



**C**orporate

**S**ocial

**R**esponsibility

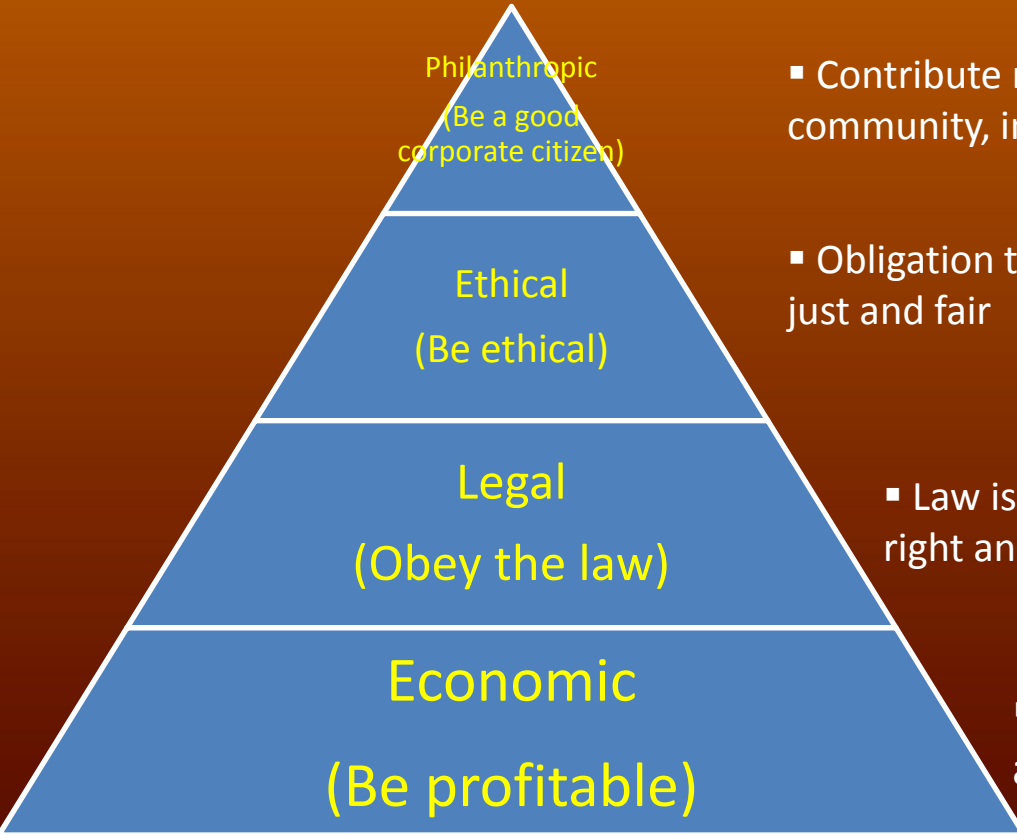
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# Definitions



1. 'The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large'.
  - World Business Council For Sustainable Development
2. 'A commitment to improve community well being through discretionary business practices and contributions of corporate resources'.
  - Philip Kotler and Nancy Lee (2005)
3. 'A way companies manage the business processes to produce an overall positive impact on society'.
  - Mallen Baker, Founding Director, Business Respect
4. 'A multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities'.
  - Archie Carroll (1991)

# The Pyramid of CSR



Philanthropic  
(Be a good  
corporate citizen)

- Contribute resources to the community, improve quality of life

Ethical  
(Be ethical)

- Obligation to do what is right, just and fair

Legal  
(Obey the law)

- Law is society's codification of right and wrong

Economic  
(Be profitable)

- The foundation upon which all others rest



# CSR Development in India of philanthropists and charity

## First Phase

(1850-1914 )

Driven by noble deeds of philanthropists and charity

## Second Phase

(1914-1916 )

Largely influenced by Mahatma Gandhi's theory of trusteeship. Industrialists pressurized to show their dedication towards the benefit of the society

Four Phases of CSR  
Development in India

## Third Phase

(1960 – 1980)

CSR influenced by the emergence of Public sector undertakings to ensure proper distribution of wealth  
Fourth Phase

## Fourth Phase

(1980 until the present)

Indian companies integrated CSR into a sustainable business strategy. What started as charity is now understood and accepted as responsibility.



# Current state of CSR in India



- ❑ Priority of business is getting widened from 1 P to 3 Ps by inclusion of People and Planet with Profit.
- ❑ Short-term, charity based welfare interventions are being replaced by long-term, empowerment – based CSR.
- ❑ Based on the realization that business cannot succeed in a society that fails, CSR is being considered as an imperative for carrying on business in the society rather than as a charity.
- ❑ The new Companies bill passed by both Lok Sabha and Rajya Sabha mandates the corporates to spend 2% of their average net profits of the last three financial years towards CSR.
- ❑ This is applicable for companies with a turnover of 1000 Cr/ PAT of 5 Cr/ or net worth of 500 cr. The new bill replaces the Companies act 1956 and emphasizes carrying forward the agenda of Corporate Social

## CSR Importance and its Relevance Today

CSR as a strategy is becoming increasingly important for businesses today because of three identifiable trends

### 1. Changing social expectations

Consumers and society in general expect more from the companies whose products they buy. This sense has increased in the light of recent corporate scandals, which reduced public trust of corporations, and reduced public confidence in the ability of regulatory bodies and organizations to control corporate excess.

### 2 Increasing affluence

This is true within developed nations, but also in comparison to developing nations. Affluent consumers can afford to pick and choose the products they buy. A society in need of work & inward investment is less likely to enforce strict regulations and penalize organizations that might take their business & money elsewhere. Overview of Corporate Social Responsibility



3.  
Globalization  
and free flow of  
Information

Growing influence of media sees any mistakes' by companies brought immediately to the attention of the public. In addition, the Internet fuels communication among like-minded groups and consumers - empowering them to spread their message, while giving them the means to coordinate collective action.





# Few Key Steps to Implement CSR Successfully

- a. Better communication between top management and organisation
- b. Appoint for CSR position
- c. Good relationship with customer, supplier, stakeholder
- d. Annual CSR audit
- e. Feedback process





# Companies Bill and CSR

Allow corporates to harness and channelize their core competencies as well as develop effective business models

Promote and facilitate far better connect between businesses and communities

## **Purpose of Inclusion of CSR in the Companies Bill**

Facilitate deeper thought and longer term strategies for addressing some of our most persistent social, economic and environmental problems

Assist in synergizing partnerships between Corporates, Governments, Civil Society Organizations, Academic Institutions and Social Entrepreneurs



# Companies Bill and CSR – Clause 135

Every company with

Net Worth of Rs.  
500 Crores or more

Turnover of Rs 1000  
Crores or more

Net Profit of Rs. 5  
Crores or more

During any financial year

Shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.



# Companies Bill – Permissible CSR Activities

Schedule VII of the Companies Bill requires the CSR policy created by the CSR committee involve at least one of the following focus areas:

- a. Eradicating extreme hunger and poverty;
- b. Promotion of education;
- c. Promoting gender equality and empowering women; Reducing child mortality and improving maternal health;
- d. Combating [HIV], [AIDS], malaria and other diseases;
- e. Ensuring environmental sustainability;
- f. Employment-enhancing vocational skills;
- g. Social business projects;
- h. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- i. Such other matters as may be prescribed.



# World of CSR

- USA: CSR is in terms of philanthropic model. Not mandatory.
- Europe: European Union actively engaged in CSR regulation and public policy. Voluntary and not mandatory.
- UK: Through the Companies Act, 2006 but not mandatory.
- Canada: Adopted CSR in 2007 but not mandatory.
- Denmark: Adopted CSR in 2008 but not mandatory. Information to be part of Annual reports. If no CSR policy then it should state. Hence voluntary.



# CSR in India

1. 2014 – India first country in the world to enact a mandatory minimum CSR spending law.
2. CSR - evolving with the development of India. It has moved from mere charity & philanthropy to women empowerment & rural development, institutional building to community development.
3. India is one of the fastest growing economy, population and poverty and gap between have and have - nots.
4. 1859 during industrialisation, CSR was charity and donations
5. During Independence – women empowerment and rural development



# Tata:

- a. First to establish labour welfare practices, even before these were made statutory laws across the world.
- b. Eight-hour workday in 1912
- c. Free medical aid in 1915
- d. Welfare Department in 1917
- e. Leave with pay, Workers Provident Fund and Workmen's Compensation in 1920
- f. Maternity Benefit for ladies in 1928.



- 2008 Amendment Act to the Companies Act, 1956 – section 217 stated that the Directors' Report should contain information on conservation of Energy.
- 2009 Ministry of Corporate Affairs issues Voluntary Guidelines for CSR.
  - a. Act ethically, transparent and accountable for acts.
  - b. Goods and services should be safe and contribute to sustainability
  - c. Should promote well being of workforce
  - d. Respect interest of stakeholders
  - e. Human rights
  - f. Protect and restore environment
  - g. Responsibly influence public and regulatory policies
  - h. Promote equitable development





1. 2011, SEBI mandated the Listed Companies to report on Environment, Social and Governance initiatives taken.
2. Companies Act, 2013 was enacted.
3. Section 135 (1) of the Act 2013 makes it mandatory:
  - ✓ A net worth of at least 500 Cr, or
  - ✓ A turnover of at least 1000 Cr, or
  - ✓ A net profit of at least 5 Cr
4. Section 135 (1):
  - ✓ CSR Committee consists 3 directors, one of which to be independent.



1. Section 135 (3):

- a. CSR Committee – formulate CSR Policy and recommend to Board.
- b. Recommend the CSR expenditure.
- c. Monitor CSR Policy

2. Section 135 (3) (a): Schedule the list of CSR activities Schedule VII:

- ✓ Promoting public health
- ✓ Ending hunger & poverty
- ✓ Supporting education
- ✓ Addressing gender inequality and empowering women
- ✓ Funding cultural activities and arts
- ✓ Combating HIV, AIDS, malaria and other diseases
- ✓ Contributing to prime minister relief fund or any other welfare fund
- ✓ Social business projects
- ✓ Backward classes, minorities and women.
- ✓ Such other matters as may be prescribed.



# CSR Rules 2014 effective from 01.04.2014

- a. Rule 2 (c): Definition of CSR not limited to Schedule VII.
  - b. Rule 8: CSR Report shall contain particulars as per Annexure.
  - c. Rule 4 (2): CSR through Registered Society or Trust or a section 8 company is allowed.
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- 1. There is no specific definition of CSR in 2013. Schedule is reference and Company may decide as applicable as per advice of the CSR Committee. Flexibility is there.
  - 2. GOI issued Notification dated 12.04.2013 issued 'Guidelines on CSR and sustainability Central Public Centre Enterprises', with effect from 01.04.2014.
  - 3. General Circular No. 21/2014 on CSR dated 18.06.2014, giving clarification on interpretation of section 135 read with Schedule VII:

