



**MASTER IN
MANAGEMENT STUDIES
SEMESTER - IV**

**MANAGEMENT OF CORPORATE
SOCIAL RESPONSIBILITY
IN ORGANIZATIONS**

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CONTENTS

Chapter No.	Title	Page No.
1.	Definitions, Concept and International Framework of CSR	1
2.	History and Evolution Of CSR.....	16
3.	Issues in Indian Economy and Social Development	32
4.	CSR and Companies Act 2013	49
5.	CSR Policy - Preparation and Process of Policy Formulation	61
6.	Implementation of CSR Policy	77
7.	Monitoring and Evaluation of CSR Programmes.....	92
8.	Corporate Social Responsibility Audit	107
9.	Reporting Framework of CSR.....	122
10.	Brand Building and Corporate Image.....	137
11.	Role of Stakeholders in the Implementation of CSR	153
12.	Corporate Governance and CSR	168
13.	Sustainable Development and CSR.....	184

**MASTER IN
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**MANAGEMENT OF CORPORATE SOCIAL
RESPONSIBILITY IN ORGANIZATIONS**

SYLLABUS

Credits	:	4	Duration in Hrs.	:	40
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Learning Objectives

According to Companies Act, 2013, at least 2% of a company's average net profit of immediately preceding three financial years has to be spent on CSR activity. However, this expense is subject to compliances of the guidelines prescribed under company law. CSR professionals with sound knowledge only can help companies benefit from the expenditure and provide a detailed analysis of spending and the impact it is creating on the targeted beneficiary as well as the bottom line of the company.

This course work will enable professionals to manage and drive CSR in their respective organizations.

Prerequisites if any	
Connections with Subjects in the current or Future courses	Corporate Social Responsibility – Semester II

Module

Sr. No.	Content	Activity	Learning outcomes
1	Definitions, Concepts and International Frameworks of CSR Definitions and meanings of Corporate Social Responsibility, Business at the bottom of the pyramid, International frameworks of CSR	Case Study/ Role Play/ Group Discussions	Basic Concepts of CSR and its relevance to the organization
2	History and evolution of CSR (International and Indian) History and evolution of CSR (International Generic) History and Evolution of CSR (Indian History - Detailed) – from philanthropy to public-private- people partnerships Evolution of Indian CSR framework (Pre Companies Act 2013)	Case Study/ Role Play/ Group Discussions	History and evolution of CSR in the international arena as well as Indian context

Sr. No.	Content	Activity	Learning outcomes
3	Issues in Indian Economy and Social Development Government Expectations, Roles and Responsibilities Issues of poverty, unemployment, unskilled labour, sanitation, immigration to urban areas and economic and social divide. Key international CSR initiatives of governmental or intergovernmental bodies	Case Study/ Role Play/ Group Discussions	Knowledge about key economic and social issues in India Introductory knowledge about CSR initiatives by govt. and NGOs
4	CSR and Companies Act 2013 Detailed reading, analysis and interpretation of Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014	Case Study/ Role Play/ Group Discussions	Detailed knowledge about provisions for CSR in the Companies Act 2013
5	Preparation of CSR Policy Process of Policy Formulation Constitution of CSR committee as per legal guidelines Conducting CSR Assessment Preparing CSR strategy framework Tools, technical guidance and standards to be used for policy formulation Determining the implementation mechanism	Case Study/ Role Play/ Group Discussions	Introduction to the process of CSR policy preparation
6	Implementation of CSR Policy Project and Programme Mode Operationalizing the institutional mechanism Different modes of implementing the CSR strategy Decision making criteria Due diligence of implementation partner Project development and approval Finalizing the arrangement with the implementation agency	Case Study/ Role Play/ Group Discussions	Detailed knowledge of methods of implementation of CSR Policy

Sr. No.	Content	Activity	Learning outcomes
7	Monitoring Mechanism and Tools Social Impact Assessment Evaluation (Concurrent and Final Evaluation) Determining mid-course corrections Recommendations for future project designs Identifying methods for conducting the impact assessment Identifying the skills set required for the impact measurement team Tools, technical guidance and standards to be used (London Benchmarking Group(LBG) model • Social return on investments (SROI), The SROI network • Global impact investing network (GIIN) • Accountability -: AA 1000, Institute of Social and Ethical Accountability • ISO 26000: social responsibility • Public consultation guidelines of Government of India)	Case Study/ Role Play/ Group Discussions	Introduction to various tools for monitoring and evaluation of CSR programmes
8	CSR Audit The inclusion of all significant stakeholder groups in the auditing process Diversity in individual perceptions of CSR The shortcomings of the ‘tick-box’ approach to auditing CSR Development of CSR Stakeholder matrix	Case Study/ Role Play/ Group Discussions	Detailed knowledge of conducting a CSR Audit
9	Reporting Framework Importance of reporting G3 guidelines for CSR SEBI directive on ESG disclosure (if applicable) RBI guidelines on CSR, sustainable development and nonfinancial reporting	Case Study/ Role Play/ Group Discussions	Detailed knowledge of preparing CSR reports
10	Brand Building and Corporate Image Brand differentiation Corporate Reputation Corporate Social Marketing Branding as a tool for CSR	Case Study/ Role Play/ Group Discussions	Introduction to branding and using it as a tool to promote CSR
11	Role of Civil Society Role of Social Entrepreneurs Role of Supply Chain Role of banking/Investors	Case Study/ Role Play/ Group Discussions	Introduction to role of citizens, banks etc. in the implementation of CSR

Sr. No.	Content	Activity	Learning outcomes
12	Corporate Governance and CSR Definition of Corporate Governance Scope and benefits Principles of Corporate Governance Governance Metrics International (GMI) World Bank and G7 Response Government as Shareholder: The Institutional Investor as Proxy for the Public Interest	Case Study/ Role Play/ Group Discussions	Introduction to Corporate governance
13	Sustainable Development Concept of sustainable development Preparing Sustainability Report	Case Study/ Role Play/ Group Discussions	Introduction to sustainability and preparation of sustainability report

Text books

1	Corporate Social Responsibility: Concepts and Cases : the Indian Experience By C. V. Baxi, Ajit Prasad
2	Handbook of Corporate Social Responsibility in India: PWC and CII

Reference books

1	Key Concepts in Corporate Social Responsibility By Suzanne Benn, Dianne Bolton – Sage Publications
2	Corporate Social Responsibility, Entrepreneurship, and Innovation By Kenneth Amaeshi, Paul Nnodim, Osuji Onyeka - Routledge
3	Corporate Social Responsibility and Sustainable Development in Emerging ... edited by Dharendra K. Vajpeyi, Roopinder Oberoi – Lexington Books
4	Empowering Organizations through Corporate Social Responsibility edited by Wolf, Ruth, Thedora Issa and monica Thiel – IGI Global
5	Corporate Governance, 5th Edition By Robert A. G. Monks, Nell Minow - Wiley
6	Corporate Social Responsibility An Implementation Guide for Business By Paul Hohnen – International Institute for Sustainable Development
7	Corporate social responsibility Audit: from theory to practice By R Morimoto, J Ash & C Hope – University of Cambridge

Assessment

Internal	40%
Semester end	60%

DEFINITIONS, CONCEPT AND INTERNATIONAL FRAMEWORK OF CSR

Unit Structure

- 1.1 Objectives
- 1.2 Introduction
- 1.3 Corporate Social Responsibility
- 1.4 Definitions and Concepts of CSR
- 1.5 Concept of Business at the Bottom of the Pyramid
- 1.6 International Framework of CSR
- 1.7 Summary

1.1 OBJECTIVES

01. Understand the concept of CSR
02. Know about the relevance of CSR in today's world
03. Understand the Concept of Business at the Bottom of the Pyramid
04. Study the International Framework of CSR

1.2 INTRODUCTION

“Profit is all that Matters”

- Anonymous

Before the evolution of the concept of corporate social responsibility, this statement was the center point of the businesses. Business is a human activity done to earn profit. The main objective of any business enterprise is to maximize the profits. With the evolution of the concept of Corporate Social Responsibility, companies realized that earning profit is not their sole objective. Earning profit for the survival and growth of business is important but satisfying the needs and wants of the society is considered more important. A corporate social responsible organization is able to gain the trust and confidence of the public.

In today's business world, the young generation of the old businesses are leading the organizations. They are aware about the importance and need of corporate social responsibility. They understand that apart from earning profit it is important to perform the duties and responsibilities towards the various stakeholders of the business. Many organizations are working on the philosophies of Mr J.R.D. Tata, he was the one who primarily focused on many responsibilities of a business towards the various elements of the

society. Tata Group of Companies never claimed that they are businessmen. They call themselves Industrialists and indicate that their main objective is to serve the society.

The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. In business reporting, the concept of corporate social responsibility is growing. An organization is a group of people who work together to achieve common goals. These common goals fundamentally involve the concept of corporate social responsibility. The concept and degree of corporate social responsibility differs from organization to organization. Corporate social responsibility works on the various models and philosophies by keeping in view the various segments of the businesses. Many businesses are integrating the concept of CSR in their core working and ensuring that the system is reflected in each and every activity of the business. In the world of business, corporate social responsibility is termed irreplaceable and unavoidable.

The term ‘Corporate Social Responsibility’ is also known as -

- Social Responsibility of Business
- Corporate Conscience
- Corporate Citizenship
- Social Performance
- Sustainable Responsible Business
- Responsible Business
- Business Governance

In the next section of this Unit, we will see the concept of corporate social responsibility in a more detailed way.

1.3 CORPORATE SOCIAL RESPONSIBILITY

1.3.1 Background

The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society. In his words, “The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

Mr. Howard Bowen put emphasis on the great power of the corporations and how their working impacts the society and the people. He advocated that businessmen should pursue such policies which should have a good impact on the common good of the people and society. He is often cited as

‘Father of Corporate Social Responsibility’. He further stated that, “Businessmen must follow those lines of action which are desirable in terms of objectives and values of our society.”

In 1960, Davis advocated that if the businesses are focusing on Corporate Social Responsibility, it may have long term benefits. In 1963, McGuire put emphasis on the concept of Corporate Social Responsibility. He stated that employees and the community should be considered first. The welfare policies and educational needs of employees should be given importance. The political needs of the society should be considered.

In 1971, the Committee for Economic Development acknowledged the role of a Manager in discharging corporate social responsibility. In the same year, Johnson mentioned with respect to corporate social responsibility that Firms must take into consideration the multiple interests of the various segments to achieve the goals of the organization and to generate profits for the long run.

In 1979, Carroll put emphasis on the economic, legal, ethical, and discretionary expectations of society. In 1984, Peter Drucker stated that to create wealth, social problems can be turned into business opportunities.

The contribution of Bowen is considered a pioneer in the field of corporate social responsibility. The activities of an organization can have a great impact on the working of the society. A Socially responsible organization is considered more safe and trusted body. The concept of corporate social responsibility is not a mere practice but it is a philosophy. It impacts the life of various segments of the society. The scope of corporate social responsibility is not confined to only having compliance and adherence with the rules and regulations but also it aims to create a more responsible and rational business model.

The previous concept of corporate social responsibility was confined to only charity and donations by the business firms. But, now the scope is widening and progressing. In the next section, we will see the meaning and conceptual framework of corporate social responsibility.

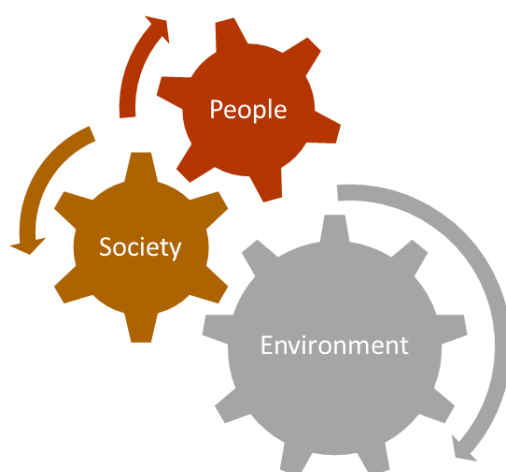


Fig. 1.1: Corporate Social Responsibility

1.3.2 Meaning

Corporate social responsibility is a business practice that involves taking care of all the aspects of the business. The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives, practices, policies and actions taken by the businesses to contribute towards the various elements of the society.

The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues. These issues cannot be compromised on the part of companies. The aim of corporate social responsibility is to create a more sustainable and ethical business model. The public recognizes the work of the companies who play a vital role in fulfilling their social obligations towards the various groups of society. The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers.

In simple words, corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The narrow concept covers the responsibilities towards the internal stakeholders -

- Owners
- Managers
- Employees

The broader concept covers the responsibilities towards the external stakeholders -

- Customers
- Consumers
- Suppliers
- Creditors
- Government
- Society

The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

The concept of corporate social responsibility is based on three principles -



Fig. 1.2: Principles of Corporate Social Responsibility

The following are the important principles of the concept of corporate social responsibility -

- 01. Sustainability:** The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The principle of sustainability puts emphasis on the businesses to work in an efficient and optimal way. Many businesses work on the principles of -
 - Reuse
 - Recycle
 - Regenerate
 - Resustain
- 02. Transparency:** The second principle of corporate social responsibility is maintaining transparency in all the working and activities of the enterprise. It is expected from businesses to maintain the financial, technical, legal and cultural transparency with the various stakeholders to work more ethically.
- 03. Accountability:** The third principle of corporate social responsibility is to be answerable for each and every act. It means the business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. Appropriate measures should be taken to protect the interest of the stakeholders. The impact of the organization should be positive on the society and its people.

Accountability aspect covers the responsibilities towards internal stakeholders and external stakeholders.

1.3.3 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate social responsibility -

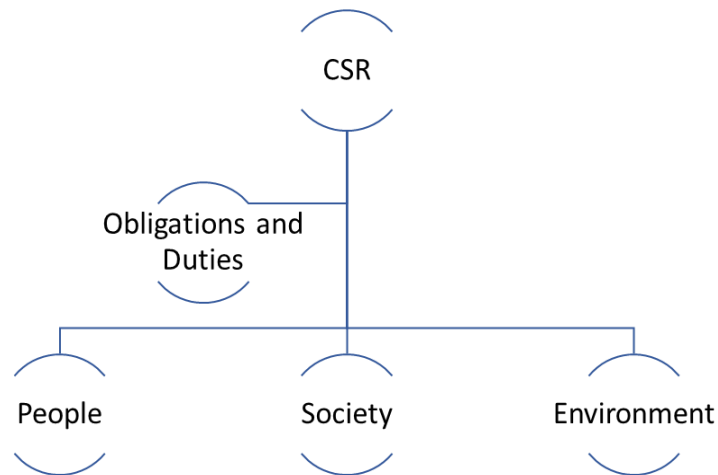


Fig. 1.3: Conceptual Framework of Corporate Social Responsibility

The concept of corporate social responsibility not only covers the element of fulfilling the responsibilities and duties but also holds companies responsible for their deeds through their work.

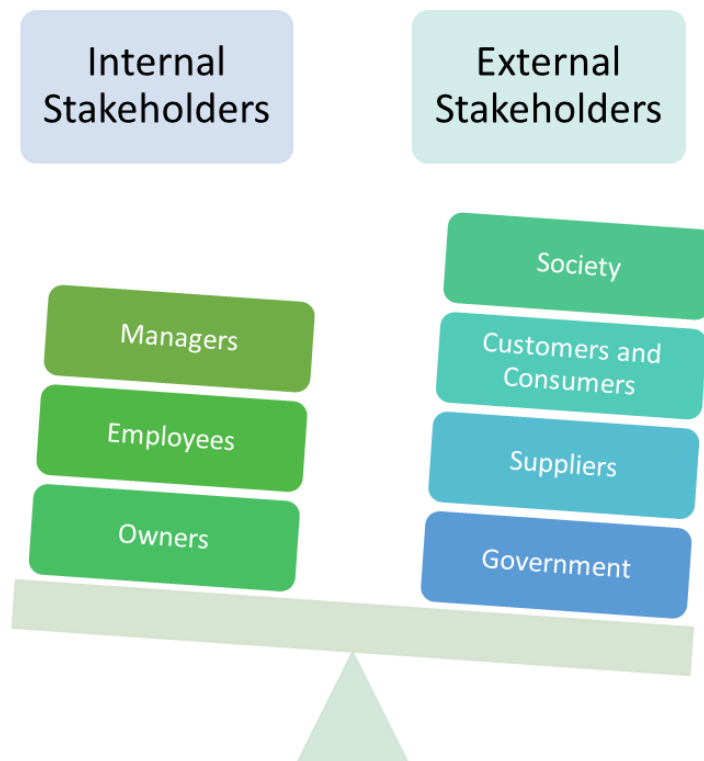


Fig. 1.4: Constituents of Corporate Social Responsibility

The following are the benefits of corporate social responsibility -

01. Positive Impact
02. Enhance Goodwill
03. Brand Reputation
04. Attract Consumers
05. Promotion of Environmental Practices
06. Improves Employee Morale and Motivation
07. Sustainable Business Model

1.4 DEFINITION AND CONCEPT OF CSR

The term ‘Corporate Social Responsibility’ is defined by many management consultants and professionals. Let’s have a look -

According to the Father of CSR, Mr. Howard Bowen, “Social responsibility is the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

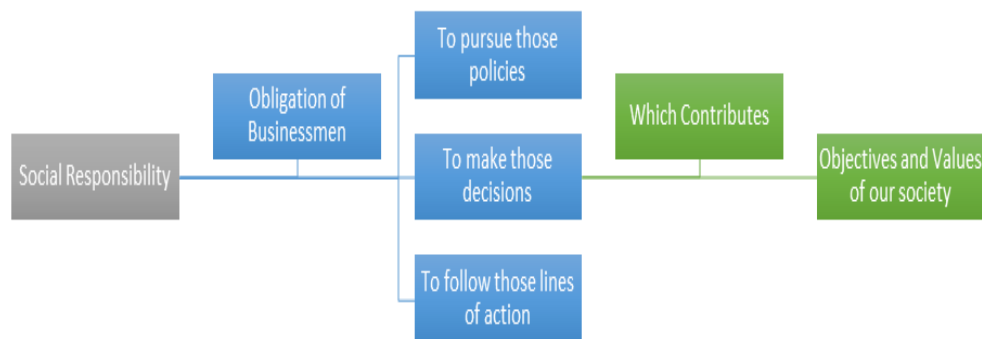


Fig. 1.5: Definition of CSR

The concept of CSR is not only confined to earning profits and meeting the expectations of the society. The concept is very broad and covers -

- sustainable practices
- Environmental Protection
- Ethical Business Practices

In the words of **Joseph W. McGuire**, “The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”.

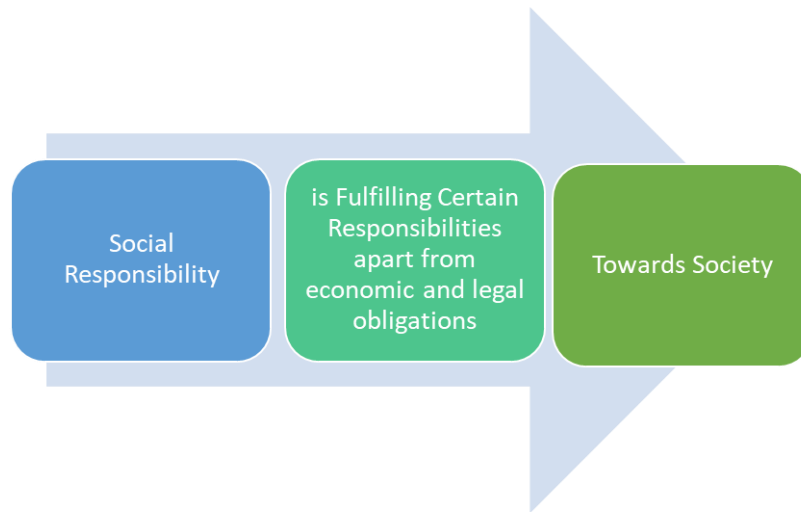


Fig. 1.6: Definition of CSR

According to **Keith Davis**, “Social responsibility is businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”.

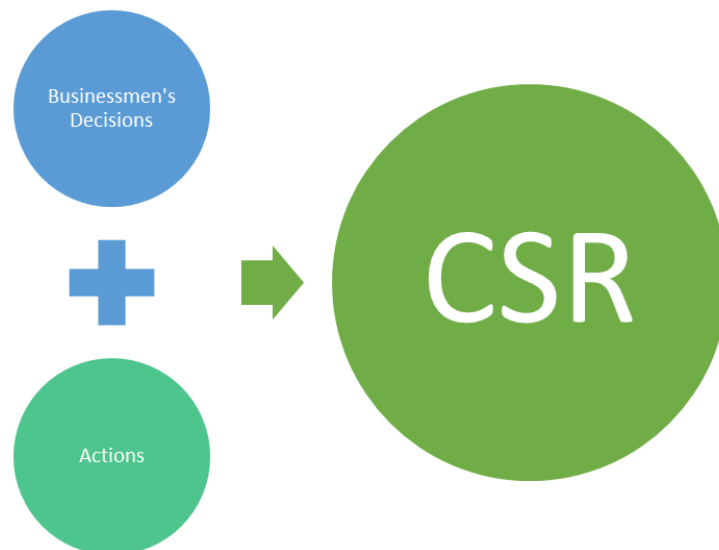


Fig. 1.7: Definition of CSR

1.5 CONCEPT OF BUSINESS AT THE BOTTOM OF THE PYRAMID

The concept of business at the bottom of the pyramid in the field of corporate social responsibility. The concept of business at the bottom of the pyramid is also known as BoP. The ideology behind the concept revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society. The people who are not in a situation to fulfill their basic needs and struggle to arrange the bread and butter comes under the category of the poorest socio-economic segment.

This idea helps the people whose earning is low by providing them the products or by fulfilling their needs. The company’s profit is used for the

economically disadvantaged population at the base of the income pyramid. In both developed and developing countries, this concept is evolving. The businesses as per this concept aim to develop the products and services at reasonable costs to cater the needs of this segment.



Fig. 1.8: Obligations of Companies Before Learning the Concept of Business at the Bottom of the Pyramid

With the help of the following explanation, we can understand this concept more thoroughly -

01. Economic Obligations : In the pyramid, the businesses always place the economic obligations on the top priority. The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first. It refers to the responsibilities and duties of an organization to create value for their employees, shareholders and society at large.

02. Legal Obligations: To run their business legally, the companies are expected to fulfill their legal obligations.

Complying the laws and regulations, employment laws, adhering to the code of conduct, protection of consumer, taking care of Intellectual Property Rights are some of the obligations, corporate are required to satisfy to avoid the legal action, law suits, fines and penalties.

03. Ethical Obligations: The concept of ethical obligations is fulfilling the moral responsibilities apart from the legal obligations. Knowing what is right, what is wrong and doing the right thing in business comes under the notion of ethical obligations. Dealing with integrity and honesty is an important aspect of business.

04. Philanthropic Obligations: The philanthropic obligations are those obligations which are kind of returnable in nature. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc.

As per the concept of corporate social responsibility, the pyramid of these obligations should be reversed. The economic obligations should be placed last and the philanthropic obligations should be placed first.



Fig. 1.9: Obligations of Companies After Learning the Concept of Business at the Bottom of the Pyramid

The above figure shows how the companies can place the philanthropic obligations above all the obligations. Taping the needs of the socially weaker population should be the aim of the businesses. While manufacturing and delivering products, they can think about delivering the goods and services at affordable prices to the segment who have low income.

The companies can work on the following principles -

- Sustainability
- Affordability
- Innovation
- Scalability
- Timeliness

The Concept of Business at the Bottom of the Pyramid aims to create a vibrant and positive impact on the society by considering the needs of the weaker section. The businesses can also create a sustainable model for earning profit and fulfilling their responsibilities.

1.6 INTERNATIONAL FRAMEWORK OF CSR

1.6.1 Framework

The international concept of corporate social responsibility indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The

international framework of CSR encourages organizations to work globally. The framework helps organizations to work more ethically at an international level. Their positive contribution to the world can set an example for other companies to fulfill their corporate social responsibility.

At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices.

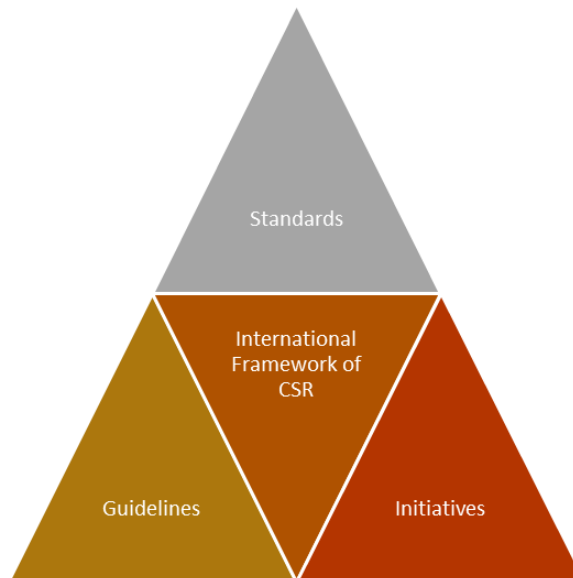


Fig. 1.10: International Framework of CSR

In the year of 2000, Millennium Development Goals known as MDGs were established at the Millennium Summit of the United Nations in 2000. These goals were set for the period from 2000 to 2015. The following goals were set -



Source: <https://www.mdgmonitor.org/millennium-development-goals/>

In 2016, the Sustainable Management Goals succeeded Millennium Development Goals. All the companies working at global level are expected

to work on these goals. Companies fulfilling their corporate responsibilities are likely to set an example for others to work in that way. This is not only going to give direction to the companies but also these goals help them to transform the world into a better place.



Source:<https://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/>

By 2030, these goals set by the United Nations are meant to be achieved to transform the world.

The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

There are several frameworks which exists to guide the CSR internationally-

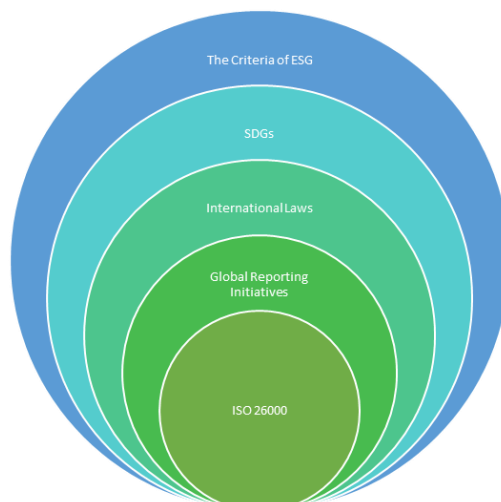


Fig. 1.11: Frameworks of CSR

- 01. ISO 26000:** ISO 26000 provides guidelines globally to the companies in the field of corporate social responsibility. ISO 26000 encourages the company to understand the concept of social responsibility.

It seeks to promote a common understanding of CSR. The key principles which governs this framework are -

- Fairness and Transparency
- Responsibility and Accountability
- Taking care of Interest of Stakeholders
- Respect for the Laws
- Taking care of International Laws and Legislations
- Respecting Human Rights
- Ethical Behavior

- 02. Global Reporting Initiatives:** Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -

- Economic
- Social
- Legal
- Environmental
- Governance Policy

- 03. International Laws and Legislations:** The area of International Laws and Legislations is very comprehensive. The standards prescribed by the International Labour Organization are observed under this framework. The various aspects of labor related rules and regulations are studied like -

- Working Conditions
- Employment
- Social Welfare Policy
- Protection of Labor Rights
- Industrial Peace and Democracy

- 04. Sustainable Development Goals:** As mentioned earlier, Sustainable Development Goals set by the United Nations are meant to be achieved to transform the world. The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale , it shows that the company

is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

Some of the goals are -

- No poverty
- Zero Hunger
- Good Health and Well-being
- Quality Education
- Gender Equality
- Clean Water and Sanitation etc.

05. The Criteria of ESG: ESG stands for -

E - Environmental

S - Social

G - Governance

Based on the ESG, the stakeholders evaluate the companies. They assess the company's environmental impact, how well they are oriented towards social responsibility, what are their governance practices? On The basis of these parameters, they make investment decisions. Companies follow this criteria to show their commitment to their stakeholders towards the various aspects of society.

1.7 SUMMARY

- The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. In business reporting, the concept of corporate social responsibility is growing. An organization is a group of people who work together to achieve common goals.
- Mr. Howard Bowen put emphasis on the great power of the corporations and how their working impacts the society and the people. He advocated that businessmen should pursue such policies which should have a good impact on the common good of the people and society. He is often cited as 'Father of Corporate Social Responsibility'. He further stated that, "Businessmen must follow those lines of action which are desirable in terms of objectives and values of our society."
- Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various

stakeholders is realized on the ground of corporate social responsibility.

- The concept of business at the bottom of the pyramid is also known as BoP. The ideology behind the concept revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society. The people who are not in a situation to fulfill their basic needs and struggle to arrange the bread and butter comes under the category of the poorest socio-economic segment.
- The international concept of corporate social responsibility indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The international framework of CSR encourages organizations to work globally. At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices.

1.8 SELF ASSESSMENT TESTS

01. Explain the concept of Corporate Social Responsibility.
02. Discuss the conceptual framework of Corporate Social Responsibility.
03. Write in detail about the various Sustainable Development Goals.
04. Write down the International Framework aspects for Corporate Social Responsibility.
05. What is the concept of business at the bottom of the pyramid?
06. Explain the relevance of Corporate Social Responsibility.

HISTORY AND EVOLUTION OF CSR

Unit Structure

- 2.1 Objectives
- 2.2 Introduction
- 2.3 History and evolution of CSR (International Generic)
- 2.4 History and Evolution of CSR (Indian History)
- 2.5 Evolution of Indian CSR framework (Pre Companies Act 2013)
- 2.6 Summary

2.1 OBJECTIVES

After studying this module, you should be able to -

- 01. Understand the detailed history of CSR
- 02. Study the background of CSR
- 03. Know the impact of History and evolution of CSR (International Generic)
- 04. Know the impact of History and evolution of CSR (Indian History)
- 05. Know how is the Evolution of Indian CSR framework (Pre Companies Act 2013)

2.2 INTRODUCTION

“Businesses are Moving from Charity to Responsibility”

Before getting into the background study of corporate social responsibility and how it evolves and the history of corporate social responsibility has changed the working of the businesses, let's dive into the meaning of it. The term before knowing the history is important to understand. The term 'Corporate Social Responsibility' was first coined by the American Economist Howard Bowen in 1953. In his book 'Social Responsibilities of the Businessman', he highlighted the importance of social responsibilities of the business and its impact on society.

Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The narrow concept covers the responsibilities towards the internal stakeholders - Owners, Managers and Employees. The broader concept covers the responsibilities towards the external stakeholders like Customers, Consumers, Suppliers, Creditors, Government and Society. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process

of generating the value addition to the businesses. An organization is responsible towards the various elements of the society.

The term 'Corporate Social Responsibility' is also known as Social Responsibility of Business, Corporate Conscience, Corporate Citizenship, Social Performance, Sustainable Responsible Business, Responsible Business, Business Governance etc. The concept of CSR works on the principles of sustainability, accountability and transparency. The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations.

It is expected from businesses to maintain the financial, technical, legal and cultural transparency with the various stakeholders to work more ethically. the business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impact. Accountability aspect covers the responsibilities towards internal stakeholders and external stakeholders.

The responsibilities of the businesses are changing. They have to think beyond profit. The evolution of CSR was not easy. It went through many rough phases as it was hard to convince the businesses that earning profit is only a part of business. For survival and growth, there are other aspects to be considered to achieve long term sustainability and development of businesses in today's complex competitive world.



Fig. 2.1: Concept of CSR - Beyond Profit

In the present chapter, we will study the various dimensions of Corporate social responsibility along with the history and evolution.

2.3 HISTORY AND EVOLUTION OF CSR - INTERNATIONAL GENERIC

2.3.1 Background

The background study of CSR is complex in nature. As mentioned in the first chapter, the term 'Corporate Social Responsibility' was first coined by the American Economist Howard Bowen in 1953. In his book 'Social Responsibilities of the Businessman', he highlighted the importance of social responsibilities of the business and its impact on society. In his words, "The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society".

Mr. Howard Bowen put emphasis on the great power of the corporations and how their working impacts the society and the people. He advocated that businessmen should pursue such policies which should have a good impact on the common good of the people and society. He is often cited as 'Father of Corporate Social Responsibility'. He further stated that, "Businessmen must follow those lines of action which are desirable in terms of objectives and values of our society."

In 1960, Davis advocated that if the businesses are focusing on Corporate Social Responsibility, it may have long term benefits. In 1963, McGuire put emphasis on the concept of Corporate Social Responsibility. He stated that employees and the community should be considered first. The welfare policies and educational needs of employees should be given importance. The political needs of the society should be considered.

In 1971, the Committee for Economic Development acknowledged the role of a Manager in discharging corporate social responsibility. In the same year, Johnson mentioned with respect to corporate social responsibility that Firms must take into consideration the multiple interests of the various segments to achieve the goals of the organization and to generate profits for the long run.

In 1979, Carroll put emphasis on the economic, legal, ethical, and discretionary expectations of society. In 1984, Peter Drucker stated that to create wealth, social problems can be turned into business opportunities. The contribution of Bowen is considered a pioneer in the field of corporate social responsibility. The activities of an organization can have a great impact on the working of the society.

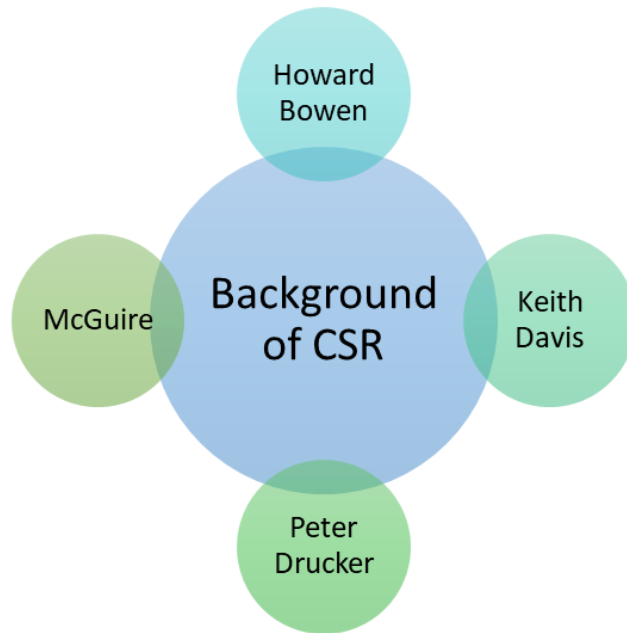


Fig. 2.2: Background of CSR

The background study states how the concept of corporate social responsibility shifted from charity to responsibility. Now, from responsibility to accountability. The scope of corporate social responsibility is widening and progressing.



Fig. 2.3: Aspects of CSR

2.3.2 History of CSR - International Generic

The history of corporate social responsibility at international level is multifaceted. The evolution of CSR can be traced back to the early 20th Century. In the 20th century, the businesses were confined to philanthropy and charitable activities. To understand the history of corporate social responsibility, we have to look back to the contributions made by the people to evolve this concept.

The history of international generic of CSR is explained as follows -

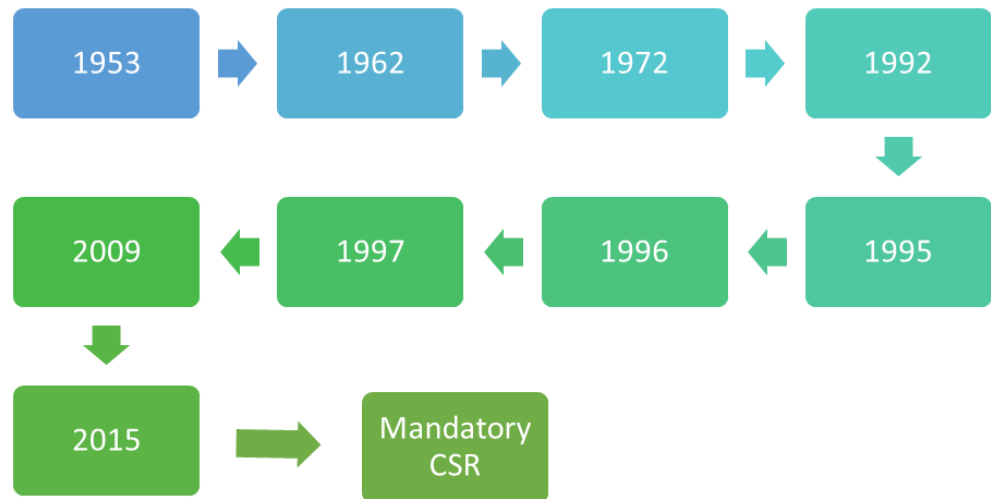


Fig. 2.4: History of CSR

- **Bowen's Contribution:** The American Economist Howard Bowen in 1953 first coined the term 'Corporate Social Responsibility'. In his book 'Social Responsibilities of the Businessman', he highlighted the importance of social responsibilities of the business and its impact on society. The contribution of Bowen is considered a pioneer in the field of corporate social responsibility.

Mr. Bowen advocated that businessmen should pursue such policies which should have a good impact on the common good of the people and society. He is often cited as 'Father of Corporate Social Responsibility'

- **Carson and Friedman's Contribution:** In 1962, Mr. Rachel Carson from the US published his work in a book titled 'Silent Spring' about the concept of Corporate Social Responsibility. He put emphasis on the environmental movement and the contribution of businesses.

In the same year, Milton Friedman from University of Chicago said "Social responsibility of businessmen is profit making" in context to the concept of Corporate Social Responsibility.

- **Meadows, Randers and Behrens Contribution:** The report "The Limits to Growth" was Commissioned by the Club of Rome, Donella H. Meadows, Dennis L. Meadows, Jørgen Randers And William W. Behrens III were the contributors. This report put emphasis on the impacts of the growing population and depleting resources. This

report suggested some significant alterations in the utilization of resources.

- **United Nations Conference on Environment and Development (UNCED) :** The United Nations Conference on Environment and Development (UNCED) was organized in 1992. The host country was Brazil. The main focus in Rio Conference was on finding the ways to prevent the planet from the pollution and stopping the destruction of irreplaceable natural resources
- **World Business Council for Sustainable Development (WBCSD):** This council was followed by the Rio Conference which was held in Brazil in the year 1992. This council was created in 1995 with a view to promote and encourage the sustainable development policy and practices for the environment. This council resulted as a merger of the Business Council for Sustainable Development and the World Industry Council
- **Thurrow's Contribution:** Lester C. Thurrow in his book "The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World" in 1996 put emphasis on the responsibilities of businesses. He stated that businesses are responsible towards various stakeholders.
- **Kyoto Protocol:** In 1997, Kyoto Protocol was adopted to reduce carbon dioxide emissions and greenhouse gasses. It is an international treaty. The treaty aimed at combating change. The main objective was to reduce the impact of six greenhouse gasses (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride)

The specific targets were assigned to each and every participating country to curb the impact of greenhouse gasses.

- **Copenhagen Summit:** The Copenhagen Summit was organized in 2009. This summit is also known as the United Nations Climate Change Conference. The gathering was organized to support and extend the Kyoto Protocol and to create a new international agreement to address climate change.
- **GRI Standards:** In 2015, the European Parliament had mandated companies to disclose their information as per the GRI Standards. Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -
 - Economic
 - Social
 - Legal
 - Environmental
 - Governance Policy

2.3.3 Evolution of CSR - International Generic

The concept of corporate social responsibility is evolving and growing. In this section, we will see how the charitable era shifted from compliance. The compliance era then gets shifted to the stakeholder era. The stakeholder era was taken over by the environmental era. Along with the environmental era, the sustainability era came into picture. The transition of corporate social responsibility did not stop here. The core values era came into picture. Now, the role of CSR is not limited to national boundaries. The scope is widening and standing at international level.

To understand this topic better, we will see the steps in details -



Fig. 2.5: Evolution of CSR - International Generic

- **Charitable Era:** The charitable era was confined to philanthropy obligations. The philanthropic obligations are those obligations which are kind of returnable in nature. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc.



Source: https://www.freepik.com/premium-vector/volunteers-collecting-donations-illustration-sleefless-social-activists-cartoon-characters-white-background-public-fundraising-campaign-charity-philanthropy-concept_8656040.htm

- **Compliance Era:** Then comes the compliance era after the charitable era. This era was characterized by a regulatory-driven approach. The shift was moving from charitable to compliance. In this phase, several laws and legislations were passed and companies were directed to carry certain social and environmental responsibilities.

The company were focusing on -

- Environmental Laws and Regulations
- Environmental Safety
- Health and Safety Standards
- Consumer Protection
- Product Standards and Safety
- Labor Laws and Legislations
- GRI



Source: <https://www.techdogs.com/td-articles/curtain-raisers/do-good-with-corporate-social-responsibility-csr-software>

- **Stakeholder Era :** In this era, the role and importance of stakeholders were felt. The stakeholders' engagement and involvement was encouraged and felt from this stage. In the present era, The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs. This is one of the effective methods of CSR monitoring. Taking the feedback of employees, investors, and customers, and incorporating their perspective into CSR strategies is an effective method.



Source:<https://www.abeautifulgreen.com/en/the-role-of-stakeholders-in-csr-strategy/>

- **Environmental Era:** With the growing concern of global warming and pollution, the concept of social responsibility of business evolved from stakeholder to environment. In this era, businesses started recognizing the need to address the environmental impacts of their business operations.

The focus of the business with respect to corporate social responsibility was on -

- Environmental Regulations and Legislation
- Environmental Awareness
- Waste Management and Recycling
- Renewable Energy
- Sustainable Practices
- International Environmental Agreements



Source: <https://environment.co/environmental-aspects-of-csr/>

- Sustainability Era:** This era advocates the focus of corporate social responsibility should be more focused on the criteria of sustainability. In 2016, the Sustainable Management Goals succeeded Millennium Development Goals. All the companies working at global level are expected to work on these goals. Companies fulfilling their corporate responsibilities are likely to set an example for others to work in that way. This is not only going to give direction to the companies but also these goals help them to transform the world into a better place.



Source: <https://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/>

By 2030, these goals set by the United Nations are meant to be achieved to transform the world.

The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures

that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

- **Core Values Era:** The era was characterized by embedding the concept of corporate social responsibility into the core value of business. This era is characterized where CSR becomes deeply embedded in the core values and culture of organizations. The concept of corporate social responsibility not only covers the element of fulfilling the responsibilities and duties but also holds companies responsible for their deeds through their work.



Source: <https://www.insightsonindia.com/2021/12/04/csr-funds-for-monuments/>

- **International Era:** The international concept of corporate social responsibility indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The international framework of CSR encourages organizations to work globally. The framework helps organizations to work more ethically at an international level. Their positive contribution to the world can set an example for other companies to fulfill their corporate social responsibility.

At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices.



Source: <https://www.ijlsi.com/corporate-social-responsibility-csr/>

2.4 HISTORY AND EVOLUTION OF CSR - INDIAN GENERIC

2.4.1 Background

The Indian history of Corporate Social Responsibility can be traced back to several years or we can say decades. In response to changing societal expectations, laws and legislations and economic development, the concept of Corporate Social Responsibility has seen many stages and is still evolving. The culture of our country is rich and diverse. The CSR practices have adapted to reflect these beautiful things in the working of the company.

2.4.2 History of CSR - Indian Generic

The history of corporate social responsibility at international level is multifaceted. The evolution of CSR can be traced back to the early 20th Century. In the 20th century, the businesses were confined to philanthropy and charitable activities. To understand the history of corporate social responsibility, we have to look back to the contributions made by the people to evolve this concept.

The history of Indian generic of CSR is explained as follows -

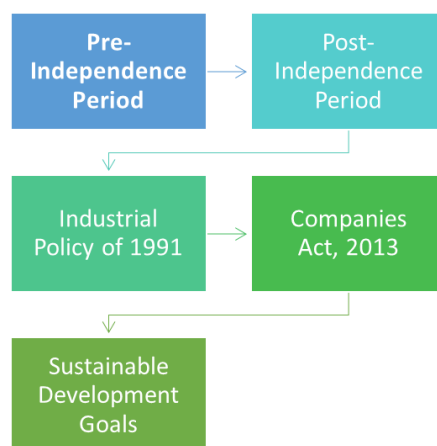


Fig. 2.6: History of CSR

To understand this topic in detail, the topic is divided into five stages -

- **Pre-Independence Period:** This period before independence was characterized by philanthropy and community welfare activities. There were many family-owned enterprises often engaged in doing charity work. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc. were prominent in this stage.
- **Post-Independence Period:** After getting independence, this period with respect to corporate social responsibility was characterized by focusing primarily on economic development and industrialization. The notion of corporate social responsibility was not felt and

recognized formally. The companies were working in a limited framework.

- **Industrial Policy of 1991:** The Industrial Policy of 1991 is the widely recognized policy as it introduces the concept of LPG in India. This policy of 1991 is also known as LPG as significant changes were brought down. LPG stands for -

L - Liberalization

P - Privatization

G - Globalization

This policy marked a turning point for India. The businesses were made more liberal and free.

- **Companies Act, 2013:** The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps. The Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

The Act regulates the operations and corporate governance of the companies. The Act brought significant changes in corporate laws with an aim to modernize and align them with the global practices. In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

- **Sustainable Development Goals:** In 2016, the Sustainable Management Goals succeeded Millennium Development Goals. All the companies working at global level are expected to work on these goals. Companies fulfilling their corporate responsibilities are likely to set an example for others to work in that way. This is not only going to give direction to the companies but also these goals help them to transform the world into a better place.

2.4.3 Evolution of CSR - Indian Generic

The concept of corporate social responsibility is evolving and growing. In this section, we will see how the philanthropy era shifted from industrialization. The Industrialization era then gets shifted to the corporate laws era. The corporate laws era was taken over by the environmental era. Along with the environmental era, the legal mandates era came into picture. The transition of corporate social responsibility did not stop here. Now, the role of CSR is not limited to national boundaries. The scope is widening and standing at international level.



Fig. 2.7: Evolution of CSR - Indian Generic

- **Philanthropy Era:** This era was characterized by a kind of returnable nature. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc.
- **Industrialization Era:** In this era, the focus was mainly on economic development. This period with respect to corporate social responsibility was characterized by focusing primarily on economic development and industrialization. The notion of corporate social responsibility was not felt and recognized formally. The companies were working in a limited framework.
- **Corporate Laws Era:** This era was characterized by corporate laws. Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. As mentioned earlier, the Companies Act 2013 has mandated for certain companies to comply with the provisions related to Corporate Social Responsibility (CSR). The provisions are mandatory for companies which qualify certain criteria prescribed by the Act.
- **Environmental Era:** With the growing concern of global warming and pollution, the concept of social responsibility of business evolved from corporate laws to the environment. In this era, businesses started recognizing the need to address the environmental impacts of their business operations.
- **Legal Mandates Era:** This era advocates the requirements which are mandatory for the companies to undertake the CSR activities. The qualifying criterias for companies are -
 - A net worth of Rs. 500 crores or more.
 - A turnover of Rs. 1,000 crores or more.
 - Net profits of Rs. 5 crores or more in a financial year.

The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities.

2.5 Evolution of Indian CSR Framework (Prior to Companies act, 2013)

In India, there were no formal legal requirements for companies to engage in CSR activities. The mandate laws came after the enactment of the Companies Act, 2013. On a voluntary basis, companies use to undertake certain activities. Companies were involved in doing the following activities

- Contribution in education, healthcare, and community development.
- Social and community development projects
- building schools, hospitals and community centers
- Awareness camps
- Public sector enterprises were involved in contributing in rural development, poverty alleviation, and infrastructure projects.
- Social development activities etc.

2.6 SUMMARY

- The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society.
- The background study states how the concept of corporate social responsibility shifted from charity to responsibility. Now, from responsibility to accountability. The scope of corporate social responsibility is widening and progressing.
- The history of corporate social responsibility at international level is multifaceted. The evolution of CSR can be traced back to the early 20th Century. In the 20th century, the businesses were confined to philanthropy and charitable activities. To understand the history of corporate social responsibility, we have to look back to the contributions made by the people to evolve this concept.
- The concept of corporate social responsibility is evolving and growing. In this section, we will see how the charitable era shifted from compliance. The compliance era then gets shifted to the stakeholder era. The stakeholder era was taken over by the environmental era. Along with the environmental era, the sustainability era came into picture. The transition of corporate social responsibility did not stop here. The core values era came into picture. Now, the role of CSR is not limited to national boundaries. The scope is widening and standing at international level.

- The Indian history of Corporate Social Responsibility can be traced back to several years or we can say decades. In response to changing societal expectations, laws and legislations and economic development, the concept of Corporate Social Responsibility has seen many stages and is still evolving. The culture of our country is rich and diverse. The CSR practices have adapted to reflect these beautiful things in the working of the company.
- The history of corporate social responsibility at international level is multifaceted. The evolution of CSR can be traced back to the early 20th Century. In the 20th century, the businesses were confined to philanthropy and charitable activities. To understand the history of corporate social responsibility, we have to look back to the contributions made by the people to evolve this concept.

2.7 SELF ASSESSMENT TESTS

01. Explain the concept of Corporate Social Responsibility.
02. Discuss the conceptual framework of Corporate Social Responsibility.
03. Write in detail about the various Sustainable Development Goals.
04. Write down the International Framework aspects for Corporate Social Responsibility.
05. Write down the History and evolution of CSR of International Generic.
06. Write down the History and evolution of CSR of Indian Generic.
07. Explain about the evolution of Indian CSR framework (Prior to Companies Act 2013)



ISSUES IN INDIAN ECONOMY AND SOCIAL DEVELOPMENT

Unit Structure

- 3.1 Objectives
- 3.2 Introduction
- 3.3 Indian Economy
- 3.4 Issues in Indian Economy
- 3.5 Social Development
- 3.6 Government Expectations
- 3.7 Roles and Responsibilities of Corporations
- 3.8 Key International CSR Initiatives of Governmental or Intergovernmental Bodies
- 3.9 Summary

3.1 OBJECTIVES

After studying this module, you should be able to -

- Understand about Indian economy
- Study the impact of problems in Indian economy
- Know the concept of social development
- Understand the government expectations from the Corporates
- Know the roles and responsibilities of Corporates
- Understand the key international CSR initiatives of Governmental or Intergovernmental Bodies

3.2 INTRODUCTION

The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society. In his words, “The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

The term ‘Corporate Social Responsibility’ in a modern world is a much discussed subject. In the previous chapters, we have studied how the evolution of CSR took place at international and national level. The concept of corporate social responsibility is not a mere practice but it is a

philosophy. Corporate social responsibility refers to the social and economic obligations and duties of a business organization towards the various elements of society.

Mere focusing on earning profit is not a key feature of Indian companies. Gaining the trust and confidence of the public for the long term growth and survival of business is a requirement of today. Organizations who are more ethical and accountable for the society are considered to be the long players in the world of business. The activities of corporate social responsibility are increasingly putting emphasis on the responsibilities towards internal stakeholders and external stakeholders.

Companies have to think beyond profit. The traditional concept of corporate social responsibility was confined to only charity and donations by the business firms. But, now the scope is widening and progressing. The modern concept is more dynamic and sustainable in nature. Corporates are expected to maintain the financial, technical, legal and cultural transparency with the various stakeholders to work more ethically. The term ‘Corporate Social Responsibility’ covers the ethics part but also focuses on the environmental aspects of the economy. The new generation is more prone in reacting to social issues. The present generation understand the concept of sustainability development with respect to their businesses. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues.

The CSR policy in companies is given due importance. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized. The values and objectives are taken into consideration while framing the policy for corporations. Businesses focus on the ideology which revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society. The businesses aim to develop the products and services at reasonable costs to cater the needs of this segment.

The present chapter focuses on the salient features of the Indian economy. How can companies align the issues in the Indian economy in their CSR policy? The relevance of social development and the Government expectations from the corporate world will also be studied in this chapter. There are key international CSR initiatives of Governmental or Intergovernmental Bodies. The present chapter covers this aspect of CSR as well.

3.3 INDIAN ECONOMY

3.3.1 Introduction

India’s economy is a mixed economy. A mixed economy can be defined as the co-existence of private enterprises and public enterprises. In this type of economy, the means of production are shared between the public sector and private sector. It describes an economic system in which the public and

private co-exists. India has surpassed China in terms of population. We are number one in all over the world. There is an immense potential in our country. Though being a highly populated country, it is characterized by the many issues and challenges which need to be addressed timely.

There are continuing reforms in the economy. The country having a diverse kind of economy is characterized by the major contribution of manufacturing, agriculture and service. There is a huge investment in infrastructure as the country is growing. In the Indian economy, agriculture has been an important contributor. Agricultural sector has employed a large portion of the population. In recent years, it is also observed that the service sector is also booming. This sector is also significantly contributing to the GDP of the country.

There are shifts in the working of the economy due to policy reforms, technological advancements and globalization. In various sectors, there are challenges due to limited resources and unlimited problems. There are many government initiatives to boost the economy of the country.

The initiatives like -

- Make in India
- Skill India
- Digital India

When Covid-19 hit the country, the business and livelihood of the people were badly affected. Thanks to the reforms and diverse features, the economy recovered. The path is long but still the economy is progressing slowly.

Overall, the economy of India is diverse, dynamic and rich in culture. The economy get influenced by -

- Policy Decisions
- Technological Advancements
- Global Trends and Policy
- National and International Programmes

3.3.2 Salient Features

The following are the salient features of Indian economy -

- The nature of the Indian economy is diverse and multi-faceted.
- The population and market is very large.
- In India, the service sector contributes significantly to the GDP.
- The Indian economy is experiencing significant urbanization for the development of the country.
- India is developing its own ecosystem.

- Due to policy reforms, technological advancements and globalization, there are shifts in the working of the economy.
- Global integration is another important feature of the Indian economy. The focus is on enhancing trade relations.
- In the field of urban development projects, transportation and energy, our country is significantly growing.

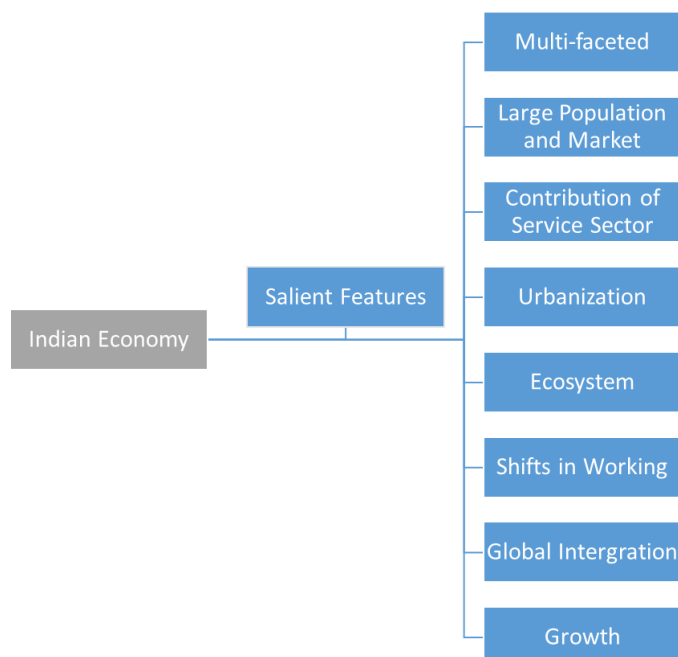


Fig. 3.1: Salient Features of Indian Economy

3.4 ISSUES IN INDIAN ECONOMY

To unlock India's potential growth and development, it is important to address the major issues which are also called as burning problems of India. The following are the major issues in Indian economy -



Fig. 3.2: Issues in Indian Economy

- **Population Explosion:** India is a highly populated country. In the world, India surpassed China in terms of population explosion and density. The infrastructure facility is not able to keep up with the growth of the population. This is one of the biggest issues of the Indian economy having a large population with a low human development index.



Source: <https://www.thehindu.com/opinion/op-ed/indias-population-story/article18260468.ece>

- **Poverty:** Another issue in the Indian economy is poverty. The country is experiencing an imbalance between the rich and poor. Country is experiencing economic growth but still struggling with the widespread poverty and income disparity. Rich are becoming more rich and the poor are becoming more poor.



Source: <https://twitter.com/OxfamIndia/status/1050009496175685632>

- **Unemployment:** India is also experiencing the problem of unemployment. The level of unemployment is rising as the people who are offering jobs are less and the people in queue of getting jobs are high. This disparity is creating problems in the Indian economy.



Source: <https://m.rediff.com/business/report/indias-unemployment-rate-has-doubled-since-2011/20190417.htm>

- **Corruption:** In world ranking, India ranked 85th among the 180 countries in the Index. It indicates the dishonest and illegal behavior of a person. Our country has been facing this problem for ages. The bureaucracy and corruption hinder the efficient working of the economy. The whole system is affected due to this practice.



Source: <https://economictimes.indiatimes.com/news/politics-and-nation/view-how-technology-makes-it-possible-to-solve-corruption/articleshow/79638599.cms?from=mdr>

- **Illiteracy:** Due to low income, poverty, cultural barriers and lack of access to education, India is experiencing the issue of illiteracy. Gender disparity is also creating a problem in the Indian economy. Girls are not allowed and discouraged to attend school in many rural areas due to culture and mindset. Government has made mandatory efforts to provide education but is still struggling with the low admission ratio.



Source: <https://www.qr8ambitionz.com/2017/09/essay-illiteracy-india.html>

- **Environmental Problems:** The Indian economy is facing problems in terms of the environment. Air pollution, water pollution, noise pollution, and resource depletion are some of the problems our country is experiencing. Rapid urbanization and industrialization have led to environmental issues.



Source: <https://cartoonmovement.com/cartoon/air-pollution-india>

3.5 SOCIAL DEVELOPMENT

3.5.1 Introduction and Concept

The concept of social development is more into covering the social aspects of society. Economic development is an important part of society. But, improving the well-being and quality of life of people is way more important. When a country develops people socially, the whole community develops. The concept of social development covers the important social aspects of society to improve the lives of the communities.

In simple words, social development is a process of improving the quality of life of individuals within a society. Various factors are involved to improve the capabilities and well-being of humans. The concept of social development deals with the improvement and improvisation of communities.

The concept of social development is comprehensive. The journal “International Social Development Review” said, “Social development is: human aspect, raising income, equitable distribution of materials, structural changes to create a favorable condition for inclusive growth etc.

M.S. Gore, a famous sociologist and social work scientist of India stated, “Social development is a process of bringing about the totality of the socio-economic, political, social and cultural development of the society”.

Devi states, “Social development is a comprehensive concept which implies major structural changes-political, economic and cultural, which are introduced as a part of deliberate action to transform the society”

The system covers structural -

- Political changes
- Economic changes
- Cultural changes

3.5.2 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of social development-



Fig. 3.3: Economic and Social Development

The concept of social development put emphasis on the development of social policies and programmes for the welfare of the public.

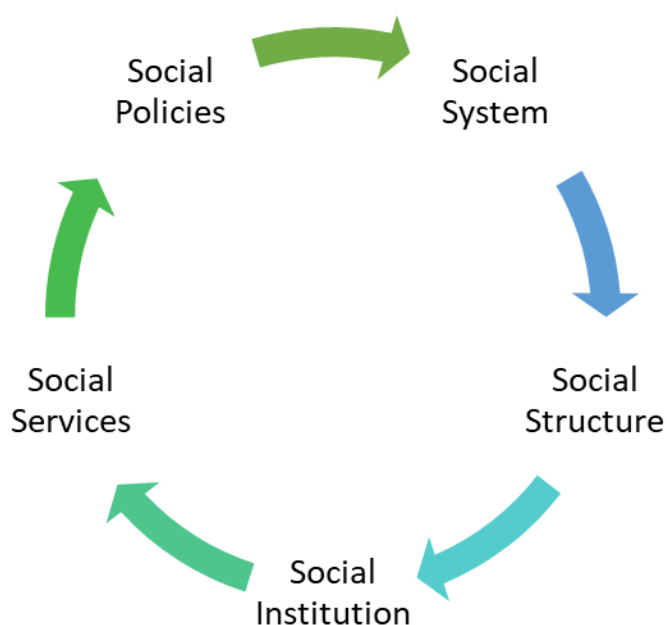


Fig. 3.4: Key Aspects of Social Development

The following are the key aspects of social development -

- Social system
- Social structure
- Social institution
- Social services
- Social policies

3.6 GOVERNMENT EXPECTATIONS

Understanding the government expectations in the context of Corporate Social Responsibility is not an easy task. Understanding what the government is expecting and doing the same to fulfill social responsibility requires an understanding. The concept revolves around encouraging and regulating businesses to contribute positively to society. The following are some key expectations, a government might have from businesses in the context of Corporate Social Responsibility -

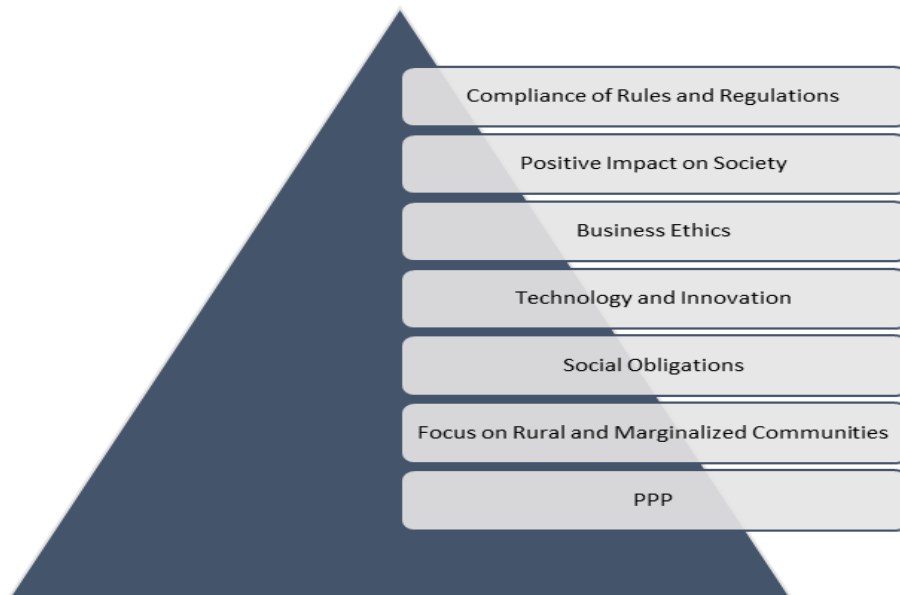


Fig. 3.5: Key Government Expectations

- **Compliance of Rules and Regulations:** The first expectation the government can have from the businesses is to expect that they are complying with the rules and regulations. Governments often set regulations and guidelines as mandatory for the corporations to follow. The guidelines on the following aspects are expected to be followed by the corporates -
 - Employee safety
 - Working hours
 - Reporting requirement
 - Social impact measurement
 - Compulsory CSR activities etc.
- **Positive Impact on Society:** Government always expects that the corporations engaged in CSR initiatives should positively impact the communities within a society. The negative image can bring the bad image to the organizations and it can result in legal action and suits. The activity is related to the following aspects can put a positive impact on society -
 - a. Education

- b. Environmental conservation
 - c. Healthcare facilities
 - d. Awareness programmes
 - e. Blood donation camps
 - f. Poverty alleviation programmes
 - g. Employment drives
- **Business Ethics:** This is the very legit expectation of the government that businesses should work ethically. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards.
 - **Technology and Innovation:** To address societal issues more efficiently, the government expects from corporations that they should leverage their corporate social responsibility activities with technology and innovation. The companies can adopt the following areas to align their CSR activities
 - Technology driven healthcare solutions
 - Technology driven education solutions
 - Technology driven environmental solutions
 - Technology driven sustainability solutions
 - **Social Obligations:** There are many social obligations a government expects from corporations to fulfill. Apart from charity and donations, it is expected that the businesses should fulfill the following social obligations -
 - Skill development
 - Livelihood opportunities
 - Providing basic amenities
 - Adopting some villages
 - **Focus on Rural and Marginalized Communities:** Governments expect companies to fulfill their CSR obligations by focusing on rural and marginalized communities. Governments often encourage businesses to undertake skill development programmes for rural and marginalized communities. Providing them livelihood opportunities is one of the important initiatives the government expects.
 - **PPP:** PPP stands for -
 - P - Public
 - P - Private
 - P - Partnerships

Governments always encourage the partnership between public enterprises and private enterprises. To address social issues, Governments encourage collaborations between the public and private sectors. For social good, their partnership can boost the CSR activities more effectively and efficiently.

3.7 ROLES AND RESPONSIBILITIES OF CORPORATIONS

Beyond the primary motive of earning profit, the corporations are expected to play a vital and pivotal role in discharging their social responsibility for the betterment of society. Corporate social responsibility is an integral part of the operations of the corporations.

In the context of corporate social responsibility, corporations can contribute to societal welfare and sustainable development with the help of following ways -



Fig. 3.6: Roles and Responsibilities of Corporations

- **Environment Protection:** In the field of corporate social responsibility, protecting the environment is a crucial aspect. Companies can frame guidelines to reduce the impact of greenhouse gasses. Companies can Implement strategies to conserve natural resources like water and energy. To adopt sustainable practices, companies can adopt an effective way to manage a sustainable supply chain model. Through environmental education programs, companies can encourage the public to prudently use the resources.
- **Sustainable Development:** The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The principle of

sustainability puts emphasis on the businesses to work in an efficient and optimal way. Many businesses work on the principles of Reuse, Recycle, Regenerate and Resustain.

Sustainable Development Goals set by the United Nations are meant to be achieved to transform the world. The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility. Companies are expected to help society and government in achieving these goals.

- **Ethical Business Practices:** As mentioned in the previous section, this is the very legit expectation of the government that businesses should work ethically. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards.
- **Employee Welfare:** Employee welfare is an integral part of CSR activities of the company. Companies can attract and retain good candidates by prioritizing employee welfare as a part of their CSR strategy. Enhancing the well-being of employees and creating a stress free environment is a need of CSR. The following initiatives can be undertaken as a part of CSR -
 - Flexible work arrangements,
 - Work life Balance
 - Opportunities for skill development
 - Ensuring equal opportunities
 - Employee Assistance Programs
 - Employee Engagement
 - Employee's Health and Safety
 - Wellness programs
 - Mentorship to empower employees
- **Protection of Stakeholders Interest:** The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. The concept of corporate social responsibility is beneficial for society, for businesses

and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.

It is expected from businesses to maintain the financial, technical, legal and cultural transparency with the various stakeholders to work more ethically.

- **Community Engagement:** Community engagement is an important part of CSR. The business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. Appropriate measures should be taken to protect the interest of the stakeholders. The impact of the organization should be positive on the society and its people. In the pyramid, the businesses always place the economic obligations on the top priority. The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first.

3.8 KEY INTERNATIONAL CSR INITIATIVE OF GOVERNMENTAL AND INTERGOVERNMENTAL BODIES

There are many Governmental and Intergovernmental Bodies that are directly involved in the field of International CSR Initiatives. They are involved in key CSR initiatives. Some of the prominent organizations in performing CSR at international level are -

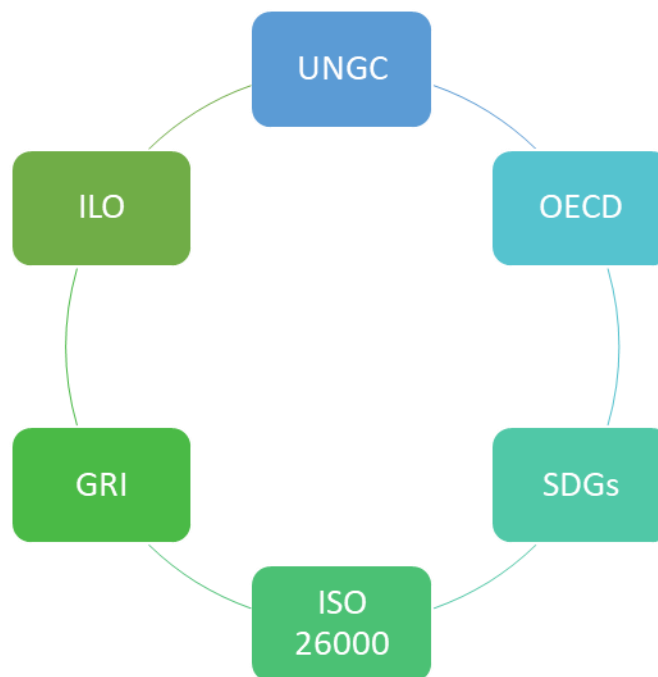


Fig. 3.7: Key International CSR Initiatives

- **United Nations Global Compact:** UNGC stands for United Nations Global Compact. It was launched by the United Nations. The main motive of UNGC is to encourage the businesses to act as socially responsible organizations. This organization encourages businesses to adopt sustainable policies. It focuses on ten principles related to human rights, labor, environment, and anti-corruption.

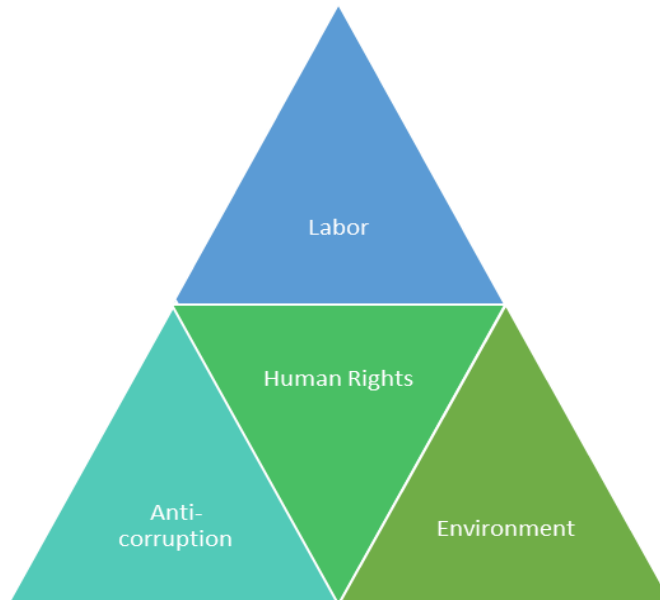


Fig. 3.8: Key Areas of UNGC

- **Organization for Economic Co-operation and Development (OECD):** The Organization for Economic Co-operation and Development (OECD) provides guidelines to businesses to act more sustainable and responsible in the context of CSR. The Organization for Economic Co-operation and Development focuses on four areas in context of CSR -
 - Human rights
 - Labor practices
 - Environment
 - Anti-corruption measures
- **Sustainable Development Goals:** Sustainable Development Goals set by the United Nations are meant to be achieved to transform the world. The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach.

The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

Some of the goals are -

- No poverty
- Zero Hunger
- Good Health and Well-being
- Quality Education
- Gender Equality
- Clean Water and Sanitation etc.

- **ISO 26000:** ISO 26000 provides guidelines globally to the companies in the field of corporate social responsibility. ISO 26000 encourages the company to understand the concept of social responsibility.

It seeks to promote a common understanding of CSR. The key principles which governs this framework are -

- a. Fairness and Transparency
- b. Responsibility and Accountability
- c. Taking care of Interest of Stakeholders
- d. Respect for the Laws
- e. Taking care of International Laws and Legislations
- f. Respecting Human Rights
- g. Ethical Behavior

- **Global Reporting Initiatives:** Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -

- Economic
- Social
- Legal
- Environmental
- Governance Policy

- **International Labor Organization:** The standards prescribed by the International Labour Organization are observed under this framework. The various aspects of labor related rules and regulations are studied like –

- Working Conditions
- Employment
- Social Welfare Policy
- Protection of Labor Rights
- Industrial Peace and Democracy

- The CSR policy in companies is given due importance. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized. The values and objectives are taken into consideration while framing the policy for corporations. Businesses focus on the ideology which revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society.
- There are continuing reforms in the economy. The country having a diverse kind of economy is characterized by the major contribution of manufacturing, agriculture and service. There is a huge investment in infrastructure as the country is growing. In the Indian economy, agriculture has been an important contributor. Agricultural sector has employed a large portion of the population. In recent years, it is also observed that the service sector is also booming. This sector is also significantly contributing to the GDP of the country.
- Social development is a process of improving the quality of life of individuals within a society. Various factors are involved to improve the capabilities and well-being of humans. The concept of social development deals with the improvement and improvisation of communities.
- Understanding the government expectations in the context of Corporate Social Responsibility is not an easy task. Understanding what the government is expecting and doing the same to fulfill social responsibility requires an understanding. The concept revolves around encouraging and regulating businesses to contribute positively to society.
- Beyond the primary motive of earning profit, the corporations are expected to play a vital and pivotal role in discharging their social responsibility for the betterment of society. Corporate social responsibility is an integral part of the operations of the corporations.
- There are many Governmental and Intergovernmental Bodies that are directly involved in the field of International CSR Initiatives. They are involved in key CSR initiatives. Some of the prominent organizations in performing CSR at international level are ILO, UNGC, OECD etc.

3.10 SELF ASSESSMENT TESTS

01. Explain the important components of corporate social responsibility.
02. Explain the salient features of the Indian Economy.
03. Write down the various issues in the Indian Economy.

04. What is social development? Explain the various components and aspects of social development.
05. What are the government expectations from the businesses? According to you, which is the most effective?
06. Discuss the Roles and Responsibilities of Corporations with respect to CSR.
07. Explain the Key International CSR Initiatives of Governmental or Intergovernmental Bodies

CSR AND COMPANIES ACT 2013

Unit Structure

- 4.1 Objectives
- 4.2 Introduction
- 4.3 Corporate Social Responsibility
- 4.4 Companies Act 2013
- 4.5 CSR and Companies Act 2013
- 4.6 Analysis and Interpretation of Section 135 and Schedule VII of the Companies Act 2013
- 4.7 Analysis and Interpretation of the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014
- 4.8 Summary

4.1 OBJECTIVES

After studying this module, you should be able to -

- The concept of CSR
- The relevance of CSR in today's world
- Know about Companies Act 2013
- Understand the Role of CSR as per the Act
- Analyze and interpret the various provisions of Companies Act 2013 with regard to CSR
- Analyze and interpret the provisions of (Corporate Social Responsibility Policy) Rules, 2014

4.2 INTRODUCTION

Beyond their profit making activities, organizations are involved in contributing towards the economic, social and environment well being of the society. The concept of Corporate Social Responsibility is a philosophy which states the responsibilities and obligations of the organizations towards the various segments of the society. Integrating the social and environmental concerns into the operations and activities of the companies is corporate social responsibility.

The subject matter of Corporate Social Responsibility also deals with involving the various stakeholders Of the organization. The economic, social, legal and environment concerns are integrated with the activities of the business. The scope of Corporate Social Responsibility is very comprehensive and covers the internal and external stakeholders. Under the

Companies Act of 2013 in India, it is mandatory for certain companies to spend a percentage of their profits on the various activities related to corporate social responsibility.

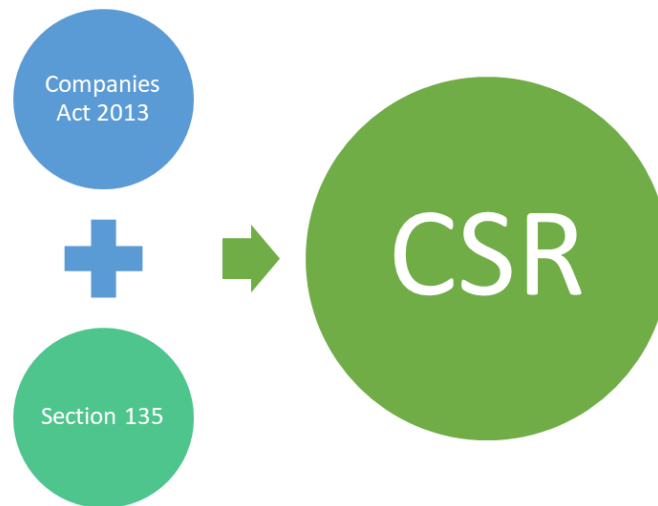


Fig. 4.1: CSR and Companies Act 2013

Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes -

- Net Worth
- Turnover
- Net Profit

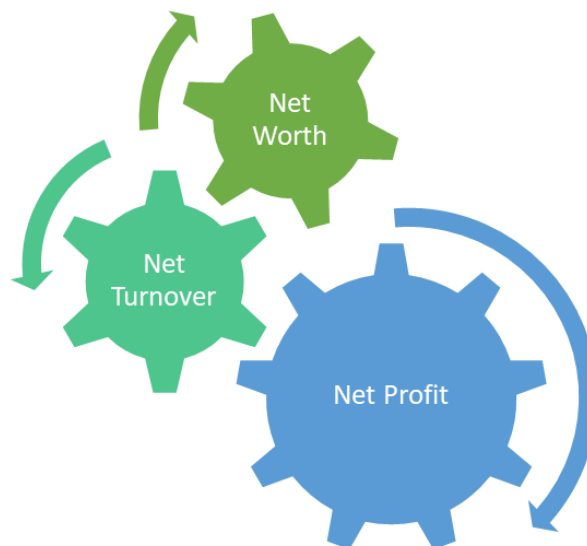


Fig.4.2: Qualifying Criteria

The CSR activities are undertaken to improve the brand image of the organization. Companies promote their CSR activities on social media to foster goodwill among stakeholders. It also helps in building a rational and sustainable business model which helps companies to attract and retain the new talent.

The CSR strategies are aligned with the operational activities of the organization. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies.

The main aim of the Act is to improve the corporate governance of the companies. The Act also aims to encourage businesses to act more responsible and accountable. It also states companies should work with more transparency and accountability. The Act has separate provisions for the mandatory CSR activities for certain companies. The Act is subjected to periodic amendments. The Act contributes in creating a responsive regulatory framework for companies to work more responsibly and legally in India.

The present chapter deals with the subject matter of corporate social responsibility, Role of CSR as per the Act, Analysis and Interpretation of Section 135 and Schedule VII of the Companies Act 2013 and Analysis and Interpretation of the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

4.3 CORPORATE SOCIAL RESPONSIBILITY

The term ‘Corporate Social Responsibility’ is also known as Social Responsibility of Business, Corporate Conscience, Corporate Citizenship, Social Performance, Sustainable Responsible Business, Responsible Business, Business Governance etc. The concept of CSR works on the principles of sustainability, accountability and transparency. The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society.

Corporate social responsibility is a business practice that involves taking care of all the aspects of the business. The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives, practices, policies and actions taken by the businesses to contribute towards the various elements of the society.

The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues. These issues cannot be compromised on the part of companies. The aim of corporate social responsibility is to create a more sustainable and ethical business model. The public recognizes the work of the companies who play a vital role in fulfilling their social obligations towards the various groups of society. The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers.

In simple words, corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The narrow concept covers the responsibilities towards the internal stakeholders -

- Owners
- Managers
- Employees

The broader concept covers the responsibilities towards the external stakeholders -

- Customers
- Consumers
- Suppliers
- Creditors
- Government
- Society

The core areas of corporate social responsibility are -

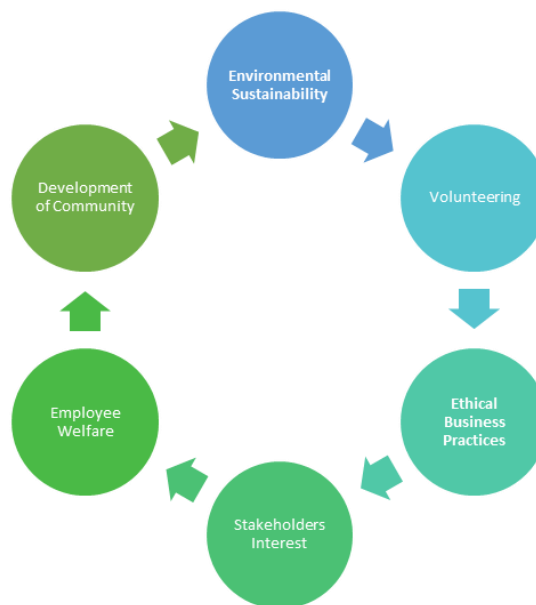


Fig. 4.2: Core Areas of CSR

4.4 COMPANIES ACT 2013

The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps. The Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

The Act regulates the operations and corporate governance of the companies. The Act brought significant changes in corporate laws with an aim to modernize and align them with the global practices. In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

The Companies Act 2013 has -

- 7 Schedules
- 29 Chapters
- 470 Sections

The changes brought in this Act comparative to the previous Act are expected to change the manner in which the companies work in our country. The Act aims to -

- To improve the working of the companies.
- To improve the governance of the companies.
- To mandate some companies to perform CSR activities.
- To encourage businesses to act more responsible and sustainable.
- To protect the interest of stakeholders.
- To enhance the accountability and transparency of the companies.

The following are the important features of the Companies Act 2013 -

- The Act provides guidelines for the Company's incorporation. The Act also defines the various types of companies like One-person company, Small Company, Private Company and Dormant Company.
- The Companies Act of 2013 has put emphasis on the significance of corporate governance. There are provisions for maintaining transparency and accountability in the operations of the company. There are provisions for corporate social responsibility. Independent directors, audit committees etc.
- The Act also states the separate and specific rules for the appointment of directors'. The qualification and disqualification of the director. The Act also specifies the duties, powers and responsibilities of directors.
- There are guidelines for the financial statements, the audit of financial statements and the appointment of auditors for the same. The aim is to encourage businesses to act more responsible and transparent
- The Act also includes the provisions related to the shareholders. The Act also specifies the rules for shareholding and voting.

- The Act also has provisions related to -
 - Mergers
 - Acquisition
 - amalgamations
- Section 135 of the Companies Act 2013 deals With the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes net worth, turnover and net profit. The qualifying criteria includes companies having -
 - A net worth of Rs. 500 crores or more.
 - A turnover of Rs. 1,000 crores or more.
 - Net profits of Rs. 5 crores or more in a financial year.
- The Act also prescribes the provisions for penalties and fines for the act of non-compliance and violations of the Act by the companies.
- The Act is subjected to amendments and changes.

4.5 CSR AND COMPANIES ACT 2013

Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. As mentioned earlier, the Companies Act 2013 has mandated for certain companies to comply with the provisions related to Corporate Social Responsibility (CSR). The provisions are mandatory for companies which qualify certain criteria prescribed by the Act. The qualifying criterias for companies are -

- A net worth of Rs. 500 crores or more.
- A turnover of Rs. 1,000 crores or more.
- Net profits of Rs. 5 crores or more in a financial year.

The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The provisions are applicable to all companies including State Public Sector Enterprises. The compliance with the provisions of Corporate Social Responsibility came into force from April, 2014.

As per the Companies Act of 2013, 'Corporate Social Responsibility' means and includes but is not limited to:

- Projects or programs relating to activities specified in Schedule VII to The Act.
- Projects or programs 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 along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

Under the Act, the following compliances with regard to CSR are needed to be undertaken for the qualifying companies -

- Constitution of CSR Committee
- Formulation of CSR Policy
- Spending of prescribed amount on CSR activities
- CSR Activities
- **Constitution of CSR Committee:** As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

The CSR committee will be responsible for -

- Formulating and recommending CSR Policy
- Recommending the CSR activities and the amount required for performing the same
- Monitoring the CSR policy periodically
- Ensuring the implementation of CSR Activities
- Ensuring the 2% spending as per the provisions
- **Formulation of CSR Policy:** Section 135(3) of the Act, 2013 requires that the Corporate Social Responsibility Committee shall formulate and recommend a CSR Policy to the Board of Directors. The CSR policy shall consists -
 - The list of CSR activities or projects
 - The process of monitoring
 - A clause stating that any income which will be generated from the CSR activities shall not become the part of the profit of the company and shall be treated separately for the future CSR activities.
- **Spending of prescribed amount on CSR activities:** The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The computation should be done as per Section 198 of the Companies Act, 2013.
- **CSR Activities:** As per the Schedule VII of the Act, the following activities can be included by a company to undertake their CSR activities - (The data mentioned in this section has been taken from the Schedule VII of Companies Act, 2013)
 - (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the 'Swachh Bharat Koshish' 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 vocational 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 arts and handicrafts;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- (viii) 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;
- (ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x) rural development projects;
- (xi) Slum area development

4.6 ANALYSIS AND INTERPRETATION OF SECTION 135 AND SCHEDULE VII OF THE COMPANIES ACT 2013

4.6.1 Background

In India, Section 135 of the Companies Act 2013 pertains to Corporate Social Responsibility. Schedule VII of the Companies Act 2013 provides a

list of CSR activities to be undertaken by the company which qualifies certain criterias. The qualifying criterias for companies are -

- A net worth of Rs. 500 crores or more.
- A turnover of Rs. 1,000 crores or more.
- Net profits of Rs. 5 crores or more in a financial year.

4.6.2 Section 135

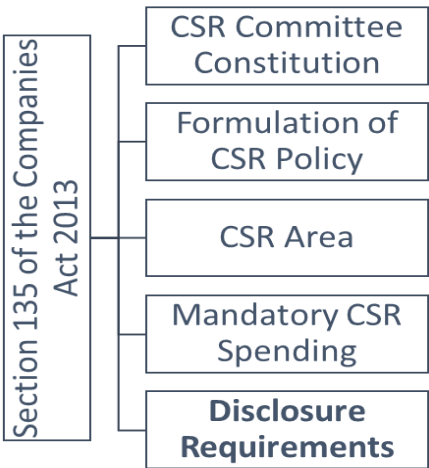


Fig. 4.3: Section 135 of the Companies Act 2013

4.6.3 Section VII



Fig. 4.4: CSR Activities

4.6.4 Analysis and Interpretation

In business reporting, the concept of corporate social responsibility is growing. An organization is a group of people who work together to achieve common goals. These common goals fundamentally involve the concept of corporate social responsibility. The main aim of the Section 135 of the Companies Act 2013 is to encourage and mandate some companies to perform CSR activities. The companies are encouraged to contribute to the nation's development through various social and environmental activities.

Section 135 mandates specific companies to perform CSR activities which must put focus on -

- Social aspects
- Environmental aspects and
- Economic Aspects

The Schedule VII of the Companies Act 2013 provides a list of activities to be performed under CSR. The Schedule ensures that the organizations are contributing positively towards the various social concerns. The companies are free to choose their activities as per their expertise and business needs.

The Provisions of the Act and Schedule VII encourages and motivates companies to discharge their CSR activities. They provide a platform for businesses to act more responsible, accountable and social. The approach of the Act with respect to CSR is inclusive and progressive.

4.7 ANALYSIS AND INTERPRETATION OF THE PROVISIONS OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

The present section deals with the analysis and interpretation of the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

4.7.1 Companies (Corporate Social Responsibility Policy) Rules, 2014

In India, The Companies (Corporate Social Responsibility Policy) Rules, 2014 were introduced under Section 135 of the Companies Act 2013. The rules were introduced to provide a platform for issuing guidelines for the companies with regard to the formulation, implementation, and monitoring of Corporate Social Responsibility.

The following are the key aspects of the The Companies (Corporate Social Responsibility Policy) Rules, 2014 -

- As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

- Section 135(3) of the Act, 2013 requires that the Corporate Social Responsibility Committee shall formulate and recommend a CSR Policy to the Board of Directors. The CSR policy shall consist of the list of CSR activities or projects, the process of monitoring and a clause stating that any income which will be generated from the CSR activities shall not become the part of the profit of the company and shall be treated separately for the future CSR activities.
- The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The computation should be done as per Section 198 of the Companies Act, 2013.
- The CSR activities as per the Schedule VII of the Companies Act, 2013.

4.7.2 Analysis and Interpretation

The Companies (Corporate Social Responsibility Policy) Rules, 2014 has a structured framework. Companies as per the Companies (Corporate Social Responsibility Policy) Rules, 2014 can develop, implement, and report on their CSR activities.

The emphasis is given on the accountability and transparency on the part of the company's CSR activities. There are mandatory rules for the -

- Disclosure of the CSR policy
- Expenditure
- Assessment of the Impact

Companies from the Schedule VII are flexible to select their CSR activities. The Schedule VII of the Companies Act 2013 provides a list of activities to be performed under CSR. The Schedule ensures that the organizations are contributing positively towards the various social concerns. The companies are free to choose their activities as per their expertise and business needs.

There must be an evaluative and monitoring system for the CSR activities because non-compliance of any provision can lead to penalties and fines.

4.8 SUMMARY

The CSR activities are undertaken to improve the brand image of the organization. Companies promote their CSR activities on social media to foster goodwill among stakeholders. It also helps in building a rational and sustainable business model which helps companies to attract and retain the new talent.

Corporate social responsibility is a business practice that involves taking care of all the aspects of the business. The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives,

practices, policies and actions taken by the businesses to contribute towards the various elements of the society.

Section 135 of the Companies Act 2013 deals With the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes net worth, turnover and net profit.

The companies qualifying the criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The provisions are applicable to all companies including State Public Sector Enterprises. The compliance with the provisions of Corporate Social Responsibility came into force from April, 2014.

As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

In India, The Companies (Corporate Social Responsibility Policy) Rules, 2014 were introduced under Section 135 of the Companies Act 2013. The rules were introduced to provide a platform for issuing guidelines for the companies with regard to the formulation, implementation, and monitoring of Corporate Social Responsibility.

4.9 SELF ASSESSMENT TESTS

01. Explain the concept of Corporate Social Responsibility.
02. Discuss the conceptual framework of Corporate Social Responsibility.
03. Explain the various provisions of Companies Act 2013 with respect to CSR.
04. Discuss the criterias for the qualifying companies for CSR under Section 135 of the Companies Act 2013.
05. Write a note on CSR and Companies Act 2013.
06. Analyzeand Interpret the Section 135 and Schedule VII of the Companies Act 2013
07. Discuss the Analysis and Interpretation of the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
08. What type of amendments would you like to incorporate in the present CSR Policy.?



CSR POLICY - PREPARATION AND PROCESS OF POLICY FORMULATION

Unit Structure

- 5.1 Objectives
- 5.2 Introduction
- 5.3 CSR Policy
- 5.4 Constitution of CSR committee as per legal guidelines
- 5.5 Process of Conducting CSR Assessment
- 5.6 Preparing CSR Strategy Framework|
- 5.7 Tools, Technical Guidance and Standards to be used for Policy Formulation
- 5.8 Determining the Implementation Mechanism
- 5.9 Summary

5.1 OBJECTIVES

After studying this module, you should be able to -

- Know the concept of CSR Policy
- Evaluate the process of Constituting of CSR committee as per legal guidelines
- Study the Process of Conducting CSR Assessment
- Know about the Preparation of CSR Strategy Framework|
- Knowledge about Tools, Technical Guidance and Standards to be used for Policy Formulation
- Evaluate in Determining the Implementation Mechanism

5.2 INTRODUCTION

Integrating the social and environmental concerns into the operations and activities of the companies is corporate social responsibility. The concept of Corporate Social Responsibility is a philosophy which states the responsibilities and obligations of the organizations towards the various segments of the society.

The Companies Act 2013 regulates the operations and corporate governance of the companies. The Act brought significant changes in corporate laws with an aim to modernize and align them with the global practices. In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For

certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

As discussed in the previous chapter, under the Companies Act of 2013 in India, it is mandatory for certain companies to spend a percentage of their profits on the various activities related to corporate social responsibility. Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes the net worth, turnover and net profit.

Table 5.1: Qualifying Criteria for CSR

Criteria	Eligibility
Net Worth	A net worth of Rs. 500 crores or more
Turnover	A turnover of Rs. 1,000 crores or more.
Net Profit	Net profits of Rs. 5 crores or more in a financial year

While, proposing the Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, the Chairman of the CSR Committee mentioned the Guiding Principle as follows:

"CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth."

The Companies Act of 2013 has put emphasis on the significance of corporate governance. There are provisions for maintaining transparency and accountability in the operations of the company. There are provisions for corporate social responsibility. Independent directors, audit committees etc.

In this chapter, we will study the concept of CSR Policy, the process of Constituting of CSR committee as per legal guidelines, the Process of Conducting CSR Assessment, about the Preparation of CSR Strategy Framework Knowledge about Tools, Technical Guidance and Standards to be used for Policy Formulation and evaluation in Determining the Implementation Mechanism.

5.3 CSR POLICY

5.3.1 Introduction

The Companies Act 2013 has mandated for certain companies to comply with the provisions related to Corporate Social Responsibility (CSR). The provisions are mandatory for companies which qualify certain criteria prescribed by the Act. The qualifying criteria for companies are -

- A net worth of Rs. 500 crores or more.
- A turnover of Rs. 1,000 crores or more.
- Net profits of Rs. 5 crores or more in a financial year.

The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

The CSR committee will be responsible for formulating and recommending CSR Policy, recommending the CSR activities and the amount required for performing the same, monitoring the CSR policy periodically, ensuring the implementation of CSR Activities and ensuring the 2% spending as per the provisions.

CSR policy is a written document (Preferably) prepared by the CSR committee for the good cause. The policy advocated that the companies should fulfill their social responsibilities as per the provisions of Companies Act, 2013. We can say CSR policy guides companies to conduct business as per the rules.

5.3.2 Concept

CSR policy guides the companies to fulfill their social obligations towards the various segments of society. CSR policy is a way of doing business with regard to corporate social responsibility. CSR policy ensures that the provisions of the Companies Act 2013 are taken into consideration and merged into the operations of the company. It helps to formulate and recommend the various CSR activities for the organizations.

A corporate social responsibility policy provides a platform to the companies to work more diligently and responsibly. It states that beyond the aim of earning profit, a business entity is responsible towards the various segments of society and nation. It helps companies to contribute positively in discharging duties towards the various aspects. The CSR policy is an integral component of an organization. It is a guiding force for organizations to work for the betterment of their people and society.

The CSR Policy may focus on -

- Ethical labor practices

- Ethical business practices
- Environmentally friendly practices
- Society Development
- Welfare programs
- Awareness programs
- Employment drives
- Healthcare camps etc.

CSR policy provides a framework to companies to work. It typically defines the values of a company towards the various aspects of society. How socially and ethically responsible a company is can be defined with the help of accessing the CSR policy. The commitment of organization towards sustainability is also important to be studied. To fulfill their social responsibility goals and objectives, what type of actions a company does can be studied with the help of CSR policy.

5.3.3 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of CSR Policy -



Fig. 5.1: Companies Act and CSR Policy

The above framework states how the four elements mentioned in the figure are interrelated to each other. The next framework will put focus on the actual concept of CSR Policy. What CSR policy is all about?

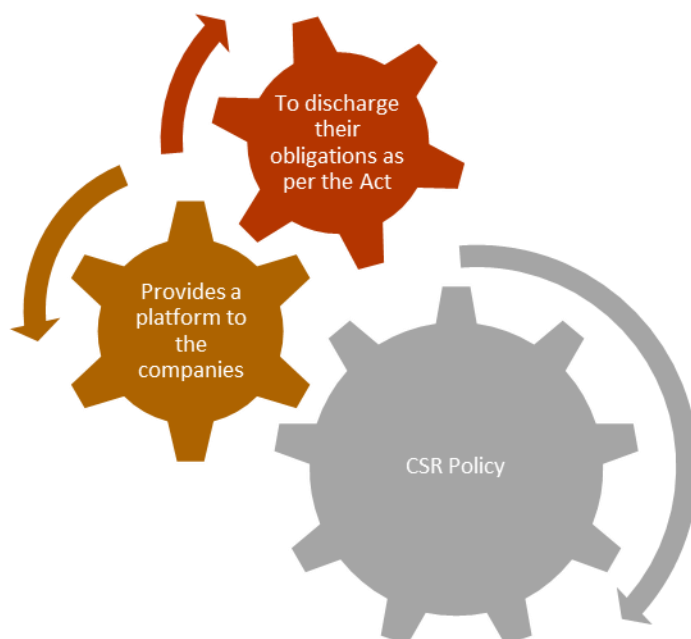


Fig. 5.2: Conceptual Framework of CSR Policy

A CSR policy helps companies to work more diligently. It also helps organizations to avoid any kind of penalties, fines or legal action on the grounds of non-compliance. In simple words, CSR policy provides a platform to the companies to discharge their obligations as per the Act.

5.4 CONSTITUTION OF CSR COMMITTEE AS PER LEGAL GUIDELINES

The Companies Act 2013 has 7 Schedules, 29 Chapters and 470 Sections. The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps. The Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

As per the Companies Act, 2013, certain qualifying companies are required to constitute a CSR Committee. A company having a net worth of Rs. 500 crores or more, a turnover of Rs. 1,000 crores or more net profits of Rs. 5 crores or more in a financial year.

As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

The CSR committee will be responsible for -

- Formulating and recommending CSR Policy

- Recommending the CSR activities and the amount required for performing the same
- Monitoring the CSR policy periodically
- Ensuring the implementation of CSR Activities
- Ensuring the 2% spending as per the provisions

The committee shall adopt a three way process to work as per the Act. Formulation part, Recommendation part and the Implementation part for the CSR policy. The working of CSR committee differs from organization to organization.

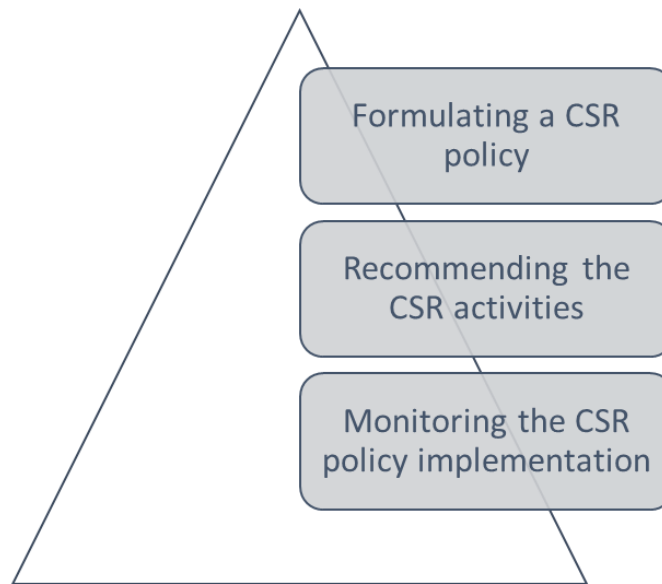


Fig. 5.3: CSR Policy and CSR Committee's Responsibilities

The committee will be responsible to ensure that the companies qualifying the ing criteria spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities.



Fig. 5.4: Alignment of Companies Policy and Objectives with CSR Activities

5.5 PROCESS OF CONDUCTING CSR ASSESSMENT

With the evolution of the concept of Corporate Social Responsibility, companies realized that earning profit is not their soul objective. Earning profit for the survival and growth of business is important but satisfying the needs and wants of the society is considered more important. A corporate social responsible organization is able to gain the trust and confidence of the public. The purpose of Corporate Social Responsibility is to create a chain of trust and confidence among the various stakeholders for the company. A responsible and ethical company always earns a respectable status in society.

Constituting a committee to ensure that the CSR of a company is fulfilling its obligations is important. The present topic deals with the process of conducting the CSR assessment to evaluate the effectiveness and efficiency of the whole working. CSR assessment is a process through which an organization can evaluate the effectiveness and efficiency of the working of CSR activities as per the policy. Evaluation is important because it helps organizations to know whether their efforts are going in the right way or not. The CSR implementation is a complex process. CSR assessment is a systematic process of assessing the effectiveness of CSR activities in an organization. The following process can be adopt to have a proper process of conducting CSR assessment -

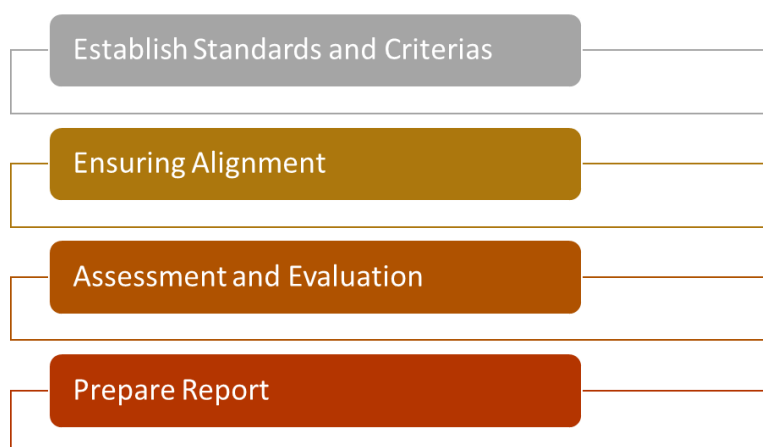


Fig.5.5: Process of Conducting a CSR Assessment

Step I - Establish Standards and Criterias

The first step in conducting a CSR assessment is establishing the standards and criterias for the evaluation process. This step involves setting the standards and aspects which will be measured to ensure that the measures taken by the organization are in alignment and effective. The criteria or standards can be set by taking into consideration the various parameters. It can be on -

- sustainable practices
- Environmental Protection
- Ethical Business Practices

Step II - Ensuring Alignment

The second step advocates that a corporate social responsibility policy provides a platform to the companies to work more diligently and responsibly. The alignment between the companies policies and objectives and the CSR activities should be ensured in this step of conducting an assessment for CSR activities.

Step III - Assessment and Evaluation

The third step in conducting a CSR assessment is assessment and evaluation of the CSR activities and standards. This step compares the actual working of CSR with the standard working set by the Committee for the assessment process.

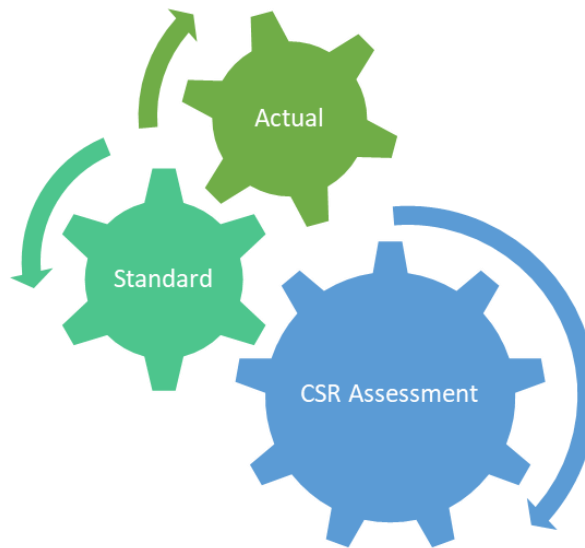


Fig. 5.6: Assessment and Evaluation Step

Step IV - Preparation of Report

The last and the final step in conducting an assessment for CSR is preparation of a report after all the steps. The report may contain a format to show what is and what should be? This report serves as a document to continuing or discontinuing the activities under the category of CSR. the report highlights the -

- Strengths
- Weaknesses
- Opportunities
- Recommendations

5.6 PREPARING A CSR STRATEGY FRAMEWORK

Companies undertake CSR activities to improve the brand image of the organization. Companies promote their CSR activities on social media to foster goodwill among stakeholders. It also helps in building a rational and

sustainable business model which helps companies to attract and retain the new talent.

The motive behind preparing a CSR strategy is to align the company's values, objectives, and activities with the obligations of the organization.



Fig. 5.7: Alignment of CSR with Company’s Value, Objectives and Activities

The CSR strategies need to be aligned with the operational activities of the organization. There are four core areas of CSR strategy -

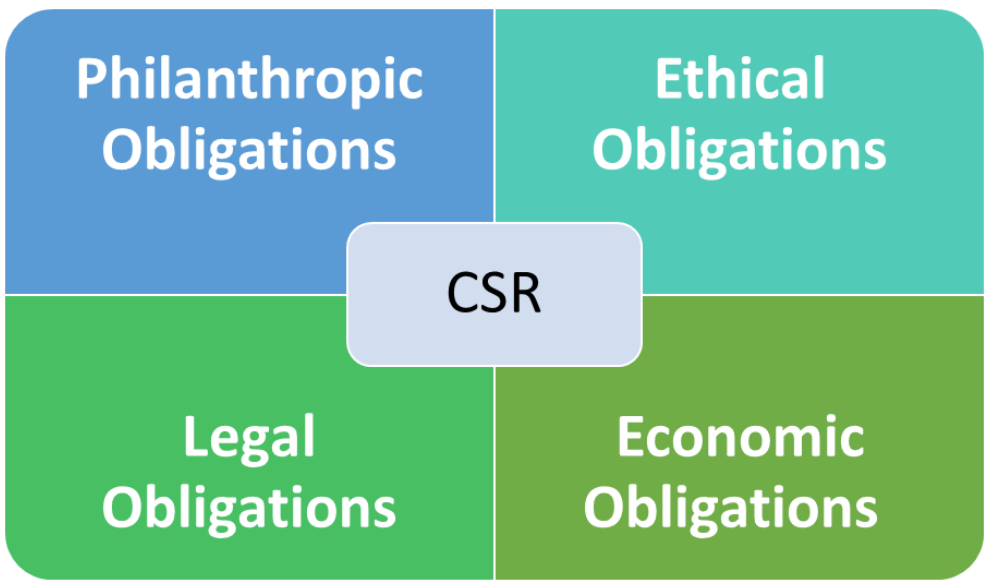


Fig.5.8: Core Areas of CSR Strategy

- **Philanthropic obligations:** The philanthropic obligations are those obligations which are kind of returnable in nature. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc.
- **Ethical Obligations:** The concept of ethical obligations is fulfilling the moral responsibilities apart from the legal obligations. Knowing what is right, what is wrong and doing the right thing in business comes under the notion of ethical obligations. Dealing with integrity and honesty is an important aspect of business.
- **Legal Obligations:** To run their business legally, the companies are expected to fulfill their legal obligations.

Complying the laws and regulations, employment laws, adhering to the code of conduct, protection of consumer, taking care of Intellectual Property Rights are some of the obligations, corporate's are required to satisfy to avoid the legal action, law suits, fines and penalties.

- **Economic Obligations:** In the pyramid, the businesses always place the economic obligations on the top priority. The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first. It refers to the responsibilities and duties of an organization to create value for their employees, shareholders and society at large.

5.7 TOOLS, TECHNICAL GUIDANCE AND STANDARDS TO BE USED FOR POLICY FORMULATION

5.7.1 Introduction

Section 135(3) of the Act, 2013 requires that the Corporate Social Responsibility Committee shall formulate and recommend a CSR Policy to the Board of Directors. The CSR policy shall consists -

- The list of CSR activities or projects
- The process of monitoring
- A clause stating that any income which will be generated form the CSR activities shall not become the part of the profit of the company and shall be treated separately for the future CSR activities.

The formulation of CSR policy requires a systematic process of considering the various tools, technical guidance, techniques and standards. The process is used in a systematic way to ensure that the CSR policy of the company should align with the industry optimum practices and standards.

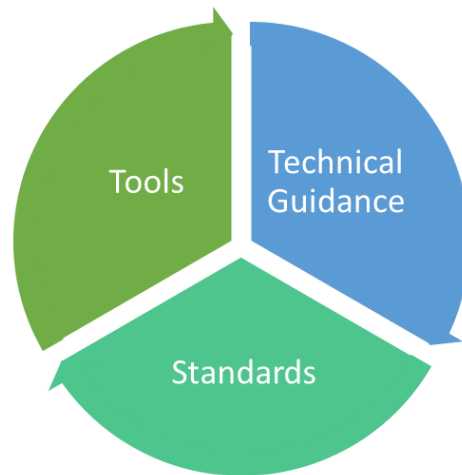


Fig. 5.9: Tools, Technical Guidance and Standards to be used for Policy Formulation

5.7.2 Tools to be used for Policy Formulation

The following tools can be used for the policy formulation of CSR -

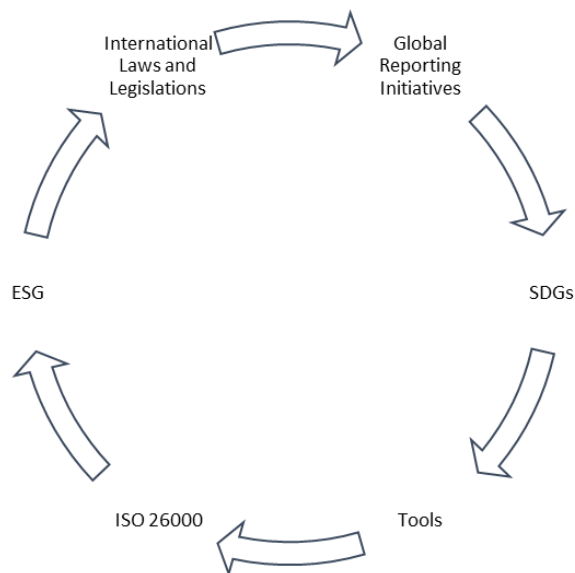


Fig. 5.10: Policy Formulation Tools

- **ISO 26000:** ISO 26000 provides guidelines globally to the companies in the field of corporate social responsibility. ISO 26000 encourages the company to understand the concept of social responsibility.

It seeks to promote a common understanding of CSR. The key principles which governs this framework are -

- Fairness and Transparency
- Responsibility and Accountability
- Taking care of Interest of Stakeholders
- Respect for the Laws
- Taking care of International Laws and Legislations

- Respecting Human Rights
- Ethical Behavior
- **Global Reporting Initiatives:** Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -
 - Economic
 - Social
 - Legal
 - Environmental
 - Governance Policy
- **International Laws and Legislations:** The area of International Laws and Legislations is very comprehensive. The standards prescribed by the International Labour Organization are observed under this framework. The various aspects of labor related rules and regulations are studied like -
 - Working Conditions
 - Employment
 - Social Welfare Policy
 - Protection of Labor Rights
 - Industrial Peace and Democracy
- **Sustainable Development Goals:** As mentioned earlier, Sustainable Development Goals set by the United Nations are meant to be achieved to transform the world. The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

Some of the goals are -

- No poverty
- Zero Hunger
- Good Health and Well-being
- Quality Education
- Gender Equality
- Clean Water and Sanitation etc.

- **The Criteria of ESG:** ESG stands for -
 - E - Environmental
 - S - Social
 - G - Governance

Based on the ESG, the stakeholders evaluate the companies. They assess the company's environmental impact, how well they are oriented towards social responsibility, what are their governance practices? On The basis of these parameters, they make investment decisions. Companies follow this criteria to show their commitment to their stakeholders towards the various aspects of society.

5.7.3 Technical Guidance to be used for Policy Formulation

The technical guidance which is required to be used for policy formulation is about knowing the technical aspects of CSR. Every policy when framed demands three types of guidance -

- Technical guidance
- Conceptual guidance
- Human guidance

The following type of guidance from the organizations is required for policy formulation of corporate social responsibility -

- **United Nations Global Compact:** UNGC stands for United Nations Global Compact. It was launched by the United Nations. The main motive of UNGC is to encourage the businesses to act as socially responsible organizations. This organization encourages businesses to adopt sustainable policies. It focuses on ten principles related to human rights, labor, environment, and anti-corruption.
- **Organization for Economic Co-operation and Development (OECD):** The Organization for Economic Co-operation and Development (OECD) provides guidelines to businesses to act more sustainable and responsible in the context of CSR. The Organization for Economic Co-operation and Development focuses on four areas in context of CSR -
 - Human rights
 - Labor practices
 - Environment
 - Anti-corruption measures
- **ILO Core Conventions:** The standards prescribed by the International Labour Organization are observed under this framework. The various aspects of labor related rules and regulations are studied like -
 - Working Conditions

- Employment
 - Social Welfare Policy
 - Protection of Labor Rights
 - Industrial Peace and Democracy
- **Carbon Disclosure Project:** The CDP helps companies to the environment impact data. The data related to carbon emissions and change of climate need to be understood.

5.7.4 Standards to be used for Policy Formulation

The policy of CSR is fundamentally important. The CSR Policy may focus on -

- Ethical labor practices
- Ethical business practices
- Environmentally friendly practices
- Society Development
- Welfare programs
- Awareness programs
- Employment drives
- Healthcare camps etc.

5.8 DETERMINING THE IMPLEMENTATION MECHANISM

Determining the implementation mechanism of CSR is not an easy task. It requires a comprehensive approach of understanding the concept of CSR and its working. In the determination process, the CSR policies are framed, executed, managed, evaluated and monitored. The process is systematic and time consuming.

The following approaches can be used to determine the implementation mechanism -

- A dedicated CSR team or committee
- Involvement of top management
- Integration of CSR activities with business operations
- Through collaborations
- Involvement of stakeholders
- Proper reporting and communication
- Actionable initiatives

5.9 SUMMARY

- Under the Companies Act of 2013 in India, it is mandatory for certain companies to spend a percentage of their profits on the various activities related to corporate social responsibility. Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes the net worth, turnover and net profit.
- CSR policy is a written document (Preferably) prepared by the CSR committee for the good cause. The policy advocated that the companies should fulfill their social responsibilities as per the provisions of Companies Act, 2013. We can say CSR policy guides companies to conduct business as per the rules.
- CSR policy is a way of doing business with regard to corporate social responsibility. CSR policy ensures that the provisions of the Companies Act 2013 are taken into consideration and merged into the operations of the company. It helps to formulate and recommend the various CSR activities for the organizations.
- As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.
- Constituting a committee to ensure that the CSR of a company is fulfilling its obligations is important. The present topic deals with the process of conducting the CSR assessment to evaluate the effectiveness and efficiency of the whole working. CSR assessment is a process through which an organization can evaluate the effectiveness and efficiency of the working of CSR activities as per the policy.
- The motive behind preparing a CSR strategy is to align the company's values, objectives, and activities with the obligations of the organization.
- The formulation of CSR policy requires a systematic process of considering the various tools, technical guidance, techniques and standards. The process is used in a systematic way to ensure that the CSR policy of the company should align with the industry optimum practices and standards.
- Determining the implementation mechanism of CSR is not an easy task. It requires a comprehensive approach of understanding the concept of CSR and its working. In the determination process, the CSR policies are framed, executed, managed, evaluated and monitored. The process is systematic and time consuming.

5.10 SELF ASSESSMENT TESTS

01. How does the CSR policy align with the company's core values and long-term vision?
02. What is CSR Policy? Explain the various components of CSR policy.
03. What specific areas or domains does the CSR policy cover?
04. How are stakeholders such as employees, customers, local communities, and suppliers involved in shaping or influencing CSR decisions?
05. Write a note on constituting a CSR committee as per legal guidelines.
06. Discuss the Process of Conducting CSR Assessment.
07. How to prepare a framework for CSR strategy?
08. Explain the various Tools, Technical Guidance and Standards to be used for Policy Formulation.
09. Discuss the criteria and approaches in Determining the Implementation Mechanism of CSR.

IMPLEMENTATION OF CSR POLICY

Unit Structure

- 6.1 Objectives
- 6.2 Introduction
- 6.3 Operationalizing the institutional mechanism
- 6.4 Different modes of implementing the CSR strategy
- 6.5 Decision making criteria
- 6.6 Due diligence of implementation partner
- 6.7 Project development and approval
- 6.8 Finalizing the arrangement with the implementation agency
- 6.9 Summary

6.1 OBJECTIVES

After studying this module, you should be able to -

- Know the concept of CSR Policy
- Study how to Operationalize the institutional mechanism
- Know about the different modes of implementing the CSR strategy
- Evaluate the decision making criteria
- Know about the concept of Project development and approval
- Know about the Finalization of the arrangement with the implementation agency

6.2 INTRODUCTION

A corporate social responsibility policy provides a platform to the companies to work more diligently and responsibly. It states that beyond the aim of earning profit, a business entity is responsible towards the various segments of society and nation. It helps companies to contribute positively in discharging duties towards the various aspects. The CSR policy is an integral component of an organization. It is a guiding force for organizations to work for the betterment of their people and society.

CSR policy guides the companies to fulfill their social obligations towards the various segments of society. CSR policy is a way of doing business with regard to corporate social responsibility. CSR policy ensures that the provisions of the Companies Act 2013 are taken into consideration and

merged into the operations of the company. It helps to formulate and recommend the various CSR activities for the organizations.

The CSR committee will be responsible for formulating and recommending CSR Policy, recommending the CSR activities and the amount required for performing the same, monitoring the CSR policy periodically, ensuring the implementation of CSR Activities and ensuring the 2% spending as per the provisions.

CSR policy is a written document (Preferably) prepared by the CSR committee for the good cause. The policy advocated that the companies should fulfill their social responsibilities as per the provisions of Companies Act, 2013. We can say CSR policy guides companies to conduct business as per the rules.

It typically defines the values of a company towards the various aspects of society. How socially and ethically responsible a company is can be defined with the help of accessing the CSR policy. The commitment of organization towards sustainability is also important to be studied. To fulfill their social responsibility goals and objectives, what type of actions a company does can be studied with the help of CSR policy.

In the present chapter, we will study and know about the concept of CSR policy, what is the role of committees in CSR processes. How can the institutional mechanism be operationalized? About the different modes of implementing the CSR strategy. The decision making process and its criteria will also be studied. Along with this, how will the project be developed and approved? What is the process? How the arrangement will be finalized with the implementation agency will also be considered for the study?

6.3 OPERATIONALIZING THE INSTITUTIONAL MECHANISM

After framing and developing a CSR policy, the next step which arises in the processes of CSR is operationalizing the institutional mechanism. The process of operationalizing the institutional mechanism involves setting up the processes and structures within an organization. The purpose is to frame, develop, implement, evaluate and monitor the corporate social responsibility initiatives within an organization.

Operationalizing the institutional mechanism needs three things -



Fig. 6.1: Operationalizing the institutional mechanism

The process of Operationalizing the institutional mechanism requires the following steps -



Fig. 6.2: Process of Operationalizing the institutional mechanism

For better understanding, the following is the explanation of the Process of operationalizing the institutional mechanism -

- **Define the Goals and Objectives:** The first step in the process of Operationalizing the institutional mechanism is defining the goals and objectives. This step helps the process to understand what exactly the motive is behind the implementation of CSR. Governments often set regulations and guidelines as mandatory for the corporations to follow. The first step provides an idea about that as well.
- **Constitute a CSR Team:** A dedicated CSR team needs to be constituted at an organizational level. This helps in formulating and recommending CSR Policy and the CSR activities and the amount required for performing the same. The team will be responsible for monitoring the CSR policy periodically and ensuring the implementation of CSR Activities. The team will look after the provisions related to ensuring the 2% spending as per the same.
- **Develop Policies:** The third step in the process of operationalizing the institutional mechanism is developing the plan and policies for the success of CSR initiatives. The CSR policy shall consist the list of CSR activities or projects, the process of monitoring and a clause stating that any income which will be generated form the CSR activities shall not become the part of the profit of the company and shall be treated separately for the future CSR activities.
- **Integrate with Business Objectives:** The fourth step in the process of operationalizing the institutional mechanism is integrating the CSR activities with the policies, practices and working of business. Integration will help in avoiding any kind of confusion.
- **Monitoring and Evaluation:** The fifth and the last step in the process of operationalizing the institutional mechanism is monitoring and evaluation of the whole process. This step will recommend companies to follow the same steps for the implementation of CSR or changes are required to have a better way.

6.4 DIFFERENT MODES OF IMPLEMENTING THE CSR STRATEGY

6.4.1 CSR Strategy

CSR strategies are those strategies which help companies to align their objectives with the CSR activities. The CSR strategies are aligned with the operational activities of the organization. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies. The CSR activities are undertaken to improve the brand image of the organization.

Companies promote their CSR activities on social media to foster goodwill among stakeholders. It also helps in building a rational and sustainable

business model which helps companies to attract and retain the new talent. The motive behind preparing a CSR strategy is to align the company's values, objectives, and activities with the obligations of the organization. The CSR strategies need to be aligned with the operational activities of the organization. There are four core areas of CSR strategy. The philanthropic obligations are those obligations which are kind of returnable in nature. Giving back to the society in the form of community participation, donations, volunteer work, educational facilities to the poor, social welfare for the weaker section etc.

The concept of ethical obligations is fulfilling the moral responsibilities apart from the legal obligations. Knowing what is right, what is wrong and doing the right thing in business comes under the notion of ethical obligations. Dealing with integrity and honesty is an important aspect of business. To run their business legally, the companies are expected to fulfill their legal obligations. Complying the laws and regulations, employment laws, adhering to the code of conduct, protection of consumer, taking care of Intellectual Property Rights are some of the obligations, corporates are required to satisfy to avoid the legal action, law suits, fines and penalties.

The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first. It refers to the responsibilities and duties of an organization to create value for their employees, shareholders and society at large.

6.4.2 Different Modes of Implementation

In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

As per the Schedule VII of the Act, the following activities can be included by a company to undertake their CSR activities - (The data mentioned in this section has been taken from the Schedule VII of Companies Act, 2013)

- (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the 'Swachh 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 vocational skills especially among children, women, elderly, and the differently able 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, agro forestry, 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 arts and handicrafts;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
- (viii) 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;
- (ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- (x) rural development projects;
- (xi) Slum area development.

6.5 DECISION MAKING CRITERIA

In the field of corporate social responsibility, there are many decisions which have to be taken for determining and choosing the activities to be carried out under CSR initiatives. The scope of CSR is very vast and the organizations are free to choose their own activities. The decision-making criteria play an important role in determining -

- Which initiative to undertake
- Resource allocation
- Giving priorities to action
- Alignment of company's working with CSR activities

As per the experts, the following are the three criterias for decision making in context with CSR policy -

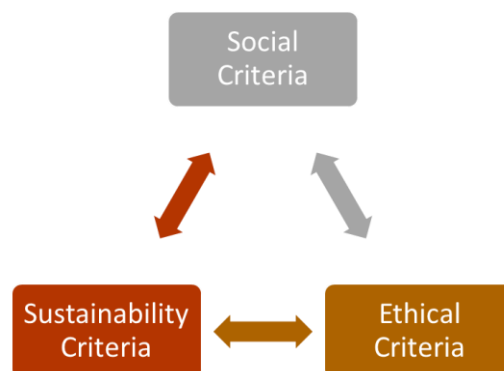


Fig. 6.3: Criteria for Decision-making

- **Social Criteria :** The social criteria under the concept of corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the social and economic well-being. The activities like -
 - Skill development
 - Livelihood opportunities
 - Providing basic amenities
 - Adopting some villages
 - Environmental Sustainability
- **Ethical Criteria:** The ethical criteria under the concept of corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the ethical manner. It helps businesses to work with honesty and integrity. The activities like -
 - Ethical Business Practices
 - Ethical Supply Chain
 - Transparency
 - Fair labor practices
 - Respect for human rights
 - Fair governance
- **Sustainability Criteria:** The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The criteria of sustainability puts emphasis on the businesses to work in an efficient and optimal way. Many businesses work on the principles of -
 - Reuse
 - Recycle
 - Regenerate
 - Resustain

6.6 DUE DILIGENCE OF IMPLEMENTATION PARTNER

Due diligence is a process through which the vast and detailed investigation is undertaken by the organizations to gather the required and relevant information. It involves the process of assessing the risks and opportunities related to a particular action or transaction.

With respect to the concept of Corporate Social Responsibility (CSR), the due diligence process for an implementation partner involves a process of detailed evaluation of potential vendors or partners that a company plans to work jointly with to implement its Corporate Social Responsibility (CSR) initiatives. The process ensures that the suppliers, vendors, service

providers, contractors, customers and any other third parties connected to your business aligns with the company's mission, objectives and values.

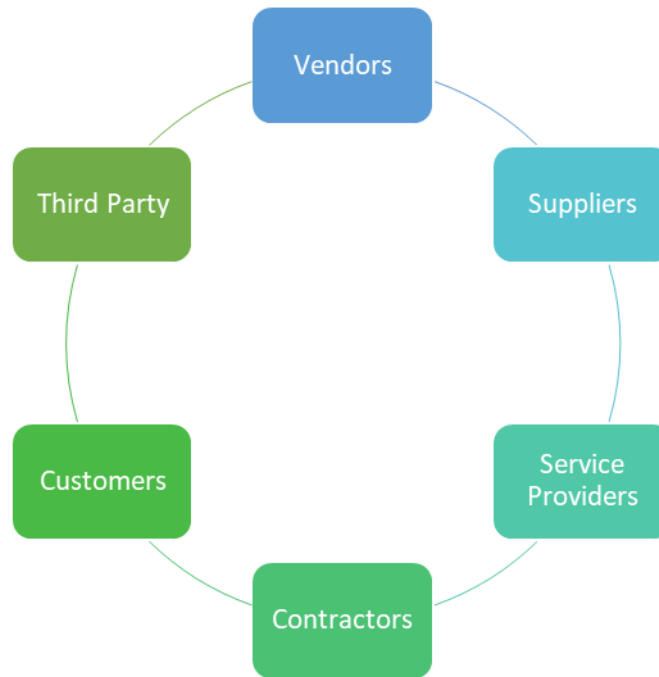


Fig. 6.4: Implementation Partners

The process of due diligence is not a single time task. The process of due diligence of an implementation partner is a continuous process. When the companies do partnering, it is important to verify the role a partner may perform to discharge the social responsibilities effectively.

The key aspects of due diligence for an implementation partner are as follows -

- CSR Goals should be aligned with the partner's mission, values, and operational practices.
- Assessing the track record of a partner is important.
- Evaluating the partner's expertise and capabilities is an important aspect.
- Knowing what will be their contribution in CSR initiatives?

6.7 PROJECT DEVELOPMENT AND APPROVAL

6.7.1 Introduction

In business reporting, the concept of corporate social responsibility is growing. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. The concept of corporate social responsibility is not a mere

practice but a whole bunch of philosophies lies underneath. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues. These issues cannot be compromised on the part of companies.

CSR strategy aims to align the activities, operations and values of the company with the business goals. There is a need to prepare a plan to implement CSR activities in organizations. Later on, on the basis of that plan, the project can be developed and approved simultaneously.



Source: <https://enterclimate.com/blog/development-planning-and-implementation-of-csr-strategy>.

6.7.2 CSR - Project Development

Project development refers to an act of transforming the idea into a structured plan to achieve some specific goals. In CSR, developing strategy for the implementation of CSR activities plays a vital role. The following are the steps in the project development of CSR -

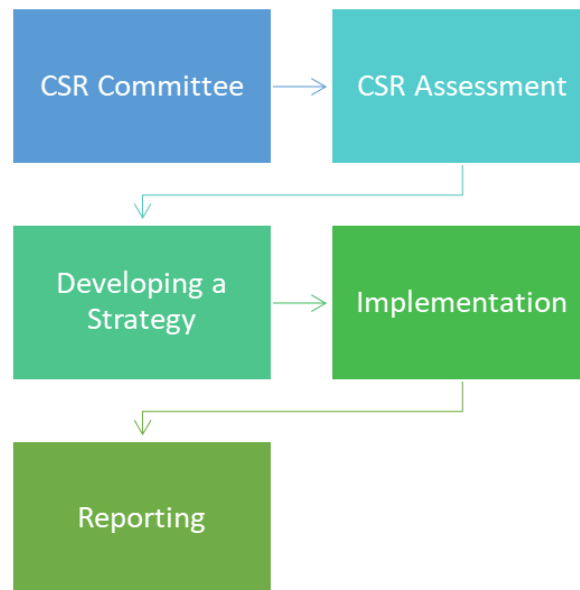


Fig. 6.5: Steps in Project Development

- **CSR Committee:** The first step in the project development of CSR strategy is the constitution of the CSR Committee. As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company. The committee shall comprise at least three directors, including one independent director.

The CSR committee will be responsible for -

- Formulating and recommending CSR Policy
- Recommending the CSR activities and the amount required for performing the same
- Monitoring the CSR policy periodically
- Ensuring the implementation of CSR Activities
- Ensuring the 2% spending as per the provisions



Source: <https://inknowtech.com/corporate-social-responsibility-policycsr-policy/>

- **CSR Assessment:** The second step in the project development is conducting the CSR assessment. The assessment requires a dedicated team to assess and evaluate the things which are needed for the implementation of corporate social responsibility. In this step, companies can go for the inspection of their internal and external capabilities.

The CSR assessment is a study of evaluating the initiatives, strategies, and their impact on various stakeholders and the environment with respect to corporate social responsibility of the organization.

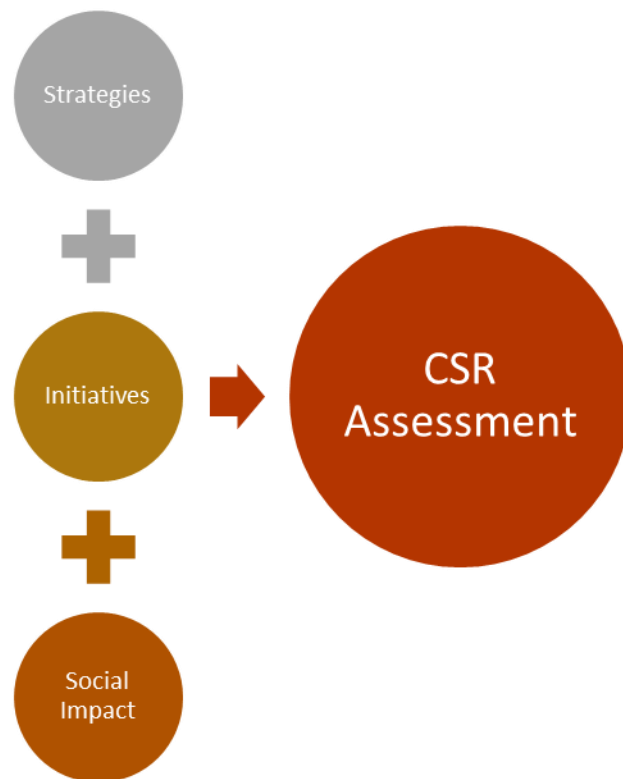


Fig. 6.6: Aspects of CSR Assessment

- **Developing a Strategy:** In the third step of project development, after the constitution of the CSR committee and CSR assessment this step requires the act of developing a strategy. This step involves the determination of path, methodology and acts to the implementation part. The people involved in this process have to take care of certain things when it comes to the development part.

This step involves following activities to be performed while developing a strategy -

- Evaluating company's current CSR initiatives, policies, and their impact.
- Identifying the existing and prospective stakeholders
- Collecting ideas to shape the strategy
- Development of strategy

- Integration with business operations
- Evaluation of the whole process
- Reporting and communication



Source: <https://indiacsr.in/corporate-social-responsibility-csr-helps-both-society-and-the-brand-image-of-companies/>

- **Strategy Implementation :** The fourth most important step in the project development is strategy implementation. Constructing a standard approach for the strategy implementation is required at this stage. Strategy implementation is all about translation of the formulated plans and objectives into action. This step also requires the act of integrating the CSR initiatives with the activities and the operations of the company.

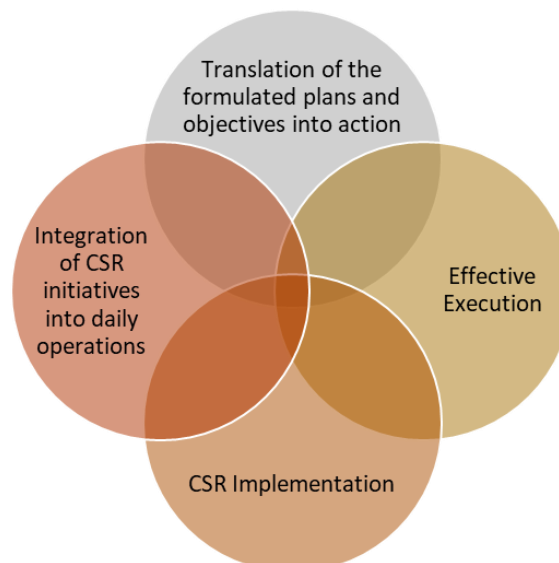


Fig. 6.7: Strategy Implementation

- **Reporting:** The last step in the project development is reporting. Determining the implementation mechanism of CSR is not an easy task. It requires a comprehensive approach of understanding the concept of CSR and its working. In the determination process, the CSR reports system is framed, executed, managed, evaluated and monitored.

6.7.3 CSR - Project Approval

The approach of CSR requires a systematic approach. Taking approval for the CSR strategy requires the participation of the top level. Creating a proposal is important for taking the approval of top management. The dedicated CSR team needs alignment between the companies policies and objectives and the CSR activities should be ensured in this step of conducting an assessment for CSR activities.

The following steps are required in the process of project approval -

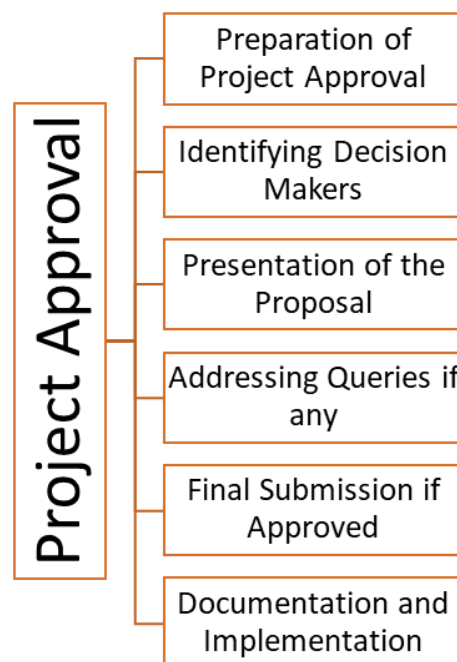


Fig. 6.8: Process of Project Approval

6.8 FINALIZING THE ARRANGEMENT WITH THE IMPLEMENTATION AGENCY

Finalizing the arrangement with the implementation agency is a systematic process of maintaining a collaborative and transparent relationship with the implementation agency. An implementation agency is responsible for the CSR initiatives on the basis of collaboration and support. The partnership between the company and the implementation agency helps to determine the success of CSR initiatives in an organization.

The following are the important things which needs to be ensured in the whole process of CSR processes -

- Determining the selection criteria for the implementation agency.
- Negotiation will happen and both the parties will enter into the contract.
- Resources will be allocated and expectations will be communicated.
- Planning will be evaluated and the performance standards will be tracked.
- Feedback mechanisms will be framed to ensure the working and reporting of the performance.

6.9 SUMMARY

- CSR policy guides the companies to fulfill their social obligations towards the various segments of society. CSR policy is a way of doing business with regard to corporate social responsibility. CSR policy ensures that the provisions of the Companies Act 2013 are taken into consideration and merged into the operations of the company. It helps to formulate and recommend the various CSR activities for the organizations.
- After framing and developing a CSR policy, the next step which arises in the processes of CSR is operationalizing the institutional mechanism. The process of operationalizing the institutional mechanism involves setting up the processes and structures within an organization. The purpose is to frame, develop, implement, evaluate and monitor the corporate social responsibility initiatives within an organization.
- CSR strategies are those strategies which help companies to align their objectives with the CSR activities. The CSR strategies are aligned with the operational activities of the organization. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies. The CSR activities are undertaken to improve the brand image of the organization.
- In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility. As per the Schedule VII of the Act, the various activities can be included by a company to undertake their CSR activities.
- In the field of corporate social responsibility, there are many decisions which have to be taken for determining and choosing the activities to be carried out under CSR initiatives. The scope of CSR is very vast and the organizations are free to choose their own activities. The decision-making criteria play an important role in determining which initiative to undertake, resource allocation, giving priorities to action and alignment of company's working with CSR activities.

- With respect to the concept of Corporate Social Responsibility (CSR), the due diligence process for an implementation partner involves a process of detailed evaluation of potential vendors or partners that a company plans to work jointly with to implement its Corporate Social Responsibility (CSR) initiatives.
- Project development refers to an act of transforming the idea into a structured plan to achieve some specific goals. In CSR, developing strategy for the implementation of CSR activities plays a vital role. The approach of CSR requires a systematic approach. Taking approval for the CSR strategy requires the participation of the top level. Creating a proposal is important for taking the approval of top management. The dedicated CSR team needs alignment between the companies policies and objectives and the CSR activities should be ensured in this step of conducting an assessment for CSR activities.
- Finalizing the arrangement with the implementation agency is a systematic process of maintaining a collaborative and transparent relationship with the implementation agency. An implementation agency is responsible for the CSR initiatives on the basis of collaboration and support. The partnership between the company and the implementation agency helps to determine the success of CSR initiatives in an organization.
- Finalizing the arrangement with the implementation agency is a systematic process of maintaining a collaborative and transparent relationship with the implementation agency. An implementation agency is responsible for the CSR initiatives on the basis of collaboration and support.

6.10 SELF ASSESSMENT TESTS

01. Explain the concept of CSR. What is the role of CSR policy in the field of corporate social responsibility?
02. Write a note on operationalizing the institutional mechanism.
03. What is CSR strategy? Explain the different modes of implementing the CSR strategy.
04. Discuss the decision making criteria in detail in CSR processes.
05. What is the meaning of due diligence? Explain the process of due diligence of the implementation partner.
06. What is project development and approval? Explain the various aspects of project development and approval.
07. Write a note on finalizing the arrangement with the implementation agency.

MONITORING AND EVALUATION OF CSR PROGRAMMES

Unit Structure

- 7.1 Objectives
- 7.2 Introduction
- 7.3 CSR - Monitoring Mechanism and Tools
- 7.4 Social Impact Assessment
- 7.5 Determination of mid-course corrections
- 7.6 Recommendations for future project designs
- 7.7 Identifying methods for conducting the impact assessment
- 7.8 Identifying the skills set required for the impact measurement team
- 7.9 Tools, technical guidance and standards to be used for Evaluation
- 7.10 Summary

7.1 OBJECTIVES

After studying this module, you should be able to -

- Know the concept of CSR Policy
- Study the Monitoring Mechanism and Tools of CSR
- Know about the concept of Social Impact Assessment
- Know how can mid-course corrections be determined
- Identify the methods and skills required for the assessment
- Know about the tools, technical guidance and standards to be used for evaluation

7.2 INTRODUCTION

Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The narrow concept covers the responsibilities towards the internal stakeholders - Owners, Managers and Employees. The broader concept covers the responsibilities towards the external stakeholders like Customers, Consumers, Suppliers, Creditors, Government and Society. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society.

When an organization fulfills its social and economic obligation towards the various aspects of society, that concept is called Corporate Social Responsibility Programs. The purpose is to ensure that the companies are working in an ethical manner and are responsible towards the social problems of the economy. In simple words, CSR programs are initiatives and activities planned and organized by the companies to fulfill their social obligation. The motive is to ensure that the company is working in a sustainable, ethical and moral way. Companies ensure that they are contributing positively in society through their corporate social responsibility programs.

This type of programs have become significant as companies determined their role in fulfilling their social obligation. Companies have become more active in addressing the economic, social and environmental issues of the economy. It not only help in boosting the economy in environmental sustainability, social and economic welfare, promotion of ethical business practices, public engagement but also it is positively contributing in -

Company's reputation

- Goodwill
- Employee productivity
- Employee Morale and Motivation
- Long term survival and growth
- Philanthropy activities

The responsibilities of the businesses are changing. They have to think beyond profit. The evolution of CSR was not easy. It went through many rough phases as it was hard to convince the businesses that earning profit is only a part of business. For survival and growth, there are other aspects to be considered to achieve long term sustainability and development of businesses in today's complex competitive world. Through CSR programs companies can work in the core areas and integrate the values of the business in the CSR activities. To maximize their positive impact on society, companies are addressing these issues seriously.

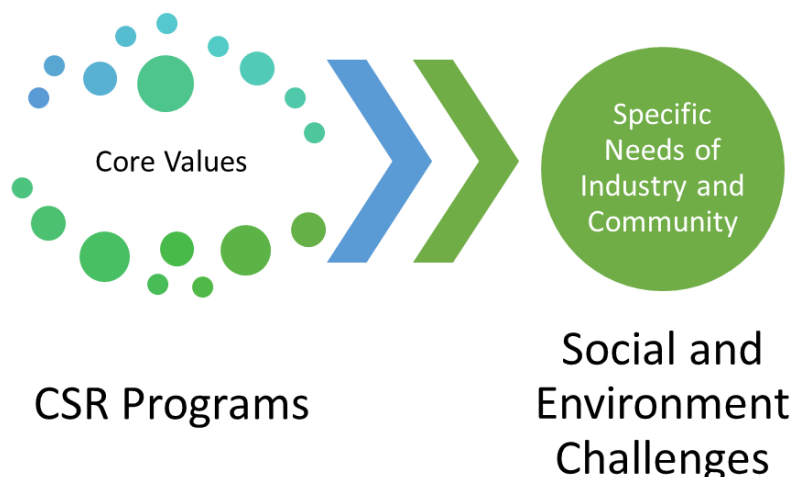


Fig.7.1: CSR Programs and Core Values of Business

7.3 CSR - MONITORING MECHANISMS AND TOOLS

7.3.1 Introduction

The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society. In his words, “The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. The contribution of Bowen is considered a pioneer in the field of corporate social responsibility. The activities of an organization can have a great impact on the working of the society. A Socially responsible organization is considered more safe and trusted.

The concept of corporate social responsibility is not a mere practice but it is a philosophy. It impacts the life of various segments of the society. The scope of corporate social responsibility is not confined to only having compliance and adherence with the rules and regulations but also it aims to create a more responsible and rational business model. Corporate social responsibility is a business practice that involves taking care of all the aspects of the business. The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives, practices, policies and actions taken by the businesses to contribute towards the various elements of the society.

The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies. The concept of corporate social responsibility not only covers the element of fulfilling the responsibilities and duties but also holds companies responsible for their deeds through their work.

According to the Father of CSR, Mr. Howard Bowen, “Social responsibility is the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

7.3.2 Monitoring Mechanisms and tools of CSR

7.3.2.1 CSR Monitoring

CSR monitoring is a process of analyzing and evaluating the working and results of the CSR initiatives of the organization. The purpose of monitoring is to make sure that the company’s CSR activities are in alignment with the objectives, values and activities of the organization. The process of CSR monitoring is continuous and ongoing.



Fig. 7.2: CSR Monitoring and CSR Activities

It is expected from the companies to ensure that the CSR activities are contributing in fulfilling social obligations, environmental obligations, community involvement and their welfare is considered. The employee welfare and well being is taken into consideration and the company is promoting ethical business practices.

7.3.2.2 Mechanisms And Tools

The following are the important mechanisms and tools of CSR monitoring-

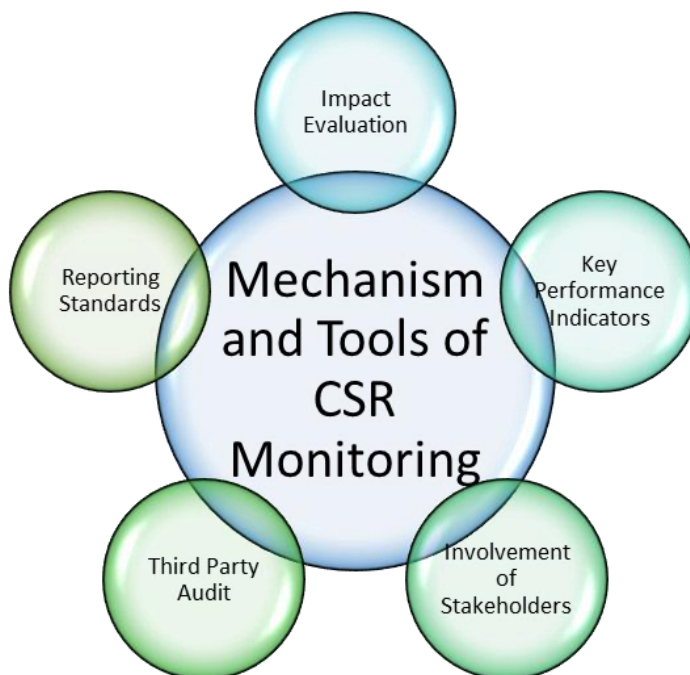


Fig. 7.3: Mechanism and Tools of CSR Monitoring

- **Impact Evaluation:** To measure the impact of CSR initiatives undertaken by the companies, it is vital to evaluate the effectiveness of the CSR programs. The impact can be evaluated through survey, observation, interview or through the process of data collection by involving the community and stakeholders.
- **Key Performance Indicators:** Regularly tracking the performance of key indicators is also one of the effective mechanisms and tools in measuring and monitoring the CSR initiatives. The key performance indicators must need to be identified and established. This may include the key aspects of CSR initiatives discussed earlier. Companies as per their convenience can tailor made their CSR program.
- **Involvement of Stakeholders:** The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs. This is one of the effective methods of CSR monitoring. Taking the feedback of employees, investors, and customers, and incorporating their perspective into CSR strategies is an effective method.
- **Third Party Audit:** Taking the help of third parties in evaluating the CSR initiatives has also proved to be effective for CSR monitoring. The process includes the appointment of a third party to verify and validate the claims of CSR. As they are external to the organization, their validation and audit report provide credibility and create confidence to the CSR activities undertaken by the companies. Their certification ensures that the company is meeting their CSR obligations and the impact is positive on society.
- **Reporting Standards:** The reporting standards like Global Reporting Initiatives can be used to assess the impact of CSR initiatives. Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -
 - Economic
 - Social
 - Legal
 - Environmental
 - Governance Policy

7.4 SOCIAL IMPACT ASSESSMENT

Social impact assessment is a process of evaluating and analyzing the effects of the CSR initiatives on the general public, society, social system and government. It is the process through which a company assesses the performance of its CSR activities to know its social impact on society. The

purpose of this assessing social impact is to know the effectiveness and efficiency of the CSR program undertaken by the company.

The assessment includes the procedure of understanding the positive as well as the negative impact. It helps companies to study, understand, predict and manage the social impact or consequences. The approach of social impact assessment is holistic in nature. By conducting this assessment, companies can change or continue their initiatives depending upon the negative or positive impact.

This assessment helps companies in -

- Assessing their CSR initiatives and programs
- Knowing the effectiveness of CSR programs
- Knowing the way of doing business in a more social and sustainable way
- Knowing the impact is positive or negative

Identifying the stakeholders, defining the goals behind the assessment, collecting data and assessing the performance of CSR initiatives are some of the important aspects of social impact assessment within the domain of CSR.

7.5 DETERMINATION OF MID-COURSE CORRECTIONS

Determination of mid-course corrections as the name reveals is a process through which a company makes the changes or makes modifications in the plan, policy or procedure of an ongoing project. The mid-course corrections happen in the middle of the implementation process. This act is done to ensure the effectiveness of the program. The process involves -

- Evaluating the progress
- Assessing the outcomes

Evaluating the effectiveness of the program

In the context of corporate social responsibility, the changes are introduced in the middle of the implementation process to ensure that the project should stay on track and achieve its goals. The process typically involves -

- Monitoring
- Assessment
- Identification of issues
- Review and adjustment

Implement changes if needed

- Again monitoring

7.6 RECOMMENDATIONS FOR FUTURE PROJECT DESIGNS

After evaluating the mechanisms for CSR monitoring, study of social impact assessment and after determining the mid-course corrections, the following things can be served as recommendations for future project designs with respect to corporate social responsibilities of the companies -

- Involvement of stakeholders should be encouraged. The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs
- The objectives should be clear and measurable. The key performance indicators must need to be identified and established. This may include the key aspects of CSR initiatives discussed earlier.
- Maintaining transparency and accountability should be given utmost importance. This aspect will make the company more ethical and responsible.
- Adaptability and flexibility should be highly recommended for the companies who are undertaking CSR activities.
- Cultural and social factors are rapidly changing. Their implications in CSR policy should be studied and incorporated from time to time.
- Partnerships and collaborations for the better working of CSR should be encouraged.

7.7 IDENTIFYING METHODS FOR CONDUCTING THE IMPACT ASSESSMENT

Choosing an appropriate method for conducting the impact assessment of the corporate social responsibility is an important step in the whole process. There are various methods through which the impact assessment can be conducted. Some of the effective method for conducting the impact assessment are -

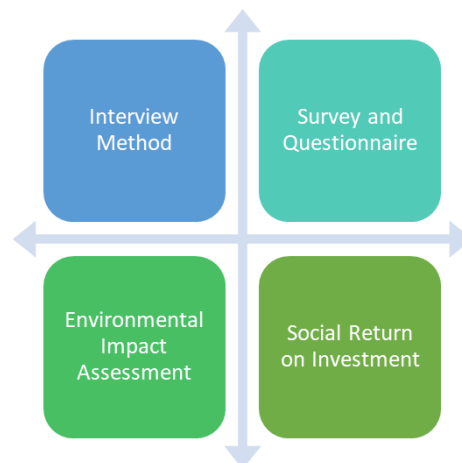


Fig. 7.4: Methods for Conducting the Impact Assessment

- **Interview Method:** Conducting interviews or discussions is one of the important methods for conducting the impact assessment. This method involves the process of sharing the personal opinion or experiences people got from the CSR initiatives of the company. This method is used to conduct the impact first hand.
- **Survey and Questionnaire:** This is also one of the important methods of conducting an impact assessment. Through a structured questionnaire, the qualitative and quantitative data can be collected from the beneficiaries. Then, this data is evaluated and assessed to ascertain the impact.
- **Social Return on Investment:** Social Return on Investment also known as SROI is an important method for conducting the impact assessment of CSR initiatives. In this method, social value created by a project in monetary terms is measured. The financial values are assigned to measure the economic, social and environmental impact of a project.
- **Environmental Impact Assessment:** Environmental impact assessment is a process of evaluating and analyzing the effects of the CSR initiatives on the ecosystem, biodiversity, living organisms and environment. It is the process through which a company assesses the performance of its CSR activities to know its environmental impact on society.

7.8 IDENTIFYING THE SKILLS SET REQUIRED FOR THE IMPACT MEASUREMENT TEAM

Diverse set of skills are required to ascertain the impact of corporate social responsibility initiatives in a company for the impact measurement team. The following set of skills are required for the impact measurement team to have an effective impact assessment system -

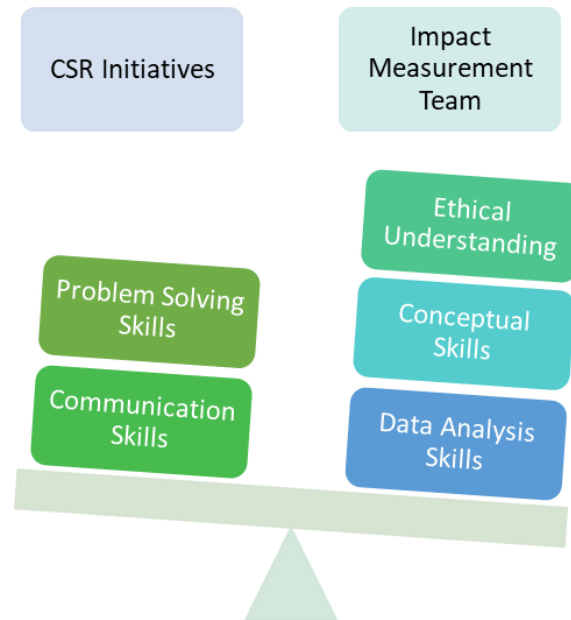


Fig. 7.5: CSR Initiatives and Skills Required for Impact Measurement Team

- **Ethical Understanding:** Having an ethical understanding is the supreme skill required for the team. The team must know about the concept of ethical obligation of business. The concept of ethical obligations is fulfilling the moral responsibilities apart from the legal obligations. Knowing what is right, what is wrong and doing the right thing in business comes under the notion of ethical obligations. Dealing with integrity and honesty is an important aspect of business.
- **Conceptual skills:** The term ‘Conceptual skills’ is a vast and comprehensive concept. Conceptual skills are those skills which are required to have a basic understanding of the core areas of any subject or field. Here, the conceptual skills represent the clear understanding about-
 - What CSR is?
 - Why is CSR important?
 - Impact of CSR on organization?
 - Impact of CSR on Society?
 - How to measure the impact?
- **Data Analysis Skills:** The data analysis skills refers to skills which are required to interpret and analyze data. In CSR, data collection is an important step in developing a CSR strategy. Skills in -
 - Handling online tools
 - Statistical analysis
 - Data Visualization
 - Data presentations are required under the head of data analysis skills.

- **Problem Solving Skills:** The other skill required for the impact measurement team is problem solving skill. The impact of CSR can be positive or negative. It is important to have a positive mindset when it comes to any problem is concerned. Companies can change or continue their initiatives depending upon the negative or positive impact.
- **Communication Skills:** After assessment, it is important for the team members to communicate the continuing steps or changes to the concerned person about the whole working of the corporate social responsibility. Clear communication skills are necessary to convey findings and recommendations.

7.9 TOOLS, TECHNICAL GUIDANCE AND STANDARDS TO BE USED FOR EVALUATION

The concept of tools, technical guidance and standards to be used for Evaluation in the field of CSR is required to be studied to have a better understanding about the concept and its implementation. The following are the tools, technical guidance and standards to be used for evaluation -



Fig. 7.6: Tools, technical guidance and standards to be used for Evaluation

- **London Benchmarking Group:** The London Benchmarking Group famously known as LBG is an international network of companies. It was established in 1994. The group focuses on corporate social responsibility, community investment of corporates and measuring the social impact of the initiatives of corporates.

The group helps companies to assess their social contributions by providing a framework. Through this framework, companies can evaluate their corporate social responsibility initiatives and the social impact. With the help of this framework, companies can enhance the effectiveness of their CSR programs.

The following are the key aspects of the London Benchmarking Group -



Fig.7.7: Key Aspects of LBG

- **Social Returns on Investment :** Social Returns on Investment is also popularly known as SROI. It is an important method for conducting the impact assessment of CSR initiatives. In this method, social value created by a project in monetary terms is measured. The financial values are assigned to measure the economic, social and environmental impact of a project.

It is a tool which helps companies to measure the social values generated by the organization through their CSR initiative. It helps to quantify the social impact of investments in monetary values. The following are the key components of Social Returns on Investment -

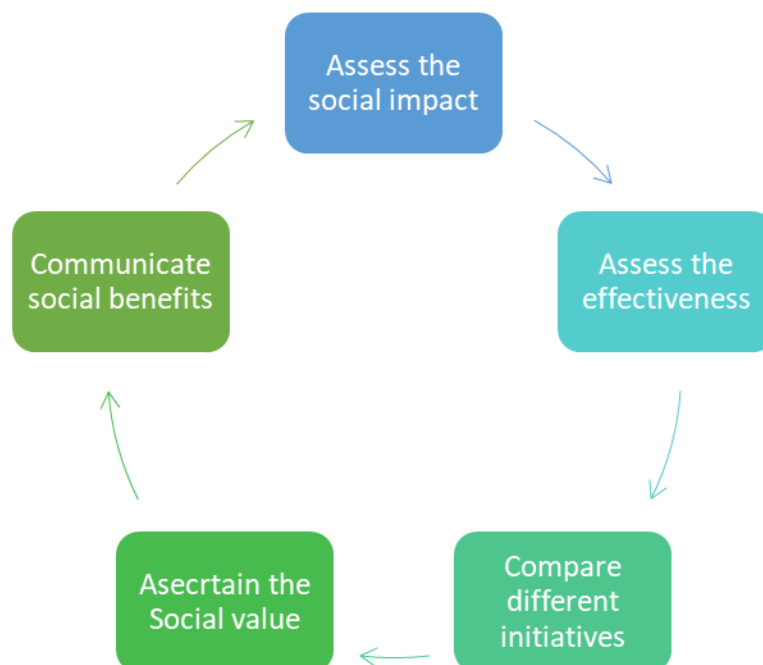


Fig. 7.8: Key Components of SROI

- **Global Impact Investing Network:** The Global Impact Investing Network was established in 2009 by Amit Bouri. The Global Impact Investing Network is a global champion in the field of impact investing. Impact investing is a term which describes the form of investment companies do to generate a measurable social or environmental impact alongside a financial return.

The Global Impact Investing Network is famously known as GIIN. It is a non-profit organization working in the field of impact investing with a view to provide a platform for an investment where companies can generate a measurable social or environmental impact alongside a financial return.

The list of initiatives undertaken by The Global Impact Investing Network is given below -

- Standards and Metrics
- Education and Training
- Impact Measurement and Management
- Networking and
- Convening
- Advocacy
- Research

- **Institute of Social and Ethical Accountability:** The Institute of Social and Ethical Accountability also known as ISEA was established in 1995. The Institute of Social and Ethical Accountability is dedicated to promoting corporate social responsibility. It is an international membership organization based in the U.K. The mission of The Institute of Social and Ethical Accountability is "strengthening the social responsibility and ethical behavior of the business community and non-profit organizations."

Along with promoting corporate social responsibility, the ISEA is dedicated to promote the social and ethical practices and sustainability within businesses. It helps the companies and organizations to have an understanding about the social and ethical practices. It helps the companies with the implementation part as well.

The following are the key aspects of the Institute of Social and Ethical Accountability (ISEA) -

- Provides standards and guidelines
- Helps in research and education
- Supports professional development
- Encourages companies to disclose their impacts and practices
- Provides collaborative approach

Apart from these key aspects, The Institute of Social and Ethical Accountability is dedicated to promoting the activities and initiatives of corporate social responsibility in a comprehensive way.

- **ISO 26000:** ISO 26000 is developed by the International Organization for Standardization (ISO). It was first published in 2010. ISO 26000 provides guidance rather than certification. It addresses various core subjects related to labor practices, human rights and organizational governance. is designed to complement other ISO management system standards. It serves as a tool for organizations who want to understand the concept of social responsibility.

ISO 26000 provides guidelines globally to the companies in the field of corporate social responsibility. ISO 26000 encourages the company to understand the concept of social responsibility. It also covers the social, ethical and environmental aspects of social responsibility.

It seeks to promote a common understanding of CSR. The key principles which governs this framework are -

- Fairness and Transparency
- Responsibility and Accountability
- Taking care of Interest of Stakeholders
- Respect for the Laws
- Taking care of International Laws and Legislations
- Respecting Human Rights
- Ethical Behavior

- **Public Consultation Guidelines of Government of India:** The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps. The Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

Under the Companies Act of 2013 in India, it is mandatory for certain companies to spend a percentage of their profits on the various activities related to corporate social responsibility. The CSR strategies are aligned with the operational activities of the organization. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies.

Section 135 of the Companies Act 2013 deals With the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. The qualifying criteria includes net

worth, turnover and net profit. The qualifying criteria includes companies having -

1. A net worth of Rs. 500 crores or more.
2. A turnover of Rs. 1,000 crores or more.
3. Net profits of Rs. 5 crores or more in a financial year.

The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The provisions are applicable to all companies including State Public Sector Enterprises. The compliance with the provisions of Corporate Social Responsibility came into force from April, 2014.

7.10 SUMMARY

- CSR monitoring is a process of analyzing and evaluating the working and results of the CSR initiatives of the organization. The purpose of monitoring is to make sure that the company's CSR activities are in alignment with the objectives, values and activities of the organization. The process of CSR monitoring is continuous and ongoing.
- Social impact assessment is a process of evaluating and analyzing the effects of the CSR initiatives on the general public, society, social system and government. It is the process through which a company assesses the performance of its CSR activities to know its social impact on society. The purpose of this assessing social impact is to know the effectiveness and efficiency of the CSR program undertaken by the company.
- Determination of mid-course corrections as the name reveals is a process through which a company makes the changes or makes modifications in the plan, policy or procedure of an ongoing project. The mid-course corrections happen in the middle of the implementation process. This act is done to ensure the effectiveness of the program.
- After evaluating the mechanisms for CSR monitoring, study of social impact assessment and after determining the mid-course corrections, the multiple things can serve as recommendations for future project designs with respect to corporate social responsibilities of the companies.
- Choosing an appropriate method for conducting the impact assessment of the corporate social responsibility is an important step in the whole process. There are various methods through which the impact assessment can be conducted. Some of the effective methods for conducting the impact assessment are interview, survey, EIA and SROI.

- Diverse set of skills are required to ascertain the impact of corporate social responsibility initiatives in a company for the impact measurement team. The skills like analytical, conceptual, communication etc. are essential.
- LBG, SROI, ISO 26000. Companies Act 2013 are some of the important tools, technical guidance and standards to be used for evaluation in the field of CSR is required to be studied to have a better understanding about the concept and its implementation.

7.11 SELF ASSESSMENT TESTS

01. What is CSR? Explain the CSR - Monitoring Mechanism and Tools.
02. What is Social Impact Assessment? Explain the various parameters of Social Impact Assessment
03. Write a note on the determination of mid-course corrections.
04. What are the Recommendations for future project designs on the basis of CSR?
05. Identify the various methods for conducting the impact assessment. Write in detail.
06. What is the role of an impact assessment team? Identify the skills set required for the impact measurement team.
07. Explain the various tools, technical guidance and standards to be used for Evaluation.



CORPORATE SOCIAL RESPONSIBILITY AUDIT

Unit Structure

- 8.1 Objectives
- 8.2 Introduction
- 8.3 CSR Audit
- 8.4 The inclusion of all significant stakeholder groups in the auditing process
- 8.5 Diversity in individual perceptions of CSR
- 8.6 The shortcomings of the ‘tick-box’ approach to auditing CSR
- 8.7 Development of CSR Stakeholder matrix
- 8.8 Summary

8.1 OBJECTIVES

After studying this module, you should be able to -

- Study the concept of CSR audit
- Know about the concept of inclusion of all significant stakeholder groups in the auditing process
- Measure the diversity in individual perceptions of CSR
- Know about the shortcomings of the ‘tick-box’ approach to auditing CSR
- Know about how the CSR stakeholder matrix can be developed

8.2 INTRODUCTION

The concept of corporate social responsibility is growing. The scope of Corporate Social responsibilities is widening day by day. Apart from earning profit, companies are putting their focus on their social and ethical obligations towards the various stakeholders. In the previous chapters we have discussed how the laws and legislations are compelling many companies to Undertaker social responsibility initiatives.

There are many organizations who are doing well in discharging and fulfilling their social responsibility. Without any mandatory requirements, there are many organizations who are oriented towards the concept of social responsibility. An organization is a group of people who work together to achieve common goals. These common goals fundamentally involve the concept of corporate social responsibility. The concept and degree of

corporate social responsibility differs from organization to organization. Corporate social responsibility works on the various models and philosophies by keeping in view the various segments of the businesses.

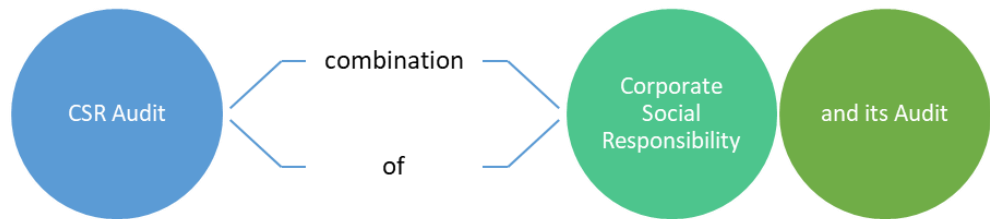


Fig. 8.1: CSR and Audit

The concept of audit is evolving in the field of corporate social responsibility. Audit helps companies to review how well the company is able to discharge its duties towards the various constituents of society in terms of social and ethical obligations. The corporate social responsibility audit is an act of assessing the activities of companies from theory to practice. Auditing helps organizations to have a detailed assessment about the performance of the enterprise's policies, procedures, practices and code of conduct with respect to the corporate social responsibility.

CSR audit not only helps in evaluating a company's policies, practices, and initiatives but also it helps organizations to prove that their working has a shift from theory to practice with respect to corporate social responsibility.

8.3 CSR AUDIT

8.3.1 Meaning

A CSR audit is related to assessing the policy of the company related to social responsibility. This concept explains the narrow part. The scope of corporate social responsibility is much more comprehensive and wide and deals with the various stakeholders, social, ethical and environmental concerns. Companies claim that they are very much involved in discharging their social obligations. The process of verifying these claims is a corporate social responsibility audit.

The purpose of the audit is to prove that the companies are working in alliance with the economic and social objectives of business. Corporate social responsibility audit is an act of examining the company's policies, practices and activities concerned with the social, ethical and environmental impact. Their contribution in the form of corporate social responsibility is positive to society.

An audit which facilitates the assessment of the working of the company in terms of its social obligations is called corporate social responsibility audit. The audit not only verifies the claims made by the company but also recommends things which can be done for the betterment of business and society. Many companies have set an example for others in the field of corporate social responsibility.

Companies conduct this audit to ensure that the working of the company in terms of social responsibility is just and worthwhile. Audit helps companies to assess their impact on the environment. In the world of social media, the users are online 24*7. One act of the company can destroy the image and goodwill. Audit ensures that the activities undertaken by the company are in accordance with the rules and regulations. A proper CSR audit policy takes care of all the aspects which are required to run these activities legally and as per the rules and regulations. A dedicated CSR team will take care of the things on the basis of the audit.

8.3.2 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate social responsibility audit -



Fig. 8.2: Concept of CSR Audit

From the above figure, it can be figured out that the CSR audit does the evaluation of the company's policy, initiatives and practices and ensures whether they are concerned with the social, ethical and environmental concerns and contributing the same in the development of an economy.

The audit covers the various aspects -

- Environmental impact
- Social responsibility
- Partnerships and collaboration
- Community involvement
- Philanthropy needs

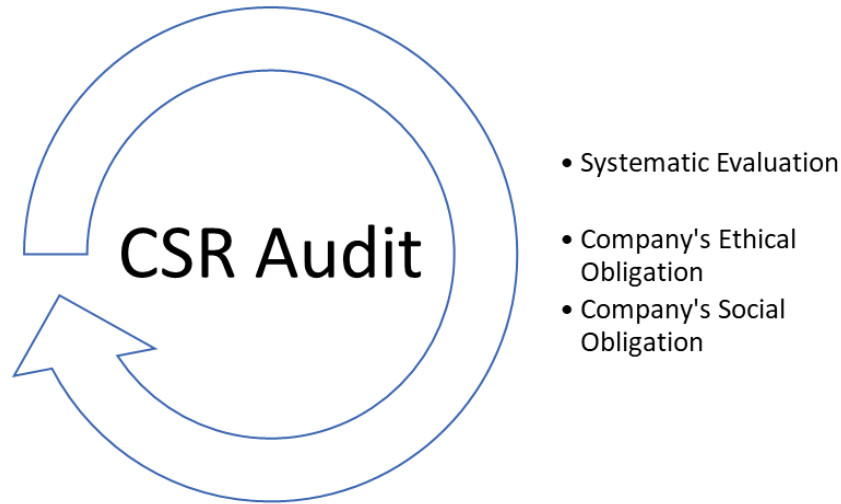


Fig. 8.3: Concept of CSR Audit

In simple words, we can say that a corporate social responsibility audit is a systematic evaluation of the company's ethical and social obligation.

8.3.3 Features of CSR Audit

The following are the important features of CSR Audit -



Fig. 8.4: Features of CSR Audit

The following is the explanation of the features of the corporate social responsibility audit -

- **Systematic Evaluation:** CSR audit is a systematic evaluation and assessment of the company's policies, practices and activities. CSR audit does the evaluation of the company's policy, initiatives and practices and ensures whether they are concerned with the social, ethical and environmental concerns and contributing the same in the development of an economy.

- **Engagement of Stakeholders:** CSR audit evaluates the involvement of stakeholders in the whole process. The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs.

This is one of the effective methods of CSR monitoring. Taking the feedback of employees, investors, and customers, and incorporating their perspective into CSR strategies is an effective method.

- **Ethical and Social Obligations:** CSR audit ensures that the company's policies, practices and activities are sufficiently framed to fulfill its social and ethical obligations. The purpose of the audit is to prove that the companies are working in alliance with the economic and social objectives of business.

As mentioned earlier, corporate social responsibility audit is an act of examining the company's policies, practices and activities concerned with the social, ethical and environmental impact.

- **Compliance of Rules and Regulations:** Another feature of CSR audit enables the company to compile rules and regulations of the businesses. The audit not only verifies the claims made by the company but also recommends things which can be done for the betterment of business and society. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies.
- **Third Party Verification:** In some cases, companies opt for third party verification. Taking the help of third parties in evaluating the CSR initiatives has also proved to be effective for CSR monitoring. The process includes the appointment of a third party to verify and validate the claims of CSR. As they are external to the organization, their validation and audit report provide credibility and create confidence to the CSR activities undertaken by the companies. Their certification ensures that the company is meeting their CSR obligations and the impact is positive on society.
- **Comprehensive and Wide:** The scope of corporate social responsibility audit is very comprehensive and wide. The audit covers the various aspects like Environmental impact, Social responsibility, Partnerships and collaboration, Community involvement and Philanthropy needs. A proper CSR audit policy takes care of all the aspects which are required to run these activities legally and as per the rules and regulations.

8.4 THE INCLUSION OF ALL SIGNIFICANT STAKEHOLDER GROUPS IN THE AUDITING PROCESS

The inclusion of all significant stakeholder groups in the auditing process is an important aspect of corporate social responsibility audit. Audit helps

companies to review how well the company is able to discharge its duties towards the various constituents of society in terms of social and ethical obligations. The corporate social responsibility audit is an act of assessing the activities of companies from theory to practice. The concept of corporate social responsibility is beneficial for society, for businesses and for the environment.

Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers. Owners, Managers and employees constitute themselves as internal stakeholders while the external stakeholders Customers, Consumers, Suppliers, Creditors, Government and Society also hold a vested interest in the social and environmental impact of the company.

The process of involving them in the auditing process ensures a more inclusive and holistic approach of audit. The process of involving all significant stakeholder groups in the auditing process not only ensures the effectiveness and efficiency of the audit process but also it helps companies to understand and meet the needs and expectations of stakeholders in a more close way.

The following are the key stakeholders and their possible contribution in the process of CSR auditing of the organization -



Fig. 8.5: Key Stakeholders



Source: <https://study.com/academy/lesson/what-is-a-stakeholder-in-education-definition-examples.html>

The following is the explanation of the point given above for the better understanding of the topic -

- **Employees:** Employees are considered as the most potential and important resource of an organization. Employees in the CSR audit process can provide insights about HR practices, workplace ethics, employee welfare policy, diversity and inclusion. The data can be collected through questionnaire, survey or direct interview and can be conducted for the audit purpose.
- **Owners:** The promoters or owners of the company constitute themselves as the significant stakeholder in the corporate social responsibility audit process. Their money is invested and it is important to know their viewpoint about the ethical and social practices of the organization. The data from the owners or promoters like employees can be collected through questionnaire, survey or direct interview and can be conducted for the audit purpose.
- **Customers:** There is a difference between consumer and customer. A consumer purchases products for the purpose of personal use or for family use. A customer may purchase a product for the purpose of resale or commercial use. Their insights and contribution is also important in the area of ethical practices. Their opinion regarding the expectation, satisfaction, and company's reputation can also be collected and discussed for the audit purpose.
- **Government:** Government acts as a regulator for the business community. Their expectations can be understood and incorporated in CSR policy. Understanding the government expectations in the context of Corporate Social Responsibility is not an easy task. Understanding what the government is expecting and doing the same to fulfill social responsibility requires an understanding. The concept revolves around encouraging and regulating businesses to contribute

positively to society. Governments expect companies to fulfill their CSR obligations by focusing on rural and marginalized communities.

- **Local Community:** Local community is an important aspect to be taken for the audit purpose. Companies work closely with the local community. People may be connected or not but the impact of a company's operation on the local community needs to be assessed. Apart from charity and donations, it is expected that the businesses should fulfill the following social obligations -
 - Skill development
 - Livelihood opportunities
 - Providing basic amenities
 - Adopting some villages
- **Investors:** Investors give their hard earned money to the companies with a motive to gain something. They while evaluating the performance of the company in terms of profit also see the CSR activities. Their insights about the CSR practices and company's performance can be considered.

8.5 DIVERSITY IN THE INDIVIDUAL PERCEPTIONS OF CSR

People come from diverse backgrounds. Their liking, disliking, perceptions, attitude and values differ. The concept of diversity in individual perceptions of CSR states that the people understand the company's CSR initiatives and activities in a diverse way. Their understanding and acceptability differs due to diversity of backgrounds, cultures, and experiences.

Understanding this concept from the company's point of view is important. The perception of individuals differs as is their opinion towards the activities of Corporate Social Responsibility of organizations. People from different backgrounds have different perspectives towards the Corporate Social Responsibility of companies. Understanding the concept of diversity is important for companies because it will help them to engage stakeholders effectively and tailor their CSR initiatives to cover the concept of diversity.

Understanding the multifaceted expectations of the various segments of society make CSR strategies more lively and impactful. It ensures that the companies are taking care and addressing a continuum of environment, ethical and social concerns.

The concept of corporate social responsibility is perceived differently by different people. The perception of people differs due to various factors like-

- Cultural background
- Social background
- Personal values

- Economic status
- Education
- Experiences

In this section, we will study the concept of diversity in individual perceptions of CSR in detail -

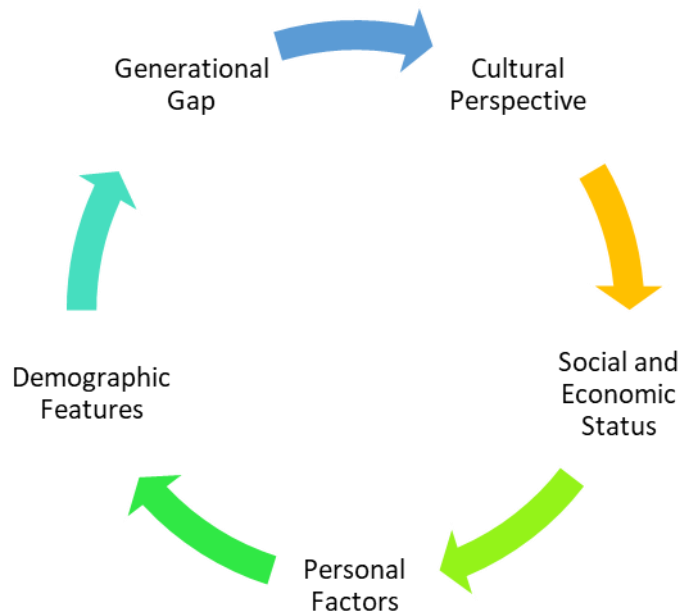


Fig. 8.6: Aspects of Understanding Diversity in Individual Perceptions of CSR

- **Cultural Perspective:** The cultural perspective is an aspect to be studied in understanding the concept of diversity. The perception of individuals differs because they belong to different cultures, subcultures, traditions and customs. Some may put emphasis on environmental sustainability, some may see ethical labor practices as the best corporate social responsibility.
- **Social and Economic Status:** The social and economic status also play a significant role in shaping the perspective of individuals towards corporate social responsibility. Some may think the corporations engaged in CSR initiatives should positively impact the communities within a society. Some may have different opinions. Diversity exists due to the social and economic status of individuals
- **Personal Factors:** Personal factors also play a vital role in creating the different perceptions among individuals. Some may think the initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards while others may have different opinions.
- **Demographic Features:** The demographic features also play a significant role in shaping the perspective of individuals towards corporate social responsibility. The factors like age, education,

income, gender, location creates diversity in understanding this concept. In any State, the regulations are strong and the public are in favor of the government strongly.

They may expect that the corporations engaged in CSR initiatives should positively impact the communities within a society. The negative image can bring the bad image to the organizations and it can result in legal action and suits. Governments expect companies to fulfill their CSR obligations by focusing on rural and marginalized communities. Governments often encourage businesses to undertake skill development programmes for rural and marginalized communities.

- **Generational Gap:** The thinking and perception of individuals is changing. The new generation is very much concerned about the environment and their surroundings. They highly appreciate the organization who is involved in environmental sustainability and protection. The present generation is aware about the sustainable development goals.

8.6 THE SHORTCOMINGS OF THE ‘TICK-BOX’ APPROACH TO AUDITING CSR

8.6.1 Tick-Box Approach

The Tick-Box approach to corporate social responsibility is a method which focuses on meeting the specific requirements of social responsibility. The specific requirements are often mandated by the laws or legislation or industry. The approach is not embedding the concept of social responsibility in its core but performing duties just to follow the regulations. The companies as per this approach are not embedding social responsibility into their core business operations. Companies are only focusing on meeting the specific requirement.

The concept of social responsibility as per this approach is discharged due to compulsion and formality. The companies lack genuine efforts in discharging their social responsibility. The efforts of companies look good on paper, not in reality. The name is given Tick-Box because companies in this approach prepare a specific list for corporate social responsibility which is mandatory. Then, perform or discharge sometimes on paper and sometimes in reality to show to the authorities that they are fulfilling their responsibilities.

This approach is suffering from so many drawbacks. The focus is only on meeting minimum requirements, not embedding the concept into the core values of business.



Fig. 8.7: Tick-Box Approach

8.6.2 Shortcomings

As mentioned earlier, the companies as per this approach are not embedding social responsibility into their core business operations. Companies are only focusing on meeting the specific requirement. Because of this feature, the approach suffers from many shortcomings. Some of the significant shortcomings are -

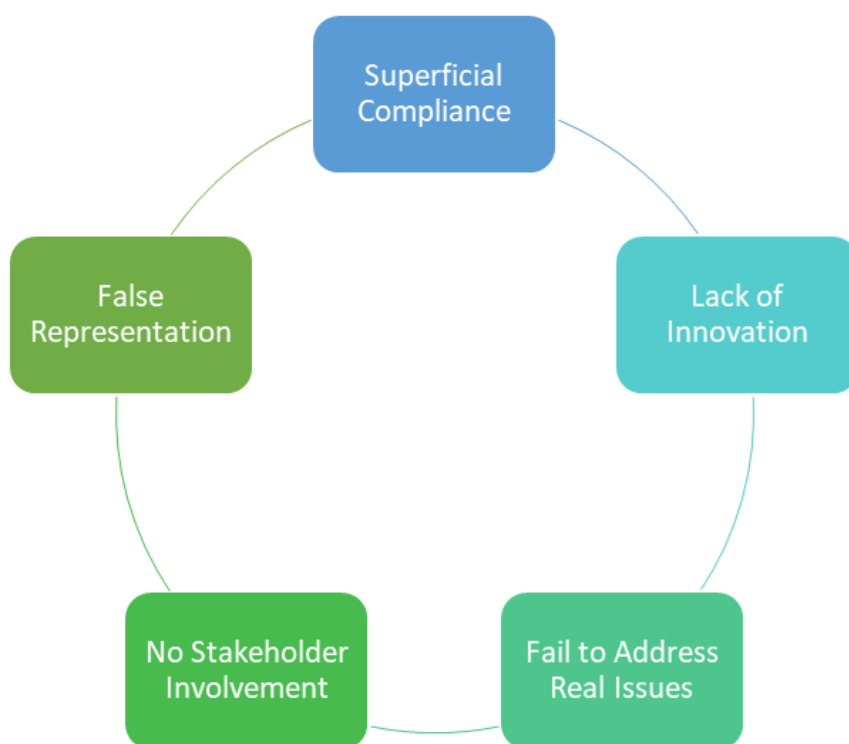


Fig. 8.8: Shortcomings of Tick-Box Approach

The explanation of the shortcomings of the Tick-Box approach is given below -

- **Superficial Compliance:** When the company does the formality for discharging social responsibility, the efforts become manipulative and superficial. The compliance is said to be superficial because it is not being embedded in the core values of the business. This proves that the company is not for social or environmental causes.
- **Lack of Innovation:** The Tick-Box approach lacks innovation. The concept of social responsibility as per this approach is discharged due to compulsion and formality. The companies lack genuine efforts in discharging their social responsibility. There is no innovation as the company only follows the rules and regulations prescribed by the authority.
- **Fail to address real issues:** When the compliance of corporate social responsibility is done for mere formality and to avoid legal issues, the company stands to fail to address the real issues of economy and society. Ignoring social and environmental issues can create a risk for the company to survive in the long run.
- **No Stakeholder Involvement:** As per the Tick-Box approach, the companies are not embedding social responsibility into their core business operations. Companies are only focusing on meeting the specific requirement. It means the Tick-Box approach is missing out on valuable insights and partnerships of stakeholders.
- **False Representation:** The notion behind the approach is itself misrepresentation. The companies lack genuine efforts in discharging their social responsibility. The efforts of companies look good on paper, not in reality. The name is given Tick-Box because companies in this approach prepare a specific list for corporate social responsibility which is mandatory. Thus, it leads to false misrepresentation.

8.7 DEVELOPMENT OF CSR STAKEHOLDER MATRIX

Developing a stakeholder matrix in context with corporate social responsibility involves a systematic process. The process involves identifying and assessing the various stakeholders who are contributing or connected relevantly to the company's CSR activities and initiatives. The matrix helps in knowing the level of interest of the various stakeholders and their contribution in CSR initiatives and practices.

In realism, corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. The narrow concept covers the responsibilities towards the internal stakeholders -

- Owners
- Managers
- Employees

The broader concept covers the responsibilities towards the external stakeholders -

- Customers
- Consumers
- Suppliers
- Creditors
- Government
- Society

The following steps can be followed to develop the CSR stakeholder matrix-



Fig. 8.9: Major Stakeholders

Step I - Identify Stakeholders

This step involves the identification of the key stakeholders. The scope of stakeholders with respect to the corporate social responsibility field is widening.

Step II - Assess their influence and interest

The second step deals with assessing the influence and interest of each and every stakeholder. On the basis of their interest and influence, the next action will be determined.

Step III - Create a Matrix

A 2X2 matrix will be created in the third stage. One quadrant will denote influence and the other will denote interest.

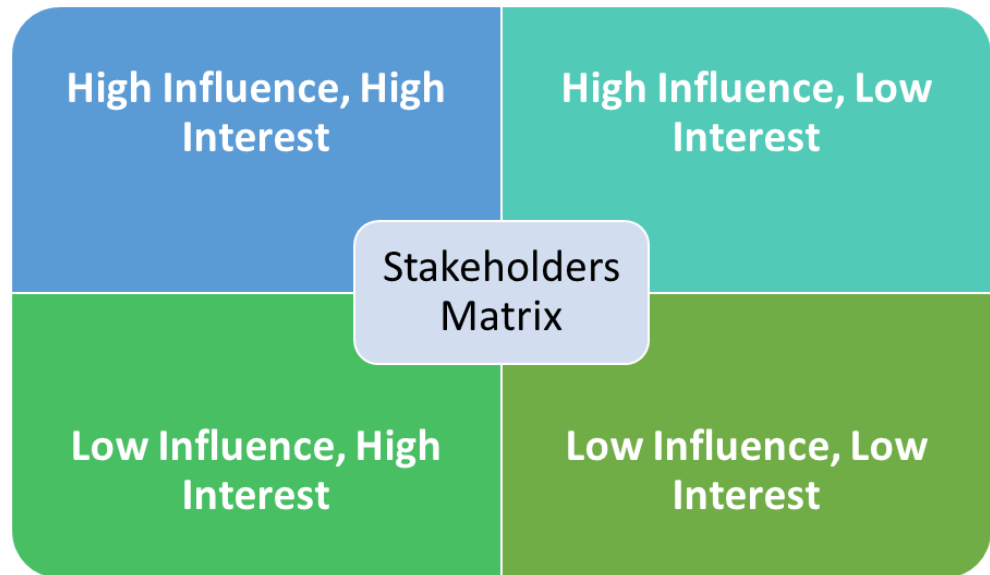


Fig. 8.10: Stakeholder Matrix

Step IV - Place stakeholders on Matrix

This step will involve the process of placing the stakeholders on a matrix for identification of their interest and influence.

Step V - Developing the engagement strategies

This step will help to develop the engagement strategies of stakeholders which was identified in the fourth step. The engagement will be on the basis of their influence and interest.

Step VI - Review and Update

This is the last step. In this step, there will be a regular review on the engagement of the stakeholders. If updates are required, that will be incorporated from time to time.

8.8 SUMMARY

- The corporate social responsibility audit is an act of assessing the activities of companies from theory to practice. Auditing helps organizations to have a detailed assessment about the performance of the enterprise's policies, procedures, practices and code of conduct with respect to the corporate social responsibility.
- A CSR audit is related to assessing the policy of the company related to social responsibility. This concept explains the narrow part. The scope of corporate social responsibility is much more comprehensive and wide and deals with the various stakeholders, social, ethical and environmental concerns.
- The process of involving stakeholders in the auditing process ensures a more inclusive and holistic approach of audit. The process of involving all significant stakeholder groups in the auditing process

not only ensures the effectiveness and efficiency of the audit process but also it helps companies to understand and meet the needs and expectations of stakeholders in a more close way.

- The concept of diversity in individual perceptions of CSR states that the people understand the company's CSR initiatives and activities in a diverse way. Their understanding and acceptability differs due to diversity of backgrounds, cultures, and experiences.
- The Tick-Box approach to corporate social responsibility is a method which focuses on meeting the specific requirements of social responsibility. The specific requirements are often mandated by the laws or legislation or industry. The approach is not embedding the concept of social responsibility in its core but performing duties just to follow the regulations.
- Developing a stakeholder matrix in context with corporate social responsibility involves a systematic process. The systematic involves identifying and assessing the various stakeholders who are contributing or connected relevantly to the company's CSR activities and initiatives. The matrix helps in knowing the level of interest of the various stakeholders and their contribution in CSR initiatives and practices.

8.9 SELF ASSESSMENT TESTS

01. Why is CSR audit important? Explain the various aspects of CSR audit.
02. What is CSR audit? Explain the features of CSR audit.
03. Why is inclusion of all stakeholders groups in the auditing process important?
04. Explain the process of inclusion of all stakeholders groups in the auditing process.
05. Explain the concept of diversity in understanding human nature. Also explain the concept of diversity in understanding individual perceptions of CSR.
06. What is 'Tick-Box' approach to auditing CSR. Write down the shortcomings of the 'tick-box' approach to auditing CSR.
07. Explain the steps in the development of CSR Stakeholder matrix.
08. Explain the conceptual framework of CSR audit in detail.



REPORTING FRAMEWORK OF CSR

Unit Structure

- 9.1 Objectives
- 9.2 Introduction
- 9.3 Reporting Framework of CSR
- 9.4 Importance of reporting
- 9.5 G3 Guidelines for CSR
- 9.6 SEBI Directive on ESG disclosure
- 9.7 RBI guidelines on CSR, sustainable development and non-financial reporting
- 9.8 Summary

9.1 OBJECTIVES

After studying this module, you should be able to -

- Study the concept of CSR Reporting
- Know about the concept of Reporting Framework of CSR
- Know the Importance of reporting
- Study the G3 guidelines for CSR
- Know about the SEBI directive on ESG disclosure
- Know about the RBI guidelines on CSR, sustainable development and non-financial reporting

9.2 INTRODUCTION

With the evolution of the concept of Corporate Social Responsibility, companies realized that earning profit is not their soul objective. Earning profit for the survival and growth of business is important but satisfying the needs and wants of the society is considered more important. A corporate social responsible organization is able to gain the trust and confidence of the public. The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues. These issues cannot be compromised on the part of companies.

The international concept of corporate social responsibility indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The

international framework of CSR encourages organizations to work globally. The framework helps organizations to work more ethically at an international level. Their positive contribution to the world can set an example for other companies to fulfill their corporate social responsibility.

At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices. Gaining the trust and confidence of the public for the long term growth and survival of business is a requirement of today. Organizations who are more ethical and accountable for the society are considered to be the long players in the world of business. The activities of corporate social responsibility are increasingly putting emphasis on the responsibilities towards internal stakeholders and external stakeholders.

Businesses focus on the ideology which revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society. The businesses aim to develop the products and services at reasonable costs to cater the needs of this segment. This somewhat creates a need for the businesses to report their initiatives. For this, many companies are trying to understand the reporting framework of CSR. The active policy of CSR demands a sincere approach on the part of organizations.

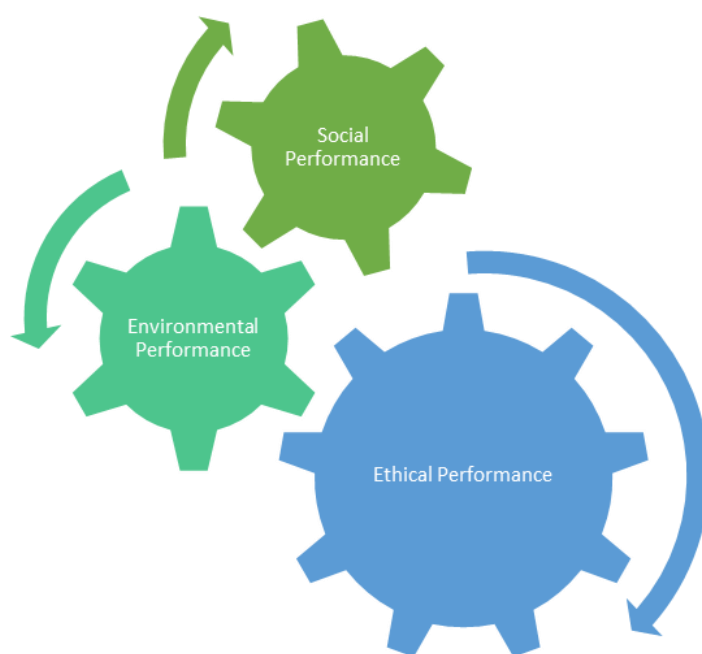


Fig. 9.1: CSR Reporting

It is expected from the companies to ensure that the CSR activities are contributing in fulfilling social obligations, environmental obligations, community involvement and their welfare is considered. The employee welfare and well being is taken into consideration and the company is promoting ethical business practices. For this purpose, it is important for companies to understand the reporting framework of CSR.

In the present chapter, we will understand the concept of the Reporting Framework of CSR and the importance of reporting. Along with this, we will study the G3 guidelines for CSR, SEBI directive on ESG disclosure and RBI guidelines on CSR, sustainable development and non-financial reporting.

9.3 REPORTING FRAMEWORK OF CSR

9.3.1 Meaning and Concept

The reporting framework of corporate social responsibility is a systematic system of reporting the CSR management system and its performance. It is an important aspect of a company's commitment to manage their CSR activities and keep it aligned with the sustainability and ethical business practices. The reporting framework provides a guideline to organizations regarding the internal system and external system of CSR.

The reporting framework involves disclosing information about a company's -

- Social Performance
- Economic Performance
- Environmental Performance
- Ethical Performance

The reporting framework for CSR varies from country to country, region to region and industries to industries. But, globally several common guidelines and standards are widely accepted. The reporting framework helps companies to communicate their work and commitment in front of the whole community with respect to CSR. Reporting helps companies to show their dedication towards maintaining transparency, ethical aspects in business and sustainability.

The present generation who are involved in the field of businesses are very much aware about the importance of corporate social responsibility. They understand the role of social media and the reporting system towards society. Communication is vital when it comes to CSR.

9.3.2 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate social responsibility reporting framework -



Fig. 9.2: CSR Reporting Framework

In simple words, we can say that the CSR Reporting Framework provides guidelines and standards to organizations to report their social, environmental, and economic performance.

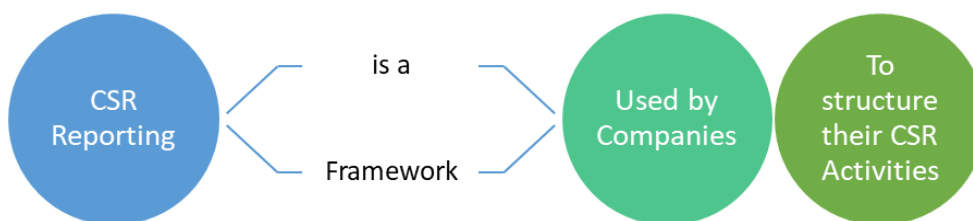


Fig. 9.3: Conceptual Framework of CSR Framework

The CSR framework is used by the companies to structure their CSR activities. In this chapter, we will study the various reporting frameworks which are accepted and recognized globally in detail.

9.3.3 Reporting Framework

The reporting framework of corporate social responsibility indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The international framework of CSR encourages organizations to work globally. The framework helps organizations to work more ethically at an international level. Their positive contribution to the world can set an example for other companies to fulfill their corporate social responsibility.

At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices.

There are several frameworks which exists to guide the CSR internationally-



Fig.9.4: Reporting Framework of CSR

- **Global Reporting Initiatives:** Global Reporting Initiatives is one of the widely accepted and used frameworks for CSR reporting. The framework provides a broad set of guidelines and aspects. The guidelines are used to cover the social, environmental and economic aspect of businesses. The broad three dimensions of Global Reporting Initiatives are -

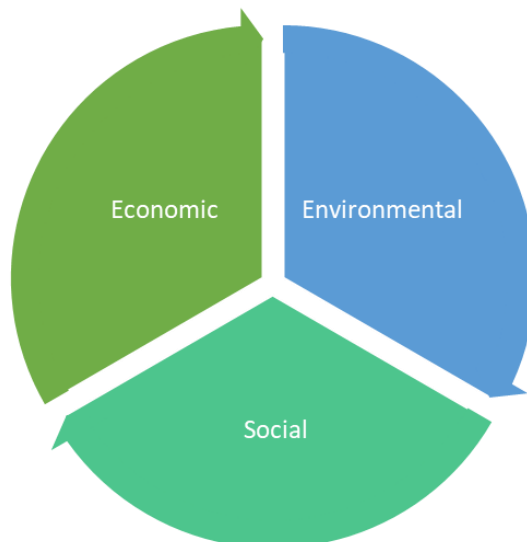


Fig. 9.5: GRI Dimensions

Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -

- Economic
- Social
- Legal
- Environmental
- Governance Policy

- **Concept of Business at the Bottom of the Pyramid:** The concept of business at the bottom of the pyramid in the field of corporate social responsibility. The concept of business at the bottom of the pyramid is also known as BoP. The ideology behind the concept revolves around the notion of identifying and addressing the wants and needs of the poorest segment of the society. The people who are not in a situation to fulfill their basic needs and struggle to arrange the bread and butter comes under the category of the poorest socio-economic segment.

This idea helps the people whose earning is low by providing them the products or by fulfilling their needs. The company's profit is used for the economically disadvantaged population at the base of the income pyramid. In both developed and developing countries, this concept is evolving. The businesses as per this concept aim to develop the products and services at reasonable costs to cater the needs of this segment.



Fig. 9.6: Concept of Business at the Bottom of the Pyramid

- **ISO 26000:** ISO 26000 is developed by the International Organization for Standardization (ISO). It was first published in 2010. ISO 26000 provides guidance rather than certification. It addresses various core subjects related to labor practices, human rights and organizational governance. is designed to complement other ISO management system standards. It serves as a tool for organizations who want to understand the concept of social responsibility.

ISO 26000 provides guidelines globally to the companies in the field of corporate social responsibility. ISO 26000 encourages the company to understand the concept of social responsibility. It also covers the social, ethical and environmental aspects of social responsibility.

It seeks to promote a common understanding of CSR.

The key principles which governs this framework are -

- Fairness and Transparency
 - Responsibility and Accountability
 - Taking care of Interest of Stakeholders
 - Respect for the Laws
 - Taking care of International Laws and Legislations
 - Respecting Human Rights
 - Ethical Behavior
- **Sustainable Development Goals:** In 2016, the Sustainable Management Goals succeeded Millennium Development Goals. All the companies working at global level are expected to work on these goals. Companies fulfilling their corporate responsibilities are likely to set an example for others to work in that way. This is not only going to give direction to the companies but also these goals help them to transform the world into a better place.



Source: https://international-partnerships.ec.europa.eu/policies/sustainable-development-goals_en

By 2030, these goals set by the United Nations are meant to be achieved to transform the world. The international framework of CSR focuses on the

prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.

- **ESG Criteria:** Based on the ESG, the stakeholders evaluate the companies. They assess the company's environmental impact, how well they are oriented towards social responsibility, what are their governance practices? On The basis of these parameters, they make investment decisions. Companies follow this criteria to show their commitment to their stakeholders towards the various aspects of society.

ESG stands for -

E - Environmental

S - Social

G - Governance



Source: United Nation (<https://net0.com/blog/esg>)

- **International Laws and Legislations:** The area of International Laws and Legislations is very comprehensive. The standards prescribed by the International Labour Organization are observed under this framework. The various aspects of labor related rules and regulations are studied like -

- Working Conditions
- Employment
- Social Welfare Policy
- Protection of Labor Rights
- Industrial Peace and Democracy

9.4 IMPORTANCE OF REPORTING

CSR reporting is of vital importance for both the companies and their stakeholders. It serves as a platform for companies to communicate their commitment towards the various aspects of society. Here are several points which highlights the importance of CSR reporting -



Fig. 9.7: Importance of Reporting

- **Community Engagement:** CSR reporting helps in engaging and involving the participation of the community. Community engagement is an important part of CSR. The business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts.

Appropriate measures should be taken to protect the interest of the stakeholders. The impact of the organization should be positive on the society and its people. In the pyramid, the businesses always place the economic obligations on the top priority. The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first.

- **Stakeholder Involvement:** Involvement of stakeholders ensures that the CSR activities are in alliance with the company's practices. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the

businesses. The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath.

The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.

- **Customer Retention and Loyalty:** A good CSR reporting enables customers about the various CSR initiatives performed by the companies. The reporting framework helps companies to communicate their work and commitment in front of the whole community with respect to CSR. Reporting helps companies to show their dedication towards maintaining transparency, ethical aspects in business and sustainability. Thus, it also results in customer retention and loyalty.
- **Transparency and sustainability:** CSR reporting ensures that the companies are working with full transparency and accountability by keeping in view the concept of sustainability. The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The principle of sustainability puts emphasis on the businesses to work in an efficient and optimal way. Many businesses work on the principles of Reuse, Recycle, Regenerate and Resustain.
- **Employee Engagement:** CSR reporting ensures that there is an involvement of employees in the CSR process as they are an important part of the organization. Employee welfare is an integral part of CSR activities of the company. Companies can attract and retain good candidates by prioritizing employee welfare as a part of their CSR strategy. Enhancing the well-being of employees and creating a stress free environment is a need of CSR.
- **Ethical Understanding:** Understanding the concept of ethics is not easy. CSR reporting enables the organizations to work ethically. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards.

9.5 G3 GUIDELINES FOR CSR

The G3 guidelines are the third version of the Global Reporting Initiative (GRI). These guidelines are the Sustainability Reporting Guidelines. Global Reporting Initiatives is one of the widely accepted and used frameworks for CSR reporting. The framework provides a broad set of guidelines and aspects. The guidelines are used to cover the social, environmental and economic aspect of businesses.

The G3 guidelines are developed by the Global Reporting Initiative. It is an independent international organization. The organization has pioneered the development of global sustainability reporting standards. The G3 guidelines were developed in 2006 and released in the same year by the Global Reporting Initiative. The Guidelines were organized in three parts -

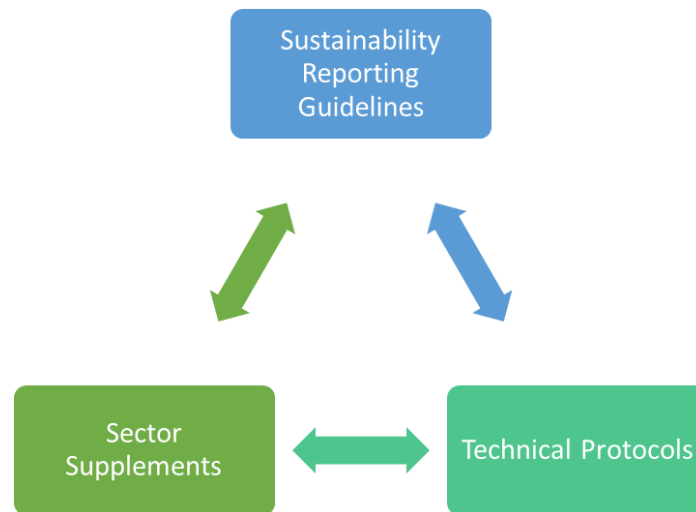


Fig. 9.8: Three Dimensions of GR Guidelines

- **Sustainability Reporting Guidelines :** G3 guidelines outlined a set of reporting principles, including the -
 - Principle of Stakeholders Inclusiveness
 - Principle of Sustainability Context
 - Principle of Materiality
 - Principle of Completeness

These reporting guidelines help organizations to produce their sustainability performance in a comprehensive and meaningful way.

- **Sector Supplements:** Along with core guidelines related to economic, environmental, and social aspects, G3 provides additional information or organizations operating in specific industries. The specific industries such as mining, financial services, and telecommunications.
- **Technical Protocols:** The G3 guidelines included the guidance for the technical protocol. The guidelines offered guidance on the various sustainability aspects like -
 - Water
 - Biodiversity
 - Greenhouse Gas Emissions

The G4 guidelines succeeded the G3 guidelines. The G4 guidelines were released in 2013.. G3 guidelines are no longer the latest version of GRI.

SEBI Directive on ESG disclosure comes under the latest guidelines category with respect to corporate social responsibility. The Securities and Exchange Board of India (SEBI) issued a circular on July 12, 2023. This circular notifies the mandate for environmental, social, and governance (ESG) disclosures top 250 listed entities by market capitalization from the financial year 2024-2025.

Based on the ESG, the stakeholders evaluate the companies. They assess the company's environmental impact, how well they are oriented towards social responsibility, what are their governance practices? On The basis of these parameters, they make investment decisions. Companies follow this criteria to show their commitment to their stakeholders towards the various aspects of society.

The following are the important features of this directives -

- The 250 companies will disclose their ESG initiatives in their annual reports.
- Companies are required to follow a specific format for their ESG initiatives.
- The format covers the information related to various parameters related to -
 - Environmental aspect
 - Social aspect
 - Governance aspect
- SEBI encouraged companies to have an involvement of a third party for their ESG disclosure to maintain more transparency.
- SEBI provided a timeline for the implementation of ESG disclosure requirements.
- SEBI encouraged companies to provide training to their board members for the better compliance of ESG.
- The framework should be aligned with the global platform. It is also advised by the SEBI.
- SEBI provided guidance on the reporting of these key ESG metrics. These metrics are -
 - a. Governance Practices
 - b. Carbon Emissions
 - c. Energy Consumption
 - d. Social Impact Assessment
 - e. Water Usage

9.7 RBI GUIDELINES ON CSR, SUSTAINABLE DEVELOPMENT AND NON-FINANCIAL REPORTING

As per the notification dated December 20, 2007 issued by the Reserve Bank of India, the role of banks in CSR, sustainable development and non-financial reporting is considered vital. The notification was issued to all the commercial banks of India excluding Regional Rural Banks. The guidelines were issued to communicate the banks about their role on CSR, sustainable development and non-financial reporting.

The following things were mentioned in the notification issued by the Chief General Manager of RBI - (<https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=O&Id=3987>)

(The contents mentioned in this section are taken as it is from the notification to maintain the essence)

- CSR entails the integration of social and environmental concerns by companies in their business operations as also in interactions with their stakeholders.
- SD essentially refers to the process of maintenance of the quality of environmental and social systems in the pursuit of economic development.
- FR is basically a system of reporting by organizations on their activities in this context, especially as regards the triple bottom line, that is, the environmental, social and economic accounting.
- The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world.
- In this context, the urgency for banks to act as responsible corporate citizens in the society, especially in a developing country like ours, need be hardly overemphasized. Their activities should reflect their concern for human rights and environment.
- The enclosures introduce the concepts of CSR, SD and NFR, the felt need therefor, financial sector initiatives worldwide in the wake thereof and other related issues and underscore the importance of the issues involved and the global initiatives being taken in this regard.
- Global warming and climate change are particularly important in the context of sustainable development, especially for developing countries, which tend to be ill-equipped for such changes.
- There is a general lack of adequate awareness on the issue in our country. In this context, the need for sustainable development efforts by financial institutions in India assumes urgency and banks, in

particular, can help contribute to this effort by playing a meaningful role.

- In the circumstances, banks are advised to take note of the issues raised and consider using the same to put in place a suitable and appropriate plan of action towards helping the cause of sustainable development, with the approval of their Boards.
- Further, it will be advisable for the banks/Financial Institutions to keep themselves abreast of the developments on an on-going basis and dovetail/modify their strategies/plans, etc. in the light of such developments. The progress made thereunder could be placed in the public domain along with the annual accounts of banks.

9.8 SUMMARY

- At a global level, these initiatives help organizations to gain the general acceptance of the public. Organizations who work for a better environment are always appreciated and recognized for their sustainable business practices. Gaining the trust and confidence of the public for the long term growth and survival of business is a requirement of today.
- The reporting framework of corporate social responsibility is a systematic system of reporting the CSR management system and its performance. It is an important aspect of a company's commitment to manage their CSR activities and keep it aligned with the sustainability and ethical business practices. The reporting framework provides a guideline to organizations regarding the internal system and external system of CSR.
- CSR reporting is of vital importance for both the companies and their stakeholders. It serves as a platform for companies to communicate their commitment towards the various aspects of society. CSR reporting helps in engaging and involving the participation of the community. Community engagement is an important part of CSR. Involvement of stakeholders ensures that the CSR activities are in alliance with the company's practices.
- The G3 guidelines are the third version of the Global Reporting Initiative (GRI). These guidelines are the Sustainability Reporting Guidelines. Global Reporting Initiatives is one of the widely accepted and used frameworks for CSR reporting. The framework provides a broad set of guidelines and aspects. The guidelines are used to cover the social, environmental and economic aspect of businesses. The G4 guidelines succeeded the G3 guidelines. The G4 guidelines were released in 2013.. G3 guidelines are no longer the latest version of GRI.
- SEBI Directive on ESG disclosure comes under the latest guidelines category with respect to corporate social responsibility. The Securities and Exchange Board of India (SEBI) issued a circular on July 12,

2023. This circular notifies the mandate for environmental, social, and governance (ESG) disclosures top 250 listed entities by market capitalization from the financial year 2024-2025.

- As per the notification dated December 20, 2007 issued by the Reserve Bank of India, the role of banks in CSR, sustainable development and non-financial reporting is considered vital. The notification was issued to all the commercial banks of India excluding Regional Rural Banks. The guidelines were issued to communicate the banks about their role on CSR, sustainable development and non-financial reporting.

9.9 SELF ASSESSMENT TESTS

01. Explain the concept of CSR reporting framework in detail.
02. Discuss the various Reporting Framework of CSR.
03. Explain the importance of CSR reporting.
04. Write a detailed note on G3 Guidelines for CSR.
05. What is the SEBI Directive on the ESG disclosure for the companies?
06. What are the RBI guidelines on CSR, sustainable development and non-financial reporting.

BRAND BUILDING AND CORPORATE IMAGE

Unit Structure

- 10.1 Objectives
- 10.2 Introduction
- 10.3 Brand Building and Corporate Image
- 10.4 Brand Differentiation
- 10.5 Corporate Reputation
- 10.6 Corporate Social Marketing
- 10.7 Branding as a tool for CSR
- 10.8 Summary

10.1 OBJECTIVES

After studying this module, you should be able to -

- Study the concept of Brand Building and Corporate Image.
- Know about the concept of Brand Differentiation
- Understand the concept of Corporate Reputation
- Understand the concept of Corporate Social Marketing
- Know about the use of Branding as a tool for CSR

10.2 INTRODUCTION

The complexity is increasing in the pattern of stakeholders. Understanding the psychology of stakeholders is important. From the various studies, it is observed that human behavior is always complex in nature. Being a stakeholder, a human expects numerous things from the companies. In this world, nothing is god made. All things are the invention of humans. In the field of CSR, it is important to perceive this idea of what human beings want?

Stakeholders play an important role in the decision making process of companies. It is a process through which the company understands the needs, desires and wants of stakeholders.. For the survival and success of business, the study of stakeholders and their role in building a brand and corporate image is important. In the present competitive world, understanding the Stakeholders nature is important. Serving and satisfying consumers is the ultimate goal of a business. Research is required to understand the behavior of a Stakeholders. The process is though not easy.

That's why the study of CSR with respect to the role of stakeholders in brand building and corporate image is felt.

Understanding their behavior in terms of -

- Social perspective
- Cultural perspective
- Legal perspective
- Economic perspective
- Psychological perspective

The above is important. The concept of corporate social responsibility is growing. The scope of Corporate Social responsibilities is widening day by day. Apart from earning profit, companies are putting their focus on their social and ethical obligations towards the various stakeholders. In return, companies expect from stakeholders to help them in brand building and improving a corporate image.

As mentioned in the previous chapters, in today's business world, the young generation of the old businesses are leading the organizations. They are aware about the importance and need of corporate social responsibility. They understand that apart from earning profit it is important to perform the duties and responsibilities towards the various stakeholders of the business. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses.

The present chapter deals with the concept of brand building and corporate image. Various studies have been done to prove the role of CSR in building a brand. Companies through their various CSR activities are successfully incorporating social and environmental responsibility into a company's identity and operations. The best example we have is TATA Group of Companies.

10.3 BRAND BUILDING AND CORPORATE IMAGE

10.3.1 Brand Building

The concept of brand building through corporate social responsibility is a wholesome term which indicates that the companies are incorporating social and environmental responsibility into a company's identity and operations. They are using the concept of corporate social responsibility in building a brand. Building a brand will help organizations to have an image of an ethical and socially responsible organization.

The concept of brand building through corporate social responsibility is helpful for society as the CSR initiatives are articulated well with the needs. It also helps companies in building their brand and corporate image. Corporate social responsibility is an investment. It is up to the company how well they are able to coordinate their business practices and CSR activities to satisfy the needs and wants of society.

The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

Apart from building a brand, corporate social responsibility helps companies in getting the following benefits -

- Positive Impact
- Enhance Goodwill
- Attract Consumers
- Promotion of Environmental Practices
- Improves Employee Morale and Motivation
- Sustainable Business Model

Brand building in a general sense is a term which defines a strategic process of companies to develop the image of their brand in the mind of target customers. In the field of corporate social responsibility, the process is carried out to develop the image of their brand in the mind of stakeholders and society. In fact, companies involve their participation in building a brand.

The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs. This is one of the effective methods of CSR monitoring. Taking the feedback of employees, investors, and customers, and incorporating their perspective into CSR strategies is an effective method.

Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

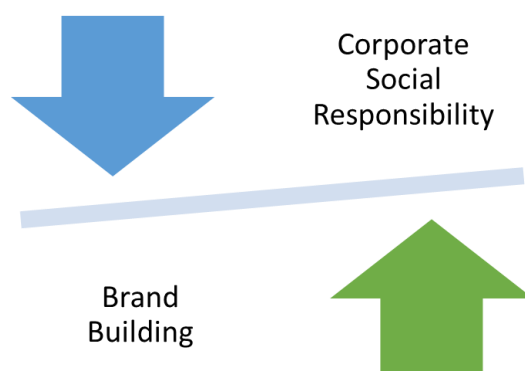


Fig. 10.1: CSR and Brand Building

10.3.1.1 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate social responsibility and brand building -

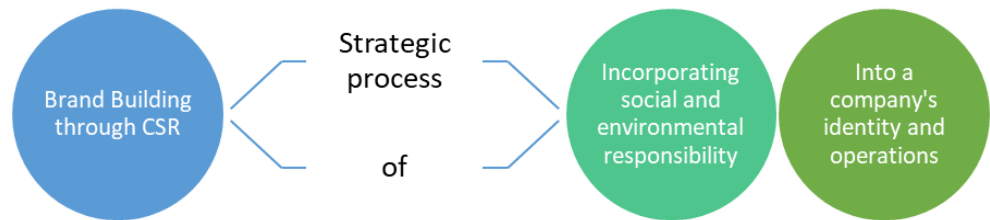


Fig. 10.2: Brand Building through CSR

Brand building through corporate social responsibility is a strategic process of incorporating social and environmental responsibility into a company's identity and operations. The process involves defining the CSR goals and objectives and their alignment with the company's mission and goals.

Transparency and authenticity is a key factor in the whole process of brand building. Local community is an important aspect to be taken for the audit purpose. Companies work closely with the local community. People may be connected or not but the impact of a company's operation on the local community needs to be assessed.

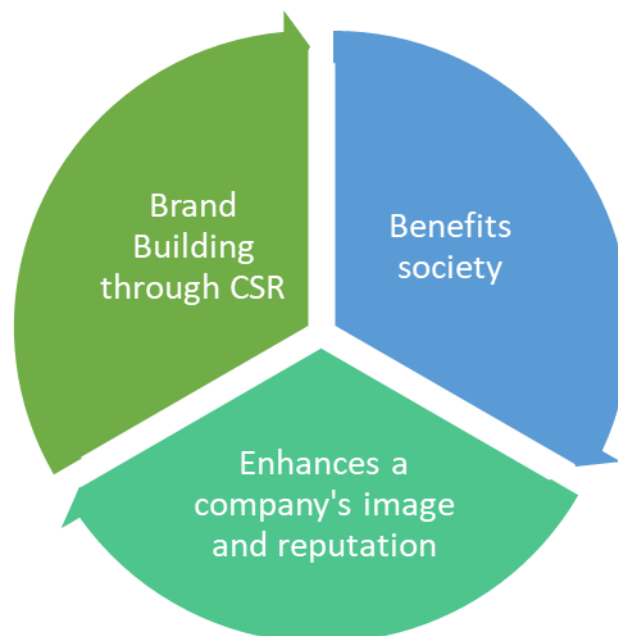


Fig. 10.3: CSR, Society and Company

The concept of CSR not only helps companies in building their image and reputation but also it benefits society as well. Understanding this concept from the company's point of view is important. The perception of

individuals differs as is their opinion towards the activities of Corporate Social Responsibility of organizations.

People from different backgrounds have different perspectives towards the Corporate Social Responsibility of companies. Understanding the concept of diversity is important for companies because it will help them to engage stakeholders effectively and tailor their CSR initiatives to cover the concept of diversity.

10.3.2 Corporate Image

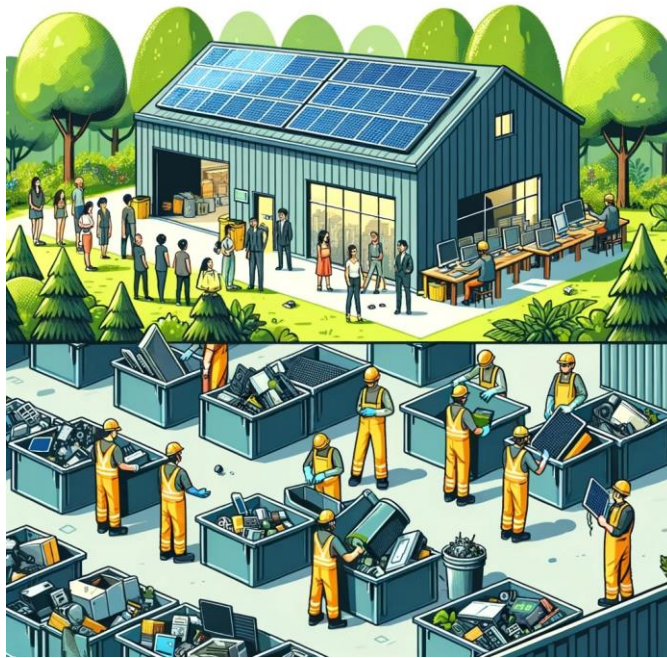
The impact of corporate social responsibility in building a brand image holds a supremacy. The corporate social responsibility practices not only helps in brand building but also it helps companies in enhancing their corporate image. It is important to understand the concept of diversity in the process of enhancing corporate image through corporate social responsibility. People come from diverse backgrounds. Their liking, disliking, perceptions, attitude and values differ. The concept of diversity in individual perceptions of CSR states that the people understand the company's CSR initiatives and activities in a diverse way. Their understanding and acceptability differs due to diversity of backgrounds, cultures, and experiences.

Understanding the multifaceted expectations of the various segments of society make CSR strategies more lively and impactful. It ensures that the companies are taking care and addressing a continuum of environment, ethical and social concerns. The concept of corporate social responsibility is perceived differently by different people. The perception of people differs due to various factors like cultural background, social background, personal values, economic status, education and experiences.

If a company is actively involved in corporate social responsibility, it sends a positive message to various stakeholders. An active and clear corporate social responsibility strategy can significantly contribute to shaping and enhancing a company's corporate image.

Engaging in CSR activities enhances the image of company in following ways -

- Company gains trust and loyalty
- Gets differentiation in market
- Enhanced corporate reputation
- Good brand image
- Employees feel pride



Source:<https://gauvinsgreen.com/corporate-social-responsibility/>

It is also observed that the companies who are actively involved in corporate social responsibility get the support of investors at large. A culturally and socially recognized company not only gain the trust and confidence but also gives a positive message to the society and other corporations. A well-executed CSR program helps companies in enhancing the corporate image.

10.3.2.1 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate social responsibility and corporate image -

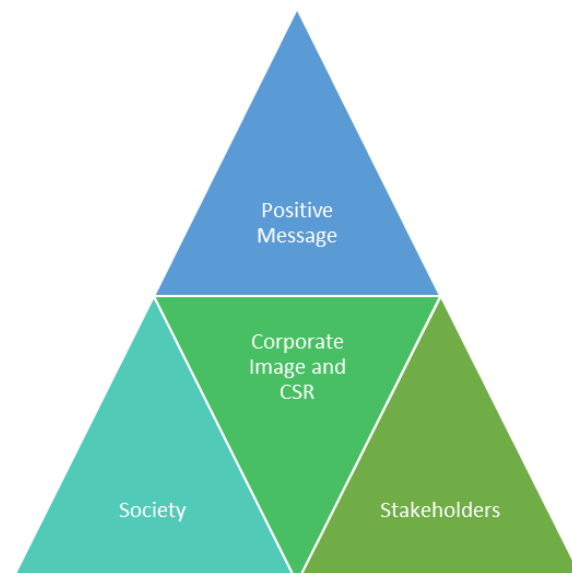


Fig. 10.4: Corporate Image and CSR

An active CSR strategy helps companies in sending positive messages to society and stakeholders. Companies engaging in CSR activities create positive perceptions. The activities like -

- Environment conservation
- Social causes
- Community development
- Awareness camps
- Employment drives



Fig. 10.5: Contribution of CSR Efforts

An active CSR policy and efforts contributes in maintaining transparency, authenticity, sustainability and consistency on the part of the company. When making investment decisions, investors consider these aspects.

10.4 BRAND DIFFERENTIATION

The responsibilities of the businesses are changing. They have to think beyond profit. The evolution of CSR was not easy. It went through many rough phases as it was hard to convince the businesses that earning profit is only a part of business. For survival and growth, there are other aspects to be considered to achieve long term sustainability and development of businesses in today's complex competitive world.

Brand differentiation through corporate social responsibility involves the process of leveraging socially responsible initiatives to set a company different from its competitors. Corporate social responsibility can act as a powerful tool for creating a unique and positive brand image and reputation.



Source: <https://theproductmanager.com/topics/successful-product-differentiation/>

For the success of corporate social responsibility initiatives, authenticity, transparency, and a genuine commitment to making a positive impact is required. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards.

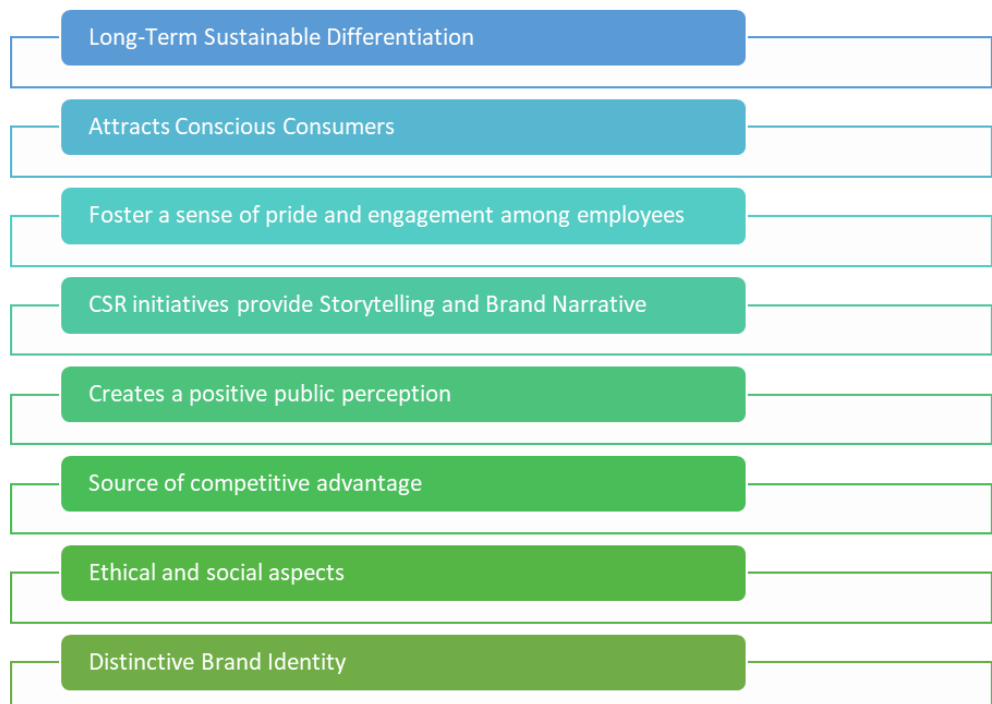


Fig. 10.6: Benefits of Brand Differentiation

There are many studies which contribute to assessing the role of corporate social responsibility and brand differentiation linked to brand reputation. Corporate reputation is a term which describes the image a company holds in the eyes of various stakeholders including internal and external.

In the eyes of the various stakeholders, companies' image, values, perceptions, actions and character collectively denotes the corporate reputation. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

The narrow concept covers the responsibilities towards the internal stakeholders -

- Owners
- Managers
- Employees

The broader concept covers the responsibilities towards the external stakeholders -

- Customers
- Consumers
- Suppliers
- Creditors
- Government
- Society



Fig. 10.7: Components of Corporate Reputation

For a better understanding of this concept, we have to study the key aspects. The following are the key aspects of corporate reputation -

- It is a valuable intangible asset for companies.
- Companies earn credibility and trust due to getting engaged in corporate social responsibility activities.
- Stakeholders assess a company's reputation based on ethical and social practices along with its financial performance.
- Engaging in Corporate Social Responsibility communicates about the Ethical Behavior and Social Responsibility of businesses.
- The concept helps companies in dealing with the crisis.
- It helps companies in holding a long term perspective.
- The company can choose their own criterias and level of activity they want to undertake to enhance their corporate reputation.
- The social criteria under the concept of corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the social and economic well-being.
- The ethical criteria under the concept of corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the ethical manner. It helps businesses to work with honesty and integrity.
- The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The criteria of sustainability puts emphasis on the businesses to work in an efficient and optimal way.

10.6 CORPORATE SOCIAL MARKETING

Understanding marketing is not an easy task. In the same way, understanding the concept of CSR is not a cup of tea for every person. In the field of marketing, it is important for a marketer to understand the three basic conditions. The previous marketing was all about producer oriented and production oriented. Today's marketing is something different. Marketers have to take care of raw material, have to seek specialized labor and have to look after the satisfaction of consumers.

The concept of corporate social marketing is an act of applying the marketing principles and practices to promote the social behavior of companies to shed a positive impact on society. To address social issues and influence the behavior of stakeholders, societal marketing concept is used by the businesses to promote their ethical and social model of business.

The common examples of corporate social marketing are -

- Discourage smoking
- Promotion of responsible drinking
- Encourage reuse and recycling
- Raise awareness
- Environmental conservation

Community engagement is an important part of CSR. The business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. For this purpose also, corporate social marketing plays a pivotal role in addressing the issues of communities within the society. The needs, wants and demands of society are changing very rapidly. It is vital to understand the various models of communities within the society.

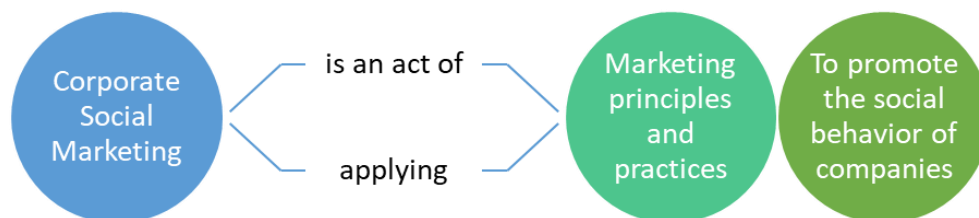


Fig. 10.8: Concept of Corporate Social Marketing

The key elements of corporate social marketing are -

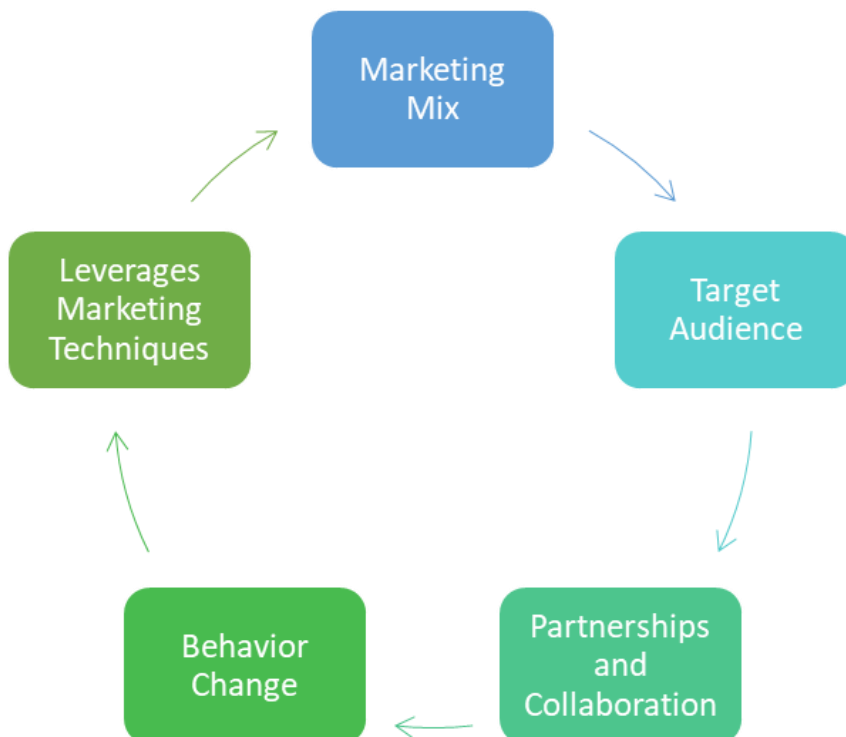


Fig. 10.9: Key Elements of Corporate Social Marketing

- **Marketing Mix:** The four P's of marketing is an important concept from the perspective of consumers for companies. Though, the four ps are related to the seller's perspective. Let's have a look at the four Ps of marketing.

P - Product

P - Price

P - Place

P - Promotion

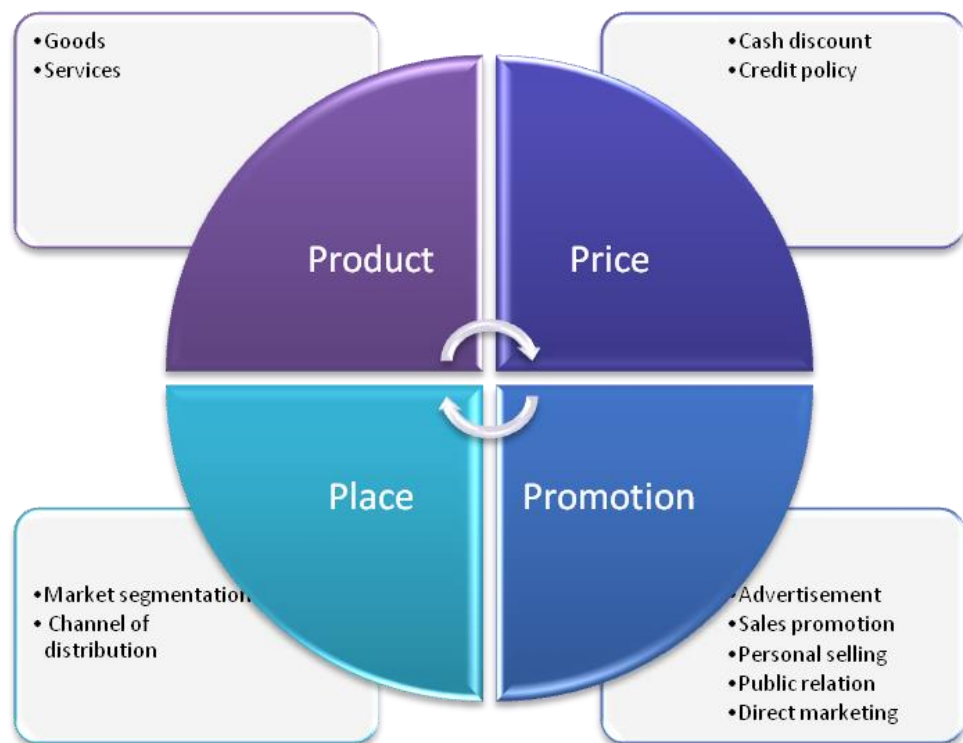


Fig. 10.10: Components of Marketing Mix

- **Target Audience:** The concept of corporate social marketing is an act of applying the marketing principles and practices to promote the social behavior of companies to shed a positive impact on society. Here, the word society means target audience.
- **Partnerships and Collaborations:** Partnerships and Collaborations is a key aspect of corporate social marketing. It helps in enhancing the impact of social marketing campaigns. The partnerships and collaborations with the following helps in managing the social and ethical image of corporations -
 - Non-profit organizations
 - Government agencies
 - Other stakeholders

- **Behavior Change:** The concept of corporate social marketing promotes the social behavior of companies to shed a positive impact on society. It helps in bringing the change in behavior, attitudes, and beliefs related to a particular social issue.
- **Leverage Marketing Techniques:** It is a strategic approach that leverages marketing techniques to address social issues. It helps to bring a positive change in the behavior of the people towards the company. The business must undertake the complete responsibility of the social, economical and environmental effects on the society and this can be done through corporate social marketing.

10.7 BRANDING AS A TOOL FOR CSR

Today's marketing is about managing profit along with customer satisfaction and social responsibility. The study of corporate social responsibility is something which goes around and never seems to end. People are more choosy and selective when it comes to choosing a company. They have choices and can shift their money and efforts from one brand to another brand. The behavior of a stakeholder is a study of understanding their parameters for selecting a company for affiliation.

For corporate social responsibility initiatives, branding can serve as a powerful tool. It helps companies in enhancing their reputation, fostering trust and communicating its commitment towards the various corporate social responsibility. A company can show their commitment towards the various ethical, social and environmental concerns.



Source:<https://fabrikbrands.com/guide-to-corporate-social-responsibility/>

Determining the implementation mechanism of CSR is not an easy task. It requires a comprehensive approach of understanding the concept of CSR and its working. In the determination process, the CSR report system is

framed, executed, managed, evaluated and monitored. Using branding as a tool for CSR requires a framework to act and understand. The approach of CSR requires a systematic approach. Taking approval for the CSR strategy requires the participation of the top level.

The involvement of all the levels of management need to be ensured in the whole process of corporate social responsibility. Here are the following ways through which branding can be utilized as a tool for corporate social responsibility -



Fig. 10.11: Branding as a tool for CSR Activities

A corporate social responsibility policy provides a platform to the companies to work more diligently and responsibly. It states that beyond the aim of earning profit, a business entity is responsible towards the various segments of society and nation. When the branding is used as a tool for corporate social responsibility, it not only improves the reputation of the company but also contributes to positive societal and economic impact.

10.8 SUMMARY

- Stakeholders play an important role in the decision making process of companies. It is a process through which the company understands the needs, desires and wants of stakeholders.. For the survival and success of business, the study of stakeholders and their role in building a brand and corporate image is important.
- The concept of brand building through corporate social responsibility is a wholesome term which indicates that the companies are incorporating social and environmental responsibility into a company's identity and operations. They are using the concept of corporate social responsibility in building a brand. Building a brand will help organizations to have an image of an ethical and socially responsible organization.

- The involvement of stakeholders in the CSR initiative is an important step. Regular or periodic dialogue with them helps companies to understand their expectations and the impact of CSR programs.
- The impact of corporate social responsibility in building a brand image holds a supremacy. The corporate social responsibility practices not only helps in brand building but also it helps companies in enhancing their corporate image. It is important to understand the concept of diversity in the process of enhancing corporate image through corporate social responsibility. People come from diverse backgrounds.
- Brand differentiation through corporate social responsibility involves the process of leveraging socially responsible initiatives to set a company different from its competitors. Corporate social responsibility can act as a powerful tool for creating a unique and positive brand image and reputation.
- Corporate reputation is a term which describes the image a company holds in the eyes of various stakeholders including internal and external. In the eyes of the various stakeholders, companies' image, values, perceptions, actions and character collectively denotes the corporate reputation. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.
- The concept of corporate social marketing is an act of applying the marketing principles and practices to promote the social behavior of companies to shed a positive impact on society. To address social issues and influence the behavior of stakeholders, societal marketing concept is used by the businesses to promote their ethical and social model of business.
- For corporate social responsibility initiatives, branding can serve as a powerful tool. It helps companies in enhancing their reputation, fostering trust and communicating its commitment towards the various corporate social responsibility. A company can show their commitment towards the various ethical, social and environmental concerns.

10.9 SELF ASSESSMENT TESTS

01. Explain the concept of brand building. Also explain its various components.
02. Discuss about the concept of corporate image. Explain the important features of corporate image.
03. Write a note on Brand Building and Corporate Image

04. Explain the meaning of brand differentiation. How does it help the companies with respect to CSR?
05. Write a detailed note on corporate reputation. Also explain the benefits associated with a good corporate reputation.
06. Discuss the meaning and concept of corporate social marketing. Explain the various tools of corporate social marketing.
07. How branding can be used as a tool for CSR?

ROLE OF STAKEHOLDERS IN THE IMPLEMENTATION OF CSR

Unit Structure

- 11.1 Objectives
- 11.2 Introduction
- 11.3 Implementation of CSR
- 11.4 Role of Stakeholders in the Implementation of CSR
- 11.5 Role of Civil Society
- 11.6 Role of Social Entrepreneurs
- 11.7 Role of Supply Chain
- 11.8 Role of Banking/Investors
- 11.9 Summary

11.1 OBJECTIVES

After studying this module, you should be able to -

- Understand the role of various stakeholders in the implementation of CSR
- Know about the concept of Implementation of CSR
- Study the role civil society, social entrepreneurs, supply chain and investors
- Understand the relevance of their role in the implementation of CSR

11.2 INTRODUCTION

The term ‘Corporate Social Responsibility’ was first coined by the American Economist Howard Bowen in 1953. In his book ‘Social Responsibilities of the Businessman’, he highlighted the importance of social responsibilities of the business and its impact on society. The contribution of Bowen is considered a pioneer in the field of corporate social responsibility.

Earning profit for the survival and growth of business is important but satisfying the needs and wants of the society is considered more important. A corporate social responsible organization is able to gain the trust and confidence of the public. With the evolution of the concept of Corporate Social Responsibility, companies realized that earning profit is not their sole objective.

The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. The previous concept of corporate social responsibility was confined to only charity and donations by the business firms. But, now the scope is widening and progressing.

The present concept focuses on the involvement and engagement of stakeholders in the implementation of CSR. The narrow concept of Corporate Social Responsibility concept covers the responsibilities towards the internal stakeholders -

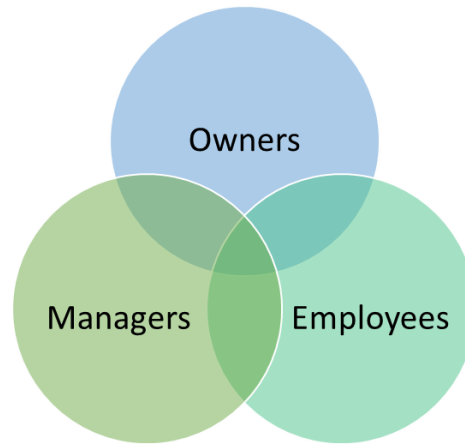


Fig. 11.1: Internal Stakeholders

The broader concept covers the responsibilities towards the external stakeholders -

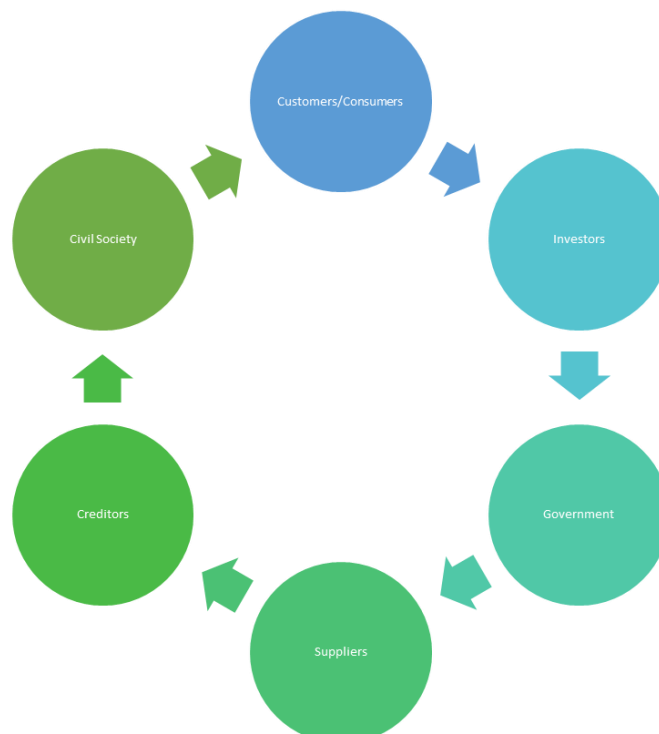


Fig. 11.2: External Stakeholders

The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies. The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.

11.3 IMPLEMENTATION OF CSR

The CSR committee will be responsible for formulating and recommending CSR Policy, recommending the CSR activities and the amount required for performing the same, monitoring the CSR policy periodically, ensuring the implementation of CSR Activities and ensuring the 2% spending as per the provisions.

CSR policy is a written document (Preferably) prepared by the CSR committee for the good cause. The policy advocated that the companies should fulfill their social responsibilities as per the provisions of Companies Act, 2013. We can say CSR policy guides companies to conduct business as per the rules.

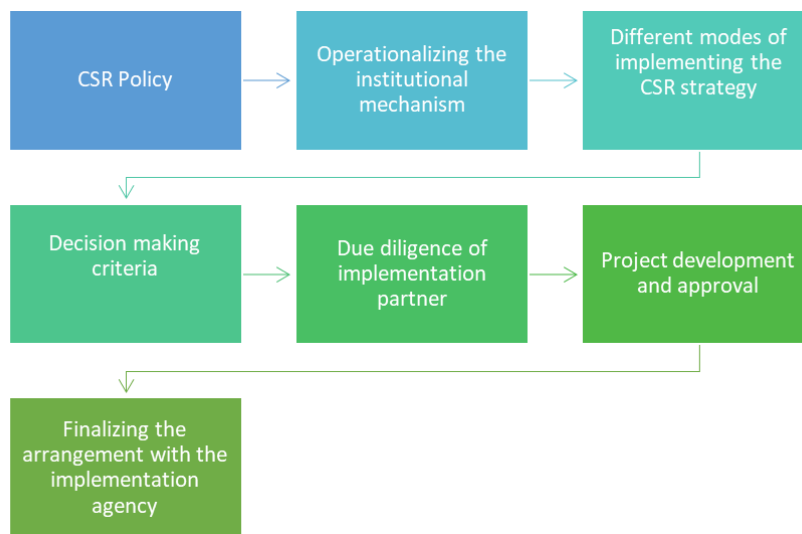


Fig. 11.3: Process of CSR Implementation

- **CSR Policy:** CSR policy guides the companies to fulfill their social obligations towards the various segments of society. CSR policy is a way of doing business with regard to corporate social responsibility. CSR policy ensures that the provisions of the Companies Act 2013 are taken into consideration and merged into the operations of the company. It helps to formulate and recommend the various CSR activities for the organizations.
- **Operationalizing the institutional mechanism:** After framing and developing a CSR policy, the next step which arises in the processes of CSR is operationalizing the institutional mechanism. The process of operationalizing the institutional mechanism involves setting up

the processes and structures within an organization. The purpose is to frame, develop, implement, evaluate and monitor the corporate social responsibility initiatives within an organization.

- **Different modes of implementing the CSR strateg:** CSR strategies are those strategies which help companies to align their objectives with the CSR activities. The CSR strategies are aligned with the operational activities of the organization. The Companies Act 2013 is a significant legislation. The Act states provisions and regulates the operations and activities of the companies. The CSR activities are undertaken to improve the brand image of the organization.

In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

As per the Schedule VII of the Act, the various activities can be included by a company to undertake their CSR activities

- **Decision making criteria:** In the field of corporate social responsibility, there are many decisions which have to be taken for determining and choosing the activities to be carried out under CSR initiatives. The scope of CSR is very vast and the organizations are free to choose their own activities. The decision-making criteria play an important role in determining -
 - Which initiative to undertake
 - Resource allocation
 - Giving priorities to action
 - Alignment of company's working with CSR activities
- **Due diligence of implementation partner:** Due diligence is a process through which the vast and detailed investigation is undertaken by the organizations to gather the required and relevant information. It involves the process of assessing the risks and opportunities related to a particular action or transaction.

With respect to the concept of Corporate Social Responsibility (CSR), the due diligence process for an implementation partner involves a process of detailed evaluation of potential vendors or partners that a company plans to work jointly with to implement its Corporate Social Responsibility (CSR) initiatives.

The process ensures that the suppliers, vendors, service providers, contractors, customers and any other third parties connected to your business aligns with the company's mission, objectives and values.

- **Project development and approval:** Project development refers to an act of transforming the idea into a structured plan to achieve some

specific goals. In CSR, developing strategy for the implementation of CSR activities plays a vital role.

The approach of CSR requires a systematic approach. Taking approval for the CSR strategy requires the participation of the top level. Creating a proposal is important for taking the approval of top management. The dedicated CSR team needs alignment between the companies policies and objectives and the CSR activities should be ensured in this step of conducting an assessment for CSR activities.

- **Finalizing the arrangement with the implementation agency:** Finalizing the arrangement with the implementation agency is a systematic process of maintaining a collaborative and transparent relationship with the implementation agency. An implementation agency is responsible for the CSR initiatives on the basis of collaboration and support. The partnership between the company and the implementation agency helps to determine the success of CSR initiatives in an organization.

11.4 ROLE OF STAKEHOLDERS IN THE IMPLEMENTATION OF CSR

An organization is responsible towards the various elements of the society. Stakeholders play a crucial role in the implementation of Corporate Social Responsibility (CSR) initiatives. They help organizations in shaping, supporting and evaluating the effectiveness of CSR initiatives. The following are the important elements who contributes in the implementation of corporate social responsibility -

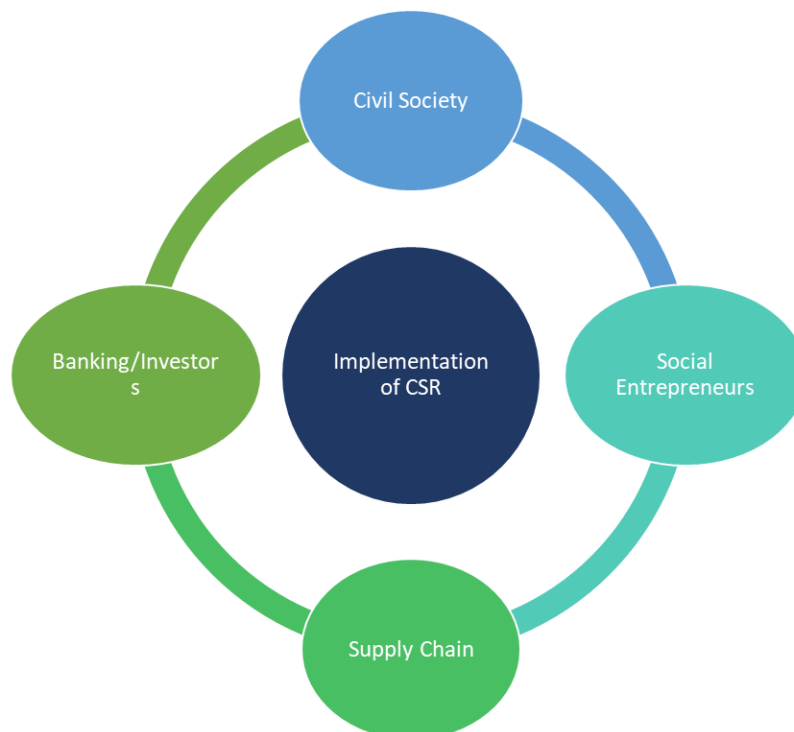


Fig. 11.4: Role of Stakeholders in the Implementation of CSR

11.5 ROLE OF CIVIL SOCIETY IN THE IMPLEMENTATION OF CSR

The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps. The Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

The Act regulates the operations and corporate governance of the companies. The Act brought significant changes in corporate laws with an aim to modernize and align them with the global practices. In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

The Companies Act 2013 has -

- 7 Schedules
- 29 Chapters
- 470 Sections

Section 135 of the Companies Act 2013 deals with the subject matter of CSR. Section 135 lays down the criteria for which companies have to undertake the CSR activities. As mentioned earlier, the Companies Act 2013 has mandated for certain companies to comply with the provisions related to Corporate Social Responsibility (CSR). The provisions are mandatory for companies which qualify certain criteria prescribed by the Act. The qualifying criterias for companies are -

- A net worth of Rs. 500 crores or more.
- A turnover of Rs. 1,000 crores or more.
- Net profits of Rs. 5 crores or more in a financial year.

The companies qualifying the above criteria are obligated to spend at least 2% of their average profits. The average profits from the preceding three financial years should be used on the Corporate Social Responsibility activities. The provisions are applicable to all companies including State Public Sector Enterprises. The compliance with the provisions of Corporate Social Responsibility came into force from April, 2014.

The reason behind mentioning the above act is to show the implication of CSR on civil society. Now, we will study the role of civil society in the implementation of CSR. The array of civil society covers -



Fig. 11.5: Array of Civil Society

- **Role of NGOs in the implementation of CSR:** In the implementation of Corporate Social responsibility, Non-Governmental Organizations (NGOs) play an important role. Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. NGOs are one of them. The involvement of NGOs in corporate social responsibility activities can contribute through various ways -



Fig. 11.6: Role of NGOs in the implementation of CSR

- The expertise and knowledge of Non-Governmental Organizations (NGO) can be used for the proper implementation of Corporate Social Responsibility.
- Community engagement is an important part of CSR. The business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. Appropriate measures should be taken to protect the interest of the stakeholders. The experience of NGOs can be used as an intermediary between businesses and local communities.
- NGOs often act as implementing partners for CSR programs. Their expertise can be used in managing resources and executing projects.
- Partnership with NGOs can also help in advocacy and awareness. They are good at it. They can help organizations in advocacy activities and awareness programs.
- NGOs can help organizations in innovation and adopting best practices.

The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. To achieve the long term goals of the organization, it is important for business organizations to address the various social, environmental and ethical issues. These issues cannot be compromised on the part of companies. The aim of corporate social responsibility is to create a more sustainable and ethical business model. The public recognizes the work of the companies who play a vital role in fulfilling their social obligations towards the various groups of society. The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers.

- **Role of Community Groups in the implementation of CSR:** Community groups play a vital role in the implementation of Corporate Social Responsibility (CSR) initiatives. They act as a vital stakeholders in the whole process of CSR. The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.

It is expected from businesses to maintain the financial, technical, legal and cultural transparency with the various stakeholders to work more ethically.

The groups can enhance the relevance and sustainability of CSR programs in the following ways -



Fig. 11.7: Role of Community Groups in the implementation of CSR

- **Role of Individuals in the implementation of CSR:** The active involvement and support of individuals play a crucial role in the implementation of corporate social responsibility. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. The concept of corporate social responsibility is not a mere practice but a whole bunch of philosophies lies underneath. The role of individuals in this case plays a significant role.

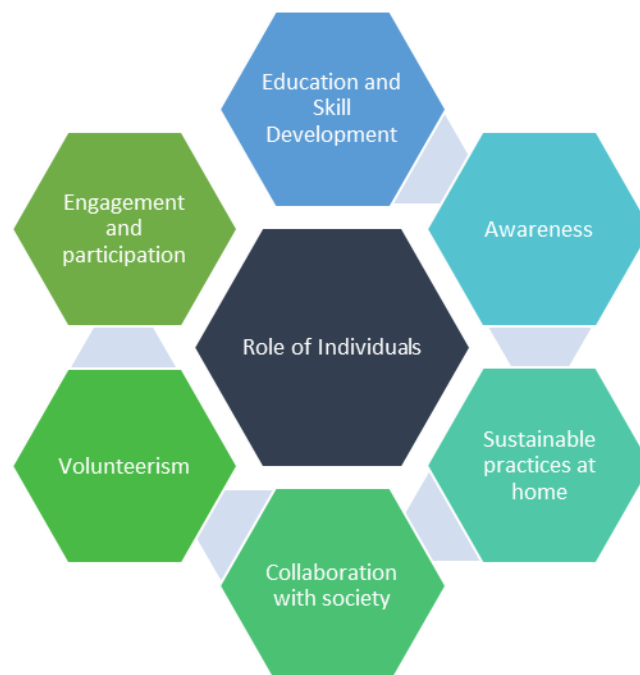


Fig. 11.8: Role of Individuals in the implementation of CSR

11.6 ROLE OF SOCIAL ENTREPRENEURS IN THE IMPLEMENTATION OF CSR

Social entrepreneurs are those individuals who apply his entrepreneurial skills and business practices to address environmental and social issues. They don't focus on profit generation. Their main motive of becoming an entrepreneur is to create a positive and sustainable change in the environment and social change.

The following are the key features of a social entrepreneur -

- Their mission is to bring a positive impact on society or the environment.
- They are known for their creativity and positive attitude.
- They measure the social impact. Social impact assessment is a process of evaluating and analyzing the effects of the CSR initiatives on the general public, society, social system and government. It is the process through which a company assesses the performance of its CSR activities to know its social impact on society. The purpose of this assessing social impact is to know the effectiveness and efficiency of the CSR program undertaken by the company.
- They are involved in community engagement. They always care that the impact of the organization should be positive on the society and its people. In the pyramid, the businesses always place the economic obligations on the top priority. The concept of CSR advocates that the idea of making profit should be kept last and serving the community should be kept first.
- They are known for taking risks and believe in a reward system.

In the implementation of CSR, social entrepreneurs play the following role-

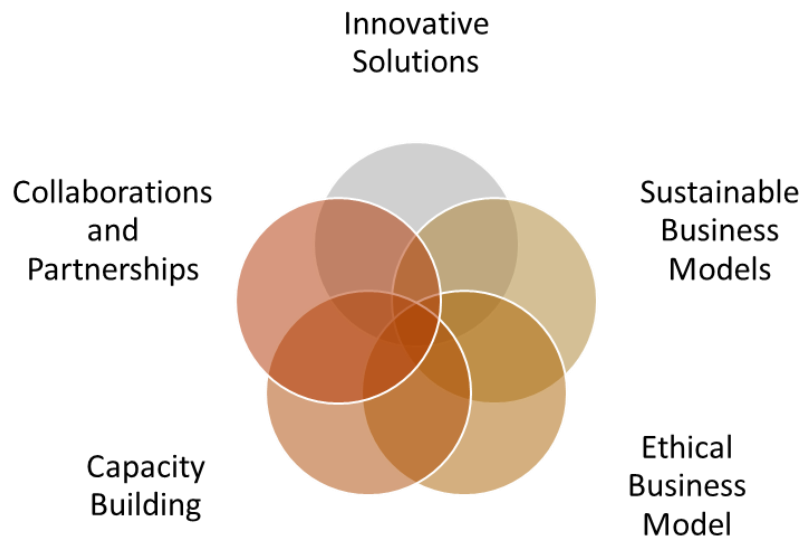


Fig. 11.9: Role of Social Entrepreneurs in the implementation of CSR

- **Innovative Solutions:** Social entrepreneurs are known for giving innovative solutions. They have an ability to develop innovative and sustainable solutions to complex social and environmental challenges. They can contribute by coming up with fresh ideas and information for the businesses with respect to corporate social responsibility initiatives.
- **Sustainable Business Models:** The concept of social development is more into covering the social aspects of society. Social entrepreneurs can help businesses in developing a sustainable business model. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards. A Social entrepreneur can help organizations in achieving this goal of CSR.
- **Ethical Business Model:** As mentioned earlier, Social entrepreneurs are those individuals who apply his entrepreneurial skills and business practices to address environmental and social issues. They don't focus on profit generation. Their main motive of becoming an entrepreneur is to create a positive and sustainable change in the environment and social change. In that direction, they play a vital role in developing an ethical business model for the firms to work more responsibly.
- **Capacity Building:** Capacity building is a process of enhancing an individual's ability to perform tasks more effectively. Social entrepreneurs can act as an agent to bring that transformation in an organization to bring the desirable environment and society through corporate social responsibility.
- **Collaborations and Partnerships:** Through Collaborations and Partnerships, a business can involve the skills and knowledge of a social entrepreneur. The scalability and effectiveness of the corporate social responsibility programs can be enhanced.

11.7 ROLE OF SUPPLY CHAIN IN THE IMPLEMENTATION OF CSR

The concept of supply chain deals with the through which the supply of goods and services is ensured. A supply chain is a network of activities which starts from the production and ends with the delivery to the end user. In the field of corporate social responsibility, the supply chain plays a crucial role in the implementation process.

The supply chain of any organization is connected with the production and distribution of goods and services. That's why, It has a direct and indirect impact on a company's CSR efforts. In the implementation of the CSR activities, the supply chain contributes in the following ways -

- Through the proper system of engagement and management of suppliers.
- By ensuring fair labor practices and human rights.
- By keeping in mind the concept of environmental sustainability.
- By maintaining transparency and ethical business practices with the suppliers and from the suppliers.
- Provision of suppliers audit.
- They can also contribute to social and economic development by supplying the proper goods and of good quality.
- Collaboration with Suppliers can facilitate new ideas and information to improve the system of CSR.
- Suppliers can ensure that they are complying with the rules and regulations of businesses.

In summary, we can say that In summary, the supply chain is an important aspect to the successful implementation of CSR initiatives.

11.8 ROLE OF BANKING/INVESTORS IN THE IMPLEMENTATION OF CSR

In the implementation process of corporate social responsibility, Banks and Investors play a significant role. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. Investors and Banks are one of them.

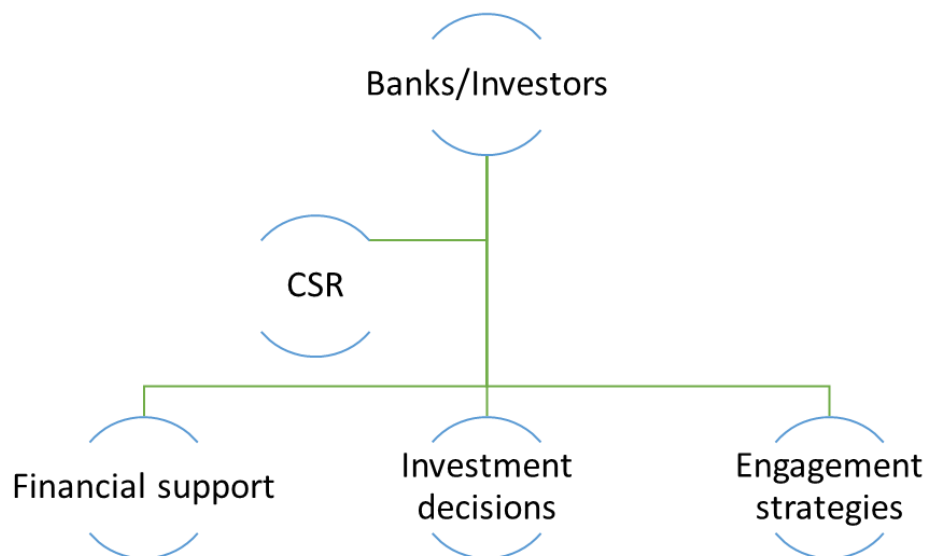


Fig. 11.10: Banks/Investors and CSR Implementation

Banks and Investors can influence the decision making power of companies as they have a big impact on the operations of the companies. They can influence the behavior of businesses through engagement strategies, investment decisions and financial support. Their involvement in the corporate social responsibility activities has proved to be instrumental and important.

Investors give their hard earned money to the companies with a motive to gain something. They while evaluating the performance of the company in terms of profit also see the CSR activities. Their insights about the CSR practices and company's performance can be considered.

The following key roles banks and investors play for the promotion and implementation of CSR -



Source: <https://www.idfcfirstbank.com/>

- Impact Investing
- Financial support for CSR activities
- ESG Integration
- Through engagement and dialogue
- By providing incentives for sustainable and ethical business practices
- By promoting Diversity and Inclusion
- By developing Sustainable Finance Products

11.9 SUMMARY

- Earning profit for the survival and growth of business is important but satisfying the needs and wants of the society is considered more important. A corporate social responsible organization is able to gain the trust and confidence of the public. With the evolution of the

concept of Corporate Social Responsibility, companies realized that earning profit is not their sole objective.

- The CSR committee will be responsible for formulating and recommending CSR Policy, recommending the CSR activities and the amount required for performing the same, monitoring the CSR policy periodically, ensuring the implementation of CSR Activities and ensuring the 2% spending as per the provisions.
- An organization is responsible towards the various elements of the society. Stakeholders play a crucial role in the implementation of Corporate Social Responsibility (CSR) initiatives. They help organizations in shaping, supporting and evaluating the effectiveness of CSR initiatives.
- In the implementation of Corporate Social responsibility, Non-Governmental Organizations (NGOs) play an important role. Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society. NGOs are one of them.
- Community groups play a vital role in the implementation of Corporate Social Responsibility (CSR) initiatives. They act as a vital stakeholders in the whole process of CSR. The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.
- The active involvement and support of individuals play a crucial role in the implementation of corporate social responsibility. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses.
- Social entrepreneurs are those individuals who apply his entrepreneurial skills and business practices to address environmental and social issues. They don't focus on profit generation. Their main motive of becoming an entrepreneur is to create a positive and sustainable change in the environment and social change.
- The concept of supply chain deals with the through which the supply of goods and services is ensured. A supply chain is a network of activities which starts from the production and ends with the delivery to the end user. In the field of corporate social responsibility, the supply chain plays a crucial role in the implementation process.
- In the implementation process of corporate social responsibility, Banks and Investors play a significant role. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses.

11.10 SELF ASSESSMENT TESTS

Role of Stakeholders in the
Implementation of CSR

01. Explain the concept of Corporate Social Responsibility.
02. Discuss the conceptual framework of Corporate Social Responsibility.
03. Discuss the role of civil society for the implementation of CSR.
04. Write down the importance of social entrepreneurs in the implementation process of CSR.
05. Explain the role of Banks and Investors for the implementation of CSR.
06. Explain the focus of the supply chain. How will it be helpful for the CSR of the companies?
07. Explain the implementation process of the CSR in a company.

CORPORATE GOVERNANCE AND CSR

Unit Structure

- 12.1 Objectives
- 12.2 Introduction
- 12.3 Corporate Governance
- 12.4 Scope and benefits of Corporate Governance
- 12.5 Principles of Corporate Governance
- 12.6 Governance Metrics International (GMI)
- 12.7 World Bank and G7 Response
- 12.8 Government as Shareholder: The Institutional Investor as Proxy for the Public Interest
- 12.9 Summary

12.1 OBJECTIVES

After studying this module, you should be able to -

- Understand the concept of Corporate Governance
- Study the Scope and benefits of Corporate Governance
- Know about the Principles of Corporate Governance
- Know about the relevance of Governance Metrics International (GMI)
- Study about the role of World Bank and G7 Response
- Concept of Government as Shareholder: The Institutional Investor as Proxy for the Public Interest

12.2 INTRODUCTION

Companies do business for the betterment and welfare of the people. The activities of business cannot be performed in isolation. There are various constituents of business that are relevant for the functioning and achieving goals. It is true that entrepreneurs enter into business with the object of making profit. Profit not only provides an incentive to the entrepreneurs to stay but also it also ensures the growth and expansion of the business.

But, profit motive cannot be the sole objective of any business. It is true that business is basically an activity done or carried on to earn profit. Apart from these, the companies carry importance in the process of social and economic development of the country. The prosperity and progress of any economy

very much depends on the quality of the businesses and industries run by the people.

In the field of business, the concept of social responsibility of business plays a vital role. The concept of Corporate Social Responsibility not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. An organization is responsible towards the various elements of the society. In business reporting, the concept of corporate social responsibility is growing. An organization is a group of people who work together to achieve common goals. These common goals fundamentally involve the concept of corporate social responsibility.

Corporate social responsibility works on the various models and philosophies by keeping in view the various segments of the businesses. Many businesses are integrating the concept of CSR in their core working and ensuring that the system is reflected in each and every activity of the business. Corporate social responsibility is a business practice that involves taking care of all the aspects of the business. The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives, practices, policies and actions taken by the businesses to contribute towards the various elements of the society.

A business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. Appropriate measures should be taken to protect the interest of the stakeholders. The impact of the organization should be positive on the society and its people. Accountability aspect covers the responsibilities towards internal stakeholders and external stakeholders.



Source: <https://www.shutterstock.com/>

There is one more concept which is equally important and that is the concept of corporate governance. The concept of corporate social responsibility not only covers the element of fulfilling the responsibilities and duties but also holds companies responsible for their deeds through their work.



Fig. 12.1: Concept of CSR and CG

In this chapter, we will study the scope and benefits of Corporate Governance, Principles of Corporate Governance, Governance Metrics International (GMI), World Bank and G7 Response and Government as Shareholder: The Institutional Investor as Proxy for the Public Interest.

12.3 CORPORATE GOVERNANCE

12.3.1 Introduction

The concept of corporate governance was evolved in the year 1992 by the Securities Exchange Board of India (SEBI). Before the evolution of this term, The Companies Act 1956 governed the working of the companies in India. The recommendations on the governance of the companies were laid down by the Cadbury Committee. The Cadbury Committee in their report “Financial Aspects of Corporate Governance” in 1992 defined corporate governance as the framework by which the organizations are coordinated and controlled.

In the pre-liberalization era, the corporate governance practices were not well-defined. After the implementation of the Industrial Policy, things changed significantly. The Industrial Policy of 1991 is the widely recognized policy as it introduces the concept of LPG in India. This policy of 1991 is also known as LPG as significant changes were brought down. LPG stands for -

L - Liberalization

P - Privatization

G - Globalization

The significant change was introduced in the year 2009. The Companies Bill, 2009 was introduced in Lok Sabha on 3rd August 2009. After many significant steps, the Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956. The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the generation or supply of electricity and such body corporate, incorporated by any Act.

The Act regulates the operations and corporate governance of the companies. The Act brought significant changes in corporate laws with an aim to modernize and align them with the global practices. In India, the Companies Act 2013 is a comprehensive law which aims to regulate the activities and the governance of the companies. For certain qualifying companies, the Act mandates several provisions related to corporate social responsibility.

12.3.2 Meaning

Corporate governance is a framework through which organizations are directed, coordinated and controlled. The set of principles and practices which guides the direction of the company is corporate governance. The term 'Corporate Governance' is a set of guidelines which lays down the responsibilities, rights and duties of the people for the better management of the society. It refers to a set of principles and code of conduct for the directors. The corporate governance abides the Board of Directors to maintain the best interest of all the stakeholders of the organization.

The concept of corporate social responsibility is often considered as a part of corporate governance. Corporate governance defines a system through which organizations are directed and controlled. Corporate governance refers to the system of rules and regulations through which organizations are directed and controlled. The Board of Directors are responsible for the governance of the company. In the best possible way, organizations are managed, directed and controlled by the system of corporate governance.

The concept of corporate governance is based on the following principles -

- Accountability
- Fairness
- Transparency
- Ethics
- Corporate Social Responsibility
- Stakeholders Involvement
- Integrity

In the next section, we will study the important definitions of corporate governance. The concept basically deals with the management and administration of companies in India.

12.3.3 Definitions of Corporate Governance

As defined, corporate governance is a system through which organizations are directed and controlled. In this section, we will study the definitions of some prominent organizations and experts -

In the words of **Cadbury Committee**, “Corporate governance is the system by which companies are directed and controlled. It encompasses the entire mechanics of the functioning of a company and attempts to put in place a system of checks and balances between the shareholders, directors, employees, auditor and the management.”

According to **Catherwood**, “Corporate governance means that a company manages its business in a manner that is accountable and responsible to the shareholders. In a wider interpretation, corporate governance includes company's accountability to shareholders and other stakeholders such as employees, suppliers, customers and local community.”

As per the statement given by **IFC**, “Corporate governance is the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders”

The **Institute of Company Secretaries of India (ICSI)** defined corporate governance as “the application of best Management practices, Compliance of law in true letter and spirit and adherence to ethical standards for Effective Management and distribution of wealth and discharge of social Responsibility for sustainable development of all stakeholders”

Experts from the **Organization of Economic Co-operation and Development (OECD)** defined corporate governance as "the system by which business corporations are directed and controlled."

12.3.4 Conceptual Framework

The conceptual framework of a topic explains the meaning and concept in an easy way. The conceptual framework covers the various aspects and dimensions of the topic. Here with the help of a few figures, we will try to understand the various aspects of corporate governance -

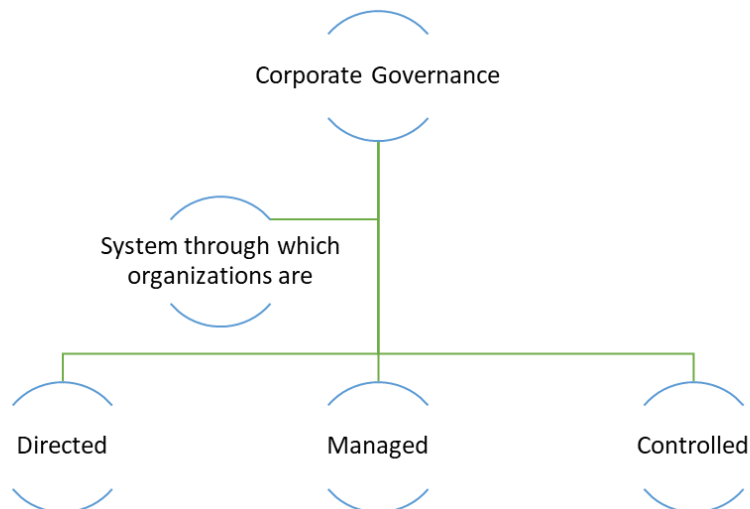


Fig. 12.2: Concept of Corporate Governance

The most widely accepted concept of corporate governance advocates that the concept of corporate governance is a system through which organizations in an economy are directed, managed and controlled by the Board of Directors.

Corporate governance also refers to the system of rules and regulations through which organizations are directed and controlled. The Board of Directors are responsible for the governance of the company. In the best possible way, organizations are managed, directed and controlled by the system of corporate governance.

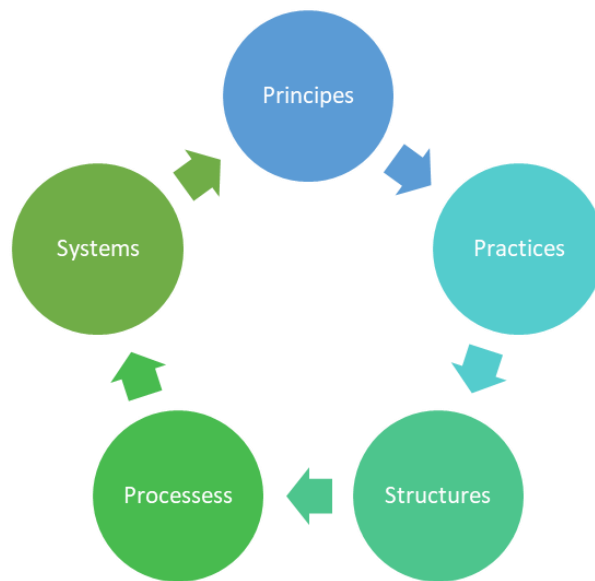


Fig. 12.3: Aspects of Corporate Governance

Another concept of corporate governance advocates that corporate governance is a set of principles, practices, processes, systems and structures that guide the direction and control of a company.

12.4 SCOPE AND BENEFITS OF CORPORATE GOVERNANCE

12.4.1 Scope of Corporate Governance

Corporate governance is a system through which organizations in an economy are directed, managed and controlled by the Board of Directors. It not only defines the scope and also it is also beneficial for the working of the organization.

The following points explain the scope of corporate governance -

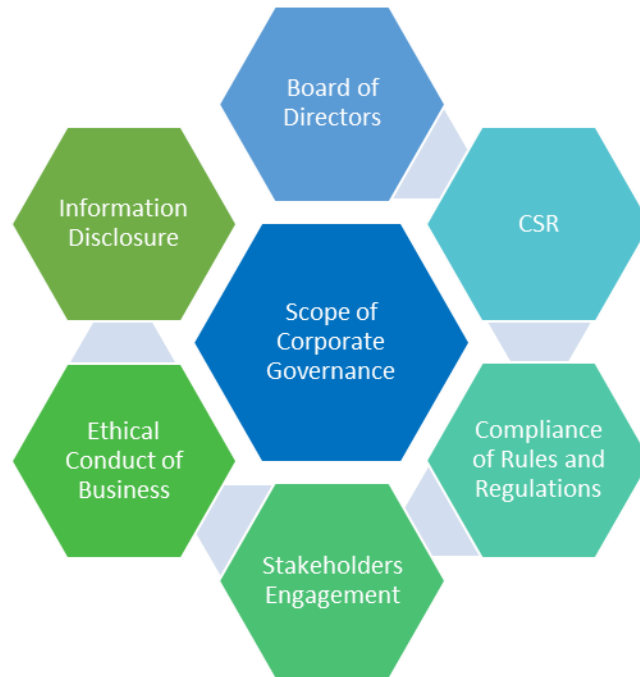


Fig. 12.4: Scope of Corporate Governance

- **Board of Directors:** The most widely accepted concept of corporate governance advocates that the concept of corporate governance is a system through which organizations in an economy are directed, managed and controlled by the Board of Directors. The Board of Directors are responsible for the governance of the company.

In the best possible way, organizations are managed, directed and controlled by the system of corporate governance.

- **Corporate Social Responsibility:** The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers. In simple words, corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society.

Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility.

- **Compliance of Rules and Regulations:** Corporate governance deals with the system of complying the rules and regulations of companies and industries. In the pre-liberalization era, the corporate governance practices were not well-defined. After the implementation of the Industrial Policy, things changed significantly. After many significant steps, the Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956.

The Act extends to the whole of India and applicable to the companies incorporated under this Act or under any previous company law, insurance companies, banking companies, companies engaged in the

generation or supply of electricity and such body corporate, incorporated by any Act.

- **Stakeholders Engagement:** The concept of corporate governance not only puts emphasis on the utilization of the resources but also on the people who are involved in the whole process of generating the value addition to the businesses. The concept of corporate governance is not a mere practice but a whole bunch of philosophies lies underneath. The concept of corporate governance is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate governance.
- **Ethical Conduct of Business:** This is the very legit expectation of the government that businesses should work ethically. Government expects that the corporations must ensure environmental sustainability, fair labor practices and transparency in their operations. The initiatives of CSR should align with the fair and ethical business practices to ensure that the activities of corporations are meeting the legal standards. This also comes under the scope of corporate governance.
- **Information Disclosure:** Organizations are responsible for disclosing information. The information should be true and correct. Companies should provide timely and correct information to the stakeholders. This practice affects the investment decisions of many investors.

12.4.2 Benefits of Corporate Governance

The following are the important benefits an organization gets from corporate governance -



Fig. 12.5: Benefits of Corporate Governance

- **Long-term Sustainability:** Corporate governance has become significant as companies determined their role in fulfilling their social obligation. Companies have become more active in addressing the economic, social and environmental issues of the economy. It not only help in boosting the economy in environmental sustainability, social and economic welfare, promotion of ethical business practices, public engagement but also it is positively contributing in long-term sustainability.
- **Legal and Regulatory Compliance:** The system of corporate governance helps firms in complying with the relevant laws and regulations. It reduces the risk of legal issues and regulatory penalties. Corporate governance deals with the system of complying the rules and regulations of companies and industries. In the pre-liberalization era, the corporate governance practices were not well-defined.

After the implementation of the Industrial Policy, things changed significantly. After many significant steps, the Companies Act was passed in 2013. This Act has replaced the Companies Act of 1956.

- **Stakeholders Involvement:** The involvement and participation of stakeholders is ensured in the process of corporate governance. The responsibilities of the businesses are changing. They have to think beyond profit. The evolution of corporate governance was not easy. It went through many rough phases as it was hard to convince the businesses that earning profit is only a part of business.

For survival and growth, there are other aspects to be considered to achieve long term sustainability and development of businesses in today's complex competitive world.

- **Positive Reputation:** A good corporate governance policy helps organizations in achieving the trust and confidence of the general public. A socially responsible and ethical organization enjoys a positive reputation in the eyes of the society. Taping the needs of the socially weaker population should be the aim of the businesses. While manufacturing and delivering products, they can think about delivering the goods and services at affordable prices to the segment who have low income.
- **Enhanced Financial Performance:** Over the long term, it is observed that the companies having good governance tend to perform well. They enjoy enhanced financial performance because of a good governance system. Gaining the trust and confidence of the public for the long term growth and survival of business is a requirement of today.
- **Employee Welfare:** Employee welfare is an integral part of corporate governance activities of the company. Companies can attract and retain good candidates by prioritizing employee welfare as a part of their corporate governance strategy. Enhancing the well-being of employees and creating a stress free environment is a need of

corporate governance. The following initiatives can be undertaken as a part of corporate governance -

- Flexible work arrangements
- Work life Balance
- Opportunities for skill development
- Ensuring equal opportunities
- Employee Assistance Programs

12.5 PRINCIPLES OF CORPORATE GOVERNANCE

Corporate governance refers to the system of rules and regulations through which organizations are directed and controlled. The Board of Directors are responsible for the governance of the company. In the best possible way, organizations are managed, directed and controlled by the system of corporate governance.

The concept of corporate governance is based on following principles -

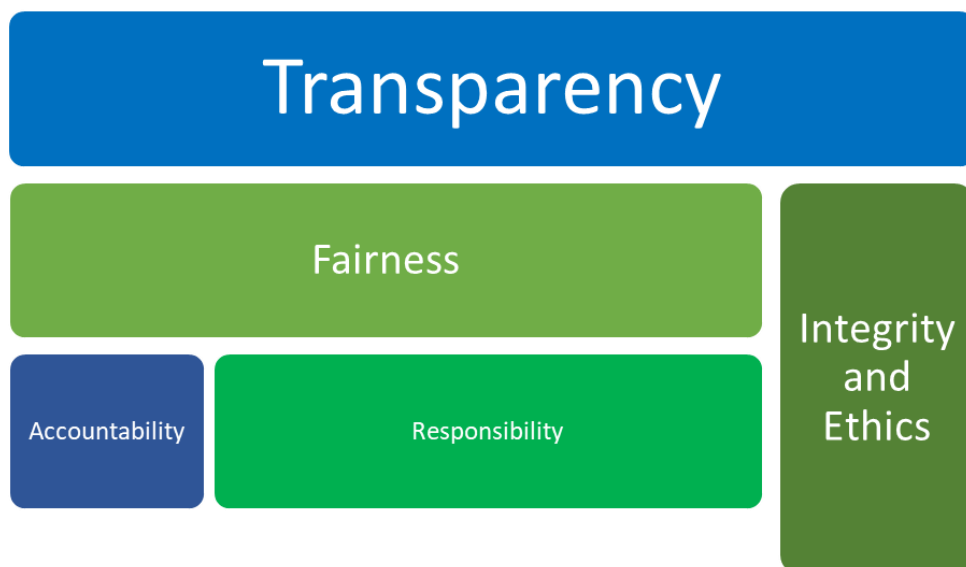


Fig. 12.6: Principles of Corporate Governance

The following is the explanation of the points mentioned above as the principles of corporate governance -

- **Principle of Transparency:** The principle of transparency states that clear and accessible information to stakeholders about the company's financial performance should be provided. The timely and accurate information ensures that the company is maintaining transparency.
- **Principle of Fairness:** This principle ensures that the working of the company is fair and just. The employees and stakeholders of the company are treated and respected equally and well.

- **Principle of Accountability:** The principle of accountability states that the company is responsible for their actions and decisions. The Board of Directors should be responsible for the governance of the company. The company is accountable for -
 - Stakeholders
 - Shareholders
 - Regulatory Authorities
- **Principle of Responsibility:** This principle advocates that the business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts.
- **Principle of Ethics and Integrity:** This principle advocates that the companies should work with integrity and honesty. They must strictly follow the principle of ethics and integrity in their operations and activities of the company.

The other important principles of corporate governance are -

- Principle of CSR
- Principle of Stakeholders Engagement
- Principle of Risk Management
- Principle of Effectiveness

12.6 GOVERNANCE METRICS INTERNATIONAL (GMI)

In 2014, Governance Metrics International (GMI) was acquired by Morgan Stanley Capital International. Morgan Stanley Capital International is a leading provider which provides support to companies in understanding support tools and services. MSCI also provides support tools and services, including indices, portfolio risk and performance analytics, and governance tools.

Governance Metrics International was known for providing corporate governance ratings and research services. It was an independent research firm specializing in corporate governance. Governance Metrics International was known for providing ratings and analysis of the governance practices of publicly traded companies.



Source:<https://www.groundwatergovernance.org/gmi-a-leader-in-global-governance-research-and-analysis/>

Key features of Governance Metrics International -

- Governance Metrics International (GMI) was acquired by Morgan Stanley Capital International in 2014.
- Governance Metrics International was known for providing corporate governance ratings and research services.
- The company was known for evaluating factors like -
 - Structure of the Board
 - Compensation of the Executives
 - Rights of the Shareholders
 - Other Governance Criteria
- Governance Metrics International (GMI) was an independent research firm specializing in corporate governance.
- Governance Metrics International was known for providing ratings and analysis of the governance practices of publicly traded companies.
- Governance Metrics International helped companies in assessing their corporate governance practices.

12.7 WORLD BANK AND G7 RESPONSE

12.7.1 World Bank and Corporate Governance

The World Bank is also known as the International Bank for Reconstruction and Development (IBRD). It provides financial and technical assistance to developing countries for development projects. The World Bank itself consists two institutions -

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)

It plays a crucial role in responding to global challenges. The Global challenges pose threats to the peace and harmony of the economies. The global challenges like -

- Poverty
- Economic crisis
- Natural calamities
- Pandemics

The World Bank provides loans, grants and technical assistance to promote economic development. The World Bank also works towards improving the living conditions in member countries. It also supports social protection programs.

The World Bank recognizes the significance of good corporate governance in fostering private sector development and attracting investments. If any project is promoted by the World Bank, the emphasis is put on the good governance practices. To strengthen the corporate governance structure, the World Bank provides technical assistance and advisory services to member countries. The focus and due importance is given to the subject of corporate governance.

12.7.2 G7 Response and Corporate Governance

The Group of Seven (G7) is an informal forum of major advanced economies. The advanced economies like -

- Canada
- France
- Germany
- Italy
- Japan
- The United Kingdom
- The United States

The G7 response to various global challenges. Global challenges like economic issues, public health crises, and climate change are discussed. The G7 holds annual summits. The group countries meet and discuss the important issues in the summit to address efficiently.

Like the World Bank, G7 countries support the initiatives of good corporate governance. During their meetings, they discuss corporate governance standards, principles, and frameworks. They also encourage sustainable and ethical business practices and models. G7 countries acknowledge that good

corporate governance practices are vital for financial stability of any country.

Both the World and G7 countries advocate and promote good corporate governance at both the national and international levels. They often collaborate with International Finance Corporation (IFC) and the Organisation for Economic Co-operation and Development (OECD) for the corporate governance initiatives.

The purpose is to promote a good conduction of business with a view to achieve sustainable development and growth. Creating a sustainable and ethical environment which is free from malpractices, corruption and bribery.

12.8 GOVERNMENT AS SHAREHOLDER: THE INSTITUTIONAL INVESTOR AS PROXY FOR THE PUBLIC INTEREST

The concept of Government as shareholder: The institutional investor as proxy for the public interest is a topic which deals with the role of government as a shareholder, possibly in the context of institutional investors representing the public interest.

Government as shareholders holds shares or ownership in one or other from a publicly traded company. A government can have stakes in private companies as well. There may be numerous reasons for holding shares in any company. Some of the relevant reasons may be -

- Strategic Interests
- Policy of Nationalization
- Influence Corporate Behavior
- For Consideration of Public Interest
- Influence on Decision-Making
- For Corporate Social Responsibility
- Balancing Economic Efficiency

While the concept of government as the institutional investors indicates the role of government as institutional investors in pension funds, mutual funds, and other large investment entities. The purpose is to act as representatives or proxies for the broader public interest when they hold significant stakes in publicly traded companies.

12.9 SUMMARY

- A business must undertake the complete responsibility of the social, economical and environmental effects on the society. It not only covers the accountability part but also corrects all the negative impacts. Appropriate measures should be taken to protect the interest

of the stakeholders. The impact of the organization should be positive on the society and its people. Accountability aspect covers the responsibilities towards internal stakeholders and external stakeholders.

- The concept of corporate governance was evolved in the year 1992 by the Securities Exchange Board of India (SEBI). Before the evolution of this term, The Companies Act 1956 governed the working of the companies in India. The recommendations on the governance of the companies were laid down by the Cadbury Committee. The Cadbury Committee in their report “Financial Aspects of Corporate Governance” in 1992 defined corporate governance as the framework by which the organizations are coordinated and controlled.
- Corporate governance is a framework through which organizations are directed, coordinated and controlled. The set of principles and practices which guides the direction of the company is corporate governance.
- Corporate governance is a system through which organizations in an economy are directed, managed and controlled by the Board of Directors. It not only defines the scope and also it is also beneficial for the working of the organization. The scope of corporate governance is very vast and comprehensive.
- Long-term Sustainability, Legal and Regulatory Compliance, Positive Reputation are some of the benefits that a good corporate governance generates.
- Governance Metrics International was known for providing corporate governance ratings and research services. It was an independent research firm specializing in corporate governance. Governance Metrics International was known for providing ratings and analysis of the governance practices of publicly traded companies.
- Both the World and G7 countries advocate and promote good corporate governance at both the national and international levels. They often collaborate with International Finance Corporation (IFC) and the Organisation for Economic Co-operation and Development (OECD) for the corporate governance initiatives.
- The concept of Government as shareholder: The institutional investor as proxy for the public interest is a topic which deals with the role of government as a shareholder, possibly in the context of institutional investors representing the public interest.

12.10 SELF ASSESSMENT TESTS

01. Explain the concept of corporate governance in detail.
02. Discuss the Scope and benefits of Corporate Governance.

03. Write down the Principles of Corporate Governance.
04. Write a note on Governance Metrics International (GMI).
05. Explain the role and contribution of World Bank and G7 with respect to corporate governance.
06. Write note on Government as Shareholder: The Institutional Investor as Proxy for the Public Interest.

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SUSTAINABLE DEVELOPMENT AND CSR

Unit Structure

- 13.1 Objectives
- 13.2 Introduction
- 13.3 Concept of Sustainability
- 13.4 Concept of Sustainable Development
- 13.5 Preparation of Sustainability Report
- 13.6 Format of Sustainability Report
- 13.7 Summary

13.1 OBJECTIVES

After studying this module, you should be able to -

- Understand the concept of Sustainability
 - Know about the relevance of CSR and Sustainable Development in today's world
 - Know about the procedure of preparing the Sustainability Report
 - Know about the format of Sustainability Report
-

13.2 INTRODUCTION

The concept of corporate social responsibility is a fundamental concept. It is a study of the initiatives, practices, policies and actions taken by the businesses to contribute towards the various elements of the society. Corporate social responsibility is a business practice that involves taking care of all the aspects of the business.

The aim of corporate social responsibility is to create a more sustainable and ethical business model. The public recognizes the work of the companies who play a vital role in fulfilling their social obligations towards the various groups of society. The social responsibility of business not only covers the external factors but also it includes the internal elements like employees, owners, shareholders and managers.

Mere focusing on earning profit is not a key feature of Indian companies. Gaining the trust and confidence of the public for the long term growth and survival of business is a requirement of today. Organizations who are more ethical and accountable for the society are considered to be the long players in the world of business. The activities of corporate social responsibility are increasingly putting emphasis on the responsibilities towards internal stakeholders and external stakeholders.

Integrating the social and environmental concerns into the operations and activities of the companies is corporate social responsibility. The concept of Corporate Social Responsibility is a philosophy which states the responsibilities and obligations of the organizations towards the various segments of the society.

The government expects from the businesses that they are complying with the rules and regulations. Governments often set regulations and guidelines as mandatory for the corporations to follow. The guidelines on the following aspects are expected to be followed by the corporates -

- Employee safety
- Working hours
- Reporting requirement
- Social impact measurement
- Compulsory CSR activities

In the present chapter, we will study the concept of sustainability and sustainable development. How to prepare Sustainability Report and Format of Sustainability Report will also be covered under this chapter.

13.3 CONCEPT OF SUSTAINABILITY

13.3.1 Introduction

The concept of corporate social responsibility is beneficial for society, for businesses and for the environment. Each and every act of a business becomes crucially important as the accountability towards the various stakeholders is realized on the ground of corporate social responsibility. The business models are integrated with the core strategies of the businesses and the concept of corporate social responsibility is one of the important strategies.

The concept of corporate social responsibility is based on three principles -



Fig. 13.1: Principles of CSR

The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The second principle of corporate social responsibility is maintaining transparency in all the working activities of the enterprise. The third principle of corporate social responsibility is to be answerable for each and every act.

13.3.2 Meaning Of Sustainability

The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The principle of sustainability puts emphasis on the businesses to work in an efficient and optimal way. Many businesses work on the principles of -

- a. Reuse
- b. Recycle
- c. Regenerate
- d. Resustain

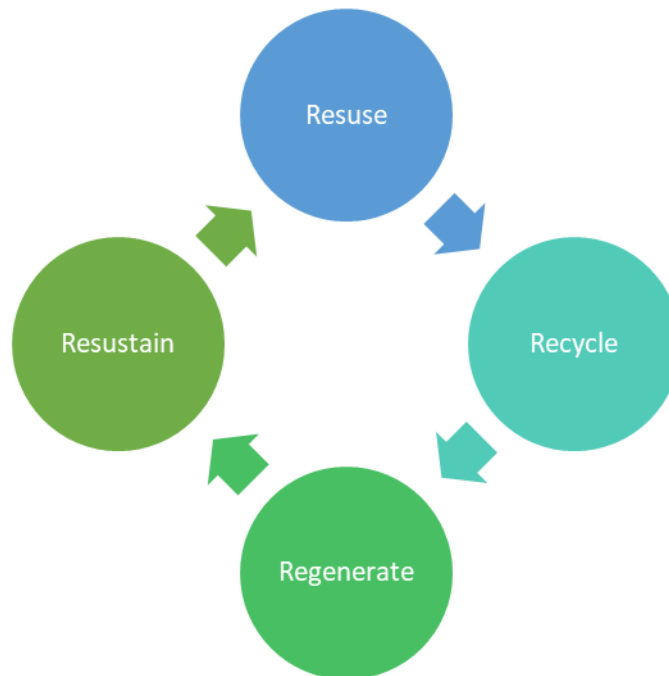


Fig. 13.2: Principles of Sustainability

The concept of sustainability talks about meeting the needs of the present generation without compromising the needs of future generations. The concept of sustainability is a very significant concept in the field of national and international business. Sustainability and CSR are often treated as the same concept but both the terms have different meanings.

CSR - Corporate social responsibility refers to the obligations and duties of a business organization towards the various elements of society.

Sustainability - Sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations.

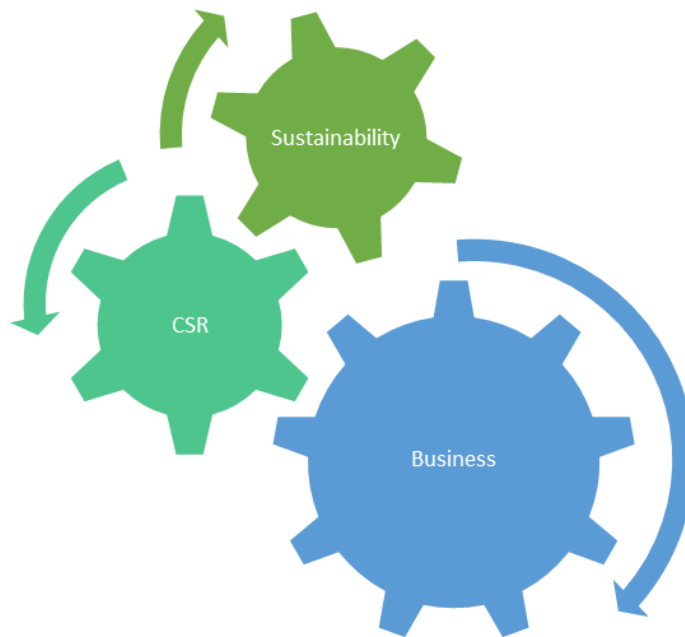


Fig. 13.3: Sustainability and CSR

The concept of sustainability and corporate social responsibility belong together. Both the concepts work for the betterment of organizations and societies. Sustainability and corporate social responsibility are closely related to each other but have different meanings. People often get confused between these two terms. Both highlights the commitment of business towards the consideration of -

- Ethical aspect
- Social aspect
- Environmental aspect



Source: <https://gumiandcompany.medium.com/leveraging-csr-for-partnerships-and-sdg-achievements-e6299aafb5fa>

- **Ethical Aspect :** The ethical aspect under the concept of sustainability and corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the ethical manner. It helps businesses to work with honesty and integrity. The activities like -
 - Ethical Business Practices
 - Ethical Supply Chain
 - Transparency
 - Fair labor practices
 - Respect for human rights
 - Fair governance
- **Social Aspect:** The social aspect under the concept of sustainability and corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the social and economic well-being. The activities like -
 - Skill development
 - Livelihood opportunities
 - Providing basic amenities
 - Adopting some villages
 - Environmental Sustainability
- **Environment Aspect:** The social aspect under the concept of sustainability and corporate social responsibility encompasses the activities which a company is expected to undertake for contributing to the protection of the environment. The activities like -
 - Reducing carbon footprint
 - Waste management
 - Biodiversity conservation
 - Environmental Reporting
 - Use of green technologies
 - Environmental education
 - Resource conservation

To sum up this, the following are the key points which highlights the connection between the the concept of sustainability and corporate social responsibility -



Fig. 13.4: Connective Points

13.4 CONCEPT OF SUSTAINABLE DEVELOPMENT

13.4.1 Meaning

The term ‘Sustainable Development’ encompasses a concept which focuses on the needs of the present without compromising the ability of future generations to meet their own needs. The focus of sustainable development is to have a balanced economic, social and environmental development. Keeping the resources for the future generation is the main focus of sustainable development. The scope of sustainable development is wide and comprehensive.

According to the World Commission on Environment and Development, “Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

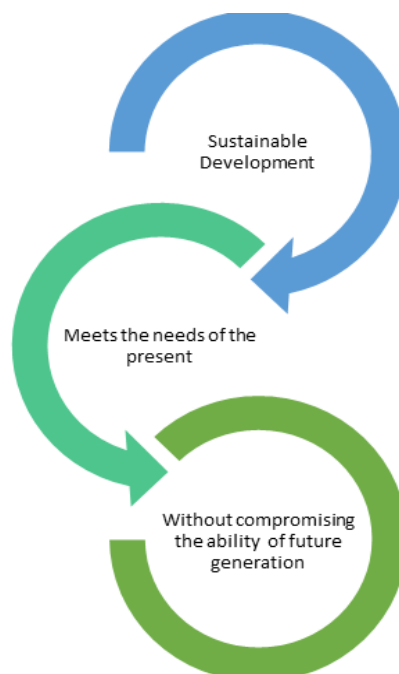


Fig. 13.5: Concept of Sustainable Development

13.4.2 MDG AND SDG

In the year of 2000, Millennium Development Goals known as MDGs were established at the Millennium Summit of the United Nations in 2000. These goals were set for the period from 2000 to 2015. The following goals were set -



Source: <https://www.mdgmonitor.org/millennium-development-goals/>

In 2016, the Sustainable Management Goals succeeded Millennium Development Goals. All the companies working at global level are expected to work on these goals. Companies fulfilling their corporate responsibilities are likely to set an example for others to work in that way. This is not only going to give direction to the companies but also these goals help them to transform the world into a better place.

By 2030, these goals set by the United Nations are meant to be achieved to transform the world.

The international framework of CSR focuses on the prominent international standards. Adhering and complying with the international laws helps organizations to adopt a comprehensive approach. The approach of CSR is very comprehensive. Integration of CSR and international coverage ensures that the business practices adopted by the company are sustainable and global. On a global scale, it shows that the company is adopting a responsible and comprehensive approach towards the fulfillment of social responsibility.



Source: <https://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/>

No Poverty: End poverty in all its forms everywhere.

Zero Hunger: End hunger, achieve food security, and promote sustainable agriculture.

Good Health and Well-being: Ensure healthy lives and promote well-being for all at all ages.

Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Gender Equality: Achieve gender equality and empower all women and girls.

Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.

Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Decent Work and Economic Growth: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Industry, Innovation, and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Reduced Inequality: Reduce inequality within and among countries.

Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient, and sustainable.

Responsible Consumption and Production: Ensure sustainable consumption and production patterns.

Climate Action: Take urgent action to combat climate change and its impacts.

Life Below Water: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.

□ **Life on Land:** Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Peace, Justice, and Strong Institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels.

Partnerships for the Goals: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

13.5 PREPARATION OF SUSTAINABILITY REPORT

Sustainability report is also known as corporate social responsibility report. Preparing a sustainability report involves communicating the economic, social, and environmental performance of an organization. In the field of corporate social responsibility, protecting the environment is a crucial aspect. Companies can frame guidelines to reduce the impact of greenhouse gasses. Companies can Implement strategies to conserve natural resources like water and energy. To adopt sustainable practices, companies can adopt an effective way to manage a sustainable supply chain model. Through environmental education programs, companies can encourage the public to prudently use the resources.

The reporting standards like Global Reporting Initiatives can be used to assess the impact of CSR initiatives. Global Reporting Initiatives is one of the platforms for the companies to fulfill a framework for the report of sustainability. This framework allow companies to measure, assess and present their various performances in terms of -

- Economic
- Social
- Legal
- Environmental
- Governance Policy

Social impact assessment is a process of evaluating and analyzing the effects of the CSR initiatives on the general public, society, social system and government. It is the process through which a company assesses the performance of its CSR activities to know its social impact on society. The purpose of this assessing social impact is to know the effectiveness and efficiency of the CSR program undertaken by the company.

This assessment helps companies in -

- Assessing their CSR initiatives and programs
- Knowing the effectiveness of CSR programs
- Knowing the way of doing business in a more social and sustainable way
- Knowing the impact is positive or negative

Before preparing a sustainability report, it is important to follow certain steps. Constituting a committee to ensure that the CSR of a company is fulfilling its obligations is important. The following process can be adopt to have a proper process of conducting CSR assessment -



Fig. 13.6: Process of Conducting a CSR Assessment

Step I - Establish Standards and Criteria

The first step in conducting a CSR assessment is establishing the standards and criterias for the evaluation process. This step involves setting the standards and aspects which will be measured to ensure that the measures taken by the organization are in alignment and effective. The criteria or standards can be set by taking into consideration the various parameters. It can be on -

- sustainable practices
- Environmental Protection
- Ethical Business Practices

Step II - Ensuring Alignment

The second step advocates that a corporate social responsibility policy provides a platform to the companies to work more diligently and responsibly. The alignment between the companies policies and objectives and the CSR activities should be ensured in this step of conducting an assessment for CSR activities.

Step III - Assessment and Evaluation

The third step in conducting a CSR assessment is assessment and evaluation of the CSR activities and standards. This step compares the actual working of CSR with the standard working set by the Committee for the assessment process.

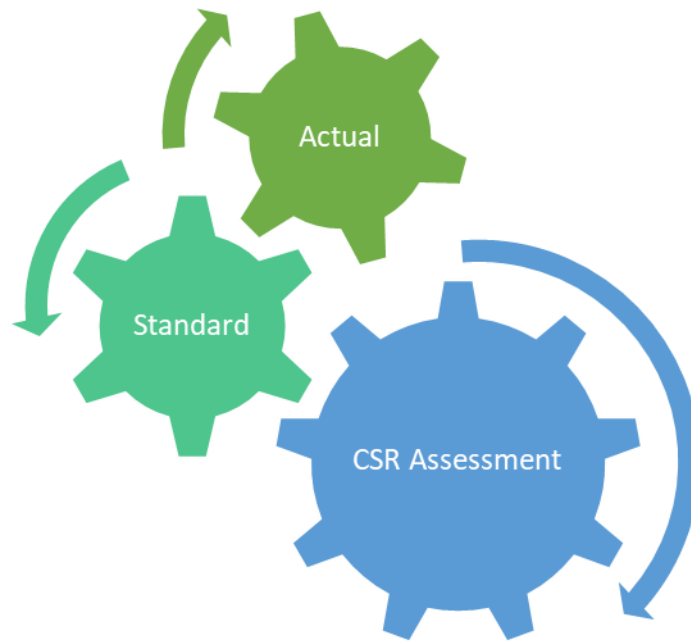


Fig. 5.6: Assessment and Evaluation Step

Step IV - Preparation of Report

The last and the final step in conducting an assessment for CSR is preparation of a report after all the steps. The report may contain a format to show what is and what should be? This report

serves as a document to continuing or discontinuing the activities under the category of CSR. the report highlights the -

- Strengths
- Weaknesses
- Opportunities
- Recommendations

Based on the ESG, the stakeholders evaluate the companies. They assess the company's environmental impact, how well they are oriented towards social responsibility, what are their governance practices? On The basis of these parameters, they make investment decisions. Companies follow this criteria to show their commitment to their stakeholders towards the various aspects of society.

The reporting framework of sustainability is a systematic system of reporting the CSR management system and its performance. It is an important aspect of a company's commitment to manage their CSR activities and keep it aligned with the sustainability and ethical business practices. The reporting framework provides a guideline to organizations regarding the internal system and external system of CSR.

The reporting framework involves disclosing information about a company's -

- Social Performance
- Economic Performance
- Environmental Performance
- Ethical Performance

The reporting framework for CSR varies from country to country, region to region and industries to industries. But, globally several common guidelines and standards are widely accepted. The reporting framework helps companies to communicate their work and commitment in front of the whole community with respect to CSR. Reporting helps companies to show their dedication towards maintaining transparency, ethical aspects in business and sustainability.



Source:<https://www.esgthereport.com/what-is-esg/the-g-in-esg/how-to-write-a-sustainability-report/>

The reporting framework of sustainability indicates that the company has to encompass various standards, guidelines, initiatives and standards to fulfill social responsibility at international level. The international framework of CSR encourages organizations to work globally. The framework helps organizations to work more ethically at an international level. Their positive contribution to the world can set an example for other companies to fulfill their corporate social responsibility.

13.6 FORMAT OF SUSTAINABILITY REPORT

Sustainability report is of vital importance for both the companies and their stakeholders. It serves as a platform for companies to communicate their commitment towards the various aspects of society. Sustainability reporting helps in engaging and involving the participation of the community.

The format of sustainability report is based on the organization's preferences, the chosen reporting framework, and the specific needs of stakeholders. It varies from organizations to organizations. A normal report format usually have the following structure -

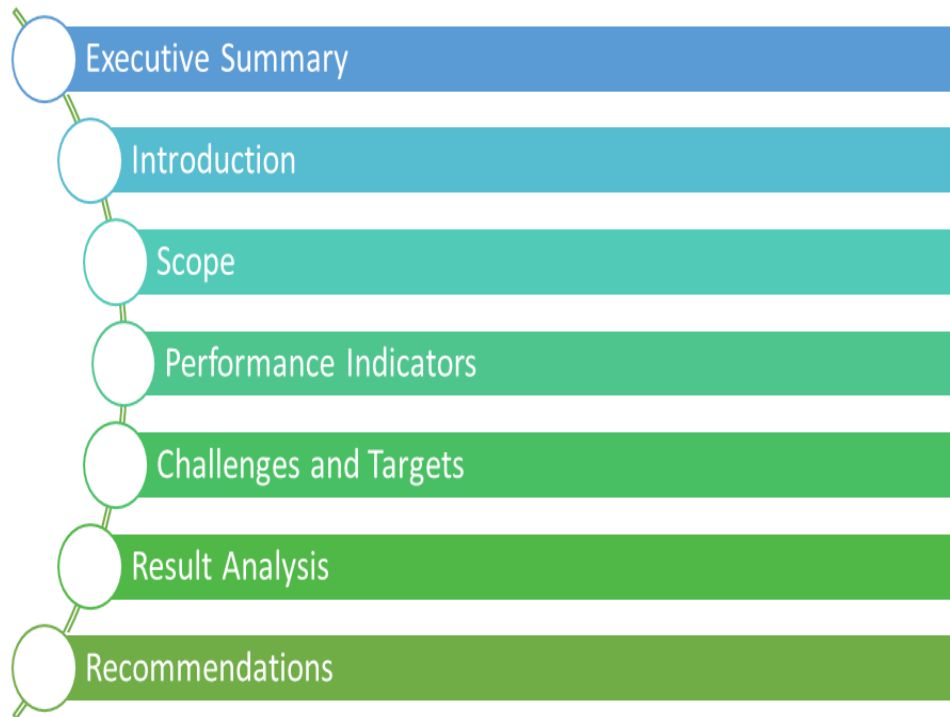


Fig. 5.7: Format of Sustainability Report

13.7 SUMMARY

- The concept of sustainability is based on the ideology of utilizing the present resources in a prudent way to keep something preserved for the future generations. The second principle of corporate social responsibility is maintaining transparency in all the working and activities of the enterprise. The third principle of corporate social responsibility is to be answerable for each and every act.
- The concept of sustainability and corporate social responsibility belong together. Both the concepts work for the betterment of organizations and societies. Sustainability and corporate social responsibility are closely related to each other but have different meanings. People often get confused between these two terms.
- The term 'Sustainable Development' encompasses a concept which focuses on the needs of the present without compromising the ability of future generations to meet their own needs. The focus of sustainable development is to have a balanced economic, social and environmental development. Keeping the resources for the future generation is the main focus of sustainable development. The scope of sustainable development is wide and comprehensive.

- Sustainability report is also known as corporate social responsibility report. Preparing a sustainability report involves communicating the economic, social, and environmental performance of an organization. In the field of corporate social responsibility, protecting the environment is a crucial aspect. Companies can frame guidelines to reduce the impact of greenhouse gasses
- The format of sustainability report is based on the organization's preferences, the chosen reporting framework, and the specific needs of stakeholders. It varies from organizations to organizations.

13.8 SELF ASSESSMENT TESTS

01. Explain the concept of sustainability reporting framework in detail.
02. Discuss the various Reporting Framework of sustainability.
03. Explain the importance of CSR reporting.
04. Write in detail about the various Sustainable Development Goals.
05. Explain the relevance of Corporate Social Responsibility and sustainable development.

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