also accused of causing water shortages in – among other areas – the community of Plachimada in Kerala, southern India. In addition, Coca-Cola was accused of water pollution by discharging wastewater into fields and rivers surrounding Coca-Cola's plants in the same community. Groundwater and soil were polluted to an extent that Indian public health authorities saw the need to post signs around wells and hand pumps advising the community that the water was unfit for human consumption.34

In 2000, the company established its production operations in Placement that Coca-Cola had to face were not the only consequence of the conflict. The brand suffered a great loss of consumer trust and reputational damage in India and abroad.

In India there was an overall sales drop of 40% within two weeks after the release of the 2003 CSE report. The impact in annual sales was a decline of 15% in overall sales in 2003 in comparison to prior annual growth rates of 25-30%. This highly publicized conflict in India also caught the attention of consumers in the US. After a series of demonstrations by students who joined two activist groups in the US, Ten American Universities temporarily stopped selling Coca-Cola products at their campus facilities.

Coca-Cola's CSR policies post-conflicts

Two years before the water conflict in India in 2003, Coca-Cola adopted the GRI Guidelines and started reporting on sustainability. By 2003, the company had already experienced a few CSR-related conflicts in other parts of the world. However, none of them had the grave consequence of a loss of trust in the company and its products by consumers and the public in general.

According to Pirson and Malhotra, the main reason why this controversy ended so badly for Coca-Cola lies in its response to the problem. Coca-Cola denied having produced beverages containing elevated levels of pesticides, as well as having over-exploited and polluted water resources. By denying all claims and trying to prove its integrity, instead of demonstrating concern towards the situation, Coca-Cola failed to regain consumers' trust. The Indian population viewed Coca-Cola as a corporate villain who cared more about profits than public health. In comparison, previous conflicts experienced by the company in the US and Belgium were better handled because it included stakeholder engagement in its strategy.

It appears that the company became aware of its mistake after the controversy had been ongoing for a couple of years. In 2008 Jeff Seabright, Coca-Cola's vice president of environment and water resources, recognized that the company had not adequately handled the controversy. He acknowledged that local communities' perception of their operation matters, and that for the company' having goodwill in the community is an important thing'.

Although Coca-Cola still denies most of the allegations, the reputational damage experienced after the controversy in India pushed Coca-Cola to take damage-control measures. Those measures at first consisted of statements to confirm Coca-Cola's integrity. For example, Coca-Cola dedicated a page in the Corporate Responsibility Review of 2006 to address the controversy. The statement consisted mainly of providing information supporting its good practices and water management of its operations in India. But this statement did little to combat the declining sales and increasing losses exceeding investments.

Coca-Cola gradually changed its strategy to include damage-control measures that addressed the Indian communities' grievances. In 2008 the company published its first environmental performance report on operations in India, which covered activities from 2004 to 2007. It also created the Coca-Cola India Foundation, Anandana, which works with local communities and NGOs to address local water problems. But perhaps the most outstanding change of strategy by Coca-Cola consisted of launching various community water projects in India. An example is the rainwater harvesting project, where Coca-Cola's operations partnered with the Central Ground Water Authority, the State Ground Water Boards, NGOs and communities to address water scarcity and depleting groundwater levels through rainwater harvesting techniques across 17 states in India.

These techniques consist mainly of collecting and storing rainwater while preventing its evaporation and runoff for its efficient utilization and conservation. The idea behind this is to capture large quantities of good quality water that could otherwise go to waste.

By returning to the ecosystem the water used in its operations in India through water harvesting, the company expected that this project could eventually turn the company into a 'net zero' user of groundwater by 2009. In the 2012 Water Stewardship and Replenish Report, Coca -Cola stated that its operations in India have 'achieved full balance between groundwater used in beverage production and that replenished to nature and communities – ahead of the global target'.

It appears that the controversy in India was a learning experience for the company, and that it motivated the company to adopt a more proactive CSR policy on a global scale that focuses on water management.

In June 2007, Coca-Cola implemented a water stewardship program and committed itself to reduce its operational water footprint and to offset the water used in the Company's products through locally relevant projects. To achieve those commitments Coca-Cola established three measurable.

Objectives:

(1) Reducing water use by ada. Local people claimed that they started experiencing water scarcity soon after the operations began. The state government initiated proceedings against Coca-Cola in 2003, and soon after that the High Court of Kerala prohibited Coca-Cola from over-extracting groundwater.

By 2004 the company had suspended its production operations, while it attempted to renew its license to operate. Coca-Cola argued that patterns of decreasing rainfall were the main cause of the drought conditions experienced in the area. After a long judicial procedure and ongoing demonstrations, the company succeeded in obtaining the license renewal to resume its operations. In 2006 Coca-Cola's successful re-establishment of operations was reversed when the government of Kerala banned the manufacture and sale of Coca-Cola products in Kerala on the ground that it was unsafe due to its high content of pesticides. However, the ban did not last for long and later that same year the High Court of India overturned Kerala's Court decision. More recently, in March 2010, a state government panel recommended fining Coca-Cola's Indian subsidiary a total of $47 million because of the damage caused to the water and soil in Kerala. Also, a special committee in charge of looking into claims by community members affected by the water pollution was set up.

The long legal proceedings against the Indian government improving water efficiency by 20% over 2004 levels by 2012. The latest data available from 2010 shows a 16% improvement over the 2004 baseline.

(2) Recycling water through wastewater treatment and returning all water used in manufacturing processes to the environment at a level that supports aquatic life and agriculture by the end of 2010. By September 2011, the progress observed concerning this target was 96%.

(3) Replenishing water used by offsetting the liters of water used in finished beverages by 2020 through local projects that support communities and nature (i.e.) watershed protection and rainwater harvesting). Currently, Coca-Cola reports that it holds a global portfolio of 386 community water partnerships or community-based replenishment projects. By 2011, about 35% of the water used in finished beverages was replenished.

It is noteworthy that Coca-Cola publishes, in addition and separately to the sustainability reports, an annual water report. In these reports the company publishes assessments of and the progress in its water initiatives. Some of the assessments are made by the Global Environment & Technology Foundation, an American NGO experienced in facilitating the creation of public-private partnerships.

Also in 2007, Coca-Cola entered into a partnership with WWF. Its core objectives are increasing understanding on watersheds and water cycles to improve Coca-Cola's water usage, working with local communities in various locations worldwide, and developing a common framework to preserve water sources. Finally, and also in the same year, the company became a member of the public-private initiative CEO Water Mandate, which is a public-private initiative that assists companies in the development, implementation and disclosure of water sustainability policies and practices.

Questions

1. Trace the effects of consumer activism on the brand image of Co cola post the conflicts on water pollution and ground water extraction.

2. Do you think the steps taken by Co-cola to regain its brand image is in the right direction?

Case Study- 4

Canon- Canon's profile

Canon Inc. (hereafter Canon) was founded in 1937. Its headquarters are in Japan and the company is listed on the NYSE. Although the digital camera is the most well-known product to consumers, Canon also produces devices for office and industrial use. Canon is planning to invest more in medical image recording equipment and ophthalmic devices. Canon's regional headquarters are established on every continent and, together with other companies, they form the Canon Group. Canon has a global network of more than 200 companies and employs more than 160,000 people worldwide. Canon Inc. alone employs more than 26,000 people. It is dedicated to advancements in technology and commits approximately 10% of its total revenue each year to Research & Development. Canon is consistently one of the top few companies to be granted the most number of patents over the last 18 years. In the year

2010 Canon Group's net sales were estimated at $45,764 million.

Canon's CSR policies and reporting

It seems that Canon invests a great deal of effort into its CSR reporting. It publishes a separate sustainability report. Apart from that, a lot of information regarding its compliance with different standards and its positive role in society (fund raising and other activities) can be found on its webpage. The company introduced a CSR strategy based on the Kyosei philosophy in 1988. At that time this philosophy was not yet widely used, but in recent years the philosophy has come to be commonly used in Japan, in business, politics and in daily life. It is used to imply a range of concepts and meanings. Canon refers to kyosei defined as 'living and working together for the common good.

Currently, Canon has a CSR policy and a CSR mission statement. It has Canon's Global Code of Conduct. Canon follows the GRI Sustainability Reporting Guidelines 2006 and its CSR report is examined by an external auditor. These external commentators are asked to use a part of the G3. Sustainability Reporting Guidelines as the basis for developing their opinions, namely four reporting principles relating to defining the content of the report.

Canon is listed in different sustainability indexes, such as the Morningstar Socially Responsible Investment Index (Japan) and the Ethibel Sustainability Index Global (Belgium). On Canon's website information is included about its attempt to reduce CO2 emissions, setting up a consultation process with stakeholders and conducting environmentally-friendly manufacturing. The Canon Group Environmental Charter addresses the theme of maximizing resource efficiency from the dual approaches of environmental assurance and economic activities. It considers overall product lifecycles and sets environmental assurance activities for the entire group. Relief activities and fund-raising campaigns are carried out in regions affected by sudden disasters (e earthquakes, heavy snowfall, floods, typhoons, fires). The company is also active in recycling. For example, in Singapore it recently joined other companies in a cartridge recycling project. A 'Cradle-to-Cradle' philosophy was used to design the newest generation Energy Star-compliant Canon devices which consume significantly less energy in their manufacture, transportation and use. The result of this is a smaller total carbon footprint. These technologies have reduced CO2 emissions by approximately 11,000,000 tons and saved consumers 350 billion Japanese Yen in electricity costs from 2003 to 2010.

Canon's conflicts- Stress-related illnesses

When trying to analyze the company's behavior it was difficult to find reliable independent articles. Nevertheless, one article from 2007 deserves attention. In Canon Denmark a problem of stress-related illnesses occurred. These illnesses were the result of changes in the organization and increasing pressure to perform. As this caused many problems for business managers, human resources (HR) and increased the workload for other employees, Canon Denmark started to develop a policy to reduce stress in the workplace. While it was carrying out research for that policy, the government of Denmark also strengthened the anti-smoking legislation and the works council was demanding changes to a number of existing policies. The company realized that a specific stress-reduction policy was not enough and started to examine not only its own, but the European and global Canon policies as well.

Employees not allowed to sit down during working hours

Internet research also presented a couple of articles related to Canon Electronics Inc., a company based in Japan, forcing its employees to stand during their work and demanding that they walk at a specific pace. As it was not possible to find an NGO report on this topic or any other completely reliable source, this research is based on blogs and comments by alleged employees. In Hisashi Sakamaki's theory (Representative Director of Canon Electronics) forcing employees to stand not only saves money but increases productivity and enhances employee relationships. It can be called into question whether removing chairs enhances productivity in the long run. It is fair to assume that people feel under pressure when they are not allowed to sit down or when they are forced to walk at a prescribed speed. The previously mentioned Canon Denmark case clearly showed that work-related stress has a negative effect on the whole working process and that good management focused on preventing stressful situations is crucial. Good practices from one company should apply to the whole group. The annual report should provide information on the way the company follows best practices in its worldwide operations and this should well exceed legal requirements. Clear conclusions on how this case was addressed, if addressed at all, cannot be made due to the non-ability to understand the Japanese language. But at the same time it points to a lack of transparency in reporting on this issue. An official report from the company would be appreciated as it is difficult to assess the situation from a European point of view.

Canon's CSR policies post-conflicts

Since its founding, Canon has promoted 'Health First' as one of its Guiding Principles. Even in the Canon Inc. sustainability report of 2007 it can be read that Canon took action in preventing lifestyle-related diseases. With the government enactment of health-promoting policies and laws, such as Health Japan and the Health Promotion Law, lifestyle checks and tests are performed during periodic medical examinations. Based on these examination results, all Canon Group companies in Japan have set common numerical targets with the aim of preventing lifestyle-related diseases. Their focus was (and still is) on cholesterol and smoking rates.

Canon's experience in managing stress, from the previously mentioned Canon Denmark case, had convinced the company to focus on prevention, rather than the treatment of problems. A clear shift from reactive to proactive management was made. When looking through its webpage, this is now clearly seen. Canon also took the opportunity to develop action-based policies. In August 2007 Canon launched a new policy that covered topics such as: Work-life balance, aging workforce, health and safety, stress management, respect and tolerance, smoking, alcohol and substance abuse, nutrition and exercise. Some of these policies can also be measured. To ensure an appropriate work-life balance excessive working hours were constrained through the strict implementation of a 'no-overtime day'. During 2009, an average in-house ratio of 80% adherence to prescribed working hours on 'no-overtime days' was achieved and the number of total overtime hours worked per employee for that year was down by approximately 100 hours from 2008. On 'no-overtime days' -overtime days' in 2010 the same 80% average of employees left work at the designated time as the year before. Data can be found for cholesterol and smoking targets and performance. From 2004 to 2006, smoking rates dropped from 33 to 30%, exceeding the goal of 31%. The target of a 10% decrease regarding high cholesterol was not achieved; the report stated that it had dropped from 11.7 to 11%. In 2010 the smoking rates dropped to 27.5% and high cholesterol to 9.2%.

For the aging workforce, Canon implemented a system for re-employing retired employees until the age of 65. In 2006, 73 of the 211 who had reached retirement age chose for re-employment, and by the end of that year 177 were working under this system. In 2010, 139 of the 234 employees who had reached retirement age chose for re-employment, with 451 working under this system by the end of that year.

The initial focus of the policy in 2007 was stress management for all employees. It developed a series of seminars for employees on the topic. Regarding this issue it increased its focus on soft (i.e. non-cash) benefits and managers' competence coaching and leadership, it decreased the long-term absence rates, it allowed HR to focus on strategic workforce planning and development issues, it developed HR and management competencies, and it structured the approach to deal with stress.

The sustainability report of 2011 mentions that Canon organized seminars for managers in China and Vietnam and intercultural training seminars at operational sites in Europe. In addition, research shows that there has been a shift from reporting on basic needs to reporting on intellectual improvement. The Canon Europe Sustainability Report 2010-2011 shows its active encouragement for employees to have a healthy work and life balance. But greater emphasis is given to education, development and performance. As almost three-quarters of the employees expressed their overall satisfaction with working for Canon, apparently Canon met their needs and it is time for Canon to set higher goals.

To sum up, in the case of Canon and CSR it is about meeting the legal requirements and also exceeding the minimum CSR standards. This brief overview has focused on employee matters as problems in other areas of CSR were not addressed in the available resources. The case study presents a change in Canon's CSR reporting from a reactive to an active approach.

Questions

1. Has the efforts taken by Canon to reduce the stress of employees been fruitful? Express your opinion.
2. Canon does not only resort to ethical compliance but also seeks to reach out in terms of environmental concerns and employee welfare. Do you agree?
3. Discuss in detail how the nature of Canon's CSR has evolved over the years.

Case Study-5

Havell's India Limited

Havells India Limited, a leading manufacturer of FMEG and power distribution equipment, is a globally renowned Indian brand today. The owner of the company, Qimat Rai Gupta, acquired a small electrical goods company named Havells in the year 1971, under the QRG Group. He had a vision of converting this small business into a superior electrical goods manufacturing plant in India.

The brand, since then, saw several mergers and acquisitions to become a global FMEG leader. In the year 2015, Havells successfully acquired a place in the world's top five lighting companies. The company runs more than 500 exclusive brand showrooms across the globe, under the name 'Havells Galaxy'. It has also pioneered the doorstep service concept in FMEG market facilitated through 'Havells Connect'.

The brand is currently valued at USD 1.4 billion, which shows the success and growth of the company from a local brand to becoming a global entity.

Havells India's Mid-Day Meal Program

In the year 2004, Havells researched to find out the logic behind unavailability of sufficient human resource for its Alwar Plant. It encountered the problems of poverty, malnutrition and illiteracy in the region. The study showed that children work in the farms instead of going to school, to earn a living. It was a challenging task for the families of Alwar, Rajasthan to get sufficient meals twice a day, which made them starve and malnourished. The most affected of all were the children of this region.

Havells decided to deal with this situation by aiming at 'Zero Hunger' in the Alwar region. The brand joined hands with the Rajasthan government to initiate a mid-day meal program in various government schools of the district.

The food is prepared in the company's state-of-the-art kitchen spread across 4 acres of area, engaging a workforce of 160 people. Havells made sure to give his best by ensuring proper control over procurement of grocery, food preparation, raw material storage and supply of prepared meals to schools. The brand made sure that the diet chart approved by the government is strictly followed and proper hygiene and food quality are maintained.

Havells initially served 1500 students of 5 schools, and later the number increased to 60000 children studying in 693 schools in the Alwar district. The main idea behind this program was to motivate children to go to school by providing them with a nutritious, hygienic and fresh food as an afternoon meal daily. This initiative had met two primary CSR goals, i.e., child education and malnutrition.

Impact of Havells MDM Program

The mid-day meal program brought a significant improvement in the conditions of the people in Alwar. It improved the overall health of the children and thus, transformed their lives by directing them towards a better future.

Havells Other Corporate Social Responsibility Activities

The company came up with many different CSR activities to confront the various social and environmental issues. Some of these are as follows:

WASH (Water, Health and Hygiene) Programme

To improve the sanitation condition, Havells constructed more than 4000 eco-friendly bio-toilets in around 400 government schools, across the Alwar district, under the WASH (Water, Health and Hygiene) program. These toilets used the technology of DRDO (Defence Research and Development Organization) to transform human waste into water and biogas, with the help of special bacteria.

Sensitization Workshops

The brand organized workshops for the students, teachers and parents to spread awareness about the WASH program. The primary objective of this activity was to educate people and bring about a change in their perception and behavior towards cleanliness and hygiene. The company also invested in the maintenance and cleaning of the bio-toilets.

Preserving Heritage

The company connected with the AKFI (Aga Khan Foundation India) to donate funds for the construction of the Humayun's Tomb Interpretation Center at Delhi; and also for the preservation of the 'Sabz Burj', a national monument in Delhi.

First 'Water Positive Company'

Being responsible towards water conservation, Havells made sure that all its plants are installed with the modern water harvesting systems and zero discharge facilities. The company's constant monitoring, measuring and controlling has decreased its water consumption to an optimum level.

Tree Plantation

Havells has also contributed towards environmental protection by creating a 'Kanya Upvan', for planting a tree on the birth of a girl child, in Alwar, Rajasthan. Moreover, the brand has planted more than one lakh trees in Bhopal and Neemrana. Along with fifty thousand plus trees in Alwar and Baddi.

Bench Donation

The company has also innovatively utilized its wooden scrap for manufacturing furniture. This furniture is donated to government schools for better infrastructure. Havells has given out more than 2000 sets of benches till date, to the schools in Neemrana, Alwar and Haridwar.

Skill Development

The brand has focused more on the growth of the nation's children and youth. Thus, it has opened Electrical Skill Development Center at ITI, technical schools located at Nagaon, Assam and Pusa, Delhi. It also funded the construction of two classrooms at ITI located in Kangra, Himachal Pradesh.

Health Care

Havells adopted two children suffering from genetic disorder 'thalassemia' and funded their expensive 'Bone Marrow Transplant' procedure. The company also provided complete financial assistance for their treatment.

Kerala Relief Fund

In the year 2018, Kerala was struck by worst flood situations. The employees and dealers of the Havells India Ltd. contributed towards

Kerela Distress Relief Fund, a sum of rupees five crores for the flood victims.

Questions:

1. Identify the primary goal of the CSR programs run by Havells India Limited.
2. Appraise whether Havells India's CSR initiatives focused on sustainability.

Case Study-6

Open Doors Initiative of Ireland

The Open Doors Initiative is a collaboration of Irish businesses, organizations and NGOs.

This Initiative provides opportunities to some of the marginalized members of the society:

- Refugees and asylum seekers
- Young people under 25 with educational barriers.
- People with a disability

In Ireland these groups face higher barriers to employment than most others.

In September 2018, 14 Irish employers came together with a plan to address these issues and support people from these three groups in Irish society into employment. The Government is fully supportive of the Open Doors Initiative.

The benefits of the initiative will be two-fold – it will open up the labor market to some of those who have been unable to access it; and in doing so it will attract and retain future workforces.

The CSR dimensions of the initiative

Community – work with participants from all over Ireland and the local communities around the business and organizations who are part of the initiative. Help new communities in Ireland such as Refugees and Asylum seekers and more established ones such as people with disabilities.

Workplace – many employees of the companies and organizations are directly involved in running programs or mentoring. It is seen as very beneficial for diverse and inclusive employee engagement and retention.

There is also shared knowledge between the different companies and organizations.

Marketplace – all partners are encouraged to engage with their supply chain and customers and bring them on board as members to further scale up the work of the initiative. Shared knowledge between all partners.

In less than a year, the initiative has run over 89 programs which help participants to train and get practical experience and secure employment. Over 1,450 participants have taken part in programs run through 35 companies and 18 supporting partners.

Questions

1. Analyze the SDG's addresses by Open Doors Initiative
2. Examine whether the initiative resulted in a win-win situation

Case Study-7

Ikea's Social Investment

With the enormous number of conflicts all over the world, the situation for refugees is becoming increasingly serious. Many refugee camps cannot handle the rising numbers of people seeking shelter. As stated by the United Nations High Commissioner for Refugees (UNHCR), there are 51.2 million forcibly displaced people, and 16.7 million refugees have had to leave their native countries. Therefore camps often struggle to provide humane conditions. Often even basic necessities like lighting and electricity cannot be provided in refugee camps, which can also make it very difficult to arrange social gatherings in which solutions to the current situation can be discussed. Furthermore, access to education for children is also limited. When days end at sunset, there is less time for them to study. Yet education is the major key to development. There is a need for social investment to provide an environment where refugees can find innovative solutions to their problems.

Many companies as well as governments are in a position to offer this social investment, which indeed can form part of CSR strategies in general and contribute to the development of a socially sustainable world. The partnership of the IKEA Foundation and the UNHCR is a good example of social investment as part of CSR. Until the end of March 2015, IKEA is conducting its 2nd annual social investment campaign, donating £1 for each light bulb sold. This money is used to install solar street lights and provide solar lanterns for refugees. The focus of this campaign is on camps in Jordan, Chad and the Sudan, where the quality of life is seriously affected by the absence of light and electricity. People traumatized by the horrors of war are especially sensitive to the dark, and therefore providing light as part of a social investment strategy can create an environment that enables refugees to harness their creativity.

The initiative simultaneously reduces the risk of crime and sexual violence; unfortunately unlit streets are still a dangerous environment for women in all parts of the world, and stressful situations such as those in the camps increase the likelihood of violence. By installing solar street lights, refugee camps can become safer places. IKEA's social investment scheme is thus also attempting to improve access to education for young women and girls, and in this way contributes to women's empowerment. A society to which people can contribute regardless of their gender or sexual orientation fosters innovation and diversity, and these, it is recognized, are drivers of development. Therefore by enabling activities after sunset, this social investment initiative helps families to make a living. As the average time people have to spend in these camps is 17 years, making the experience as humane as possible is a positive social step and one seen by many to be mandatory. The IKEA Foundation is the largest private donor of the UNHCR.

Apart from donating money, IKEA also cooperates with the UNHCR to share its knowledge in logistics, packaging and design. This knowledge can be of great value for developing new refugee camps. The installation of renewable energy sources in the camps is also one of the elements of IKEA's social investment. In general, IKEA tries to provide refugees with a more humane environment, thereby assisting them to develop ways to improve their current situation.

Questions:

1. Examine the impact created by IKEA because of the CSR initiative
2. Justify the investment made by IKEA in this initiative from the perspective of a business

Case Study – 8

Emirates Airlines: Strategic Reach out Programme

The Emirates Airline Foundation, launched in 2003, is a non-profit organization formed by the Emirates airline. It aims to provide healthcare, food, education and housing for disadvantaged children across the network covered by the airline. It is run under the patronage of His Highness Sheikh Ahmed bin Saeed Al Maktoum, the chairman and chief executive of the Emirates Airline and Group. Decisions regarding which projects are to be targeted rest with the board of directors, comprised of senior Emirates Group management. For the purposes of this research attention will be paid to a number of the Foundation's activities that are specifically concerned with healthcare.

The projects are primarily located at destinations within the Emirates network as this facilitates the voluntary contribution of local airline staff to the projects and initiatives. The staff work in many cases with assistance from local communities.

In addition to its own charity activities, the Foundation encourages donations of Skywards Miles by its passengers; these loyalty scheme points contribute to complimentary airfares for doctors and other aid workers traveling on humanitarian missions. Global organizations which have benefitted in this way include Operation Smile, Operation Straight Spine, Australian Doctors for Africa and Global Nurse Initiative and many others.

The Lady Ridgeway Hospital for Children, Colombo, Sri Lanka: the Foundation's work began here in 2008 with the provision of repairs and funds for the hospital's intensive care unit. The unit has been entirely refurbished with new furniture and equipment. More recently a vacuum plant has been installed which supports life-saving equipment. Medical disposables are also provided and due to the facilities now in situ many more children are being treated successfully and mortality rates are dropping. In September 2014 the Foundation donated a new ambulance to the hospital.

(SDG 17, Partnerships for the Goals)

Fikelela: Fielela, meaning 'reach out' in Xhosa, is an outreach program running in South Africa to serve the disadvantaged. It was founded in 2000 and is situated in Mandela Park, Khayelitsha. It focuses particularly on the nursing back to health of abandoned, neglected or orphaned children; they are provided with anti-retrovirals and offered educational and development programs. Fikelela aims to reunite children with their families, or when this is not possible place them in foster homes which are screened and monitored by social workers. (SDG 3, Good Health)

The Emirates Friendship Hospital Ship: This floating hospital provides medical assistance to more than two million people affected by monsoon flooding in the most deprived region of Bangladesh. The Foundation financed the vessel for Friendship, the registered NGO which runs the hospital. The facility covers a 250-kilometer-long stretch of the River Brahmaputra which is an area renowned for its inaccessibility and lack of medical aid. The hospital is equipped with primary health care facilities, two operating theaters, two eight-bed wards, and various specialist units. Free medicine is provided by the dispensary. In the period January – September 2014 over 50,000 patients were treated on the ship. (SDG 3, Good Health)

Herewith a collection of international case studies of best practices.

Question:

1. Apparaise the best practices with respect to CSR done by Emirates Airline which can be followed by other corporate?

Case Study – 9

Method Inc Ocean Plastics

At the turn of the millennium, Adam Lowry and Eric Ryan – who had been friends since childhood – put their heads together and decided to revolutionize the cleaning product market with stylish, eco-friendly & people-friendly products made with nontoxic ingredients that "clean like heck and smell like heaven."

Since then, Method has grown to become a 100 million dollar company with a wide range of sustainable cleaning products in stores across the US, Canada and the UK. The company has in some ways only just begun its journey to prove that sustainability minded business can be a powerful force for good in the world…

"When you study the problem of ocean pollution – which is mostly plastic – what you learn is that the only real solution is prevention. As you and I know, there's no practical way of going there and cleaning up the Great Pacific Garbage Patch. It's not an island; it's a soup, so the main issue is that any clean-up effort is impractical. The real solution is preventing the plastic from getting into the ocean in the first place. And if you're going to do that, one of the very best ways to do it is to simply use the plastic that's already on the planet.

However, recycling rates in the US and UK are very low. It's estimated that less than half – perhaps as low as 25 percent – of plastics, get recycled, which means for every pound of plastic that's recycled, three pounds end up in landfills or in the environment somewhere. So what we need to get better at is closing the material loop, and using the plastic that's already on the planet.

Interview with the Co-Founder:

This is something that Method has done for many years. There is no virgin plastic material in any of the PET we make. On its own, this is not something that's very interesting for the mainstream consumer to think about. So what we wanted to achieve through the ocean plastic project was to simultaneously raise awareness about this important issue and point to the solution. Essentially, we have created a product that people said would be impossible. People would say there's no way you can take plastic out of the middle of the ocean and make usable, recyclable packaging from it. Well, we've done just that, and you can buy it at your regular supermarket. By demonstrating that the impossible is possible, we're removing the excuse that any company has for not using 100 per cent post consumer recycle plastic, like we do."

Questions:

1. Align the strategy of this organization with SDG

2. Interpret the long run effects of the practices of Method Inc.

Case Study – 10

International Medical Center , Jeddah- Workplace wellbeing at IMC, in Jeddah, KSA

Work on the International Medical Center (IMC) in Jeddah, KSA began in 1998 under the leadership of Dr. Walid Fitaihi, following an idea conceived in 1993. The Center is now a state-of-the-art facility which exceeds international standards and is renowned for its sense of well-being. In 2012 the IMC was awarded the Hospital Build and Infrastructure Award, and it has also received the Makkah Award of Excellence. CSR features are seen to meet both the prime organizational purpose – healthcare for the population – and simultaneously provide valuable, desirable, and supportive job environments, including:

Community well-being:

Originally a landfill site, the hospital park has been developed as a natural oasis for everyone in the local community to enjoy. Maintenance is carried out by IMC employees and the hospital has constructed a water purification facility in recognition of the need for water in the Jeddah community.

The water used within the hospital is recycled by being purified and then used for the maintenance, cleaning, and irrigation of the park. Thanks to this facility, no sewage flows out of the IMC.

Staff support and development:

The IMC is committed to providing support and development to its employees. All units and departments strive to excel in their respective fields and provide a warm welcome to new staff.

All personnel are aware of the need to function positively in a multinational and multicultural environment and there are regular social events which help to foster a sense of community, respect, and dignity. The proportion of male and female employees is approximately 50-50 and their ideas are considered and evaluated through a well-moderated “Ideas Bank”.

The Patient Education Center:

This is to be found in the center of the foyer and expresses the IMC's commitment to patients. Here public health educators listen to patients and their families and answer questions. Books and videos are also available to help patients learn more about their illnesses and treatment options.

The IMC has made this facility available because it recognizes the results of countless studies, namely that patient involvement in the decision-making process strengthens confidence in treatment, promotes a good doctor patient relationship, and provides hope. These are factors which greatly increase the chance of recovery.

A healthy environment:

Even the architectural design of the IMC is intended to enhance the healing process and provide a general sense of well-being for patients and everyone working there. There is plenty of natural light, and a calm, serene atmosphere is stimulated by calligraphy, mosaics and color schemes. Lush vegetation creates a hanging garden effect, and the hospital gardens themselves feature a labyrinth engraved in marble. This is designed to be followed in an anti-clockwise direction, thereby resembling the Tawāf around the Kaaba in Makkah and bringing peace of mind, improved concentration, and mental clarity. The IMC states that it is the first private hospital in KSA to introduce a labyrinth in this way.

Question:

1. Identify the best practices of IMC and analyze how they contributed towards employee well-being.

Model End Semester Examination Question Paper

Master of Business Administration (MBA)

Course Code: **DCMBA-27**

Course Title: **Corporate Social Responsibility and Sustainability**

Max. Marks: 70 **Time: 3 hours**

PART – A (10x2 =20 Marks)

Answer any TEN questions out of TWELVE questions

[All questions carry equal marks]

(1).What is meant by Corporate Social Responsibility (CSR)?

(2).List some of the CSR measures of organisations towards society?

(3).Analyse the duty of the state according to UNGP?

(4).Justify the relevance of human rights.

(5).Outline the main provisions of ISO 26000.

(6).Identify the focus of CSR Legislations around the world?

(7).Explain qualifying CSR activity?

(8).List some of the permissible deductions.

(9).Predict Civil Society pressure as a driver for CSR?

(10).Criticize the reliance of government towards private enterprises in nation building.

(11).Deduct how Public sector enterprises dispense CSR.

(12).Define stake holder theory.

PART – B (5X8=40 Marks)

Answer any FIVE questions out of SEVEN questions

[All questions carry equal marks]

(13).Discuss in detail Caroll's CSR Pyramid.

(14).Discuss in detail the five driving forces of CSR.

(15).Elaborate in detail about any 5 SDGs

(16).List the regulations laid down regarding appointment of Directors in Section 135 of Companies Act.

(17).Discuss in detail how trade unions ensure that the working population are not deprived of their rights.

(18).Evaluate the Global Compact Self-Assessment tool.

(19).Formulate the contemporary issues in CSR and MDGs.

PART - C (1x10=10 Marks)

CASE STUDY (Covering the Whole Course)

(20).Case Study

Walmart

Walmart's profile

Walmart Supercenters (hereafter Walmart) has a full offering of groceries and general merchandise in a single store. Walmart offers to its customers a one-stop shopping experience and is the largest private employer in the US as well as being the world's largest retailer. It has more than 10,130 retail units under 69 different banners in 27 countries. They all share a common goal: 'Saving people money so they can live better'. Walmart employs 2.2 million associates' worldwide and generated net sales of $ 443 billion during the fiscal year of 2012. Walmart was founded in 1962, with the opening of the first Walmart discount store in Rogers, Arkansas (US). The company was incorporated as Wal-Mart Stores, Inc. on 31st October 1969. The company's shares began trading on OTC (Over-The-Counter) markets in 1970 and were listed on the NYSE two years later.

Walmart's CSR policies and reporting

Several authors have pointed to Walmart as an important emerging private actor in the transformation of lawmaking in the CSR field, referring to it as a 'global legislator.' They highlight how Walmart is able to use its contractual relationships to regulate behaviour among its suppliers around the globe with respect to product quality, working conditions for the suppliers' employees, and ethical conduct. Since2007 Walmart publishes its annual report on its website. It was initially called the 'Global Sustainability Report' and later changed to 'Global Responsibility Report' in 2011. Mike Duke, Walmart's CEO (Chief Executive Officer), says 'This change reflects the new social and environmental dimensions we have added to our efforts. We believe transparency and accountability are part of being a good and responsible company.' Walmart's annual report publishes its constant and progressive work towards social responsibility issues. The Global Responsibility Report 2011 is divided into three main reporting parameters: Environment, Social and Goals.

Walmart's 2011 report covers every corner of CSR issues. It points out how its successful 'Sustainability 360' model has helped Walmart to be the retail leader in the market. It also communicates the significant progress made by and the new reduction goals of greenhouse gas emissions of its supply chain by 2015. Walmart's financial contributions in kind, such as investments in education, health, commitments to fight hunger, support for local farmers and access to healthier and affordable food, can also be found in Walmart's Global Responsibility Report 2011. Walmart's current performance, policies and financial figures at first sight portray Walmart as a role model company on CSR.

Walmart's conflicts

Walmart has faced many obstacles over the years. It seems that legal and social challenges have acted as important reasons for the development of its code of conduct and annual reporting. This statement can be illustrated in two relevant cases: Walmart Stores Inc. v. Dukes et al. and the press reports accusing Walmart of using child labour.

Walmart Stores Inc. v. Dukes et al.

Walmart Stores Inc. v. Dukes et al. started a decade ago and is still being heard by the US Courts. It commenced as a national class action against Walmart. Plaintiffs Betty Dukes, Patricia Surgeson, Edith Arana ('plaintiffs'), on behalf of themselves and others similarly situated, allege that female employees in Walmart and Sam's Club retail stores were discriminated against based on their gender. They stated that they were discriminated against regarding pay and promotion to top management positions, thereby violating the Civil Rights Act of 1964 (42 U.S.C. §§ 2000e et seq. of Title VII). In 2004, the US District Court for the Northern District of California certified a national class of female employees challenging retail store pay and management promotion policies and practices under the Federal Rule of Civil Procedure Article 23(b)(2). Walmart appealed to the Ninth Circuit in 2005, arguing that the seven lead plaintiffs were not typical or common of the class. Walmart appealed to the Supreme Court in August 2010 after the US Court of Appeals for the Ninth Circuit upheld class certification. Finally, the situation changed on 20 June 2011 when the US Supreme Court reversed the class certification.

The Court held that the nationwide class certification approved by the lower courts was not consistent with the Federal Rule of Civil Procedure Article 23(a) governing class actions. Justice Antonin Scalia concluded that the millions of plaintiffs and their claims did not have enough in common: 'Without some glue holding the alleged reasons for all those decisions together, it will be impossible to say that examination of all the class members' claims for relief will produce a common answer to the crucial question why I was disfavored. Dukes v. Walmart Stores, which in 2001 was estimated to comprise more than 1.5 million women, included all women employed by Walmart nationwide at any time after 26 December 1998. It would have been the largest class action lawsuit in US history. Despite the Supreme Court resolution, time, money and efforts invested up to this point, the case did not end there. In October 2011, the plaintiffs' lawyers filed an amended lawsuit limiting the class to female Walmart employees in California. This suit is expected to be the first of many additional class- action lawsuits against the retailer at the state or regional level. The new lawsuit, filed in the US District Court for the Northern District of California, alleges discriminatory practices against more than 90,000 women regarding pay and job promotion as well as requiring non-discriminatory pay and promotion criteria.

Walmart caught using child labour in Bangladesh

At the end of 2005, the Radio Canada programme Zone Libre made public the news that Walmart was using child labour at two factories in Bangladesh.89 Children aged 10-14 years old were found to be working in the factories for less than $50 a month making products of the Walmart brand for export to Canada.

Referring to Walmart's policy at that time consisting of cutting ties with suppliers when violations occurred, the NGO Maquila Solidarity Network said that 'cutting and running is the worst possible response to reports of child labour or other sweatshop abuses'. Critiques said that it only discourages workers from telling the truth to factory auditors for fear of losing their jobs and encourages suppliers to hide abuses or to subcontract work to other factories that will escape inspection.

Nevertheless, Walmart ceased business with the two factories immediately. Walmart alleges that despite its effort to inspect all factories, it is difficult to enforce its own corporate code of conduct with thousands of subcontractors around the world.

Walmart's CSR policies post-conflicts

Walmart developed its first Code of Conduct (COC) 'Standard for Suppliers' in 1992, which mainly focuses on quality standards for suppliers only. However, Walmart's first general report ('Report on Ethical Sourcing'96), which includes suppliers, customers and associates, was generated in 2006. This report was elaborated after the filing of the lawsuit by the female employees in 2001 and the damaging campaigns and press publications accusing Walmart's suppliers in Bangladesh of using child labour. Walmart's reporting culture was imitated by the rest of the companies in the market. Nowadays, Walmart has been qualified as a ‘global legislator’ in CSR policies.

The 2005 Report on Ethical Sourcing reported that Walmart had ceased to do business with 141 factories, primarily because of underage labour violations. The Report also contains a chart with the main violations found during the audits. Gender discrimination was not mentioned at any stage throughout the whole document. Walmart’s 2005 and 2012 COC ‘Standard for Suppliers’ explicitly establish that Walmart would not tolerate the use of child labour. The 2005 COC sets the age of 14 as the minimum age for suppliers and subcontractors to hire workers. It also specifies non-discrimination on the basis of gender and other personal characteristics or beliefs. It is important to highlight that gender discrimination was not given any special treatment in the 2005 COC or in the general report.

Walmart’s zero tolerance policy for underage workers was changed in 2005.If a single underage worker was found in a factory, Walmart ceased business ipso facto. At the beginning of 2005, if two underage workers were found, the factory would receive a warning and had to change and correct in the follow-up audit. If more than two underage workers were found or the company did not make corrections, the factory was permanently banned from Walmart’s production. This decision was based on NGO advice from the Bangladesh case mentioned in the above section. If Walmart cuts business with these factories, many workers could be laid off for lack of production, suppliers will hide abuses and workers will not tell the truth to auditors in order not to lose their jobs. Walmart has a strict corporate code of conduct in the industry but according to investigations Walmart is not able to enforce its code in developing countries.

Currently, Walmart publishes a full and complete report on CSR issues called ‘Global Responsibility Report’ which covers the three dimensions of ‘People, Planet, Profit’. This report emphasizes gender equality and a diverse workforce. Walmart has a Gender Equality and Diversity gender policy that can be found in its ‘Global Responsibility Annual Report’. In 2009, Walmart took the commitment one step further with the incorporation of the Advisory Board on Gender Equality and Diversity. The board is aimed at providing equal and enhanced opportunities for all in top leadership roles. These policies have generated an increase in female officials and managers from 23,873 employees in 2005 to 25,246 employees in 2010.

Walmart has also committed itself to achieving three goals in its Sustainability Report: using 100% renewable energy, creating zero waste, and selling products that sustain people and the environment. These criteria are established and measured by Walmart at the end of the 2012 report. Walmart indicates every year its completed goals and the progress in the ones that have not yet been achieved. An example of quantifiable measures is creating a zero waste Walmart by eliminating landfill waste from US stores by 2025.

Although Walmart does not follow the GRI Guidelines, it has measurable targets on audits. For instance, Walmart requires its suppliers who produce toys in China to sign up to the ICTI CARE Process.108 The ICTI CARE Process was created by the international toy industry to achieve a safe and human working environment for toy factory workers worldwide. In addition, Walmart conducts internal validation audits by Walmart's Ethical Sourcing team. These validation audits ensure that the ICTI CARE process is properly implemented and that it meets Walmart's Standards for Suppliers.

Questions

1. How did Wall Mart handle the child labour issue in Bangladesh? Was it ethical?
2. Do you think that Walmart has rebuilt its reputation over the years by practicing CSR and through compliance?

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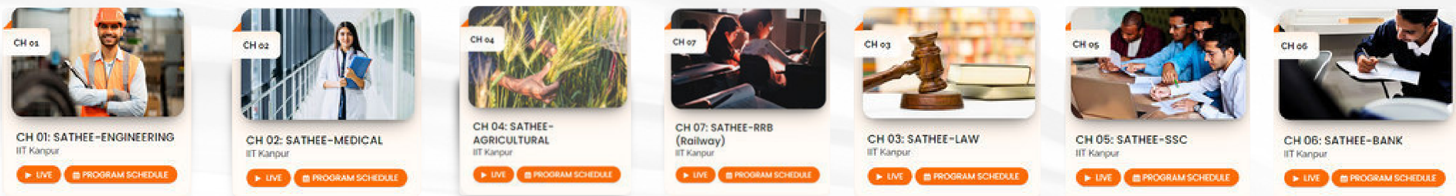

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